CITY OF HERMANTOWN
AGENDA

Pre-Agenda Meeting Monday, May 4, 2026 at 4:30 p.m.
Council Chambers, City Hall - Hermantown Governmental Services Building

City Council Meeting Monday, May 4, 2026 at 6:30 pm
Council Chambers, City Hall - Hermantown Governmental Services Building

1. **CALL TO ORDER**

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL**

4. **ANNOUNCEMENTS**
   Council Members may make announcements as needed.

5. **PRESENTATIONS**

   A. **Hermantown Data Center - Fiscal Impacts**
   Todd Hagen, Ehlers

   B. **Section 14 Update**
   David Bolf, City Engineer
   (Pre-Agenda Only)

   C. **First Quarter Financials**
   Kevin Orme, Director of Finance & Administration
   (Pre-Agenda Only)

6. **PUBLIC HEARING**
   Only when necessary. The rule adopted three minutes per person if necessary. Any action required after the public hearing will be taken immediately following the closing of the public hearing.

   A. Public Hearing regarding a proposed property tax abatement

   I. **2026-45 Resolution Approving A Development Agreement And A Tax Abatement Agreement With Harmony Group, LLC For The Hermantown Data Center Project**

   (motion, roll call)

7. **COMMUNICATIONS**

This agenda has been prepared to provide information regarding an upcoming meeting of the Hermantown City Council. This document does not claim to be complete and is subject to change at any time.

A. Correspondence 26-120 through 26-206 placed on file

8. **PUBLIC COMMENT**

This is the time for individuals to address the Council about any item not on the agenda. The time limit is three minutes per person. Speakers who wish to comment at this time or later on agenda items should be signed up prior to the start of the meeting. A sign-up sheet is available in the lobby prior to the meeting for verbal remarks. As always, written comments may be submitted to the City Clerk before the end of the meeting.

9. **CONSENT AGENDA**

All items on the Consent Agenda are items which are considered routine by the City Council and will be approved by one motion via voice vote. There will be no discussion of these items unless a Council Member or citizen requests, in which event the item will be removed from the Consent Agenda and considered at the end of the Consent Agenda.

A. **Minutes** - Approval or correction of April 20, 2026 City Council Continuation Minutes and the April 27, 2026 City Council Work Session Minutes

B. **Accounts Payable** - Approve general city warrants from April 16, 2026 through April 30, 2026 in the amount of $724,216.63

10. **RESOLUTIONS**

Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote.

A. **2026-46 Resolution Approving Special Use Permit For Construction Of An Accessory Structure In Excess Of 1,200 Square Feet In The R-3 Zoning District At 3711 Sugar Maple Drive (395-0134-00250) And Imposing Conditions Thereon**

(motion, roll call)

B. **2026-47 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Utility Agreement With Michael And Kenrea Perell**

(motion, roll call)

11. **RECESS**

City of Hermantown

As of 03/31/2026

Cash/Investments per Fund

City Sales Tax Fund	12,384,600
Water Fund	6,810,362
Sewer Fund	7,776,022
General Fund	6,717,433
Other Funds	14,592,549
Total	48,280,966

Who holds our money

4M	10,676,780
RBC	15,037,516
NBC	7,376,362
Pershing/Ehler's	0
Moreton/U.S. Bank	15,190,308
Total	48,280,966

How our money is invested

	3/31/2026
Cash	2,952,736
Short Term Inv (Money Market)	11,107,316
Short Term Inv (CD)	4,423,626
Long Term Investment	29,797,288
Total	48,280,966

Year(s) our Investments mature

2026	7,773,819
2027	5,646,013
2028	5,175,986
2029	5,647,546
2030 & Later	9,977,550
Total	34,220,914

City of Hermantown

Select Departmental and Funds Expenditure Actual to Budget Report

	TARGET (Q1 2026)	ACTUAL (Q1 2026)	PERCENT UNDER (OVER)
Administration & Finance	219,646	215,699	2%
Community Development	119,149	88,566	26%
Police Administration *	1,062,876	959,639	10%
Fire Administration *	209,829	187,552	11%
Street Dept. (Incl. Gen Eng)	276,512	157,890	43%
Parks *	43,983	8,701	80%
Capital Equipment Transfer	188,750	188,750	0%
Facilities *	112,538	103,246	8%
Other *	232,889	157,545	32%
General Fund Expenditure Total	**2,466,172**	**2,067,587**	16%
Water	694,439	367,672	47%
Sewer	557,592	258,039	54%
Stormwater	100,517	35,101	65%
City Sales Tax Revenue *	316,667	282,388	-11%
Community Recreation Initiative Sales Tax Revenue *	158,333	141,194	-11%

* Sales tax revenue - Tax revenues earned in month 1 are remitted to the State in month 2.
In Month 3 the State disburses to Municipalities. Due to this lag, only one
month of 2026 has been received as of 04/21/2026

CITY COUNCIL MEETING DATE: May 4, 2026

TO: Mayor & City Council

FROM: Chad Ronchetti, Economic Development Director

SUBJECT: Development and Tax Abatement Agreements with Harmony Group, LLC

☒ **RESOLUTION:** 2026-45 ☐ **ORDINANCE:** ☐ **OTHER:**

REQUESTED ACTION

Approve a Development Agreement and Tax Abatement Agreement for data center technology campus in Section 31 of the City

BACKGROUND

The City has been working with the project proposer, Harmony Group LLC (a Google owned subsidiary), to evaluate a potential data center technology campus in Section 31 of the City. The proposed project would be constructed in up to four separate phases, including up to four data center buildings, with Phase I having a minimum capital investment commitment of $650 million, and each additional phase anticipated to have a similar level of capital investment.

There are several outstanding project milestones that will require action following action on the Development Agreement and Tax Abatement Agreement. Those milestones include, but may not be limited to, the Environmental Review, Special Use Permit, Commercial Industrial Development Permit, and Platting. An affirmative vote on the Development Agreement and Tax Abatement Agreement will be contingent on subsequent completion of the Environmental Review and approval of all remaining permits.

City staff worked in coordination with three separate attorney firms drafting these agreements: Overom Law, City Attorney; Fryberger, local abatement and bond attorney; and DLA Piper, an attorney firm in Chicago specializing in data center contracting and land use.

Development Agreement

This Development Agreement establishes the infrastructure obligations of each party, the conditions governing their performance, and the regulatory commitments the City makes to support the Project. The Agreement does not obligate the City to approve the Special Use Permit, Commercial Industrial Development Permit, Preliminary or Final Plat, or the AUAR — each of these requires separate action. Nor does the Agreement obligate the Company to proceed with the project. If construction does not commence on the project within five years of the Effective Date, either party can cancel the Agreement.

The Company will construct all water, sewer, and road improvements at its sole cost. Upon completion, the Company will transfer the utility infrastructure over to the City and the road improvments over to the County and State. The Company will build the infrastructure to the standards we have set, and the infrastructure will become a publicly owned asset. The total estimated cost of the public improvements, inclusive of financing costs, is approximately $130,000,000.

The City will lead any right-of-way and easement acquisition required, under a previously approved contract with Kimley-Horn, but the Company is responsible for all costs by funding a City controlled escrow account. Before starting construction on the utility extensions and road improvements, the Company must post security equal to 125% of estimated costs of all public improvements, and failure to complete the public improvements becomes an event of default.

Through this Agreement, the Company is limited to no more than 50,000 gallons per day of water with up to 3,000 gallons per minute for fire flow demands during operation.

The Company acknowledges in this Agreement that the information provided to the City is public data under state law. However, the Agreement provides the Company 10 business days to seek a court order blocking disclosure of Confidential Information following any Minnesota Government Data Practices Act request. The Company indemnifies the City for costs related to any resulting disclosure delay and bears the litigation risk if it contests disclosure.

The Agreement allows for the project to be built in up-to four phases. However, it is anticipated that there will be three phases, inclusive of three separate data center buildings. The Term of the Agreement is no longer than 31 years after the Effective Date or until the termination of the Tax Abatement Agreement, whichever is less.

Tax Abatement Agreement

The Tax Abatement Agreement would induce a minimum of $650 million in private investment, the creation of at least 40 high-quality employment positions in the City paying more than $75,000 per year, enhance and diversify the economic foundation of the City and the region, and significantly increase the tax base.

The Developer will pay all real estate taxes it owes in full. Under the Tax Abatement Agreement, the City will effectively dedicate a portion of the City's taxes to repaying the Company for the public improvements they are constructing under the Development Agreement.

The school district – ISD 700 – has declined to participate in the abatement. The school will not be abating any portion of their taxes generated.

Abatement Mechanics

Once the taxes are collected, the City will retain the baseline tax (the amount of tax that exists today) and first $100,000 of the new City taxes created by the project. After the initial retention, the City will retain 15% of the remaining new taxes created by the project before calculating the abatement. That calculation results in a rebate of 85% of the new City taxes created by the project after deducting the baseline tax and an initial $100,000.

The Agreement applies to strict hard caps to the Abatement amount:

- By state statute, the City is only allowed to abate 10% of its total Net Tax Capacity (its entire tax base). This agreement requires that the project's abatement cannot exceed 7% of the of the City's Net Tax Capacity in any given tax year. This cap ensures that the City retains 30% of its abatement capacity for other economic development initiatives, financing for public infrastructure, or any other allowable use.
- The Agreement also places a hard dollar cap on the total aggregate amount for all phases. The Ehlers abatement forecast anticipates an aggregate amount of $70 million in abatement value (inclusive of inflation) for the Developer inclusive of all phases of the project. If the project creates more than the forecasted amount, the abatement will not be allowed to exceed $80 million in City abatement over the life of the agreement. If the project creates less than the forecasted amount over the life of the agreement, the Company will only receive the actual amount created.
- If either cap is hit, abatements on the most recently completed Phase are reduced first.

The Agreement states the value of the City's abatement program at $33.5 million. That figure is calculated in present value dollars — meaning it reflects what those future payments are worth in today's money, using a 6.5% discount rate (industry standard). The same payments expressed as nominal future dollars - growing at the 4% annual inflation rate recommended by the City's financial consultant Ehlers - total approximately $70 million. The difference is not a discrepancy — it is the effect of time. A dollar paid to the developer in 2045 is worth less than a dollar paid today, and present value accounting adjusts for that.

Abatement Period

Each phase of the project (to be platted to individual parcels) would receive a 20-year abatement beginning the year following the commercial operation date – effectively the taxes payable in the second year after commercial operation. The 20-year term is allowed because ISD 700 declined to participate. If the abatement does not trigger the hard dollar cap, the maximum term of this agreement is 31 years across all phases. However, the abatement analysis completed by the City's financial consultant Ehlers assumed a two-year gap between the completion of phases, anticipating a combined abatement term of 28 years for all three abatements.

Employment Requirements

The first phase will create 40 full-time jobs, which will be created by the end of the third calendar year following the initial Certificate of Occupancy and will be maintained for five years following the commercial operation date. Each additional phase will create 30 new full-time jobs. The jobs are required to be at the project site and working at least 35 hours per week, with wage requirements of at least 120% of the St. Louis County average weekly wage, recalculated every year; based on the most recent data shared by the United States Bureau of Labor Statistics, this equates to an annual salary of $76,190.

Starting with the second tax year of an abatement period, if the employment target for a phase is not met, the abatement is reduced in direct proportion to the shortfall. For example, if the Developer only creates half the jobs, they will receive only half the allotted abatement. Failure to meet the job creation goals ends further abatement payments.

Financial Considerations

The Developer has agreed to make annual payments to both ISD 700 and the City in recognition of and consideration for the potential impacts and commitments. Payments will commence on the initial commercial operation date.

- *School District*:
  Payments to ISD 700 will begin at $850,000 and increase by $50,000 per year for 28 years. The resulting value of these payments is $42.7 million.

  Payments will be made to the City, which in turn passes through to ISD 709. The mechanism would be a Joint Powers Agreement between the City and the District establishing a dedicated District Fund.

- *City:*
  Payments to the City will begin at $150,000 and increase by $7,500 per year for 20 years. The resulting value is $4.425 million.

Both the payments to the school and to the city are unrestricted and can be spent at the discretion of each. Payments also survive termination of the Agreement for any reason, including Developer-initiated termination, and are binding to any future successors.

Forecasted City Tax Impact

Using initial Estimated Market Values provided by St. Louis County Assessors, the City's financial consultant Ehlers conducted an abatement cashflow forecast analysis on the three phases. Those cashflows are attached. Ehlers modeled two scenarios:

1) 100% Abatement - This scenario is intended to show the full value of the taxes generated by the project for each phase.
2) 85% Abatement – This scenario is intended to show the value of the proposed 85% abatement rate.

As previously mentioned, the analysis assumed a two-year gap between the completion of phases, anticipating a combined abatement term of 28 years for all three abatements. The forecasts also assume a static tax rate. At full project completion, assumed to be in 2033, the tax profile for the City is as follows:

- *City (after abatement):*
  - Annual Revenue: $447,773
  - Total Revenue: $12,341,341

The school district will collect 100% of the taxes associated with this project.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Resolution
Development Agreement
Tax Abatement Agreement
Ehlers Abatement Analysis Documents
Tax Profile Graphic

Resolution No. 2026-45

<u>Resolution Approving A Development Agreement And A Tax Abatement Agreement With Harmony Group, LLC For The Hermantown Data Center Project</u>

WHEREAS, Harmony Group, LLC ("Developer") is working to develop a data center in the southwest corner of Hermantown ("Project"). The Project will include the construction of a data center technology campus with ancillary buildings and infrastructure up to 1.2 million square feet of building space. The Project will be built in up to four phases and will include the construction of roadways, sewer line extensions, and water main extensions; and

WHEREAS, Developer is an affiliate of Google, an American multinational technology corporation focused on information technology, online advertising, search engine technology, email, cloud computing, software, quantum computing, e-commerce, consumer electronics, and artificial intelligence; and

WHEREAS, in order to develop the Project, Developer needs to construct public infrastructure such as a waterline extension and sewer main extension; and

WHEREAS, the Development Agreement sets forth the terms under which the Developer will need to construct the public infrastructure improvements; and

WHEREAS, the Tax Abatement Agreement sets forth the terms under which the Parties will use tax abatement to help finance the construction of the public infrastructure and the terms of additional payments to the City and Independent School District No. 700; and

WHEREAS, the City Council has reviewed the Development Agreement and the Tax Abatement Agreement and believes they are in the best interests of the City of Hermantown to approve the Development Agreement and the Abatement Agreement.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown, Minnesota as follows:

1. <u>Findings</u>. The City Council hereby makes the following findings:

1.1. The benefits to the City from the abatement to at least equal the costs thereof.

1.2. The abatement is consistent with the City's business subsidy policy and the Business Subsidy Act.

1.3. Granting the abatement is in the public interest because it will create high-quality employment positions in the City, increase or preserve the tax base of the City, enhance economic diversity and enhance public infrastructure.

1.4. The Council expects the public benefits to be derived from the abatement.

1.5. The Project property is not located in a tax increment financing district. In any year, the total amount of property taxed abated by the City by this and other resolutions does not exceed ten percent (10%) of the current net tax capacity or $200,000, whichever is greater.

2. The Development Agreement substantially in the form of the attached Exhibit A is hereby approved.

3. The Mayor and City Clerk are hereby authorized and directed to execute and deliver the Development Agreement on behalf of the City.

4. The Tax Abatement Agreement substantially in the form of the attached Exhibit B is hereby approved.

5. The terms of the abatement are set forth in Exhibit B.

6. The Mayor and City Clerk are hereby authorized and directed to execute and deliver the Tax Abatement Agreement on behalf of the City.

Councilor _______ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _______ and, upon a vote being taken thereon, the following voted in favor thereof:

Councilors _______

And the following voted in opposition thereto:

Councilors _______

WHEREUPON, such resolution was declared duly passed and adopted.

STATE OF MINNESOTA)
COUNTY OF ST. LOUIS) SS.
CITY OF HERMANTOWN)

I, the undersigned, being the duly qualified and acting Clerk of the City of Hermantown, St. Louis County, Minnesota, a Minnesota municipal corporation, hereby certify that the above and foregoing Resolution 2026-45 is a true and correct copy of the Resolution as adopted by the City Council on the 4th day of May, 2026.

In Witness Whereof, I have hereunto set my hand and affixed the corporate seal of said City of Hermantown, the 5th day of May, 2026.

____

Alissa McClure, City Clerk

EXHIBIT A
Development Agreement

<u>EXHIBIT B</u>
Tax Abatement Agreement

DEVELOPMENT AGREEMENT

BY AND BETWEEN

THE CITY OF HERMANTOWN, MINNESOTA

AND

HARMONY GROUP LLC

_______________, 2026

DEVELOPMENT AGREEMENT

This **DEVELOPMENT AGREEMENT** ("**Agreement**") is entered into by the **CITY OF HERMANTOWN** ("**City**"), a municipal corporation in the State of Minnesota, and **HARMONY GROUP LLC** ("**Company**"), a Delaware limited liability company (each a "**Party**" and collectively the "**Parties**"). The effective date of this Agreement is _______________, 2026 (the "**Effective Date**").

RECITALS

WHEREAS, the City desires to create employment opportunities for residents of the City and its vicinity, to enhance the City's tax base, to create business opportunities for contractors and vendors in the City and its vicinity, and to support the long-term economic development of the City;

WHEREAS, the Company wishes to construct, own, and operate a data center technology campus, including ancillary buildings and infrastructure of up to approximately 1.2 million square feet of building space (the "**Project**") on certain property within the City, which site is described in the attached **Exhibit A – Property Description** (the "**Property**");

WHEREAS, the Project will consist of at least one (1) but up to four (4) component parts ("**Phases**") on the Property, involving the construction of one or more buildings, including up to four (4) data center buildings, all as more particularly described in and subject to the terms of the Special Use Permit attached hereto as Exhibit D;

WHEREAS, in order to develop the Project, the Company will need to construct roadways, sewer line extensions, and water main extensions as outlined in **Exhibit I** and **Exhibit G**;

WHEREAS, the Project will allow for the construction of public infrastructure improvements that will otherwise be beneficial to the City, its residents, and the residents of the surrounding area;

WHEREAS, the Company, as part of the Project, will employ a workforce of employees and invest in substantial infrastructure;

WHEREAS, the first Phase of the Project will involve at least six hundred and fifty million dollars ($650,000,000) of capital investment by the Company and its affiliates;

WHEREAS, the Company wishes for the City to provide domestic water and wastewater service for the Project;

WHEREAS, to the extent that any outside funds for public financing are available, and mutually agreed upon as suitable, the City will support the application for or make application directly for public funds available for utilities and infrastructure, subject to regular City approvals; and

WHEREAS, based on the obligations of the Parties set forth in this Agreement, the Company and City wish to proceed with the Project;

In consideration of the mutual agreements and covenants herein, the Parties agree as follows:

Article 1 City Procedures

1.1 **City Council Action**. The City Council has approved the Agreement by Resolution # __________, which was adopted by the City Council on __________.

1.2 **Incorporation of Recitals**. The Recitals are incorporated into and shall be construed as part of this Agreement.

Article 2 Approvals and Zoning

2.1 **Approvals to Develop**. The required Project approvals and timelines are set forth in **Exhibit B – Project Approvals**. City represents that **Exhibit B** is a complete list of all Project approvals required by the City. City further represents that no existing City laws or regulations prohibit the completion and occupancy of the Project, and that no Comprehensive Plan amendment is required for the Project following the adoption of the City's 2045 Comprehensive Plan.

2.2 **Project Approval Timeframes**. The Parties agree that it is in their best interests for the development, design, engineering, construction, equipping and start-up of the Project to proceed within a timetable created by the Company and the City. The Parties confirm the reasonableness of the approvals schedule and timing set forth in **Exhibit B – Project Approvals**. City agrees that it will not arbitrarily withhold such approvals, provided that Company's submittals are complete, accurate, timely, and in accord with this Agreement and applicable City ordinances, zoning code, and standard construction specifications ("**Applicable City Rules**") as well as any other applicable laws, rules, requirements, and regulations that have been enacted, issued, or promulgated by any governmental authority (together with the Applicable City Rules, all "**Applicable Rules**").

2.3 **Project Zoning**. City has zoned the Property for Business and Light Manufacturing ("**BLM**") use, for which a data center can be an allowed use under a special use permit. The Project will use the Property for such allowed data center activity. The City agrees that the Property will not be subject to any new zoning restriction unreasonably limiting the use of the Property for the Project, and that City will not support subsequent zoning restriction of the Property intended to materially limit the operations of the Project. The Company agrees to comply with land use regulations, codes and laws affecting the use, improvement, and development of the Property, including applying for a Commercial Industrial Development Permit and Subdivision Application for each Phase of the Project, and nothing in this Agreement constitutes an exemption or grant of a departure from such applicable laws.

2.4 **Lot Reconfiguration**.

(a) The Company will submit in accordance with Chapter 505 of the Hermantown City Code and obtain the City's approval for all preliminary and final plats for the Property or otherwise related to the Project. The City will undertake all reasonable efforts to cooperate with such re-platting for the Project. Notwithstanding the foregoing, the City retains authority to review and approve all plat submissions in accordance with applicable law. The Company will pay all reasonable costs incurred by the City in connection with the review and consideration of the Plat. The Company will provide the City with copies of the final plat as is required under the City's subdivision platting regulations and an electronic copy of the plat consistent with St. Louis County survey datum.

(b) The Company will comply with the requirements of the Wetlands Conservation Act Chapter 8420 of the Minnesota Administrative Rules, and Chapter 21 of the City's zoning code. The Company will execute and deliver to the City for recording with the real estate records in the form of the one attached hereto as **Exhibit J - Declaration of Wetland Restrictions**. The Company will install permanent wetland markers delineating the wetlands on all lots within the plat. Neither the Company nor its successors or assigns shall modify or disturb the wetland areas or stormwater management facilities within the Plat without the prior written approval of the City. Wetlands must be associated with developed parcels and cannot be located on outlots. The owner of each lot within the Plat shall be responsible for the preservation and maintenance of the wetland areas located on such owner's lot. The Company, for itself and its heirs and assigns, grants the South St. Louis Soil & Water Conservation District access to the Property and every lot on the Plat for the purpose of determining compliance with this provision, subject to the Company's Access Protocols, as defined herein under Section 3.3.

2.5 **<u>Project.</u>** City covenants, to the extent legally permissible under applicable constitutional and statutory limitations, that it will not make changes to Applicable City Rules or City Fees that arbitrarily discriminate against or single out the Project.

2.6 **<u>City Process and Review</u>**. Company will submit a master plan to the City for the Project and seek from the City a Special Use Permit as a Communication Service Facility substantially in the form of **Exhibit D – Special Use Permit**. The City will promptly and expeditiously consider the submission as required by Minn. Stats. § 15.99, including any required consideration by the City Planning and Zoning Commission or the City Council. Both for this process and for all other interactions with the City in connection with the Project, the City will designate a member of City staff to serve as Company's single point of contact to assist the Company in facilitating interactions with the City for the Project. In this role, the City point of Contact will respond to reasonable requests of the Company to coordinate meetings between representatives of the Company and the City related to the City's roles, duties, and approvals for the Project.

2.7 **<u>City Fees</u>**. As of the Effective Date, the City fees set forth in **Exhibit C – City Fees**, which reflect the fees established in Section 270 of the City Code (Fee Schedule), are a complete and exhaustive list of applicable Section 270 fees and their amounts for the Project and for the operation of the Facility. Water and sewer availability charges will not be imposed, because the Company is paying for the Public Improvements described herein. City confirms that there are no other applicable fees as of the Effective Date of this Agreement; however, subject to statutory and constitutional limitations City retains the full authority to revise, increase, or establish new fees after the Effective Date, and such changes shall apply to the Project unless expressly stated otherwise in this Agreement.

Article 3 UTILITIES AND EASEMENTS

3.1 **Timing and Rate for Development**. The Parties intend that the Company will build certain public infrastructure, and the City will accept said public infrastructure to provide the water and sewer utility services for the Project as outlined in **Exhibit I – Project Utility Requirements and Infrastructure** and **Exhibit G - Road Improvements** (together, the "**Public Improvements**"). Construction of the Public Improvements shall commence within 5 years of execution of this Agreement. The Parties agree to collaborate in good faith on any additional future utility projects for the Project, as applicable. Company will provide adequate advance notice of any additional utility needs.

3.2 **Infrastructure Requirements**. The Company's water and wastewater utility needs are accurately set forth in **Exhibit I**, including up to 50,000 gallons per day of potable water, up to 3,000 gallons per minute for fire flow demands, and sewer service for the same for the Project; provided however, that the Company anticipates temporary, atypical and non-recurring commissioning demands may require higher daily water volumes at times during construction that will be coordinated in advance with the City. Subject to the Company building and turning over the necessary Public Improvements to the City, the City will exercise all commercially reasonable efforts to provide the Project's domestic water and wastewater needs as set forth in **Exhibit I – Project Utility Requirements and Infrastructure**.

3.3 **Rights of Access and Grant of Property Rights**.

(a) Company will provide City or the South St. Louis Soil & Water Conservation District, as applicable, with supervised access to the Property if required for utility work, stormwater pond maintenance and inspection, compliance with wetland restrictions, or other necessary circumstances, subject to Company's secure access protocols ("**Access Protocols**"). Access shall be between 9 a.m. and 5 p.m., and with at least forty-eight (48) hours' advance written notice to Company, except in an emergency. Access will be subject to compliance with Company's sign-in, security, and applicable access control and safety rules and without unreasonably interfering with the activities of Company. Any representative of the City will check-in with the Company on-site at the security gate and will be accompanied by Company security escorts at all times. All such representatives of the City will carry proper identification, will ensure their own safety, will assume the risk of injury, and will not interfere with Project construction or operations.

(b) City will undertake all reasonably practicable efforts to grant to Company or other entities supporting the Project any reasonably necessary temporary construction easements or permanent easements for gas, electrical, landscaping, or other applicable utilities or services to support the Project.

3.4 **Removal of Easements**. Subject to the vacation process, the City will assist in relocating or releasing the Property from a cartway identified in **Exhibit E – Cartway**, if it has not already done so. If any additional easements are identified, the City also will make reasonable efforts to cooperate to assist in their relocation and release, subject to the vacation process.

3.5 **Public Services**. City will provide public safety services to the Project on par with other similarly-situated properties within the City.

3.6 **Stormwater**. The Project will comply with the City's stormwater requirements. The Project's preliminary stormwater system is identified in **Exhibit F – Stormwater Management**. The Company will retain ownership for the Project stormwater system and will be responsible for the ongoing repair and maintenance. Stormwater systems must be associated with developed parcels and cannot be located on outlots.

Article 4 WATER, SEWER, AND ROAD IMPROVEMENTS

4.1 **Extension of Utility Lines and Road Improvements**. The Parties acknowledge that water and sanitary sewer infrastructure and supply and road improvements are needed for the successful development and operation of the Project. The road improvements also involve St. Louis County and the Minnesota Department of Transportation, which are separate governmental entities. The Parties agree to the construction and expansion of the City's water system and sanitary sewer system to meet the needs of the Project, as detailed in **Exhibit I – Project Utility Requirements and Infrastructure** and of the St. Louis County and the Minnesota Department of Transportation roadways as detailed **Exhibit G – Road Improvements**. Company agrees to cause, at its sole cost and expense, the construction, installation, and completion of the Public Improvements. Company shall bear the cost of Public Improvement maintenance until such time as the Public Improvements are formally accepted by the City.

4.2 **Costs.** The Company will bear the costs of the Public Improvements except as otherwise provided in this Agreement. The City may propose that the capacity of the Public Improvements be increased. If so, then the Company shall obtain an estimate for the incremental cost increase of the increased-capacity Public Improvements and the impact on Project timing. If such incremental cost increase is acceptable to the City, and provided that the Project is not delayed or that any delay is acceptable to the Company, then the Company will proceed with construction of the increased-capacity Public Improvements. The City will reimburse the Company for the incremental cost increase within thirty (30) days of the issuance of a Certificate of Final Completion for the Public Improvements. To the extent that any third-party grants or other funding are available and realized for the Public Improvements, such amounts will be subtracted from the total cost before dividing any remaining cost.

4.3 **Reasonable Cooperation**. The City will use all reasonable efforts to assist with the development of the Project Utility Requirements and Infrastructure and reasonably cooperate to assist with the development of the Road Improvements for the Project in a manner that (1) meets the agreed upon Project timelines, and (2) meets the Parties' design, specification and performance criteria.

4.4 **Plans**. Any Public Improvements constructed by the Company will be built in accordance with the approved Infrastructure Plans and Specifications, and all other applicable codes, regulations, laws, and statutes. The Company will prepare and submit for approval to the

City (and County where applicable) (i) a construction schedule, and (ii) appropriate schematic and design plans, specifications, engineering and together with an estimated construction budget for such work, and as may be updated from time to time based on mutual written agreement of the Parties.

4.5 Permitting. The Company will be principally responsible for obtaining any necessary permitting for the Public Improvements.

4.6 Right-of-Way and Easement Acquisition. The City will lead the right-of-way and utility easement acquisition for the Project and has engaged Kimley-Horn to do so. The Company shall deposit into an escrow account, managed by the City, all of the actual costs associated with acquiring such easements and rights-of-way. Subject to the Company's cost obligations under this Agreement, the City will use commercially reasonable efforts to ensure that such easements are located within County, City and State rights of way wherever possible.

4.7 Review of Public Improvements Engineering Submissions. Before commencing construction of the Public Improvements for the Project, the Company will present its engineering drawings, construction schedule, plans and cost estimates to the City (and County where applicable) for review. If the City (or County where applicable) requests a change to the design, engineering, schedule and/or plan, among others, the Company will submit a revised engineering submission to the City (or County where applicable). Review and approval of the engineering submission by the City (or County where applicable) will not be unreasonably conditioned, delayed or withheld. If revisions are required by the City, the City will provide a detailed list of required changes as soon as possible.

4.8 Communication. The Parties will provide each other with timely updates with respect to the construction progress of the Public Improvements.

4.9 Construction. The Company will construct the Public Improvements in a good and workmanlike manner, consistent with drawings, schedule, plans and cost estimates as reviewed in advance by the City, and each such system must have adequate pressure, capacity and quality necessary to meet the agreed upon specifications.

4.10 Security. The Company will provide the City with a letter of credit, Parent Company Guarantee, or other security, agreeable to the City and the City Attorney, in the amount equal to one hundred and twenty five percent (125%) of the estimated cost of the Public Improvements. The Security will be released upon the issuance of the Certificate of Final Completion. Upon final acceptance of the Public Improvements, such acceptance not to be unreasonably conditioned, withheld or delayed, Company shall assign to the City all assignable warranties from third-party contractors, which Company shall use commercially reasonable efforts to ensure extend for a duration of two (2) years following the date of acceptance.

4.11 Certificates of Completion. The City Engineer will execute and deliver the Certificate of Substantial Completion (Sewer Main, Water Main, and Public Roadway) in the form attached hereto as **Exhibit H** to the City only upon the substantial completion of the Public Improvements and the City Engineer will execute and deliver a Certificate of Final Completion in the form attached hereto as **Exhibit H** to the City only upon the final completion of the Public

Improvements required to be constructed by the Company. "**Date of Substantial Completion**" shall mean the date the City Engineer executes and delivers to the Company and the City a Certificate of Substantial Completion with respect to the Public Improvements. "**Date of Final Completion**" shall mean the date the City Engineer executes and delivers to the Company and the City a Certificate of Final Completion.

4.12 **Transfer of Public Improvements to City**. Upon issuance of a Certificate of Final Completion by the City, and its approval by Company, the City will become the sole owner of the Public Improvements, excepting any Road Improvements on rights-of-way of the Minnesota Department of Transportation or of the County. The Company acknowledges and agrees that, if one or more Certificates of Occupancy are issued for any construction within the Plat before the City Engineer executes the Certificate of Substantial Completion (Sewer Main, Water Main, Public Roadway) in form of the one attached hereto as **Exhibit H**, then the City may, if Company is not satisfactorily progressing said Public Improvements, proceed with such work reasonably needed for the Certificate of Substantial Completion to be issued, and the City may invoice the Company for such reasonable costs, which, if not paid by the Company within thirty (30) days, will be payable by the provider of the Parent Guarantee.

4.13 **Plans and Specifications.** The Company will present detailed plans and specifications for the construction of the Public Improvements to the City Engineer and Public Works Director. All construction work shall be completed strictly in accordance with the approved Infrastructure Plans and Specifications.

4.14 **Testing, Inspection**. The Company acknowledges that the City Engineer may require independent testing of the work done on the Public Improvements prior to determining that the work has been completed in accordance with the Infrastructure Plans and Specifications. The Company further understands and acknowledges that the Company will be responsible for paying the costs incurred in connection with such testing, provided that the City Engineer shall provide a cost estimate to Company, not to exceed $10,000.00, for approval before commencing such testing and the Parties will meet and confer before the City Engineer incurs costs exceeding such cost estimate. The City Engineer may inspect the installation of the Infrastructure Improvements at any time the City Engineer deems reasonably necessary. The City Engineer will review all of the Company's material testing results. The City Engineer will oversee the bacteria test, hydrostatic tests and continuity testing for all water and sewer improvements.

4.15 **"As Built" Plans**. The Company will provide construction record drawings ("as built" plans) for the Public Improvements constructed by it pursuant to this Agreement on paper and electronically in auto-cad format before a Certificate of Final Completion is issued for the Public Improvements. The City will not release the security provided to it hereunder until such "as built" plans have been provided to the City.

4.16 **Interpretation of Plans**. The City Engineer shall, after consultation with designated representatives of the Company, render the determination concerning any questions, ambiguities, or disagreements regarding the interpretation of the plans for the Public Improvements or whether the construction of the Public Improvements has been completed substantially in accordance with the plans.

4.17 Alternative Water and Sewer Sources. The Company may seek the implementation of alternative water sources (such as raw water, gray water, etc.) and alternative wastewater services (such as direct discharge) for the Project, provided that any such alternative surface water sources or alternative wastewater services must comply with all Applicable Rules. Any alternative water sources will be isolated from the City's water system.

4.18 Water and Sewer Service Availability. The City acknowledges that the availability of, and ability to deliver, water and wastewater service is essential to the uninterrupted operation of the Project due to the Project's critical operations ongoing every day at all times. The Company acknowledges that the City's water system is interconnected with the City of Duluth and its wastewater system is connected to WLSSD. The operation of the water and wastewater system is subject to other force majeure events.

(a) **Water and Sewer Service Shortages**. The City's water comes from Lake Superior. In the event of a water shortage, the City will prioritize maintaining water and wastewater services for healthcare facilities, public services, and residential areas. Without impairing the foregoing users, the City will use all reasonably practicable efforts to minimize curtailments affecting the Project.

(b) **Service Interruption**. The City will provide the Company with reasonable advance notice of planned maintenance activities or other service disruptions that may impact water and wastewater services. In the event of an unplanned service interruption or outage, the City will use reasonable efforts to notify the Company, will make reasonable efforts to identify the cause of such service interruption as soon as possible, and will diligently perform appropriate repair, restoration and maintenance measures to restore full water and wastewater operations and service.

4.19 Future System Operations. The Parties recognize that the water and wastewater needs of the Project will evolve, including the possible need for industrial water and wastewater service for the Project including wastewater metering. The Parties agree to work collaboratively and in good faith to address such needs as they arise, which may be addressed by amending this Agreement pursuant to Section 9.5, by entry into a supplemental Development Agreement, or by other means amenable to the Parties.

4.20 Protection of Confidential Information. The City understands and acknowledges that it, its agents, employees, independent contractors and others working under or on behalf of the City may have contact with and access to sensitive and confidential terms, including design and business information ("**Confidential Information**"), of the Company which the Company does not wish disclosed to others. Company believes that release of Confidential Information to the public may endanger its competitiveness. To the extent allowed by the Minnesota Data Practices Act and other state and federal data laws, the City agrees to take reasonable steps to avoid releasing such Confidential Information. The City will adhere to the procedures specified in Section 9.14 of this Agreement affording the Company with an opportunity to respond to requests for Confidential Information and protect the confidentiality thereof.

Article 5 LOCAL SUPPORT

5.1 **Tax Abatement**. The Parties agree that the Project is not reasonably likely to occur absent tax abatements. The City will consider a Tax Abatement Agreement between the City and the Company.

Article 6 TERM

6.1 **Term**. This Agreement will commence on the Effective Date and continue in effect until the termination of the Tax Abatement Agreement between the City and the Company, but under no circumstances longer than thirty-five (35) years.

6.2 **Conditions on Obligation**. This Agreement does not obligate the Company to proceed with the Project, and either Party may terminate the Agreement if Company does not commence construction of the Project within five (5) years of the Effective Date, in which case the Parties shall have no further obligations. Upon issuance of a building permit to commence vertical construction of the first data center building as defined in the CIDP and SUP for the Project, Company's failure to construct the Public Improvements shall be an Event of Default under this Agreement.

Article 7 THIRD PARTY TRANSACTIONS

7.1 **Estoppel Certificates**. City will, upon not less than twenty (20) days prior written request from Company, execute, acknowledge and deliver to Company, in form reasonably satisfactory to Company, a written statement certifying (if true) (i) that this Agreement is unmodified and in full force and effect and a binding obligation of the Parties (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications); (ii) that there is no outstanding notice of an Event of Default hereunder and, to the best of such Party's knowledge, no event has occurred or condition exists which, with the giving of notice or the passage of time or both, would constitute an Event of Default hereunder, and (iii) such other accurate information as may be reasonably requested by the requesting Party. The City acknowledges that an estoppel certificate may be relied upon by transferees or successors in interest to the Company and by mortgagees holding an interest in the site or improvements thereon.

7.2 **No Third Party Beneficiaries**. This Agreement is made for the benefit of the Parties and their permitted assigns and successors in interest.

7.3 **Encumbrances on the Property**. Company is authorized to encumber the Property with one or more mortgages or other encumbrances. Such City permission of encumbrances accepted by the Company does not affect the City's authority to certify unpaid bills for collection as taxes pursuant to Minnesota Statutes § 444.075 or other applicable law.

Article 8 DEFAULT

8.1 **Default**. The occurrence of any one or more of the following will constitute an "Event of Default" under this Agreement:

(a) If either Party should fail to perform any of its obligations under this Agreement as and when required, which failure continues for a period of thirty (30) calendar days after written notice of such failure by the non-defaulting Party. However, if the defaulting Party's failure to perform its obligations as described in this Section is of the nature that it cannot be cured within the thirty (30) day cure period after such written notice from the non-defaulting Party but reasonably could be cured within ninety (90) days, then the defaulting Party will have additional time as determined by the non-defaulting Party in the non-defaulting Party's reasonable discretion, in which to cure such default, provided that the defaulting Party has diligently commenced to cure such default during the initial thirty (30) day cure period and diligently pursues the cure of such default. However, no such notice or cure periods will apply in the case of any such failure which could, in the non-defaulting Party's judgment, absent immediate exercise by the non-defaulting Party of a right or remedy under this Agreement, result in irreparable harm to the non-defaulting Party or danger to the Project or third parties.

(b) If either Party fails to perform any of its obligations as and when required under any executed written agreements relating to the Project other than this Agreement, which failure continues beyond the applicable cure period, if any, specified in that written agreement, or, if no such period is specified, then in the period after written notice set forth in subparagraph (a) above.

8.2 **Remedies**. Upon an event of default that is not cured within the applicable cure period, if any, the non-defaulting Party may seek enforcement or termination of the Agreement.

(a) **Enforcement**. The non-defaulting Party may exercise any or all of rights and remedies provided by applicable law or equity, including, but not limited to, instituting claims for damages (for City default, subject to the Minnesota municipal liability limits), specific performance, and injunctive relief. Each right and remedy is distinct from all other rights or remedies under this Agreement or afforded by applicable law or equity, and each will be cumulative and may be exercised concurrently, independently or successively, in any order. The non-defaulting Party's exercise of any particular right or remedy will not in any way prevent the non-defaulting Party from exercising any other right or remedy available to it. The non-defaulting Party may exercise any such remedies from time to time and as often as it chooses. Among remedies, Company may pursue self-help regarding construction of improvements and obtaining easements and rights-of-way where City has failed to adequately do so.

(b) **Termination**. The non-defaulting Party may terminate the Agreement and seek damages from the defaulting Party.

Article 9 MISCELLANEOUS

9.1 **General Representations of City**. City represents and warrants that it is a duly authorized municipal corporation of the State of Minnesota. To City's actual knowledge, City is not prohibited from consummating the transaction contemplated in this Agreement by any law, regulation, order, or judgment to which the City is bound. City represents that it has full power, legal capacity, and authority to enter into and execute this Agreement, and that the Agreement does not conflict with any other obligations. After acceptance of the Public Improvements by the City, the Company shall have no further responsibility to operate or maintain the Public Improvements.

9.2 General Representations and Warranties of Company. The Company is in good standing, licensed and qualified to do business in Minnesota, all in accordance with Minnesota law, and will remain licensed, qualified, in good standing in accordance with Minnesota law throughout the Term. To Company's actual knowledge, Company is not prohibited from consummating the transaction contemplated in this Agreement by any law, regulation, order, or judgment to which the Company is bound. Company represents that it has full power, legal capacity, and authority to enter into and execute this Agreement, and that the Agreement does not conflict with any other obligations. The Company warrants that it will promptly pay or cause to be paid all real estate taxes at any time levied on the Project. The Company will construct the Public Improvements in accordance with the terms of this Agreement, and all Applicable Rules. The Company will fully cooperate with the City with respect to third-party litigation commenced with respect to the Project.

9.3 Conflicts of Interest. The Company represents and warrants to the City that, to the best of its knowledge, no member of the governing body or other official of the City has a financial interest, direct or indirect, in this Agreement, the Project, or any contract, agreement or other transaction contemplated to occur or be undertaken thereunder or with respect thereto, nor shall any such member of the governing body or other official participate in any decision relating to the Agreement that affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. The Company represents that it has not provided any gift, payment, or financial inducement that would violate applicable conflict of interest laws or City ordinances. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Company or successor or on any obligation and no officer or director of the Company shall be personally liable to the City, under the terms of this Agreement.

9.4 Force Majeure. A Party may assert force majeure in the event of an act, cause or occurrence which: (i) delays or prevents a Party from timely performing its obligations under this Agreement; (ii) arises outside the control of the Party hereto who has the affected obligation; (iii) cannot be prevented by such Party's exercise of due care, prudence and diligence; and (iv) is not the result of the willful misconduct or negligent act or omission of such Party (or its subcontractors or agents). A Party asserting that the force majeure delays or prevents timely performance will have the duty to mitigate the effect of the force majeure. Such affected Party will provide prompt written notice of the occurrence of a force majeure event to the other Party and will have its time for performance extended only to the extent that, and only for so long as, the force majeure either: (i) actually delays or prevents timely performance, if such Party properly exercises its duty to mitigate; or (ii) would have delayed or prevented timely performance if such Party properly had exercised its duty to mitigate but failed to do so. Force majeure specifically excludes the following: (i) any failure, delay, default or bankruptcy by a contractor, subcontractor or other agent of a Party (unless such failure or delay, but not default or bankruptcy, is directly caused by a force majeure); (ii) any Party's failure to receive, or its delay in receiving, any financing, revenues or other sources of funds for any reason; and (iii) the City's failure to receive, or its delay in receiving, all necessary easements, rights of ways, fee simple titles, or other property rights necessary for the construction and installation of the Public Improvements or road improvements, or any grants related thereto.

9.5 **Amendment**. This Agreement, including its Schedules and Exhibits, may be amended or modified only by a written instrument approved and executed by both Parties.

9.6 **Severability**. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect and for any reason whatsoever, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. In the event any such provision is held to be invalid, illegal or unenforceable, the Parties hereto will negotiate in good faith and reasonably cooperate to agree on a provision in substitution for such invalid, illegal or unenforceable provision that is as near in economic benefit as possible to the provision found to be invalid, illegal or unenforceable.

9.7 **Notices**. Any notices or other communications required or permitted under this Agreement shall be sufficiently given if sent by both (1) email and (2) physical copy transmitted by one of the following (a) delivered personally by courier, including overnight delivery service such as Federal Express; or (b) sent by registered or certified mail, postage prepaid, return receipt requested, and addressed as set forth below or to such other address as the Party concerned may substitute by written notice to the other. All notices shall be deemed received based on the date of receipt of the physical copy: (i) if delivered personally, the day of delivery, or (ii) if given by mail, within three days (excluding Saturdays, Sundays, and United States federal holidays) after being mailed.

To the City:	City of Hermantown Attn: Chad Ronchetti, Economic Development Director 5105 Maple Grove Rd Hermantown, MN 55811 cronchetti@hermantownmn.com
And with a copy to:	City of Hermantown Attn: Gunnar Johnson, City Attorney Overom Law 802 Garfield Avenue, Suite 101 Duluth, MN 55802 gjohnson@overomlaw.com
To the Company:	Harmony Group LLC
And with a copy to:	Kutak Rock LLP Attn. Margot Wickman 60 South Sixth Street Minneapolis, MN 55402 margot.wickman@kutakrock.com

9.8 Assignment.

(a) The Company may, with the prior written consent of the City, not to be unreasonably withheld, assign all or part of its rights under this Agreement to subsequent owners of the Property.

(b) Upon commencement of construction of the Project as provided in Section 6.2 of this Agreement and until the Public Improvements are completed, Company will be prohibited from the transfer of property and assignment of this Agreement to subsequent owners of the Property without written approval from City or provision by the transferee of a performance bond satisfactory to assure completion of the Public Improvements. Notwithstanding the foregoing, the Company may assign the Agreement to an affiliate of the Company at any time, where "affiliate" means any entity that now or in the future, directly or indirectly controls, is controlled with or by or is under common control with Company.

(c) The City may not assign the Agreement.

9.9 Recording of Memorandum. Company shall record a memorandum of this Agreement with Saint Louis County, Minnesota, Recorder's Office, to give public notice of the existence of this Agreement. This memorandum will include any material terms of the Agreement necessary to reflect the Parties rights and obligations under this Agreement, without disclosing the full terms of the Agreement.

9.10 Entire Agreement. This Agreement, together with any other written agreements between the Parties that are in force and effect constitute the entire agreement and set forth all of the terms of the understanding between the Parties with respect to the Project. The provisions of this Agreement may be waived, changed or modified only by an instrument in writing signed by both Parties.

9.11 Multiple Counterparts. This Agreement may be executed in counterparts, and all such counterparts shall constitute the same Agreement.

9.12 Effect on Other Vested Rights. This Agreement does not impair any legal rights of either Party that are not addressed in this Agreement. This Agreement does not confer any rights upon third parties who are not signatories to this Agreement, and third parties shall have no recourse against either Party under this Agreement.

9.13 Agreement Construction. The Parties acknowledge and agree that each Party's counsel has reviewed and revised this Agreement and that the normal rule of construction to the effect of resolving any ambiguities against the drafting Party will not apply.

9.14 Confidential Information. Both Parties acknowledge and agree that certain information contained in or to be provided pursuant to this Agreement, including, without limitation, information relating to utilization of water service and sewer service, may be Trade Secrets under Minnesota Statute § 13.37, subd. 2 or Municipal Utility Customer Data under Minnesota Statute § 13.685, and which the Company considers competitively sensitive under the Minnesota Government Data Practices Act ("**MGDPA**"). The Parties acknowledge that the City is a governmental entity subject to the MGDPA. The Parties further acknowledge that, notwithstanding other provisions of this Agreement to the contrary, some or all of the information, materials, or documents provided to the City by the Company may be "government data" and, as such, may be subject to disclosure to, and copying by, the public unless otherwise specifically exempt by the MGDPA. Should any person request to examine or copy any portion of this Agreement or information provided under this Agreement or otherwise request Confidential Information regarding the Company, whether pursuant to the MGDPA, court order, government request, or other process, the City will notify the Company of that request, and the Company, within ten business days of receiving such notification, have the option to seek a court order or ruling from the Minnesota Department of Administration that the data is non-public and not subject to disclosure. The Company will hold harmless and indemnify the City for all expenses, costs, damages, and penalties of any kind whatsoever which may be incurred by the City or assessed or awarded against the City, and in favor of the person making such request, in regard to the City's delay to permit disclosure or copying of such material. If litigation is filed in relation to such request and the Company is not initially named as a party, the company will promptly seek to intervene as a defendant in such litigation to defend its claim regarding the confidentiality of such material.

9.15 **Further Assurances**. Upon request, each Party agrees to do all things and take all actions reasonably required for the purpose of carrying out the intent of this Agreement, including without limitation the furnishing of additional information and the obtaining, negotiation, execution, and delivery of all necessary or desirable agreements, filings, consents, authorizations, approvals, licenses, or deeds.

9.16 **Choice of Law**. This Agreement will be construed in accordance with and governed by the laws of the State of Minnesota, without regard to its conflict of laws principles.

9.17 **Mandatory Choice of Forum**. All legal actions initiated by either Party with respect to or arising from any provision contained in this Agreement shall be initiated, filed, and venued in the United States District Court for the District of Minnesota or the appropriate Minnesota state court of competent jurisdiction.

9.18 **Headings**. The descriptive headings of the articles, sections, and subsections of this agreement are for convenience only and shall not be used in the construction of the terms of this Agreement.

9.19 **No Personal Liability**. In no event will any officer, agent, or employee of either Party be liable to the other Party for any damages arising out of or relating to this Agreement, including under all related agreements and instruments to be developed and entered into by the Parties pursuant to the terms of this Agreement.

9.20 **Waiver of Consequential Damages**. In no event a Party be liable to the other Party for any special, incidental, indirect or consequential damages, lost profits or comparable claims of any sort arising out of or relating to this Agreement, including under all related agreements and instruments to be developed and entered into by the Parties pursuant to the terms of this Agreement.

(signature pages follow)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their duly authorized officers and their seals to be hereto affixed on the date of the acknowledgment shown below, to be effective as of the day and year first above written.

CITY OF HERMANTOWN, MINNESOTA

By: ____________________________________
Its: Mayor

STATE OF MINNESOTA)
)
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ___ day of __________, 20___, by ______________________, the ____________________ of the City of Hermantown, Minnesota, a _________________.

____
Notary Public

By: ________________
Its: City Clerk

4909-5230-5052.4

HARMONY GROUP LLC

By:______________________________________
Its:______________________________________

STATE OF MINNESOTA)
)
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ___ day of __________, 20___, by ______________________, the ____________________ of Harmony Group LLC, a ______ limited liability company.

____
Notary Public

EXHIBIT A

PROPERTY DESCRIPTION

That part of Section 31, Township 50 North, Range 15 West, 4th Principal Meridian, St. Louis County, Minnesota, described as follows:

Beginning at the northeast corner of said Section 31; thence South 00 degrees 21 minutes 59 seconds East, assumed bearing, along the east line of the Northeast Quarter, a distance of 2652.09 feet to the east quarter corner of said Section 31; thence South 00 degrees 22 minutes 03 seconds East along the east line of the Southeast Quarter, a distance of 1326.39 feet to the southeast corner of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along the south line of said Northeast Quarter of the Southeast Quarter, a distance of 33.00 feet; thence North 00 degrees 22 minutes 03 seconds West, a distance of 100.00 feet; thence South 89 degrees 53 minutes 58 seconds West, a distance of 100.00 feet; thence South 00 degrees 22 minutes 03 seconds East, a distance of 100.00 feet to said south line of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along said south line of the Northeast Quarter of the Southeast Quarter and the south line of the Northwest Quarter of the Southeast Quarter, a distance of 2515.34 feet to the southwest corner of said Northwest Quarter of the Southeast Quarter; thence North 00 degrees 24 minutes 24 seconds West along the north-south quarter line of said Section 31, a distance of 2635.21 feet to the southeast corner of the East Half of the Northeast Quarter of the Northwest Quarter; thence South 89 degrees 39 minutes 57 seconds West along the south line of said East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the intersection with the west line of the East 171.30 feet of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 00 degrees 24 minutes 24 seconds West along said west line of the East 171.30 feet of East Half of the Northeast Quarter of the Northwest Quarter, a distance of 1316.98 feet to the north line of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 89 degrees 36 minutes 43 seconds East along said north line of the East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the north quarter corner of said Section 31; thence North 89 degrees 20 minutes 04 seconds East along the north line of said Northeast Quarter, a distance of 2651.11 feet to the northeast corner of said Section 31, also being the point of beginning.

Containing 10,722,710 square feet, or 246.15955 acres, more or less

EXHIBIT B
PROJECT APPROVALS

Project Approvals		
Permit Type	**Review / Approval Timeline**	**Required Fees (2026)**
Preliminary Plat	60 days	$350
Final Plat	60 days	$300
Zoning Map Amendment	60 days	$400
Commercial Industrial Development Permit	60 days	$700 + Professional Fees
Special Use Permit	60 days	$450
Land Alteration Permit	30 days	$150 + $500 refundable deposit
Building Permit(s)	30 days	Based on Valuation: $7,135 for the first $1,000,000 + $3 for each additional $1,000 or fraction thereof
Plan Review Fee	30 days	65% of Final Building Permit Fee
Erosion & Sediment Control Permit	30 days	$275
Right-of-Way Temporary Access Permit	30 days	$150

EXHIBIT C
CITY FEES

City Development Fees (2026)		
Fee Type	**Rate**	**Notes**
Park	$252,120	$1,100 per acre at the time of platting. Rate depicted is for platting of the entire project. Project could be platted in Phases and rate would be adjusted per platted Phase.
Wetland Permit	$750	Per Phase fee for industrial project.
Wetland Impact Fee	$0.15	Per square foot times the mitigation ratio
Sewer Hookup Charge	$2,200 + Permit ($85) + Stool Fee ($50/toilet)	Per Phase fee for industrial project.
Water Hookup Charge	$1,400 (plus tax)	Per Phase fee for industrial project
Stormwater	$450	Per Phase fee for industrial project
Commercial Industrial Development Permit	$700 + Professional Fees	Fee rate for site with development agreement
Driveway Access	$200	One-time fee per driveway
Water Rate	$10.20 (up to 20,000 gallons) $10.72 (between 20,001-50,000 gallons) $11.78 (over 50,001 gallons)	Commercial rates per 1,000 gallons.
Sewer Rate	$11.09 + $3.54 monthly service charge	Commercial rate per 1,000 gallons.
Stormwater	$8.57	Per Equivalent Rate Unit

* Water and Sewer Availability Charges will not be imposed because the Company is paying for the Public Improvements described herein.

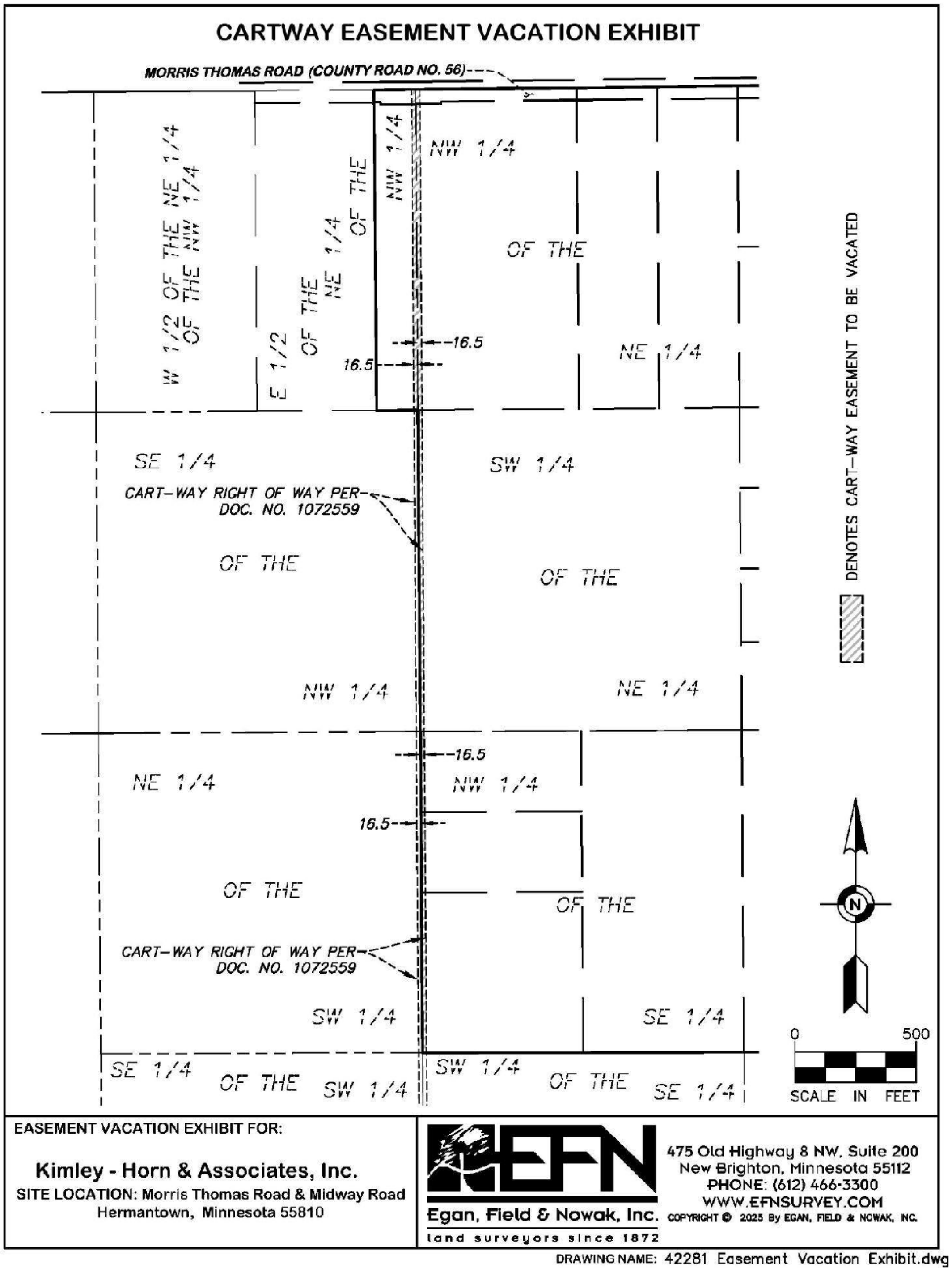
EXHIBIT D

SPECIAL USE PERMIT

[]

EXHIBIT E

CARTWAY EASEMENT



CARTWAY EASEMENT VACATION EXHIBIT

DESCRIPTION OF CART—WAY EASEMENT TO BE VACATED

That part of that certain right of way for cart—way purposes created by Road Order dated September 14, 1909 and refiled as Document No. 1072559 in the Office of the County Recorder in and for St. Louis County, Minnesota,
Said part being located within the Northeast Quarter, the North Half of the Southeast Quarter and the East Half of the Northeast Quarter of the Northwest Quarter, all in Section 31, Township 50 North, Range 15 West of the 4th Principal Meridian, St. Louis County, Minnesota.

EASEMENT VACATION EXHIBIT FOR:

Kimley - Horn & Associates, Inc.

SITE LOCATION: Morris Thomas Road & Midway Road
Hermantown, Minnesota 55810

Egan, Field & Nowak, Inc.
land surveyors since 1872

475 Old Highway 8 NW, Suite 200
New Brighton, Minnesota 55112
PHONE: (612) 466-3300
WWW.EFNSURVEY.COM

DRAWING NAME: 42281 Easement Vacation Exhibit.dwg

EXHIBIT E

EXHIBIT F

STORMWATER SYSTEM

Attached

HERMANTOWN INDUSTRIAL - STORMWATER MANAGEMENT MAINTENANCE EASEMENT EXHIBIT

HERMANTOWN, MN
ST. LOUIS COUNTY

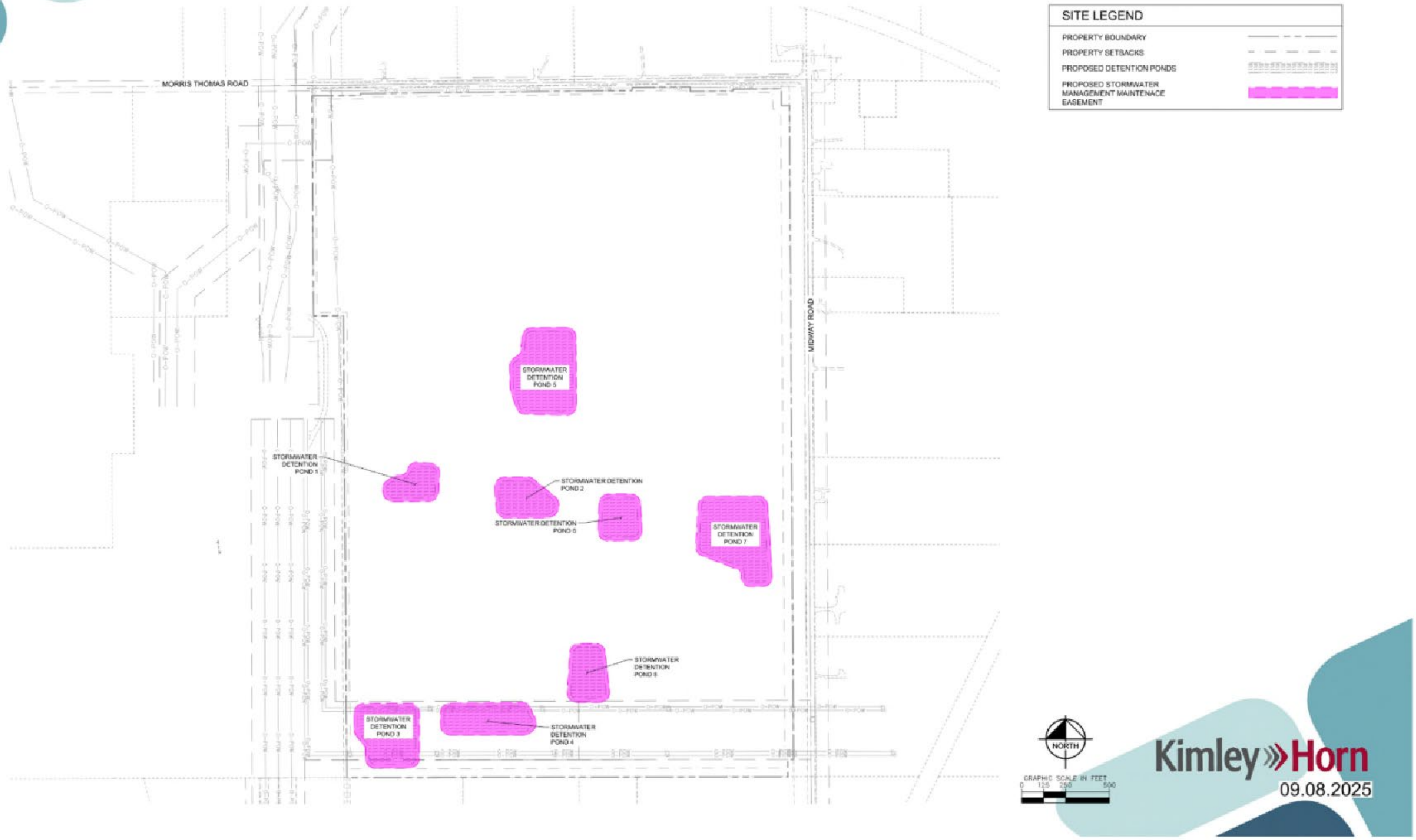


EXHIBIT F

4909-5230-5052.4

EXHIBIT G

ROAD IMPROVEMENTS

Attached

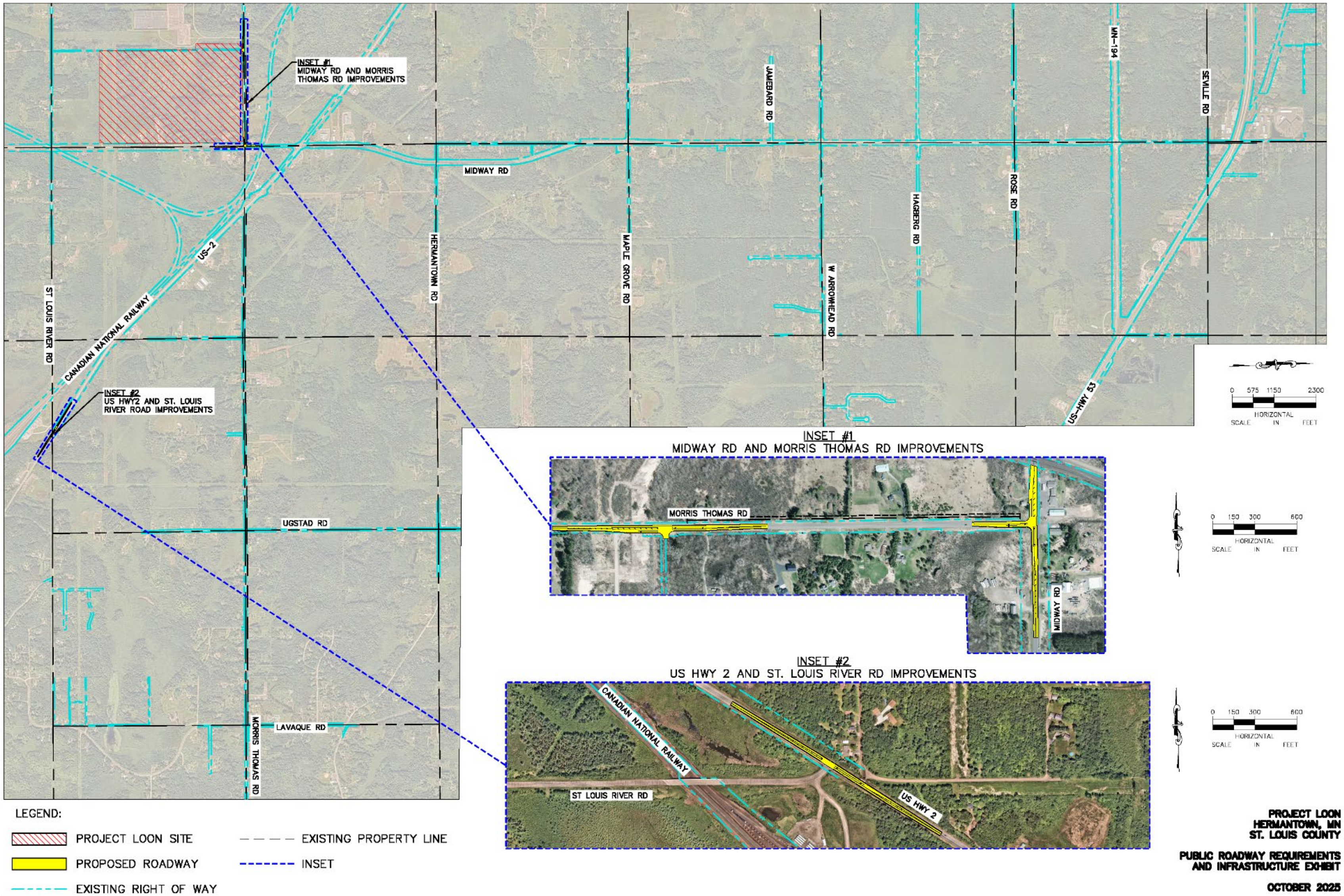

INSET #1
MIDWAY RD AND MORRIS THOMAS RD IMPROVEMENTS
INSET #2
US HWY2 AND ST. LOUIS RIVER ROAD IMPROVEMENTS
MIDWAY RD
US-2
CANADIAN NATIONAL RAILWAY
ST LOUIS RIVER RD
HERMANTOWN RD
MAPLE GROVE RD
JAMEBARD RD
W ARROWHEAD RD
HAGBERG RD
ROSE RD
MN-194
SEVILLE RD
US-HWY 53
UGSTAD RD
LAVAQUE RD
MORRIS THOMAS RD
0 575 1150 2300
HORIZONTAL
SCALE IN FEET
INSET #1
MIDWAY RD AND MORRIS THOMAS RD IMPROVEMENTS
MORRIS THOMAS RD
MIDWAY RD
0 150 300 600
HORIZONTAL
SCALE IN FEET
INSET #2
US HWY 2 AND ST. LOUIS RIVER RD IMPROVEMENTS
CANADIAN NATIONAL RAILWAY
ST LOUIS RIVER RD
US HWY 2
0 150 300 600
HORIZONTAL
SCALE IN FEET
LEGEND:
PROJECT LOON SITE
PROPOSED ROADWAY
EXISTING RIGHT OF WAY
EXISTING PROPERTY LINE
INSET
PROJECT LOON
HERMANTOWN, MN
ST. LOUIS COUNTY
PUBLIC ROADWAY REQUIREMENTS
AND INFRASTRUCTURE EXHIBIT
OCTOBER 2025

EXHIBIT G

EXHIBIT H

CERTIFICATE OF SUBSTANTIAL COMPLETION

SEWER MAIN, WATER MAIN, AND PUBLIC ROADWAY

Date of Issuance: __________________, 20__

This Certificate of Substantial Completion is made with reference to the following facts:

Harmony Group LLC, (hereinafter the "**Company**") entered into a Development Agreement (hereinafter referred to as "**Development Agreement**") with the City of Hermantown, a statutory city under the laws of the State of Minnesota, (hereinafter the "**City**"), with respect to a development to be constructed by Company in the City.

The undersigned hereby certifies that the following facts and representations are true and correct:

1. The construction of the Public Improvements as defined in the Development Agreement have been fully completed in accordance with the Plans and Specifications. The Date of Substantial Completion is hereby established as of __________________.

2. All capitalized terms when used herein shall have the meaning given them in the Development Agreement.

[Name of Company's Contractor]

By
Its

The undersigned, the City Engineer, based on the foregoing Certificate and such other testing and inspections as it deemed necessary hereby certifies that the construction of the sewer main, water main, and roadway Public Improvements specified in the Development Agreement other than the items described on Addendum No. 1 attached hereto strictly in accordance with the Plans and Specifications as defined in the Development Agreement have been substantially completed in accordance with the Plans and Specification and the terms of the Development Agreement.

Dated _______________________

Northland Consulting Engineers. L.L.P.

By
Its

CERTIFICATE OF FINAL COMPLETION

Date of Issuance: ___________________, 202__

This Certificate of Final Completion is made with reference to the following facts:

Harmony Group LLC (hereinafter the "**Company**") entered into a Development Agreement (hereinafter referred to as "**Development Agreement**") with the City of Hermantown, a statutory city under the laws of the State of Minnesota, (hereinafter the "**City**"), with respect to a development to be constructed by the Company in the City.

The undersigned parties hereby certify that the following facts and representations are true and correct:

1. The construction of the Public Improvements defined in the Development Agreement has been completed strictly in accordance with the Infrastructure Plans and Specifications and the terms of the Development Agreement. The Date of Final Completion is hereby established as of ___________________.

2. All capitalized terms when used herein shall have the meaning given them in the Development Agreement.

3. That the following have been satisfied:

3.1. Construction of the Public Improvements have been fully completed in accordance with the Plans and Specifications.

3.2. Stormwater Management has been completed in accordance with the MS4 Certificate of Compliance.

3.3. The provisions of Section 3.11 of this Agreement with respect to the payment of fees have been satisfied.

3.4. Company is not in default under this Agreement.

3.5. All wetland work has been completed in accordance with any permits or approvals for such work.

3.6. The Company has provided the City with a map/plan on paper and electronically in auto cad format showing the location of water service lines and sewer service lines.

3.7. The Company has installed a locating wire or equally effective means of marking the location of each non-conductive water service lines or sewer service lines.

3.8. The Company has provided record drawings for the Public Improvements constructed by it pursuant to this Agreement on paper and electronically in auto-cad format and PDF format. The Company has also provided City with an electronic copy of the recorded Plat.

3.9. The Company has provided the GPS data points for the wetland boundaries on all lots within the Plat and for the permanent wetland markers required to be installed by the Company pursuant to Section 2.4 of the Development Agreement.

3.10. The Company has provided City with a Declaration of Wetland Restrictions required by Section 2.4 of the Development Agreement acceptable to the City in recordable form.

3.11. The Company has complied with the provisions of Section 3.6 of the Development Agreement with regard to Stormwater Management.

HARMONY GROUP LLC

By
Its

Company's Engineer:

By
Its

The undersigned, the City Engineer, based on the foregoing Certificate and such other testing and inspections as it deemed necessary hereby certifies that the construction of Stormwater Management defined in the Development Agreement have been completed strictly in accordance with the Plans and Specification.

Dated: ____________________________

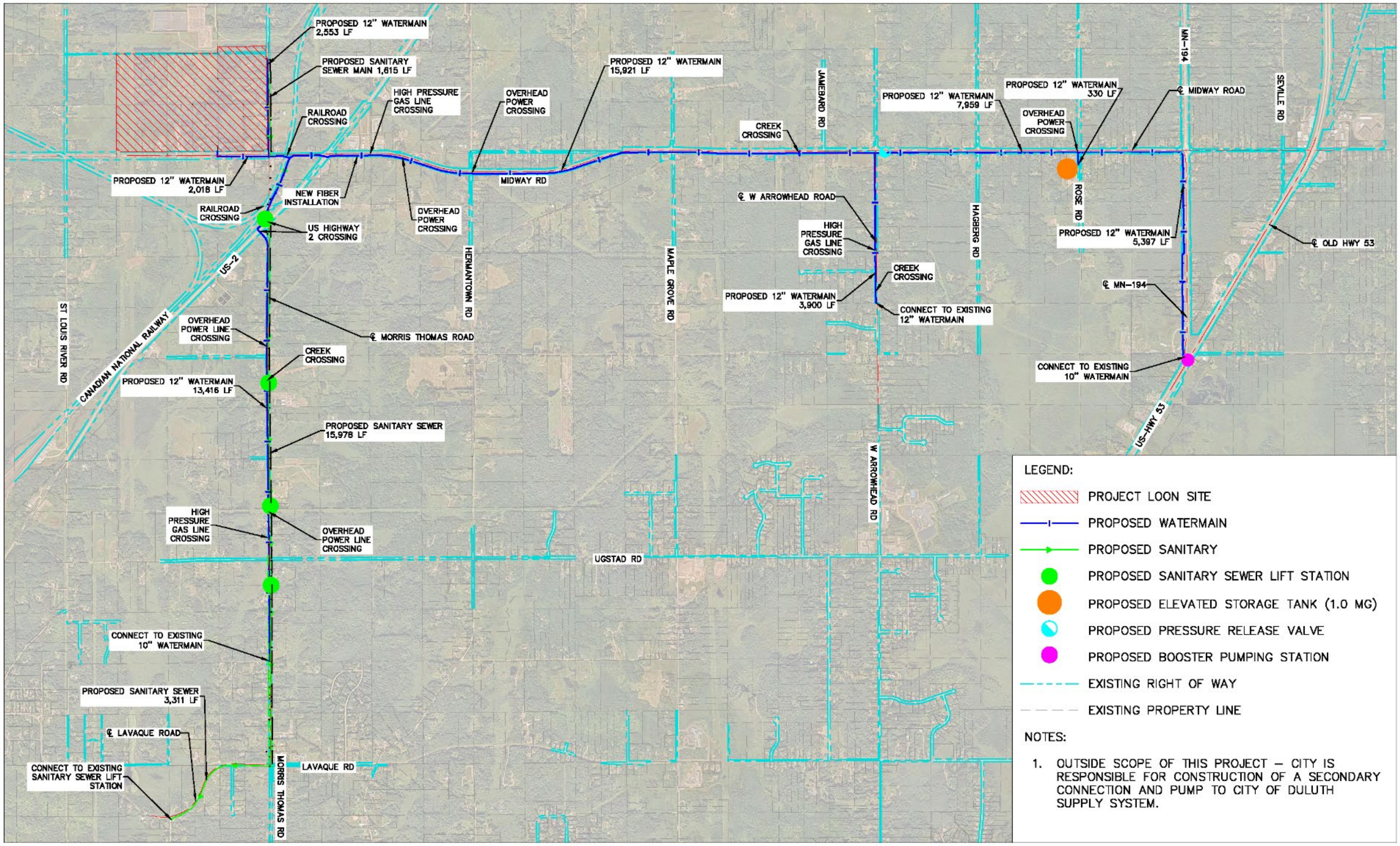
Northland Consulting Engineers, LLP

By
Its

EXHIBIT I

PROJECT UTILITY REQUIREMENTS AND INFRASTRUCTURE

Attached



PROJECT LOON
HERMANTOWN, MN
ST. LOUIS COUNTY

PUBLIC UTILITY REQUIREMENTS AND INFRASTRUCTURE EXHIBIT

OCTOBER 2025

EXHIBIT I

4909-5230-5052.4

<u>**EXHIBIT J**</u>

DECLARATION OF WETLAND RESTRICTIONS

Harmony Group LLC, a limited liability corporation organized under the laws of the State of Minnesota , ("**Company**") hereby certifies and declares that Lot __________, Block __________ ("**Property**") is subject to the restrictions contained within that certain Development Agreement between Company and the City of Hermantown dated ____________________, 202_ and recorded the _____ day of ____________________, 202_ as Document No. __________ with the ____________________ of St. Louis County, Minnesota. Such restrictions include, but are not limited to, the following:

1. The permanent wetland markers installed on the Property may not be removed or disturbed in any manner. The wetland areas on the Property may not be disturbed in any manner.

2. Subject to any secure access protocols required by the owner of the Property as further described in the Development Agreement, the South St. Louis Soil and Water Conservation District may enter upon the Property to monitor and inspect the wetland areas on the Property.

3. If the owner of the Property fails to maintain the wetland areas in violation of the Wetlands Conservation Act, Minnesota Administrative Rules Part 8420, or Chapter 21 of the City of Hermantown Zoning Code, as determined by the South St. Louis Soil and Water Conservation District, then the City may enter upon the Property in accordance with said secure access protocols to repair, maintain and correct such disturbance and may assess the reasonable cost of repairing or restoring the wetland areas against the Property pursuant to the provisions of Chapter 429 of the Minnesota Statutes.

4. This Declaration shall run with the land and be binding on Company and its successors and assigns.

[SIGNATURE APPEARS ON NEXT PAGE]

HARMONY GROUP LLC

By:____________________________________
Its:____________________________________

STATE OF MINNESOTA)
)
COUNTY OF _________)

The foregoing instrument was acknowledged before me this ___ day of __________, 20___, by ______________________, the ____________________ of Harmony Group LLC, a ______ limited liability company.

____
Notary Public

TAX ABATEMENT AGREEMENT BY AND BETWEEN

CITY OF HERMANTOWN, MINNESOTA AND

HARMONY GROUP LLC

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ARTICLE 5
Developer Events of Default

TAX ABATEMENT AGREEMENT

This Tax Abatement Agreement (the "**Agreement**") is made as of the ___ day of _______________, 2026 ("**Effective Date**"), by and between the City of Hermantown, a municipal corporation and political subdivision under the laws of Minnesota (the "**City**"), and Harmony Group LLC, a Delaware limited liability company (the "**Developer**") (each a "**Party**" and collectively the "**Parties**").

WITNESSETH:

WHEREAS, the Developer has requested tax abatement assistance from the City in connection with the construction and operation of a technology campus; and

WHEREAS, pursuant to Minnesota Statutes, sections 469.1812 through 469.1815, as amended, the City has established the Abatement Program to offer such assistance;

WHEREAS, the assistance provided pursuant to this Agreement constitutes a subsidy under the Business Subsidy Act, Minnesota Statutes, sections 116J.993 through 116J.995, as amended; and

WHEREAS, the City believes that provision of the assistance requested by the Developer and fulfillment of this Agreement are vital and in the best interests of the City, will enhance the City's tax base, will provide employment opportunities in the City, and are in accord with the public purpose and provisions of the applicable State and local laws and requirements under which the Project will be undertaken.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the Parties hereto, each Party does hereby covenant and agree with the other as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. Definitions. All capitalized terms used in this Agreement shall have the following meanings, unless a different meaning clearly appears from the context:

(a) "**Abatement**" means with respect to the City, the receipt of Available Tax by the City with regard to Abatement Property and payment thereof to the Developer, pursuant to the Abatement Program with respect to a Parcel of the Abatement Property, as further detailed in Article III; and with respect to the County, the receipt of Available Tax by the County with regard to Abatement Property and payment thereof to the City, as further detailed in the County Tax Abatement Agreement.

(b) "**Abatement Cap**" means, with regard to a given tax year, the greater of ten percent (10%) of the net tax capacity of the City for that year or two hundred thousand dollars ($200,000).

(c) "**Abatement Period**" means the term, for each Parcel, over which an Abatement may be paid to the Developer, beginning with the tax year following the Initial Year (the taxes payable in the second year after the Initial Year) and extending for a total of twenty (20) tax years with respect to that Parcel.

(d) "**Abatement Program**" means the actions by the City pursuant to the Tax Abatement Act undertaken in support of the Project, including this Agreement and the Abatement Resolution.

(e) "**Abatement Property**" means one or more Parcels that are associated with a Phase.

(f) "**Abatement Resolution**" means the resolution adopted by the City on __________ authorizing the Abatement Program and payment of Abatements thereunder.

(g) "**Agreement**" means this Tax Abatement Agreement, as the same may be from time to time modified, amended, or supplemented.

(h) "**Available Tax**" means all of the City's share of real estate taxes generated by a Parcel for a tax year during the relevant Abatement Period and paid by the County to the City.

(i) "**Baseline Tax**" means all of the City's share of real estate taxes generated by a Parcel for the Baseline Year and paid by the County to the City.

(j) "**Baseline Year**" means the tax assessment year preceding the year in which construction of a Phase on one or more Parcels commences.

(k) "**Business Subsidy Act**" means Minnesota Statutes, sections 116J.993 through l16J.995, as amended.

(l) "**City**" means the City of Hermantown, Minnesota.

(m) "**City Event of Default**" means any of the events described in <u>Section 6.01</u> hereof.

(n) "**Commercial Operation Date**" means the date upon which the Developer has notified the City that the Phase is fully operational after the certificate of occupancy for that Phase's technology building has been issued.

(o) "**County**" means Saint Louis County, Minnesota

(p) "**County Tax Abatement Agreement**" means that certain tax abatement agreement between the County and City regarding the Abatement Property.

(q) “**Developer**” means Harmony Group LLC.

(r) “**Developer Event of Default**” means any of the events described in Section 5.01 hereof.

(s) “**Final Abatement Date**” means the 31st of December of the last year in an Abatement Period for a given Parcel, unless there is an earlier date under the terms of this Agreement or State law.

(t) “**Full-Time Employment Position**” means a direct employee of Developer, or a parent, affiliate, or subsidiary thereof that maintains a regular schedule at the Project of no less than 35 hours per week and must have annual compensation of at least one hundred and twenty percent (120%) of the Saint Louis County average weekly wage for the first quarter of the year, as published by the United States Bureau of Labor Statistics, or the nearest available equivalent to such data, and annualized based on a fifty-two (52) week year; and shall be located on the Project Property but are not required to be located at any specific location on the Project Property.

(u) “**Initial Year**,” with regard to the Abatement for a Parcel, means the year in which the Commercial Operation Date occurs for the Phase associated with the Parcel.

(v) “**Land Use Entitlements**” means the planned unit development, rezoning and other land use approvals granted or to be granted by the City involving the Project.

(w) “**Maximum Annual Project Abatements Limitation**” means, with regard to a tax year, seventy percent (70%) of the Abatement Cap.

(x) “**Maximum Total Project Abatements Limitation**” means eighty million dollars ($80,000,000).

(y) “**Minimum Employment Goal**” means the employment positions target as specified in Section 4.03 as a project goal for purposes of the Business Subsidies Act.

(z) “**Net Additional Tax**” means, with regard to a tax year in the Abatement Period, the Available Tax from a Parcel less the Baseline Tax for that Parcel.

(aa) “**Parcel**” means a parcel of real estate within the Project Property that has been designated for Abatement.

(bb) “**Payment Date**” means December 31st for each taxes payable year in an Abatement Period.

(cc) “**Phase**” means a component part of the Project on one or more Parcels, and involving the construction of one or more buildings, including a technology building.

(dd) "**Project**" means the construction of a technology campus on the Project Property and all final site and building plans the City subsequently approves, consisting generally of principal and auxiliary buildings, and which may occur in up to four (4) Phases, each of which may include one or more Parcels.

(ee) "**Project Property**" means the real property defined in **Exhibit A**, which is intended to be the location of the Project. The Parcels in the Project Property may be platted or replatted by Developer.

(ff) "**Tax Abatement Act**" means Minnesota Statutes, sections 469.1812 through 469.1815, as amended.

(gg) "**Tax Appeal**" means any petition or other action to seek a reduction in market value or property taxes on any portion of the Project Property under any State or other applicable law or procedure.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of the City. The City makes the following representations and warranties:

(a) The City is a municipal corporation and political subdivision and statutory city under the laws of Minnesota and has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Abatement Program was created, adopted and approved in accordance with the Tax Abatement Act.

(c) The City has made the findings required by the Tax Abatement Act regarding the Abatement Program and has adopted the Abatement Resolution following a public hearing.

(d) The City has made the findings required by the Business Subsidy Act and its Business Subsidy Policy regarding the Abatement Program and this Agreement.

Section 2.02. Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(a) The Developer is a limited liability company, duly organized, existing, and in good standing under the laws of Delaware, and it has the power to enter into this Agreement, perform its obligations hereunder, and carry out the covenants contained herein.

(b) If constructed, the Developer will cause the Project to be undertaken in accordance with the terms of this Agreement, the Development Agreement, the Land Use Entitlements and all applicable City, State, and federal laws and regulations.

(c) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by, or conflicts with or results in a breach of, the terms, conditions, or provisions of any organizational document, contractual restriction, evidence of indebtedness, agreement, or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(d) Construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible, without the assistance and benefit to the Developer provided for in this Agreement.

(e) The Developer will reasonably cooperate with the City with respect to any litigation brought by a third party against the City and the Abatement Program.

(f) The Developer is not in default under any business subsidy agreement pursuant to Section 116J.994 of the Business Subsidy Act, nor has it been in such default within the preceding five (5) years.

ARTICLE 3
UNDERTAKINGS BY DEVELOPER AND CITY

Section 3.01. <u>The Project</u>.

(a) The City has adopted an ordinance rezoning the Abatement Property to Business and Light Manufacturing (BLM). Additional Land Use Entitlements required before commencement of the Project are envisioned to include final site and building plan approvals and a plat of the Project Property.

(b) The Project will consist of up to four (4) Phases. Each Phase will constitute a major investment by the Developer on the Abatement Property for that Phase, and which is within the overall Project Property.

(c) Upon commencement of construction of a new Phase, the Developer shall notify the City. Such notification shall include identification of one or more Parcels for Abatement as being associated with that Phase.

(d) The first Phase will include capital expenditure of at least six hundred and fifty million dollars ($650,000,000) in the relevant Abatement Property. As more particularly set forth in Section 3.04, the first Phase is anticipated to include the creation of at least forty (40) new Full-Time Employment Positions, and each additional Phase is anticipated to include the creation of at least thirty (30) new Full-Time Employment Positions.

Section 3.02. Transfer of the Project and Assignment of Agreement.

(a) The Developer represents and agrees that, prior to the termination of this Agreement, the Developer shall not assign this Agreement in conjunction with a transfer of its interest in the Abatement Property or any part thereof or any interest therein without the prior written consent of the City, except as otherwise allowed by this Section. The City's consent shall not be unreasonably withheld, conditioned, or delayed.

(b) Any transfer or assignment by Developer to an affiliate of the Developer shall not require the prior written consent of the City, however, the Developer shall notify the City within forty-five (45) days of any such transfer.

(c) Any transfer or assignment by Developer to a third party solely for financial structuring purposes shall not require the prior written consent of the City provided that the Developer or an affiliate retains at all times the exclusive power to direct the management and operations of the Project, however, the Developer shall notify the City within forty five (45) days of any such transfer.

Section 3.03. Real Property Taxes; Excise and Sales Taxes.

(a) The City agrees that during any Abatement Period it will not take any action, including the levy of special assessments, to unreasonably increase the assessment of the Project Property or other actions to impair the ability of the Developer to proceed with developing or operating the Project. Notwithstanding the above, the City shall have the right to specially assess any or all of the Project Property in accordance with Minnesota Statutes, Chapter 429 to the extent the Project Property is benefitted by such improvements.

(b) The Developer agrees that during any Abatement Period it will not cause a reduction in the real property taxes paid on the Abatement Property through willful destruction of any part of the Project that is subject to any Abatement. The Developer also agrees that it will not, during any Abatement Period, transfer or permit transfer of the Abatement Property to any entity whose ownership or operation of the property would result in the Abatement Property being exempt from real property taxes under State law.

(c) The Developer shall notify the City within thirty (30) days of filing any Tax Appeal. If as of any Payment Date, any Tax Appeal is then pending, the City will continue to pay any Abatement due but only to the extent that the Abatement relates to real estate taxes paid with respect to the market value of the Abatement Property not being challenged as part of the Tax Appeal, and the City will withhold any Abatement otherwise due related to real property taxes paid with respect to the market value of the Abatement Property being challenged as part of the Tax Appeal. The City will pay to the Developer any withheld Abatement to the extent not reduced as a result of the Tax Appeal after the Tax Appeal is fully resolved and the amount of Abatement attributable to the disputed tax payments is finalized. Nothing in this Section 3.03(c) shall be deemed to limit the Developer's right to challenge or oppose, pursuant to any applicable law or procedure, the imposition of any other taxes, fees, or other governmental charges, including, without limitation, franchise fees, imposed by any governmental authority on the Developer, the Project Property, or the Project.

(d) The Parties acknowledge that the Project will generate significant economic benefit to the Developer, including through the property tax abatement provided by the City under this Agreement and through the Project's exemption from excise and sales taxes under Minnesota Statutes Chapter 297A. In recognition of these benefits and as negotiated consideration for the City's agreement to provide the abatement and to undertake the municipal planning, infrastructure coordination, and service commitments associated with the Project, the Developer agrees that, commencing upon the initial Commercial Operation Date, the Developer shall annually pay the City one hundred fifty thousand dollars ($150,000) by December 31st, with said payment annually increasing by seven thousand five hundred and No/100 dollars ($7,500.00) for a period of twenty (20) years.

(e) The Developer acknowledges that the City has not imposed the payments as a tax, regulatory fee, subdivision dedication, or development impact fee, and that the City has not conditioned the issuance of any zoning approval, land use approval, permit, or other regulatory authorization on the Developer's agreement to make such payments. The payments were voluntarily negotiated as part of the overall economic framework governing development of the Project and constitute contractual consideration supporting the mutual commitments of the Parties herein.

(f) The payment obligations set forth in this Section shall survive termination of this Agreement for any reason, including termination by the Developer pursuant to Section 7.08 and any transfer or conveyance of any portion of the Project Property. The exercise of any termination right under this Agreement shall not reduce, suspend, or extinguish the Developer's payment obligations and such obligations shall be binding upon the Developer's successors and assigns with respect to the Project Property.

Section 3.04. Amounts of City Abatements.

(a) The City agrees to abate the amounts as set forth herein as to taxes paid by Developer and anticipates entering into the County Tax Abatement Agreement to serve as a conduit for taxes to be abated to Developer thereunder.

(b) The Abatement Program shall consist of annual Abatement calculations based on percentages of Net Additional Tax for each Parcel that is within an Abatement Period, and taking into account the creation of sufficient Full-Time Employment Positions, according to the following calculation for each tax year.

(i) Calculate the City's Net Additional Tax for each Parcel, and then reduce that amount by fifteen percent (15%), to eighty-five (85%) of the Net Additional Tax for the Parcel; provided, however, that the aggregate Net Additional Tax for the first Phase of the Project shall be reduced by one hundred thousand dollars ($100,000) before applying said calculation.

(ii) Beginning with the second tax year of a Parcel's Abatement, for any Phase where the Developer has not met its employment target for the Phase, as provided in this subsection, the Abatement for a Parcel relating to that Phase shall be reduced in proportion to the shortfall from the employment target for that Phase. Developer's employment target for the initial Phase is forty (40) Full-Time Employment Positions, and for each subsequent Phase is thirty (30) new Full-Time Employment Positions. The Full-Time Employment Positions must have annual compensation of at least one hundred and twenty percent (120%) of the Saint Louis County average weekly wage for the first quarter of the year, as published by the United States Bureau of Labor Statistics, or the nearest available equivalent to such data, and annualized based on a fifty-two (52) week year. The Full-Time Employment Positions shall be located on the Project Property but are not required to be located at any specific location on the Project Property.

(iii) Apply the Maximum Annual Project Abatements Limitation to ensure that the total of the City's Abatements for the tax year does not exceed the Maximum Annual Project Abatements Limitation. If the Maximum Annual Project Abatements Limitation applies, reduce the Abatements, starting with the newest Abatement (i.e., the Parcel or Parcels associated with the most recently completed Phase), until the total amount of the Abatements for the tax year equals the Maximum Annual Project Abatements Limitation for the tax year.

(iv) Apply the Maximum Total Project Abatements Limitation to ensure that the total aggregate of the City's Abatements for the Project for the current tax year plus all preceding tax years does not exceed the Maximum Total Project Abatements Limitation. If the Maximum Total Project Abatements Limitation applies, reduce the Abatements, starting with the newest Abatement (i.e., the Parcel or Parcels associated with the most recently completed Phase), until the total amount of the Abatements for the tax year plus all preceding tax years does not exceed the Maximum Total Project Abatements Limitation.

(c) In accordance with Section 469.1813, subdivision 8 of the Abatement Act, in no tax year shall the Abatements, together with all other abatements approved by the City under the Tax Abatement Act for that tax year, exceed the Abatement Cap. The City may grant other abatements permitted under the Tax Abatement Act after the date of this Agreement, provided that to the extent the total abatements in any year exceed the Abatement Cap, the allocation of Abatement Cap to such other abatements shall be subordinate to the Abatements granted pursuant to this Agreement.

(d) The employment targets for calculating the Abatements are measured on a cumulative rolling basis. Full-Time Employment Positions will be assigned to the earliest Phase where positions are required to meet the target, with any surplus then assigned to the employment target for the next Phase, and so on.

Section 3.05. Abatement Periods; ISD No. 700.

(a) The Abatement Period for each Abatement for each Parcel is for twenty (20) tax years, provided that if such Abatement Period would extend past the term of this Agreement, then the Abatement Period is shortened to conclude with the taxes payable year in which the term of this Agreement ends.

(b) The Parties acknowledge that the City may offer an Abatement Period of twenty (20) years only because the City requested in writing that Independent School District No. 700 (Hermantown School District) (the "**District**") participate in the Abatement Program, and the school district has declined in writing to do so. If the school district subsequently decides to grant a tax abatement regarding the Project, the Abatement Program will be modified and the relevant Abatement Periods shortened in accordance with the Tax Abatement Act.

(c) In recognition of the Project's potential impact to the District's operations and the limitation on realizing offsets due to statutory levy limits, assessment lags, and the inability to capture immediate value from the Project's stepped construction phases, commencing upon the initial Commercial Operation Date, the Developer shall annually pay the City eight hundred fifty thousand and No/100 dollars ($850,000.00) by December 31st, with said payment annually increasing by fifty thousand and No/100 dollars ($50,000.00) for a period of twenty-eight (28) years.

(d) The City anticipates entering into a Joint Powers Agreement (the "**JPA**") with the District pursuant to Minn. Stat. § 471.59 for the limited purpose of establishing the fund transfer mechanism described herein. The terms of the JPA are expected to include the following provisions: (i) the District shall establish a dedicated fund (the "**District Fund**") no later than ninety (90) days prior to the initial Commercial Operation Date; (ii) the District shall provide the City with written notice of the District Fund's establishment, including the name of the managing institution, account or fund name, account or fund number, and the District's authorized representative for purposes of directing distributions, no later than sixty (60) days prior to the initial Commercial Operation Date; and (iii) the District Fund so established shall serve as the sole depository for all payments made by the City pursuant to this Section for the full term of the payment obligation.

Regardless of whether the JPA has been executed, the City's obligations under this Section are as follows: Within thirty (30) days of receipt of each annual payment from the Developer pursuant to <u>Section 3.05(c)</u>, the City shall transfer the full amount of such payment to the District Fund. Upon transfer, the City's obligation with respect to that payment shall be fully discharged, and the City shall have no fiduciary duty, investment obligation, or ongoing liability with respect to the District Fund or the management, administration, or distribution of funds following transfer.

In the event the JPA has not been executed and the District Fund has not been established prior to the initial Commercial Operation Date, the City shall establish a fund (the "**Foundation Fund**") with a qualified community foundation, as defined herein, for the benefit of the District, and shall deposit all payments received from the Developer pursuant to <u>Section 3.05(c)</u> into the Foundation Fund until such time as the JPA is executed and the District Fund is established. For purposes of this Agreement, a "qualified community foundation" means a 501(c)(3) organization accredited under the National Standards for U.S. Community Foundations administered by the Council on Foundations. Upon execution of the JPA and establishment of the District Fund, all funds held in the Foundation Fund shall be transferred to the District Fund.

The Developer acknowledges that the City has not imposed the payments as a tax, regulatory fee, subdivision dedication, or development impact fee, and that the City has not conditioned the issuance of any zoning approval, land use approval, permit, or other regulatory authorization on the Developer's agreement to make such payments. The payments were voluntarily negotiated as part of the overall economic framework governing development of the Project and constitute contractual consideration supporting the mutual commitments of the Parties herein.

(e) The payment obligations set forth in this Section shall survive termination of this Agreement for any reason, including termination by the Developer pursuant to Section 7.08 and any transfer or conveyance of any portion of the Project Property. The exercise of any termination right under this Agreement shall not reduce, suspend, or extinguish the Developer's payment obligations and such obligations shall be binding upon the Developer's successors and assigns with respect to the Project Property.

(f) Developer shall partner with the District and other local organizations on education and workforce development initiatives – these may be technology focused and/or promote career pathways and workforce development.

Section 3.06. Abatement Payments Rebating Taxes Paid.

(a) The City will take all actions necessary to ensure the payment of Abatements from the City and the County in accordance with this Agreement. For a given taxes payable year, the City shall pay the entirety of the annual Abatement amount, including any amount from the County, by the Payment Date for that taxes payable year. Provided, however, that under all circumstances the City shall pay an Abatement only up to the extent it has received the associated real estate taxes. If any part of an annual Abatement amount for a given taxes payable year is received by the City after the Payment Date for that year, then such Abatement shall be paid before the next Payment Date, up to and including the Final Payment Date.

(b) When payments for a given Payment Date for multiple Abatements are owed to the Developer, such payments may be combined into a single payment.

Section 3.07. Cooperation in Calculation of Abatements.

(a) The Parties shall cooperate in good faith in the calculation of Abatements under this Agreement.

(b) Within ten (10) business days after a request from any Party: Developer shall provide an accounting of its real estate tax assessments and payments on Project Property; and the City shall provide an accounting of its calculation, receipt, and payment of the Abatements.

Section 3.08. Applies Solely to Project. The Abatements offered under the Abatement Program and this Agreement apply solely to the Project, including any additional parcels added to this Agreement by amendment.

ARTICLE 4
BUSINESS SUBSIDY

Section 4.01. Business Subsidy. In order to satisfy provisions of the Business Subsidy Act, the Parties acknowledge and agree that the amount of the business subsidy to be provided under this Agreement is the total value of the Abatements granted under this Agreement, although what is deemed a subsidy is only a partial rebate of additional property taxes paid on the Project. Such amount varies by formula and is estimated at Net Present Value to be $33,515,770. The Developer is the only recipient of the business subsidy. The public purposes of the subsidy are to create high-quality employment positions in the City, to increase the tax base, and to enhance economic diversity. The Developer agrees that, as a condition of receiving the business subsidy, it will meet and fulfill or cause to be met and fulfilled the project goal set forth in this Article 4. The subsidy is needed to induce the Developer to proceed with the Project. Saint Louis County is anticipated to also provide a tax abatement in support of the Project. The parent corporation of Developer, with address, is Alphabet Inc., 1600 Amphitheatre Parkway, Mountain View, California 94043.

Section 4.02. Project Goal. Contingent upon the Project moving forward as evidenced by the filing of a construction permit for the first Phase of the Project, which would be before any subsidy is received, the Developer agrees to satisfy the Minimum Employment Goal by the deadline specified in Section 4.03 and to maintain the Minimum Employment Goal for the remainder of the five (5) years following the Commercial Operation Date of the first Phase of the Project.

Section 4.03. Minimum Employment Goal. The Minimum Employment Goal for the Project is the creation of forty (40) Full-Time Employment Positions by December 31 of the third calendar year directly following the initial Certificate of Occupancy issuance for the first Phase of the Project. The City may, after holding a public hearing, extend this deadline for up to one (1) additional year. The created employment positions may be employed by Developer or one or more of its affiliates.

Section 4.04. Failure to Reach and Maintain Minimum Employment Goal. If the Developer fails to meet and maintain the Minimum Employment Goal for the period specified by Section 4.02 of this Agreement, then it will not receive any further Abatement payments, provided that the Developer may retain previous Abatement payments as constituting prorated partial performance under this Agreement.

Section 4.05. Reporting on Project Goal. The Developer agrees that it will report to the City its progress in achieving the project goal for a given year no later than the March 1 following the end of the year on forms developed by the Minnesota Department of Employment and Economic Development, and including in the report the information required in Section 116J.994, subdivision 7 of the Business Subsidy Act. If the City does not receive the report as of March 1, the City will send notice to the Developer within one (1) week of the required filing date. If, after fourteen (14) days from the postmarked date of the warning notice, the Developer fails to provide a report, the/ Developer will pay to the City a penalty of one hundred dollars ($100) for each subsequent day after the fourteen (14) days until the report is filed. The maximum penalty shall not exceed one thousand dollars ($1,000).

Section 4.06. Repayment. If, for any reason, the City has paid an annual Abatement amount greater than Developer would have been entitled to pursuant to this Agreement, then Developer shall repay that portion that it was not entitled to receive, plus interest, which shall be set at the implicit price deflator as defined in Minnesota Statutes Section 275.70, subd. 2.

ARTICLE 5
DEVELOPER EVENTS OF DEFAULT

Section 5.01. Developer Events of Default Defined. The following shall be "Developer Events of Default" under this Agreement and the term "Developer Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(a) Except with regard to any amount subject to a Tax Appeal or the payment of which has been stayed by any other procedure under applicable law, failure by the Developer to timely pay any ad valorem real property taxes, special assessments, or other governmental impositions with respect to any Abatement Property.

(b) If constructed, the failure by the Developer to cause the Project to be constructed pursuant to the terms, conditions and limitations of the Development Agreement, Land Use Entitlements and this Agreement.

(c) Failure by the Developer to observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement or the Development Agreement, but excluding any failure to meet a Business Subsidy Act project goal under Article IV of this Agreement, which shall be governed by the remedies therein.

Section 5.02. Remedies on Default. Whenever any Developer Event of Default referred to in Section 5.01 occurs and is continuing, the City, may take any one or more of the following actions after the giving of written notice to the Developer citing with specificity the item or items of default and notifying the Developer that it has ninety (90) days within which to cure said Developer Event of Default or commence and diligently pursue such Developer Event of Default if the Developer is unable to cure within such ninety (90) day period and Developer is diligently pursuing and can demonstrate progress toward curing the default. If the Developer is unable to cure or commence a cure for the Developer Event of Default within said ninety (90) days as required above, the City may:

(a) Suspend its performance under this Agreement until it receives assurances from the Developer, deemed reasonably adequate by the City, that the Developer will cure its default and continue its performance under this Agreement; or

(b) Collect any payments due under the Tax Abatement Act.

Section 5.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given solely under this Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.04. No Implied Waiver. In the event any covenant contained in this Agreement should be breached by any Party and thereafter waived by the other Party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

ARTICLE 6
CITY EVENTS OF DEFAULT

Section 6.01. City Events of Default Defined. The following shall be "City Events of Default" under this Agreement and the term "City Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(a) Failure by the City to timely rebate taxes as provided in this Agreement by paying any Abatement payment due on any Payment Date.

(b) Failure by the City to observe or perform any other covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement.

(c) City takes actions, including the levy of special assessments or other actions to discriminatorily impair the ability of the Developer to proceed with developing or operating the Project.

Section 6.02. Remedies on Default. Whenever any City Event of Default referred to in Section 6.01 occurs and is continuing, the Developer may take any one or more of the following actions after the giving of written notice to the City citing with specificity the item or items of default and notifying the City that it has ninety (90) days within which to cure said City Event of Default or commence and diligently pursue such City Event of Default if the City is unable to cure within such ninety (90) day period and City is diligently pursuing and can demonstrate progress toward curing the default. If the City is unable to cure or commence a cure for the City Event of Default within said ninety (90) days as required above, the Developer may seek monetary damages or specific performance as remedies.

Section 6.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given solely under this Agreement. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient.

ARTICLE 7
ADDITIONAL PROVISIONS

Section 7.01. Conflicts of Interest. No member of the governing body or other official of the City shall participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested. No member, official or employee of the City shall be personally liable to the City in the event of any default or breach by the Developer, or successor of any obligations under the terms of this Agreement.

Section 7.02. Titles of Articles and Sections. Any titles of the several parts, articles and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 7.03. Notice. Unless otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by either Party to the other shall be sufficiently given or delivered if it is sent by both (1) email and (2) physical copy transmitted by reputable overnight courier, registered or certified mail, postage prepaid, return receipt requested, or personal delivery. Such notice shall be sent to the following:

In the case of the Developer:

Harmony Group LLC
2801 Centerville Road
1st Floor, PMB 160
Wilmington, DE 19808

and with a copy to:

Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102
Attention: Margot J. Wickman
margot.wickman@kutakrock.com

In the case of the City:

City of Hermantown
Attn: Chad Ronchetti, Economic Development Director
250 South Main Street
Hermantown, MN 55963
cronchetti@hermantownmn.com

and with a copy to:

City of Hermantown
Attn: Gunnar Johnson, City Attorney
Overom Law
802 Garfield Avenue, Suite 101
Duluth, MN 55802
gjohnson@overomlaw.com

or at such other address with respect to any such Party as that Party may, from time to time, designate in writing and forward to the other Parties, as provided in this Section.

Section 7.04. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 7.05. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 7.06. Term. This Agreement shall remain in effect commencing on the Effective Date and until December 31 of the thirty-first (31st) year after the Effective Date, unless earlier terminated or rescinded in accordance with its terms or State law.

Section 7.07. Recording. A recordable Memorandum of Agreement, in substantially the form attached hereto as **Exhibit B - Memorandum of Agreement**, shall be completed and recorded in the land records of the County, subsequent to the replatting of the Project Property, and shall state that the terms and conditions of this Agreement run with the Project Property and bind and inure to the benefit of the Parties and their successors and assigns.

Section 7.08. Developer Option to Terminate. The Developer shall have the option to terminate this Agreement for any reason that causes the Project to no longer be viable, determined by the Developer in its sole discretion. The Developer shall then notify the City of its decision to terminate within fifteen (15) days.

Section 7.09. Provisions Surviving Rescission or Expiration. Section 7.13 shall survive any rescission, termination, or expiration of this Agreement with respect to or arising out of any event, occurrence, or circumstance existing prior to the date thereof.

Section 7.10. Payment of Fees. Under the City's Reimbursement Agreement of January 16, 2025, with Mortenson Development, Inc., the City will be reimbursed in an amount not to exceed $225,000.00 for the City's reasonable legal, financial, consultant, and other costs in connection with the review of its application for the Abatements.

Section 7.11. Compliance.

(a) In connection with the negotiation and performance of this Agreement, the Parties, represent, warrant and covenant that they will comply with all applicable anti-corruption laws, rules, and regulations.

(b) Each Party will cooperate in good faith to review any compliance matters that arise during the performance of the Agreement, subject to compliance with applicable laws, including data protection laws, and their own internal policies and procedures.

Section 7.12. Joint Authorship. This Agreement has been drafted through the joint efforts of the Parties, and no ambiguity or inconsistency shall be construed against either Party by virtue of authorship.

Section 7.13. No Personal Obligations. All covenants, stipulations, promises, agreements and obligations of a Party contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of that Party, and not of any governing body member, officer, agent, servant, or employee of that Party, as applicable, in the individual capacity thereof.

Section 7.14. Force Majeure. A Party may assert force majeure in the event of an act, cause or occurrence which: (i) delays or prevents a Party from timely performing its obligations under this Agreement; (ii) arises outside the control of the Party hereto who has the affected obligation; (iii) cannot be prevented by such Party's exercise of due care, prudence and diligence; and (iv) is not the result of the willful misconduct or negligent act or omission of such Party (or its subcontractors or agents). A Party asserting that the force majeure delays or prevents timely performance will have the duty to mitigate the effect of the force majeure. Such affected Party will provide prompt written notice of the occurrence of a force majeure event to the other Parties and will have its time for performance extended only to the extent that, and only for so long as, the force majeure either: (i) actually delays or prevents timely performance, if such Party properly exercises its duty to mitigate; or (ii) would have delayed or prevented timely performance if such Party properly had exercised its duty to mitigate but failed to do so.

Section 7.15. Severability. The unenforceability or invalidity of any provision hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

Section 7.16. Change of Law. If, due to any change in applicable law, regulation, or interpretation thereof by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement shall become impracticable or impossible, the Parties shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 7.17. Confidentiality. Information and documents provided by the Developer pursuant to this Agreement may be trade secret information that is classified as private or nonpublic data under the Minnesota Government Data Practices Act (Chapter 13, Minnesota Statutes) (the "**MGDPA**"). The Parties acknowledge that the City is relying on the representations of the Developer in classifying trade secret information as nonpublic pursuant to the MGDPA. If any person requests to examine information or documents provided pursuant to this Agreement the City will notify the Developer. If the Developer classifies any data as trade secret information, Developer shall indemnify and hold harmless the City and its employees, officers and officials for all expenses, costs, damages, and penalties of any kind whatsoever which may be incurred by the City and/or any of its employees, officers and officials, or assessed or awarded against the City and/or any of its employees, officers and officials and in favor of any requesting or complaining party, in regard to the City classifying the trade secret information as nonpublic data and denying any request to inspect or copy the un-redacted Agreement. If litigation is filed in relation to such a request and the Developer is not initially named as a party, the Developer shall promptly seek to intervene as a defendant in such litigation to defend its claim regarding the trade secret protection of such material. With respect to protection and disclosure of information provided pursuant to this Agreement that is claimed by the Developer to be nonpublic trade secret information, this Section 7.17, and not the terms and conditions of any prior mutual nondisclosure agreement between the Parties shall apply and control.

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

DEVELOPER:

HARMONY GROUP LLC

By: ________________________________

Its: _________________________________

CITY OF HERMANTOWN:

By: ____________________________
Wayne Boucher, Mayor

By: ____________________________
Alissa McClure, City Clerk

[*Signature Page to Tax Abatement Agreement*]

EXHIBIT A
DESCRIPTION OF PROJECT PROPERTY

The Project Property is that part of Section 31, Township 50 North, Range 15 West, 4th Principal Meridian, St. Louis County, Minnesota, described as follows:

Beginning at the northeast corner of said Section 31; thence South 00 degrees 21 minutes 59 seconds East, assumed bearing, along the east line of the Northeast Quarter, a distance of 2652.09 feet to the east quarter corner of said Section 31; thence South 00 degrees 22 minutes 03 seconds East along the east line of the Southeast Quarter, a distance of 1326.39 feet to the southeast corner of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along the south line of said Northeast Quarter of the Southeast Quarter, a distance of 33.00 feet; thence North 00 degrees 22 minutes 03 seconds West, a distance of 100.00 feet; thence South 89 degrees 53 minutes 58 seconds West, a distance of 100.00 feet; thence South 00 degrees 22 minutes 03 seconds East, a distance of 100.00 feet to said south line of the Northeast Quarter of the Southeast Quarter; thence South 89 degrees 53 minutes 58 seconds West along said south line of the Northeast Quarter of the Southeast Quarter and the south line of the Northwest Quarter of the Southeast Quarter, a distance of 2515.34 feet to the southwest corner of said Northwest Quarter of the Southeast Quarter; thence North 00 degrees 24 minutes 24 seconds West along the north-south quarter line of said Section 31, a distance of 2635.21 feet to the southeast corner of the East Half of the Northeast Quarter of the Northwest Quarter; thence South 89 degrees 39 minutes 57 seconds West along the south line of said East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the intersection with the west line of the East 171.30 feet of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 00 degrees 24 minutes 24 seconds West along said west line of the East 171.30 feet of East Half of the Northeast Quarter of the Northwest Quarter, a distance of 1316.98 feet to the north line of said East Half of the Northeast Quarter of the Northwest Quarter; thence North 89 degrees 36 minutes 43 seconds East along said north line of the East Half of the Northeast Quarter of the Northwest Quarter, a distance of 171.30 feet to the north quarter corner of said Section 31; thence North 89 degrees 20 minutes 04 seconds East along the north line of said Northeast Quarter, a distance of 2651.11 feet to the northeast corner of said Section 31, also being the point of beginning.

Containing 10,722,710 square feet, or 246.15955 acres, more or less.

The Project Property includes parcels 395-0010-09170, 395-0010-09135, 395-0010-09130, 395-0010-09131, 395-0010-09103, 395-0010-09102, 395-0010-09100, 395-0010-09080, 395-0010-09120, 395-0010-09110, 395-0010-09095, 395-0010-09150, 395-0010-09090, 395-0010-09155, 395-0010-09161, 395-0010-09160, 395-0010-09300, 395-0010-09302, 395-0010-09140, 395-0010-09310, 395-0010-09320, 395-0010-09330, and 395-0010-09340.

EXHIBIT B
FORM OF RECORDABLE MEMORANDUM OF AGREEMENT

Attached

MEMORANDUM OF TAX ABATEMENT AGREEMENT

THIS MEMORANDUM OF TAX ABATEMENT AGREEMENT (this "**Memorandum**"), dated ______________________, 2026, is made by and between the City of Hermantown, a municipal corporation and political subdivision under the laws of Minnesota (the "**City**") and Harmony Group LLC, a Delaware limited liability company (the "**Developer**").

Section 1. Recitals

A. City and Developer are parties to that certain Tax Abatement Agreement (the "**Agreement**") dated ______________________ ("**Effective Date**"), which affects real property located in Saint Louis County, Minnesota legally described on **Exhibit A** attached hereto ("**Abatement Property**").

B. City and Developer wish to memorialize and record the existence of the Agreement and certain specific terms of the same.

Section 2. Agreement

NOW THEREFORE, in consideration of the Agreement and other good and valuable consideration, City and Developer agree as follows:

1. All capitalized terms not defined herein shall have the meaning given to them by the Agreement. The original executed Agreement shall be on file with the City.

2. The Project consists of the development of a technology campus on the Project Property in up to four (4) Phases.

3. Pursuant and subject to the terms and conditions of the Agreement, the City shall provide the Abatement Program for the Project Property, consisting of real property tax Abatements for each Parcel comprising the Abatement Property for each Phase, which Abatements shall be paid to the Project Developer.

4. The Abatement Period for a Parcel's Abatement applies to the first tax assessment year following the Commercial Operation Date of the Phase relating to that Parcel (the taxes payable in the second year following the Commercial Operation Date of the Phase relating to the Parcel) and extends for twenty (20) years thereafter or when the cumulative abatement amount for all eligible parcels reaches the maximum amount identified in the Agreement, whichever occurs first.

5. The Agreement is in effect, commencing on the Effective Date, and remaining in effect until December 31 of the taxes payable year for the last Abatement Period for the last Parcel constructed, unless earlier terminated or rescinded in accordance with the terms of the Agreement or State law. The terms and conditions of the Agreement run with the Abatement Property, and shall be binding upon and inure to the benefit of the parties and their successors and assigns.

6. This Memorandum of Tax Abatement Agreement has been executed and delivered

by the parties for the purpose of recording and giving notice that a contractual relationship for tax abatement involving the Project Property has been created among the City and the Developer in accordance with the terms, covenants and conditions of the Agreement. Nothing herein shall be construed to amend, modify, change, alter, amplify, interpret or supersede any of the terms and provision of the Agreement, which shall in all things control.

7. The terms and conditions of the Agreement are incorporated by reference into this Memorandum of Tax Abatement Agreement as if set forth fully herein at length.

8. The parties hereto agree that this Memorandum satisfies Section 7.07 of the Agreement, which requires that a Memorandum of Agreement be completed and recorded in the land records of the County.

{*Remainder of page intentionally left blank; signature page follows*.}

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

HARMONY GROUP LLC

By:____________________________

Its:____________________________

STATE OF _____________________)
) ss.
COUNTY OF ____________________)

The foregoing instrument was executed before me this day of __________________ 202_, by ____, the ____ of Harmony Group LLC, a Delaware limited liability company, on behalf of the company.

Notary Public

CITY OF HERMANTOWN

By: ____________________________
Wayne Boucher, Mayor

By: ____________________________
Alissa McClure, City Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF SAINT LOUIS)

The foregoing instrument was acknowledged before me this day of ________________________________ 2026, by Wayne Boucher and Alissa McClure, the Mayor and City Clerk, respectively, of the City of Hermantown, a municipal corporation under the laws of Minnesota, on behalf of the municipal corporation.

Notary Public

This document drafted by:

KUTAK ROCK LLP
60 South 6th Street, Suite 3400
Minneapolis, MN 55402

[*Signature Page to Memorandum of Tax Abatement Agreement*]

EXHIBIT A
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Containing 10,722,710 square feet, or 246.15955 acres, more or less.

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Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2027**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-28**	
First Period Ending	1-Aug-28	
Cashflow Assumes First Abatement	2029	
Assumes Last Year of Abatement	2048	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No. **700**		
Total Years of Abatement: 20		

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. **Base values are for pay 2026 from review of County website on April 15, 2026.**

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2027	Percentage Completed 2028	Percentage Completed 2029	Percentage Completed 2030	First Year Full Taxes Payable
1	Main	232	232	366,000	84,912,000	C/I Pref.	1,697,490	100%	100%	100%	100%	2029
1	Office	214	214	70,000	14,980,000	C/I Pref.	298,850	100%	100%	100%	100%	2029
1	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2029
TOTAL					102,837,000		2,054,490					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				436,001	102,837,000		2,054,490					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,697,490	0	1,697,490	2,152,570	0	479,973	77,720	2,710,263	7.41
Office	298,850	0	298,850	378,969	0	83,976	13,711	476,656	6.81
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	2,054,490	0	2,054,490	2,605,278	0	579,777	94,127	3,279,182	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	3,279,182
less State-wide Taxes	(579,777)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(94,127)
Less Small Taxing Jurisdiction Taxes	(26,482)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,545,856

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 46.5150%	100% County Abatement w/ Tax Rate 62.2660%	100% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/28
						-	-	-	-	-				02/01/29
2,054,490	(26,242)	-	2,028,248	126%	2,545,856	1,272,928	471,720	631,454	169,754	1,272,928	1,156,468	0.5	2029	08/01/29
						1,272,928	471,720	631,454	169,754	1,272,928	2,276,534	1	2029	02/01/30
2,136,670	(26,242)	-	2,110,427	126%	2,649,008	1,324,504	490,833	657,039	176,632	1,324,504	3,405,298	1.5	2030	08/01/30
						1,324,504	490,833	657,039	176,632	1,324,504	4,498,532	2	2030	02/01/31
2,222,136	(26,242)	-	2,195,894	126%	2,756,286	1,378,143	510,710	683,648	183,785	1,378,143	5,600,233	2.5	2031	08/01/31
						1,378,143	510,710	683,648	183,785	1,378,143	6,667,256	3	2031	02/01/32
2,311,022	(26,242)	-	2,284,779	126%	2,867,855	1,433,928	531,383	711,320	191,225	1,433,928	7,742,524	3.5	2032	08/01/32
						1,433,928	531,383	711,320	191,225	1,433,928	8,783,946	4	2032	02/01/33
2,403,463	(26,242)	-	2,377,220	126%	2,983,887	1,491,943	552,882	740,100	198,961	1,491,943	9,833,396	4.5	2033	08/01/33
						1,491,943	552,882	740,100	198,961	1,491,943	10,849,812	5	2033	02/01/34
2,499,601	(26,242)	-	2,473,359	126%	3,104,560	1,552,280	575,241	770,031	207,008	1,552,280	11,874,046	5.5	2034	08/01/34
						1,552,280	575,241	770,031	207,008	1,552,280	12,866,041	6	2034	02/01/35
2,599,585	(26,242)	-	2,573,343	126%	3,230,060	1,615,030	598,495	801,159	215,376	1,615,030	13,865,648	6.5	2035	08/01/35
						1,615,030	598,495	801,159	215,376	1,615,030	14,833,792	7	2035	02/01/36
2,703,569	(26,242)	-	2,677,326	126%	3,360,580	1,680,290	622,679	833,532	224,079	1,680,290	15,809,350	7.5	2036	08/01/36
						1,680,290	622,679	833,532	224,079	1,680,290	16,754,201	8	2036	02/01/37
2,811,711	(26,242)	-	2,785,469	126%	3,496,321	1,748,160	647,830	867,200	233,130	1,748,160	17,706,273	8.5	2037	08/01/37
						1,748,160	647,830	867,200	233,130	1,748,160	18,628,378	9	2037	02/01/38
2,924,180	(26,242)	-	2,897,938	126%	3,637,491	1,818,746	673,988	902,215	242,543	1,818,746	19,557,517	9.5	2038	08/01/38
						1,818,746	673,988	902,215	242,543	1,818,746	20,457,409	10	2038	02/01/39
3,041,147	(26,242)	-	3,014,905	126%	3,784,308	1,892,154	701,191	938,630	252,332	1,892,154	21,364,154	10.5	2039	08/01/39
						1,892,154	701,191	938,630	252,332	1,892,154	22,242,357	11	2039	02/01/40
3,162,793	(26,242)	-	3,136,551	126%	3,936,998	1,968,499	729,483	976,502	262,514	1,968,499	23,127,236	11.5	2040	08/01/40
						1,968,499	729,483	976,502	262,514	1,968,499	23,984,261	12	2040	02/01/41
3,289,305	(26,242)	-	3,263,062	126%	4,095,796	2,047,898	758,907	1,015,889	273,102	2,047,898	24,847,790	12.5	2041	08/01/41
						2,047,898	758,907	1,015,889	273,102	2,047,898	25,684,137	13	2041	02/01/42
3,420,877	(26,242)	-	3,394,634	126%	4,260,945	2,130,473	789,507	1,056,852	284,114	2,130,473	26,526,820	13.5	2042	08/01/42
						2,130,473	789,507	1,056,852	284,114	2,130,473	27,342,978	14	2042	02/01/43
3,557,712	(26,242)	-	3,531,470	126%	4,432,701	2,216,350	821,332	1,099,452	295,566	2,216,350	28,165,309	14.5	2043	08/01/43
						2,216,350	821,332	1,099,452	295,566	2,216,350	28,961,755	15	2043	02/01/44
3,700,020	(26,242)	-	3,673,778	126%	4,611,326	2,305,663	854,429	1,143,757	307,477	2,305,663	29,764,216	15.5	2044	08/01/44
						2,305,663	854,429	1,143,757	307,477	2,305,663	30,541,418	16	2044	02/01/45
3,848,021	(26,242)	-	3,821,779	126%	4,797,097	2,398,548	888,850	1,189,834	319,864	2,398,548	31,324,480	16.5	2045	08/01/45
						2,398,548	888,850	1,189,834	319,864	2,398,548	32,082,894	17	2045	02/01/46
4,001,942	(26,242)	-	3,975,700	126%	4,990,298	2,495,149	924,648	1,237,755	332,746	2,495,149	32,847,019	17.5	2046	08/01/46
						2,495,149	924,648	1,237,755	332,746	2,495,149	33,587,091	18	2046	02/01/47
4,162,020	(26,242)	-	4,135,777	126%	5,191,228	2,595,614	961,878	1,287,592	346,144	2,595,614	34,332,729	18.5	2047	08/01/47
						2,595,614	961,878	1,287,592	346,144	2,595,614	35,054,896	19	2047	02/01/48
4,328,501	(26,242)	-	4,302,258	126%	5,400,194	2,700,097	1,000,598	1,339,422	360,077	2,700,097	35,782,486	19.5	2048	08/01/48
						2,700,097	1,000,598	1,339,422	360,077	2,700,097	36,487,174	20	2048	02/01/49
Total						**76,132,797**	**28,213,170**	**37,766,768**	**10,152,859**	**76,132,797**				
Present Value From	**02/01/2028**		**Present Value Rate**	**6.50%**		**36,487,174**	**13,521,358**	**18,099,987**	**4,865,829**	**36,487,174**				

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2027**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-28**	
First Period Ending	1-Aug-28	
Cashflow Assumes First Abatement	2029	
Assumes Last Year of Abatement	2048	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No.	**700**	
Total Years of Abatement:	20	

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. **Base values are for pay 2026 from review of County website on April 15, 2026.**

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2027	Percentage Completed 2028	Percentage Completed 2029	Percentage Completed 2030	First Year Full Taxes Payable
1	Main	232	232	366,000	84,912,000	C/I Pref.	1,697,490	100%	100%	100%	100%	2029
1	Office	214	214	70,000	14,980,000	C/I Pref.	298,850	100%	100%	100%	100%	2029
1	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2029
TOTAL					102,837,000		2,054,490					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				436,001	102,837,000		2,054,490					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,697,490	0	1,697,490	2,152,570	0	479,973	77,720	2,710,263	7.41
Office	298,850	0	298,850	378,969	0	83,976	13,711	476,656	6.81
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	2,054,490	0	2,054,490	2,605,278	0	579,777	94,127	3,279,182	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	3,279,182
less State-wide Taxes	(579,777)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(94,127)
Less Small Taxing Jurisdiction Taxes	(26,482)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,545,856

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story w/70K Office Phase 1 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS LEADERS IN PUBLIC FINANCE

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	85% City Abatement w/ Tax Rate 46.5150%	85% County Abatement w/ Tax Rate 62.2660%	85% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/28
						-	-	-	-	-				02/01/29
2,054,490	(26,242)	-	2,028,248	126%	2,545,856	1,272,928	400,962			1,081,989	982,998	0.5	2029	08/01/29
						1,272,928	400,962			1,081,989	1,935,054	1	2029	02/01/30
2,136,670	(26,242)	-	2,110,427	126%	2,649,008	1,324,504	417,208			1,125,829	2,894,503	1.5	2030	08/01/30
						1,324,504	417,208			1,125,829	3,823,752	2	2030	02/01/31
2,222,136	(26,242)	-	2,195,894	126%	2,756,286	1,378,143	434,104			1,171,422	4,760,198	2.5	2031	08/01/31
						1,378,143	434,104			1,171,422	5,667,168	3	2031	02/01/32
2,311,022	(26,242)	-	2,284,779	126%	2,867,855	1,433,928	451,675			1,218,838	6,581,145	3.5	2032	08/01/32
						1,433,928	451,675	Not Applicable		1,218,838	7,466,354	4	2032	02/01/33
2,403,463	(26,242)	-	2,377,220	126%	2,983,887	1,491,943	469,950	For This Agreement		1,268,152	8,358,386	4.5	2033	08/01/33
						1,491,943	469,950			1,268,152	9,222,340	5	2033	02/01/34
2,499,601	(26,242)	-	2,473,359	126%	3,104,560	1,552,280	488,955			1,319,438	10,092,939	5.5	2034	08/01/34
						1,552,280	488,955			1,319,438	10,936,134	6	2034	02/01/35
2,599,585	(26,242)	-	2,573,343	126%	3,230,060	1,615,030	508,721			1,372,775	11,785,801	6.5	2035	08/01/35
						1,615,030	508,721			1,372,775	12,608,723	7	2035	02/01/36
2,703,569	(26,242)	-	2,677,326	126%	3,360,580	1,680,290	529,277			1,428,246	13,437,947	7.5	2036	08/01/36
						1,680,290	529,277			1,428,246	14,241,071	8	2036	02/01/37
2,811,711	(26,242)	-	2,785,469	126%	3,496,321	1,748,160	550,656			1,485,936	15,050,332	8.5	2037	08/01/37
						1,748,160	550,656			1,485,936	15,834,121	9	2037	02/01/38
2,924,180	(26,242)	-	2,897,938	126%	3,637,491	1,818,746	572,890			1,545,934	16,623,889	9.5	2038	08/01/38
						1,818,746	572,890			1,545,934	17,388,798	10	2038	02/01/39
3,041,147	(26,242)	-	3,014,905	126%	3,784,308	1,892,154	596,013			1,608,331	18,159,531	10.5	2039	08/01/39
						1,892,154	596,013			1,608,331	18,906,004	11	2039	02/01/40
3,162,793	(26,242)	-	3,136,551	126%	3,936,998	1,968,499	620,061			1,673,224	19,658,151	11.5	2040	08/01/40
						1,968,499	620,061			1,673,224	20,386,622	12	2040	02/01/41
3,289,305	(26,242)	-	3,263,062	126%	4,095,796	2,047,898	645,071			1,740,713	21,120,621	12.5	2041	08/01/41
						2,047,898	645,071			1,740,713	21,831,517	13	2041	02/01/42
3,420,877	(26,242)	-	3,394,634	126%	4,260,945	2,130,473	671,081			1,810,902	22,547,797	13.5	2042	08/01/42
						2,130,473	671,081			1,810,902	23,241,531	14	2042	02/01/43
3,557,712	(26,242)	-	3,531,470	126%	4,432,701	2,216,350	698,132			1,883,898	23,940,512	14.5	2043	08/01/43
						2,216,350	698,132			1,883,898	24,617,492	15	2043	02/01/44
3,700,020	(26,242)	-	3,673,778	126%	4,611,326	2,305,663	726,265			1,959,814	25,299,583	15.5	2044	08/01/44
						2,305,663	726,265			1,959,814	25,960,205	16	2044	02/01/45
3,848,021	(26,242)	-	3,821,779	126%	4,797,097	2,398,548	755,523			2,038,766	26,625,808	16.5	2045	08/01/45
						2,398,548	755,523			2,038,766	27,270,460	17	2045	02/01/46
4,001,942	(26,242)	-	3,975,700	126%	4,990,298	2,495,149	785,951			2,120,877	27,919,966	17.5	2046	08/01/46
						2,495,149	785,951			2,120,877	28,549,027	18	2046	02/01/47
4,162,020	(26,242)	-	4,135,777	126%	5,191,228	2,595,614	817,597			2,206,272	29,182,819	18.5	2047	08/01/47
						2,595,614	817,597			2,206,272	29,796,661	19	2047	02/01/48
4,328,501	(26,242)	-	4,302,258	126%	5,400,194	2,700,097	850,508			2,295,083	30,415,113	19.5	2048	08/01/48
						2,700,097	850,508			2,295,083	31,014,098	20	2048	02/01/49
Total						**76,132,797**	**23,981,194**			**64,712,877**				
Present Value From	**02/01/2028**		**Present Value Rate**	**6.50%**		**36,487,174**	**11,493,155**			**31,014,098**				

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2029**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-30**	
First Period Ending	1-Aug-30	
Cashflow Assumes First Abatement	2031	
Assumes Last Year of Abatement	2050	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No. **700**		
Total Years of Abatement: 20		

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. Base values are for pay 2026 from review of County website on April 15, 2026.

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2029	Percentage Completed 2030	Percentage Completed 2031	Percentage Completed 2032	First Year Full Taxes Payable
2	Main	251	251	366,000	91,840,819	C/I Pref.	1,836,066	100%	100%	100%	100%	2031
2	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2031
TOTAL					94,785,819		1,894,216					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				366,001	94,785,819		1,894,216					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,836,066	0	1,836,066	2,328,297	0	519,208	84,062	2,931,568	8.01
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	1,894,216	0	1,894,216	2,402,037	0	535,035	86,757	3,023,830	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	3,023,830
less State-wide Taxes	(535,035)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(86,757)
Less Small Taxing Jurisdiction Taxes	(24,416)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,344,681

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS
LEADERS IN PUBLIC FINANCE

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 46.5150%	100% County Abatement w/ Tax Rate 62.2660%	100% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/30
						-	-	-	-	-				02/01/31
1,894,216	(26,242)	-	1,867,974	126%	2,344,681	1,172,340	434,444	581,556	156,340	1,172,340	1,065,083	0.5	2031	08/01/31
						1,172,340	434,444	581,556	156,340	1,172,340	2,096,641	1	2031	02/01/32
1,969,985	(26,242)	-	1,943,743	126%	2,439,786	1,219,893	452,066	605,145	162,682	1,219,893	3,136,253	1.5	2032	08/01/32
						1,219,893	452,066	605,145	162,682	1,219,893	4,143,142	2	2032	02/01/33
2,048,784	(26,242)	-	2,022,542	126%	2,538,695	1,269,347	470,393	629,678	169,277	1,269,347	5,157,871	2.5	2033	08/01/33
						1,269,347	470,393	629,678	169,277	1,269,347	6,140,659	3	2033	02/01/34
2,130,736	(26,242)	-	2,104,493	126%	2,641,560	1,320,780	489,453	655,192	176,136	1,320,780	7,131,080	3.5	2034	08/01/34
						1,320,780	489,453	655,192	176,136	1,320,780	8,090,326	4	2034	02/01/35
2,215,965	(26,242)	-	2,189,723	126%	2,748,540	1,374,270	509,275	681,726	183,269	1,374,270	9,057,003	4.5	2035	08/01/35
						1,374,270	509,275	681,726	183,269	1,374,270	9,993,252	5	2035	02/01/36
2,304,604	(26,242)	-	2,278,361	126%	2,859,799	1,429,900	529,890	709,322	190,687	1,429,900	10,936,737	5.5	2036	08/01/36
						1,429,900	529,890	709,322	190,687	1,429,900	11,850,523	6	2036	02/01/37
2,396,788	(26,242)	-	2,370,546	126%	2,975,509	1,487,754	551,330	738,022	198,403	1,487,754	12,771,355	6.5	2037	08/01/37
						1,487,754	551,330	738,022	198,403	1,487,754	13,663,202	7	2037	02/01/38
2,492,660	(26,242)	-	2,466,417	126%	3,095,847	1,547,923	573,627	767,870	206,427	1,547,923	14,561,910	7.5	2038	08/01/38
						1,547,923	573,627	767,870	206,427	1,547,923	15,432,329	8	2038	02/01/39
2,592,366	(26,242)	-	2,566,124	126%	3,220,998	1,610,499	596,816	798,911	214,772	1,610,499	16,309,429	8.5	2039	08/01/39
						1,610,499	596,816	798,911	214,772	1,610,499	17,158,921	9	2039	02/01/40
2,696,061	(26,242)	-	2,669,818	126%	3,351,156	1,675,578	620,933	831,194	223,450	1,675,578	18,014,920	9.5	2040	08/01/40
						1,675,578	620,933	831,194	223,450	1,675,578	18,843,975	10	2040	02/01/41
2,803,903	(26,242)	-	2,777,661	126%	3,486,520	1,743,260	646,014	864,769	232,476	1,743,260	19,679,368	10.5	2041	08/01/41
						1,743,260	646,014	864,769	232,476	1,743,260	20,488,465	11	2041	02/01/42
2,916,059	(26,242)	-	2,889,817	126%	3,627,298	1,813,649	672,099	899,687	241,863	1,813,649	21,303,736	11.5	2042	08/01/42
						1,813,649	672,099	899,687	241,863	1,813,649	22,093,344	12	2042	02/01/43
3,032,701	(26,242)	-	3,006,459	126%	3,773,707	1,886,854	699,227	936,001	251,626	1,886,854	22,888,966	12.5	2043	08/01/43
						1,886,854	699,227	936,001	251,626	1,886,854	23,659,543	13	2043	02/01/44
3,154,010	(26,242)	-	3,127,767	126%	3,925,973	1,962,987	727,440	973,768	261,778	1,962,987	24,435,979	13.5	2044	08/01/44
						1,962,987	727,440	973,768	261,778	1,962,987	25,187,975	14	2044	02/01/45
3,280,170	(26,242)	-	3,253,928	126%	4,084,330	2,042,165	756,782	1,013,045	272,337	2,042,165	25,945,678	14.5	2045	08/01/45
						2,042,165	756,782	1,013,045	272,337	2,042,165	26,679,531	15	2045	02/01/46
3,411,377	(26,242)	-	3,385,134	126%	4,249,021	2,124,510	787,298	1,053,894	283,319	2,124,510	27,418,943	15.5	2046	08/01/46
						2,124,510	787,298	1,053,894	283,319	2,124,510	28,135,082	16	2046	02/01/47
3,547,832	(26,242)	-	3,521,589	126%	4,420,299	2,210,149	819,034	1,096,376	294,739	2,210,149	28,856,637	16.5	2047	08/01/47
						2,210,149	819,034	1,096,376	294,739	2,210,149	29,555,480	17	2047	02/01/48
3,689,745	(26,242)	-	3,663,503	126%	4,598,429	2,299,214	852,039	1,140,558	306,617	2,299,214	30,259,600	17.5	2048	08/01/48
						2,299,214	852,039	1,140,558	306,617	2,299,214	30,941,558	18	2048	02/01/49
3,837,335	(26,242)	-	3,811,092	126%	4,783,683	2,391,842	886,365	1,186,507	318,969	2,391,842	31,628,658	18.5	2049	08/01/49
						2,391,842	886,365	1,186,507	318,969	2,391,842	32,294,130	19	2049	02/01/50
3,990,828	(26,242)	-	3,964,586	126%	4,976,348	2,488,174	922,064	1,234,295	331,816	2,488,174	32,964,614	19.5	2050	08/01/50
						2,488,174	922,064	1,234,295	331,816	2,488,174	33,613,993	20	2050	02/01/51
Total						**70,142,178**	**25,993,176**	**34,795,036**	**9,353,967**	**70,142,178**				
Present Value From	**02/01/2030**		**Present Value Rate**	**6.50%**		**33,613,993**	**12,456,620**	**16,674,704**	**4,482,669**	**33,613,993**				

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2029**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-30**	
First Period Ending	1-Aug-30	
Cashflow Assumes First Abatement	2031	
Assumes Last Year of Abatement	2050	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No.	**700**	
Total Years of Abatement:	20	

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. Base values are for pay 2026 from review of County website on April 15, 2026.

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2029	Percentage Completed 2030	Percentage Completed 2031	Percentage Completed 2032	First Year Full Taxes Payable
2	Main	251	251	366,000	91,840,819	C/I Pref.	1,836,066	100%	100%	100%	100%	2031
2	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2031
TOTAL					94,785,819		1,894,216					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				366,001	94,785,819		1,894,216					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,836,066	0	1,836,066	2,328,297	0	519,208	84,062	2,931,568	8.01
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	1,894,216	0	1,894,216	2,402,037	0	535,035	86,757	3,023,830	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	3,023,830
less State-wide Taxes	(535,035)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(86,757)
Less Small Taxing Jurisdiction Taxes	(24,416)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,344,681

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 2 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS
LEADERS IN PUBLIC FINANCE

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	85% City Abatement w/ Tax Rate 46.5150%	85% County Abatement w/ Tax Rate 62.2660%	85% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-			-				08/01/30
						-	-			-				02/01/31
1,894,216	(26,242)	-	1,867,974	126%	2,344,681	1,172,340	369,277			996,489	905,321	0.5	2031	08/01/31
						1,172,340	369,277			996,489	1,782,145	1	2031	02/01/32
1,969,985	(26,242)	-	1,943,743	126%	2,439,786	1,219,893	384,256			1,036,909	2,665,815	1.5	2032	08/01/32
						1,219,893	384,256			1,036,909	3,521,670	2	2032	02/01/33
2,048,784	(26,242)	-	2,022,542	126%	2,538,695	1,269,347	399,834			1,078,945	4,384,190	2.5	2033	08/01/33
						1,269,347	399,834			1,078,945	5,219,560	3	2033	02/01/34
2,130,736	(26,242)	-	2,104,493	126%	2,641,560	1,320,780	416,035			1,122,663	6,061,418	3.5	2034	08/01/34
						1,320,780	416,035			1,122,663	6,876,777	4	2034	02/01/35
2,215,965	(26,242)	-	2,189,723	126%	2,748,540	1,374,270	432,884			1,168,130	7,698,453	4.5	2035	08/01/35
						1,374,270	432,884			1,168,130	8,494,264	5	2035	02/01/36
2,304,604	(26,242)	-	2,278,361	126%	2,859,799	1,429,900	450,406			1,215,415	9,296,226	5.5	2036	08/01/36
						1,429,900	450,406			1,215,415	10,072,945	6	2036	02/01/37
2,396,788	(26,242)	-	2,370,546	126%	2,975,509	1,487,754	468,630			1,264,591	10,855,652	6.5	2037	08/01/37
						1,487,754	468,630			1,264,591	11,613,722	7	2037	02/01/38
2,492,660	(26,242)	-	2,466,417	126%	3,095,847	1,547,923	487,583			1,315,735	12,377,623	7.5	2038	08/01/38
						1,547,923	487,583			1,315,735	13,117,479	8	2038	02/01/39
2,592,366	(26,242)	-	2,566,124	126%	3,220,998	1,610,499	507,294			1,368,924	13,863,015	8.5	2039	08/01/39
						1,610,499	507,294			1,368,924	14,585,083	9	2039	02/01/40
2,696,061	(26,242)	-	2,669,818	126%	3,351,156	1,675,578	527,793			1,424,241	15,312,682	9.5	2040	08/01/40
						1,675,578	527,793			1,424,241	16,017,379	10	2040	02/01/41
2,803,903	(26,242)	-	2,777,661	126%	3,486,520	1,743,260	549,112			1,481,771	16,727,463	10.5	2041	08/01/41
						1,743,260	549,112			1,481,771	17,415,195	11	2041	02/01/42
2,916,059	(26,242)	-	2,889,817	126%	3,627,298	1,813,649	571,284			1,541,602	18,108,175	11.5	2042	08/01/42
						1,813,649	571,284			1,541,602	18,779,342	12	2042	02/01/43
3,032,701	(26,242)	-	3,006,459	126%	3,773,707	1,886,854	594,343			1,603,826	19,455,621	12.5	2043	08/01/43
						1,886,854	594,343			1,603,826	20,110,612	13	2043	02/01/44
3,154,010	(26,242)	-	3,127,767	126%	3,925,973	1,962,987	618,324			1,668,539	20,770,582	13.5	2044	08/01/44
						1,962,987	618,324			1,668,539	21,409,779	14	2044	02/01/45
3,280,170	(26,242)	-	3,253,928	126%	4,084,330	2,042,165	643,265			1,735,840	22,053,826	14.5	2045	08/01/45
						2,042,165	643,265			1,735,840	22,677,601	15	2045	02/01/46
3,411,377	(26,242)	-	3,385,134	126%	4,249,021	2,124,510	669,203			1,805,834	23,306,102	15.5	2046	08/01/46
						2,124,510	669,203			1,805,834	23,914,819	16	2046	02/01/47
3,547,832	(26,242)	-	3,521,589	126%	4,420,299	2,210,149	696,179			1,878,627	24,528,141	16.5	2047	08/01/47
						2,210,149	696,179			1,878,627	25,122,158	17	2047	02/01/48
3,689,745	(26,242)	-	3,663,503	126%	4,598,429	2,299,214	724,233			1,954,332	25,720,660	17.5	2048	08/01/48
						2,299,214	724,233			1,954,332	26,300,324	18	2048	02/01/49
3,837,335	(26,242)	-	3,811,092	126%	4,783,683	2,391,842	753,410			2,033,065	26,884,359	18.5	2049	08/01/49
						2,391,842	753,410			2,033,065	27,450,011	19	2049	02/01/50
3,990,828	(26,242)	-	3,964,586	126%	4,976,348	2,488,174	783,754			2,114,948	28,019,922	19.5	2050	08/01/50
						2,488,174	783,754			2,114,948	28,571,894	20	2050	02/01/51
Total						**70,142,178**	**22,094,199**			**59,620,852**				
Present Value From 02/01/2030			**Present Value Rate**	**6.50%**		**33,613,993**	**10,588,127**			**28,571,894**				

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2031**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-32**	
First Period Ending	1-Aug-32	
Cashflow Assumes First Abatement	2033	
Assumes Last Year of Abatement	2052	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No.	**700**	
Total Years of Abatement:	20	

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. Base values are for pay 2026 from review of County website on April 15, 2026.

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2031	Percentage Completed 2032	Percentage Completed 2033	Percentage Completed 2034	First Year Full Taxes Payable
3	Main	271	271	366,000	99,335,030	C/I Pref.	1,985,951	100%	100%	100%	100%	2033
3	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2033
TOTAL					102,280,030		2,044,101					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				366,001	102,280,030		2,044,101					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,985,951	0	1,985,951	2,518,364	0	561,645	90,921	3,170,931	8.66
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	2,044,101	0	2,044,101	2,592,104	0	577,472	93,617	3,263,193	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?	
Total Property Taxes	3,263,193
less State-wide Taxes	(577,472)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(93,617)
Less Small Taxing Jurisdiction Taxes	(26,348)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,532,816

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS
LEADERS IN PUBLIC FINANCE

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	100% City Abatement w/ Tax Rate 46.5150%	100% County Abatement w/ Tax Rate 62.2660%	100% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/32
						-	-	-	-	-				02/01/33
2,044,101	(26,242)	-	2,017,858	126%	2,532,816	1,266,408	469,303	628,220	168,885	1,266,408	1,150,544	0.5	2033	08/01/33
						1,266,408	469,303	628,220	168,885	1,266,408	2,264,873	1	2033	02/01/34
2,125,865	(26,242)	-	2,099,622	126%	2,635,446	1,317,723	488,320	653,675	175,728	1,317,723	3,387,858	1.5	2034	08/01/34
						1,317,723	488,320	653,675	175,728	1,317,723	4,475,494	2	2034	02/01/35
2,210,899	(26,242)	-	2,184,657	126%	2,742,181	1,371,091	508,097	680,149	182,845	1,371,091	5,571,558	2.5	2035	08/01/35
						1,371,091	508,097	680,149	182,845	1,371,091	6,633,121	3	2035	02/01/36
2,299,335	(26,242)	-	2,273,093	126%	2,853,186	1,426,593	528,665	707,682	190,247	1,426,593	7,702,888	3.5	2036	08/01/36
						1,426,593	528,665	707,682	190,247	1,426,593	8,738,983	4	2036	02/01/37
2,391,309	(26,242)	-	2,365,066	126%	2,968,631	1,484,316	550,055	736,316	197,944	1,484,316	9,783,068	4.5	2037	08/01/37
						1,484,316	550,055	736,316	197,944	1,484,316	10,794,287	5	2037	02/01/38
2,486,961	(26,242)	-	2,460,719	126%	3,088,694	1,544,347	572,302	766,096	205,950	1,544,347	11,813,287	5.5	2038	08/01/38
						1,544,347	572,302	766,096	205,950	1,544,347	12,800,212	6	2038	02/01/39
2,586,439	(26,242)	-	2,560,197	126%	3,213,559	1,606,780	595,438	797,066	214,276	1,606,780	13,794,713	6.5	2039	08/01/39
						1,606,780	595,438	797,066	214,276	1,606,780	14,757,911	7	2039	02/01/40
2,689,897	(26,242)	-	2,663,655	126%	3,343,419	1,671,710	619,499	829,276	222,935	1,671,710	15,728,487	7.5	2040	08/01/40
						1,671,710	619,499	829,276	222,935	1,671,710	16,668,513	8	2040	02/01/41
2,797,493	(26,242)	-	2,771,250	126%	3,478,474	1,739,237	644,524	862,773	231,940	1,739,237	17,615,726	8.5	2041	08/01/41
						1,739,237	644,524	862,773	231,940	1,739,237	18,533,123	9	2041	02/01/42
2,909,393	(26,242)	-	2,883,150	126%	3,618,930	1,809,465	670,549	897,611	241,305	1,809,465	19,457,521	9.5	2042	08/01/42
						1,809,465	670,549	897,611	241,305	1,809,465	20,352,822	10	2042	02/01/43
3,025,768	(26,242)	-	2,999,526	126%	3,765,005	1,882,502	697,615	933,842	251,045	1,882,502	21,254,941	10.5	2043	08/01/43
						1,882,502	697,615	933,842	251,045	1,882,502	22,128,665	11	2043	02/01/44
3,146,799	(26,242)	-	3,120,557	126%	3,916,923	1,958,461	725,763	971,523	261,175	1,958,461	23,009,031	11.5	2044	08/01/44
						1,958,461	725,763	971,523	261,175	1,958,461	23,861,687	12	2044	02/01/45
3,272,671	(26,242)	-	3,246,429	126%	4,074,917	2,037,459	755,038	1,010,711	271,710	2,037,459	24,720,813	12.5	2045	08/01/45
						2,037,459	755,038	1,010,711	271,710	2,037,459	25,552,897	13	2045	02/01/46
3,403,578	(26,242)	-	3,377,335	126%	4,239,231	2,119,616	785,484	1,051,466	282,666	2,119,616	26,391,286	13.5	2046	08/01/46
						2,119,616	785,484	1,051,466	282,666	2,119,616	27,203,284	14	2046	02/01/47
3,539,721	(26,242)	-	3,513,478	126%	4,410,118	2,205,059	817,147	1,093,851	294,061	2,205,059	28,021,426	14.5	2047	08/01/47
						2,205,059	817,147	1,093,851	294,061	2,205,059	28,813,815	15	2047	02/01/48
3,681,310	(26,242)	-	3,655,067	126%	4,587,841	2,293,920	850,077	1,137,932	305,911	2,293,920	29,612,188	15.5	2048	08/01/48
						2,293,920	850,077	1,137,932	305,911	2,293,920	30,385,432	16	2048	02/01/49
3,828,562	(26,242)	-	3,802,320	126%	4,772,672	2,386,336	884,325	1,183,776	318,235	2,386,336	31,164,507	16.5	2049	08/01/49
						2,386,336	884,325	1,183,776	318,235	2,386,336	31,919,060	17	2049	02/01/50
3,981,705	(26,242)	-	3,955,462	126%	4,964,896	2,482,448	919,942	1,231,454	331,052	2,482,448	32,679,295	17.5	2050	08/01/50
						2,482,448	919,942	1,231,454	331,052	2,482,448	33,415,600	18	2050	02/01/51
4,140,973	(26,242)	-	4,114,730	126%	5,164,810	2,582,405	956,983	1,281,039	344,382	2,582,405	34,157,443	18.5	2051	08/01/51
						2,582,405	956,983	1,281,039	344,382	2,582,405	34,875,935	19	2051	02/01/52
4,306,612	(26,242)	-	4,280,369	126%	5,372,720	2,686,360	995,507	1,332,607	358,246	2,686,360	35,599,823	19.5	2052	08/01/52
						2,686,360	995,507	1,332,607	358,246	2,686,360	36,300,926	20	2052	02/01/53
Total						**75,744,467**	**28,069,263**	**37,574,132**	**10,101,073**	**75,744,467**				
Present Value From 02/01/2032			**Present Value Rate**	**6.50%**		**36,300,926**	**13,452,339**	**18,007,596**	**4,840,991**	**36,300,926**				

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

ASSUMPTIONS AND RATES

District Type:	**Abatement**	
First Year Construction or Inflation on Value	**2031**	
Inflation Rate - Every Year:	**4.00%**	
Interest Rate	**6.50%**	
Present Value Date:	**1-Feb-32**	
First Period Ending	1-Aug-32	
Cashflow Assumes First Abatement	2033	
Assumes Last Year of Abatement	2052	
Fiscal Disparities Election [Inside, Outside or NA]	NA	
Incremental or Total Fiscal Disparities		
Fiscal Disparities Contribution Ratio	0.0000%	Pay 2026
Fiscal Disparities Metro-Wide Tax Rate	0.0000%	Pay 2026
Term of City Abatement	**20**	
Term of County Abatement	**20**	
Term of School District Abatement	**20**	
School District No.	**700**	
Total Years of Abatement:	20	

Current Total Local Tax Rate:	126.809%	Pay 2026
Current City Tax Rate	46.5150%	Pay 2026
Current County Tax Rate	62.2660%	Pay 2026
Current School District No. 700 Tax Rate	16.7390%	Pay 2026
Current Other Tax Rate	1.2890%	Pay 2026
State-wide Tax Rate (Comm./Ind. only used for total taxes)	28.3130%	Pay 2026
Market Value Tax Rate (Used for total taxes)	0.09153%	Pay 2026

PROPERTY TAX CLASSES AND CLASS RATES:		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First	$150,000	1.50%
Over	$150,000	2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		1.25%
First	$500,000	1.00%
Over	$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First	$500,000	1.00%
Over	$500,000	1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	395-0010-09080	HARMONY GROUP	Unassigned	2,400	0	2,400	33%	792	Pay 2026	Ag Non-Homestead	8	C/I Pref.	12	1
1	395-0010-09090	CARLSON	Unassigned	22,700	0	22,700	33%	7,491	Pay 2026	Ag Non-Homestead	75	C/I Pref.	112	1
1	395-0010-09095	HENDRICKSON	3657 MIDWAY RD	74,000	43,700	117,700	33%	38,841	Pay 2026	Hmstd. Res.	388	C/I Pref.	583	1
1	395-0010-09100	URSHAN	Unassigned	16,400	0	16,400	33%	5,412	Pay 2026	Ag Non-Homestead	54	C/I Pref.	81	1
1	395-0010-09102	SCHMIDT	5734 MORRIS	74,900	473,400	548,300	33%	180,939	Pay 2026	Hmstd. Res.	1,809	C/I Pref.	2,869	1
1	395-0010-09103	PETERSON	5738 MORRIS	82,100	234,000	316,100	33%	104,313	Pay 2026	Hmstd. Res.	1,043	C/I Pref.	1,565	1
1	395-0010-09110	HARMONY GROUP	3687 MIDWAY RD	168,400	33,300	201,700	33%	66,561	Pay 2026	Ag Non-Homestead	666	C/I Pref.	998	1
1	395-0010-09120	HARMONY GROUP	Unassigned	44,600	0	44,600	33%	14,718	Pay 2026	Ag Non-Homestead	147	C/I Pref.	221	1
1	395-0010-09130	HARMONY GROUP	5770 MORRIS	96,000	668,500	764,500	33%	252,285	Pay 2026	Non-H Res.	2,523	C/I Pref.	4,296	1
1	395-0010-09131	HARMONY GROUP	5754 MORRIS	96,900	386,500	483,400	33%	159,522	Pay 2026	Hmstd. Res.	1,595	C/I Pref.	2,440	1
1	395-0010-09135	HARMONY GROUP	5786 MORRIS	119,000	490,400	609,400	33%	201,102	Pay 2026	Hmstd. Res.	2,011	C/I Pref.	3,272	1
1	395-0010-09140	UMPIERRE	Unassigned	102,300	0	102,300	33%	33,759	Pay 2026	Ag Non-Homestead	338	C/I Pref.	506	1
1	395-0010-09150	CARLSON	Unassigned	72,100	0	72,100	33%	23,793	Pay 2026	Ag Non-Homestead	238	C/I Pref.	357	1
1	395-0010-09155	MONNIER	3635 MIDWAY RD	95,400	294,400	389,800	33%	128,634	Pay 2026	Hmstd. Res.	1,286	C/I Pref.	1,930	1
1	395-0010-09161	NIXON	3629 MIDWAY RD	93,500	620,800	714,300	33%	235,719	Pay 2026	Hmstd. Res.	2,357	C/I Pref.	3,964	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	93,400	256,600	350,000	33%	115,500	Pay 2026	Hmstd. Res.	1,155	C/I Pref.	1,733	1
1	395-0010-09300	PAITRICK	3589 MIDWAY RD	36,100	0	36,100	33%	11,913	Pay 2026	Ag Non-Homestead	119	C/I Pref.	179	1
1	395-0010-09302	PAITRICK	3585 MIDWAY RD	53,700	97,100	150,800	33%	49,764	Pay 2026	Hmstd. Res.	498	C/I Pref.	746	1
1	395-0010-09310	UMPIERRE	Unassigned	37,900	0	37,900	33%	12,507	Pay 2026	Ag Non-Homestead	125	C/I Pref.	188	1
1	395-0010-09320	UMPIERRE	Unassigned	5,400	0	5,400	33%	1,782	Pay 2026	Ag Non-Homestead	18	C/I Pref.	27	1
1	395-0010-09330	UMPIERRE	Unassigned	11,700	0	11,700	33%	3,861	Pay 2026	Ag Non-Homestead	39	C/I Pref.	58	1
1	395-0010-09340	UMPIERRE	Unassigned	21,500	0	21,500	33%	7,095	Pay 2026	Ag Non-Homestead	71	C/I Pref.	106	1
				1,420,400	**3,598,700**	**5,019,100**		**1,656,303**			**16,563**		**26,242**	

Note:

1. Base values are for pay 2026 from review of County website on April 15, 2026.

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS PUBLIC FINANCE ADVISORS

PROJECT INFORMATION (Project Tax Capacity)

Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Sq. Ft./Units	Market Value	Property Tax Class	Project Tax Capacity	Percentage Completed 2031	Percentage Completed 2032	Percentage Completed 2033	Percentage Completed 2034	First Year Full Taxes Payable
3	Main	271	271	366,000	99,335,030	C/I Pref.	1,985,951	100%	100%	100%	100%	2033
3	Land	2,945,000	2,945,000	1	2,945,000	C/I Pref.	58,150	100%	100%	100%	100%	2033
TOTAL					102,280,030		2,044,101					
Subtotal Residential				0	0		0					
Subtotal Commercial/Ind.				366,001	102,280,030		2,044,101					

Note:

1. Market values are based upon estimates recevied from the County Assessor on April 13, 2026 for land and building.

TAX CALCULATIONS

New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Main	1,985,951	0	1,985,951	2,518,364	0	561,645	90,921	3,170,931	8.66
Land	58,150	0	58,150	73,739	0	15,827	2,696	92,262	92,261.96
TOTAL	2,044,101	0	2,044,101	2,592,104	0	577,472	93,617	3,263,193	

Note:

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

WHAT IS EXCLUDED FROM ABATEMENT?

Total Property Taxes	3,263,193
less State-wide Taxes	(577,472)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(93,617)
Less Small Taxing Jurisdiction Taxes	(26,348)
less Base Value Taxes	(32,939)
Annual Gross Maximum Tax Abatement	2,532,816

Project Loon Tax Abatement Program - New Property Taxes w/4% Inflation

City of Hermantown, Minnesota

Proposed 366K SF/2-Story Phase 3 in Section 36 (SW Corner of Morris Thomas and Midway Road)

EHLERS LEADERS IN PUBLIC FINANCE

Project Tax Capacity	Original Tax Capacity	Fiscal Disparities -	Captured Tax Capacity	Combined City, County, & School Tax Rate	Maximum Annual Gross Tax Abatement	Semi Annual Gross Tax Abatement	85% City Abatement w/ Tax Rate 46.5150%	85% County Abatement w/ Tax Rate 62.2660%	85% School Abatement w/ Tax Rate 16.7390%	Semi Annual Net Tax Abatement	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
						-	-	-	-	-				08/01/32
						-	-			-				02/01/33
2,044,101	(26,242)	-	2,017,858	126%	2,532,816	1,266,408	398,908			1,076,447	977,963	0.5	2033	08/01/33
						1,266,408	398,908			1,076,447	1,925,142	1	2033	02/01/34
2,125,865	(26,242)	-	2,099,622	126%	2,635,446	1,317,723	415,072			1,120,064	2,879,679	1.5	2034	08/01/34
						1,317,723	415,072			1,120,064	3,804,170	2	2034	02/01/35
2,210,899	(26,242)	-	2,184,657	126%	2,742,181	1,371,091	431,882			1,165,427	4,735,824	2.5	2035	08/01/35
						1,371,091	431,882			1,165,427	5,638,152	3	2035	02/01/36
2,299,335	(26,242)	-	2,273,093	126%	2,853,186	1,426,593	449,365			1,212,604	6,547,455	3.5	2036	08/01/36
						1,426,593	449,365			1,212,604	7,428,136	4	2036	02/01/37
2,391,309	(26,242)	-	2,365,066	126%	2,968,631	1,484,316	467,547			1,261,668	8,315,607	4.5	2037	08/01/37
						1,484,316	467,547			1,261,668	9,175,144	5	2037	02/01/38
2,486,961	(26,242)	-	2,460,719	126%	3,088,694	1,544,347	486,456			1,312,695	10,041,294	5.5	2038	08/01/38
						1,544,347	486,456			1,312,695	10,880,180	6	2038	02/01/39
2,586,439	(26,242)	-	2,560,197	126%	3,213,559	1,606,780	506,122			1,365,763	11,725,506	6.5	2039	08/01/39
						1,606,780	506,122			1,365,763	12,544,224	7	2039	02/01/40
2,689,897	(26,242)	-	2,663,655	126%	3,343,419	1,671,710	526,575			1,420,953	13,369,214	7.5	2040	08/01/40
						1,671,710	526,575			1,420,953	14,168,236	8	2040	02/01/41
2,797,493	(26,242)	-	2,771,250	126%	3,478,474	1,739,237	547,845			1,478,351	14,973,367	8.5	2041	08/01/41
						1,739,237	547,845			1,478,351	15,753,155	9	2041	02/01/42
2,909,393	(26,242)	-	2,883,150	126%	3,618,930	1,809,465	569,966			1,538,045	16,538,893	9.5	2042	08/01/42
						1,809,465	569,966			1,538,045	17,299,898	10	2042	02/01/43
3,025,768	(26,242)	-	2,999,526	126%	3,765,005	1,882,502	592,973			1,600,127	18,066,700	10.5	2043	08/01/43
						1,882,502	592,973			1,600,127	18,809,365	11	2043	02/01/44
3,146,799	(26,242)	-	3,120,557	126%	3,916,923	1,958,461	616,899			1,664,692	19,557,677	11.5	2044	08/01/44
						1,958,461	616,899			1,664,692	20,282,434	12	2044	02/01/45
3,272,671	(26,242)	-	3,246,429	126%	4,074,917	2,037,459	641,782			1,731,840	21,012,691	12.5	2045	08/01/45
						2,037,459	641,782			1,731,840	21,719,963	13	2045	02/01/46
3,403,578	(26,242)	-	3,377,335	126%	4,239,231	2,119,616	667,661			1,801,673	22,432,593	13.5	2046	08/01/46
						2,119,616	667,661			1,801,673	23,122,792	14	2046	02/01/47
3,539,721	(26,242)	-	3,513,478	126%	4,410,118	2,205,059	694,575			1,874,300	23,818,212	14.5	2047	08/01/47
						2,205,059	694,575			1,874,300	24,491,742	15	2047	02/01/48
3,681,310	(26,242)	-	3,655,067	126%	4,587,841	2,293,920	722,566			1,949,832	25,170,360	15.5	2048	08/01/48
						2,293,920	722,566			1,949,832	25,827,617	16	2048	02/01/49
3,828,562	(26,242)	-	3,802,320	126%	4,772,672	2,386,336	751,676			2,028,385	26,489,831	16.5	2049	08/01/49
						2,386,336	751,676			2,028,385	27,131,201	17	2049	02/01/50
3,981,705	(26,242)	-	3,955,462	126%	4,964,896	2,482,448	781,950			2,110,081	27,777,401	17.5	2050	08/01/50
						2,482,448	781,950			2,110,081	28,403,260	18	2050	02/01/51
4,140,973	(26,242)	-	4,114,730	126%	5,164,810	2,582,405	813,436			2,195,044	29,033,826	18.5	2051	08/01/51
						2,582,405	813,436			2,195,044	29,644,545	19	2051	02/01/52
4,306,612	(26,242)	-	4,280,369	126%	5,372,720	2,686,360	846,181			2,283,406	30,259,850	19.5	2052	08/01/52
						2,686,360	846,181			2,283,406	30,855,787	20	2052	02/01/53
Total						**75,744,467**	**23,858,874**			**64,382,797**				
Present Value From	**02/01/2032**		**Present Value Rate**	**6.50%**		**36,300,926**	**11,434,488**			**30,855,787**				

City Council Work Session

Development Agreement & Tax Abatement Agreement
Hermantown Data Center

April 27, 2026

City of Hermantown Minnesota

What Hermantown Taxpayers Receive

- Infrastructure Project at $130 million
  - Unlocks additional potential of hundreds of millions in annual economic impact
- School Funding at $40 million
  - Unrestricted payments over 28 years
- City Funding at $4.5 million
  - Unrestricted payments over 20 years

What Google Pays For

- Infrastructure Project at $130 million
  - Unlocks additional potential of hundreds of millions in annual economic impact
- School Funding at $40 million
  - Unrestricted payments over 28 years
- City Funding at $4.5 million
  - Unrestricted payments over 20 years

What Happens with Google's Tax Abatement

- They pay **100 percent** of their property taxes
  - These go to the school, the City, and the County

- The following tax abatement proposal is **ONLY THE CITY'S PORTION OF THE PROPERTY TAX PAYMENT**
  - The City keeps the first **$100,000** in annual property taxes
  - The City sends 85% of the remaining property taxes back to Google each year after they pay their annual property taxes until 2052 **OR** until the payments reach a cap of $80 million in total
  - After that point, the City receives 100% of the property taxes paid by Google

- **Even after the 85% abatement, Google will be a larger taxpayer than Walmart, Fleet Farm, Sam's Club, Menards, and Bass Pro Shop combined**

What Happens with Google's Tax Abatement

- If these agreements are approved:
  - No residential or commercial taxes that are currently paid are returned to Google
  - No current commercial or residential tax monies paid are lost in this potential arrangement
  - The school and city payments, as well as the infrastructure project, will be paid by Google <u>regardless of the abatement amount generated</u>

Hermantown Data Center - Tax Profile Forecast

Forecasted Project City Property Tax Profile at Full Buildout (assumed 2033)

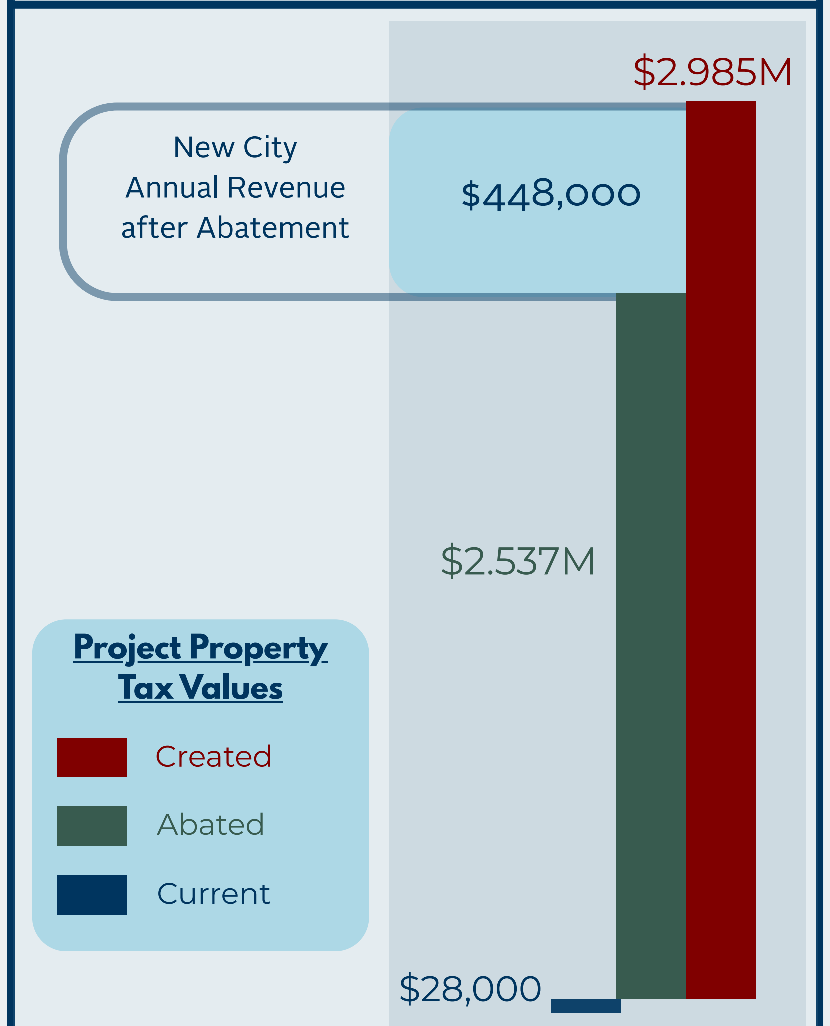
Annual City Tax Revenues for the Project Property

Current:
$28,000

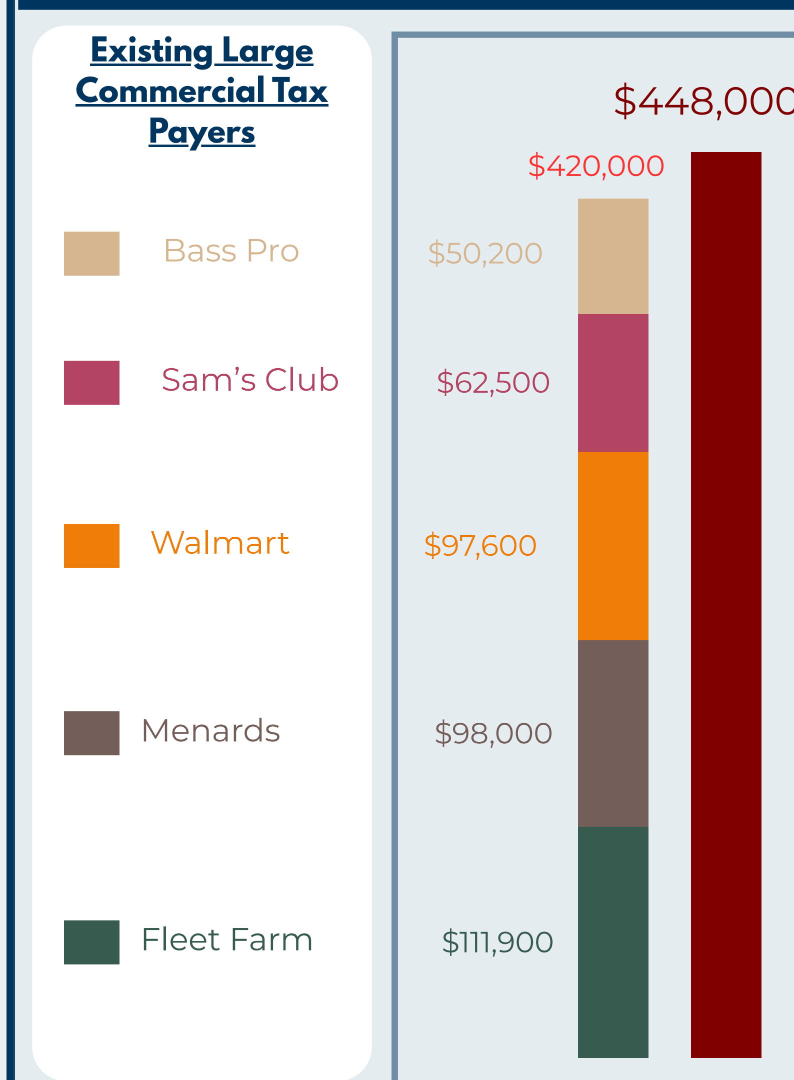
New:
$448,000

Total Tax Collected over 28 Years: $12,000,000

Forecasted Project Annual City Property Tax Profile at Full Buildout



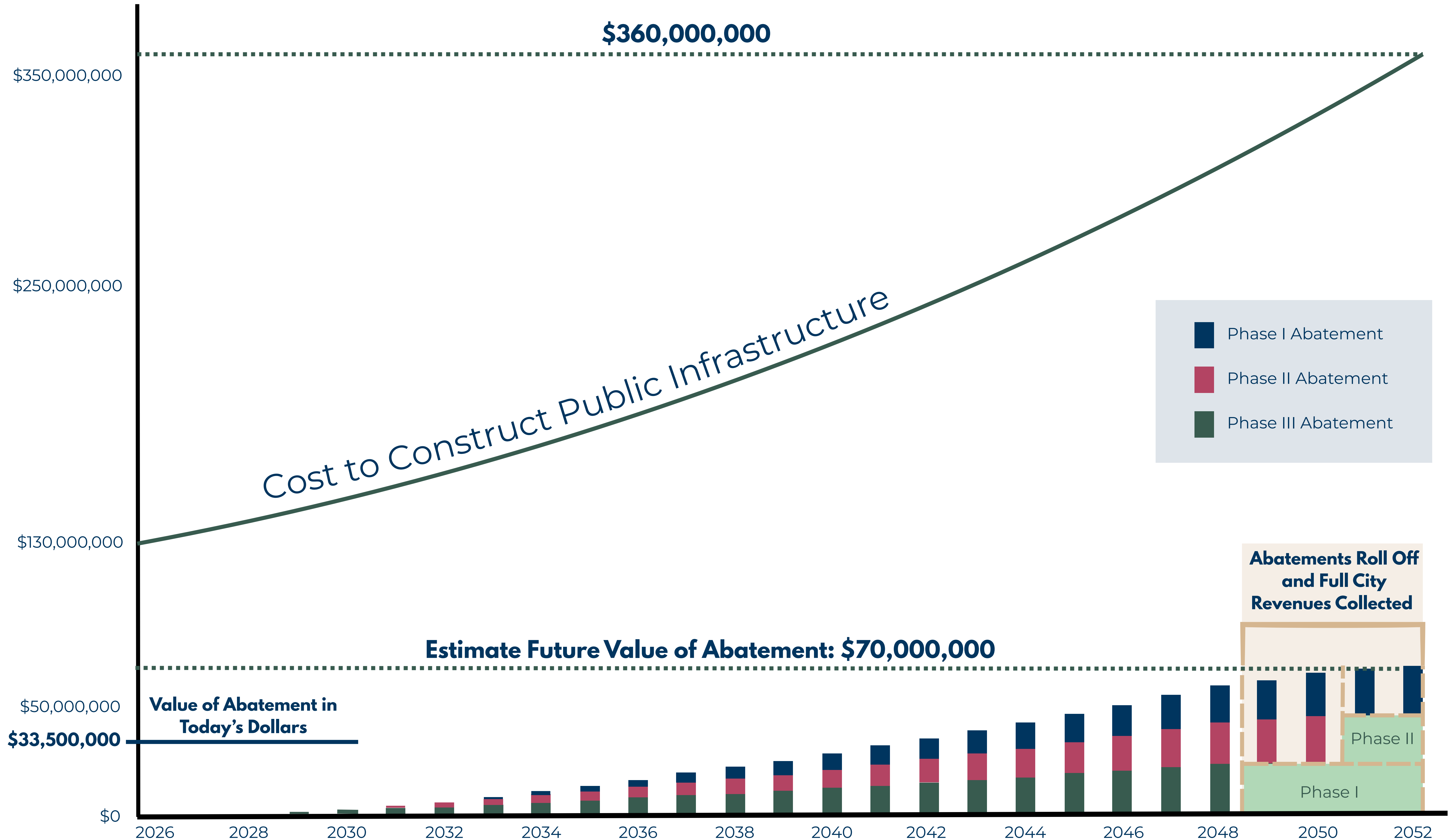
Comparison Commercial City Property Tax Revenues



Calculations Assume No Change in Tax Rate
Data Show Year One of Full Buildout (assumed 2033)

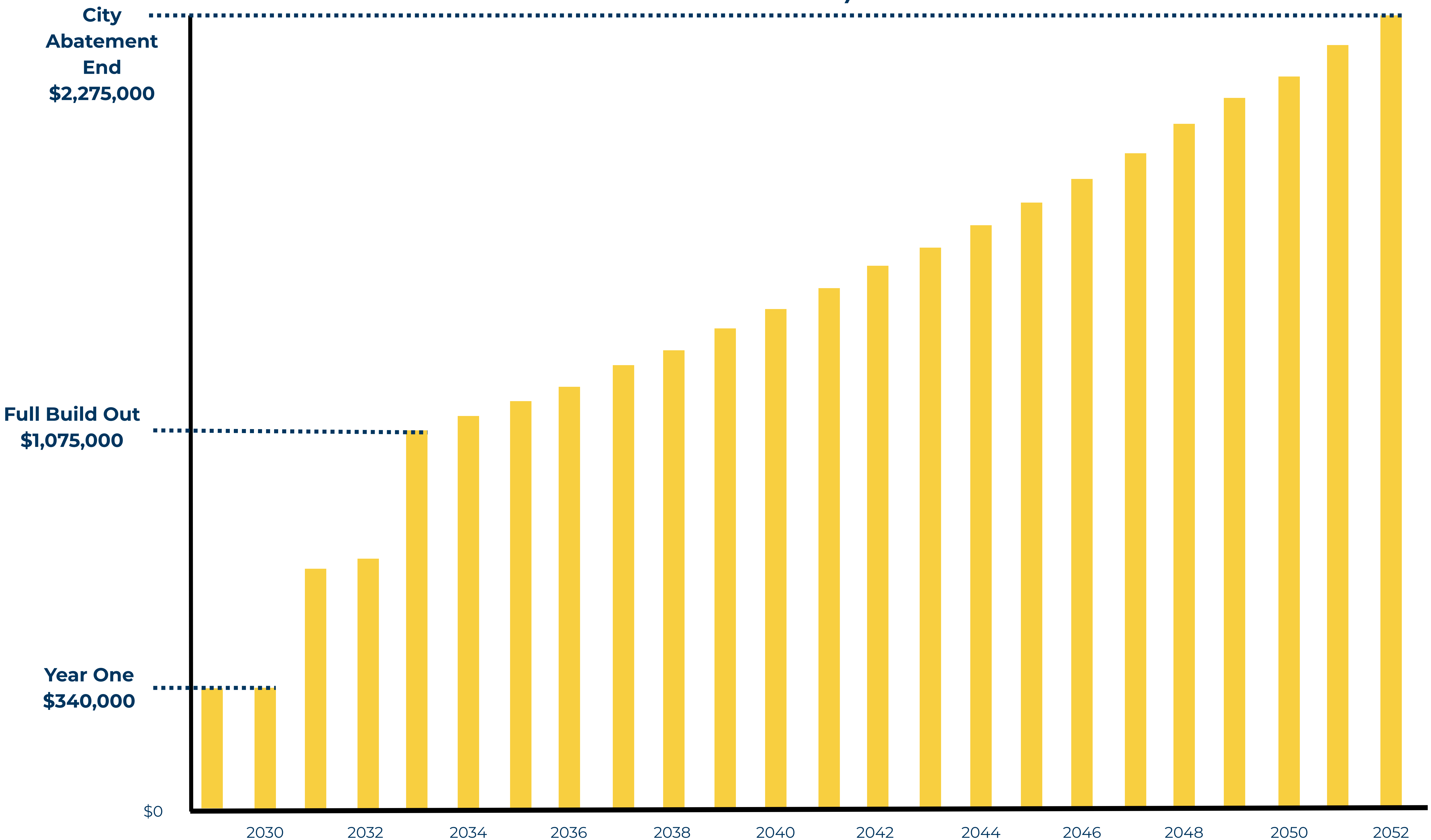
Hermantown Data Center - Infrastructure Cost vs. Abatement Value

Forecasted Effects of Inflation



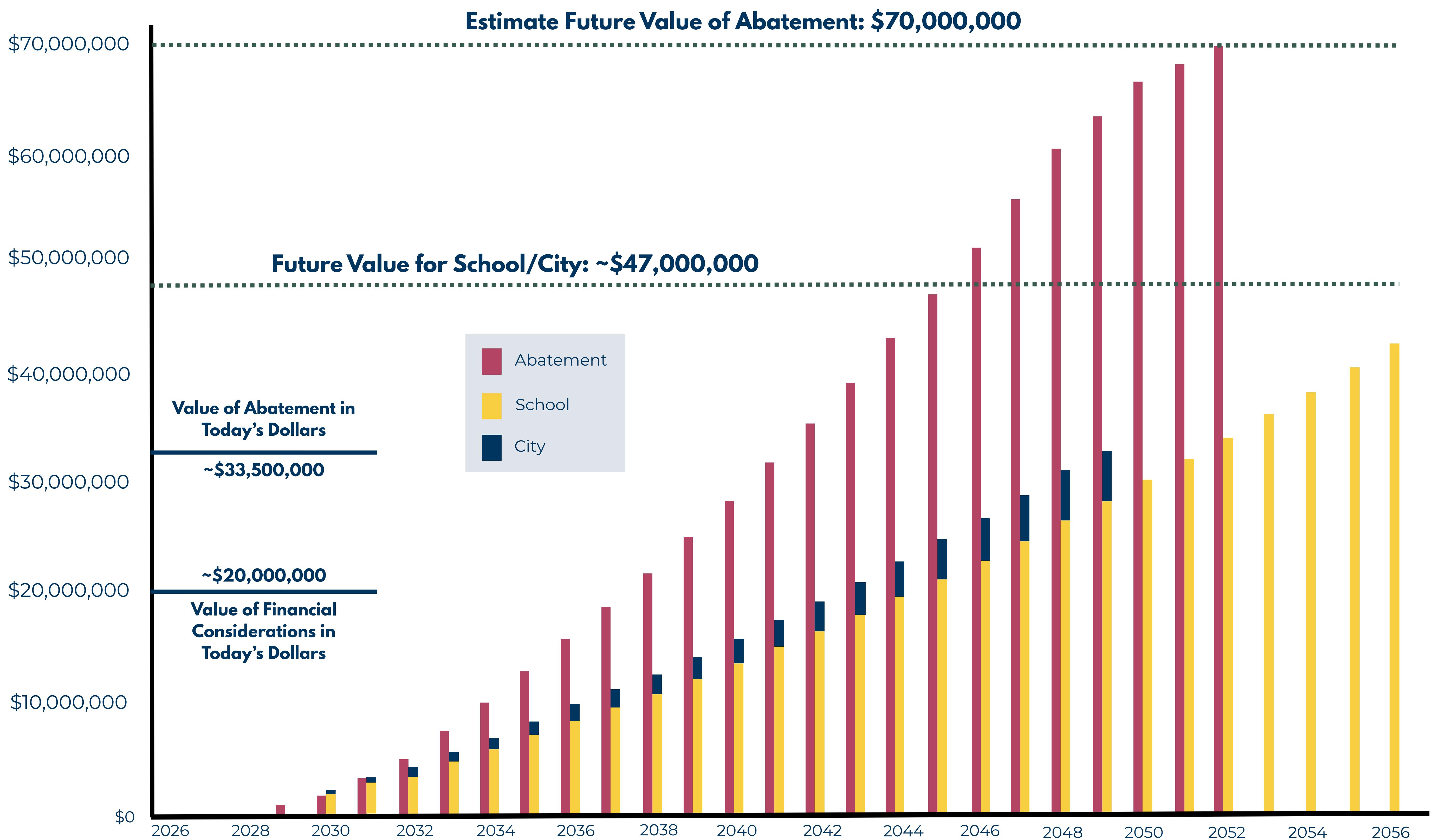
Hermantown Data Center - Annual School Project Property Tax Revenues

Forecasts Assume No Change In Tax Rate
Does Not Include Cash Payments



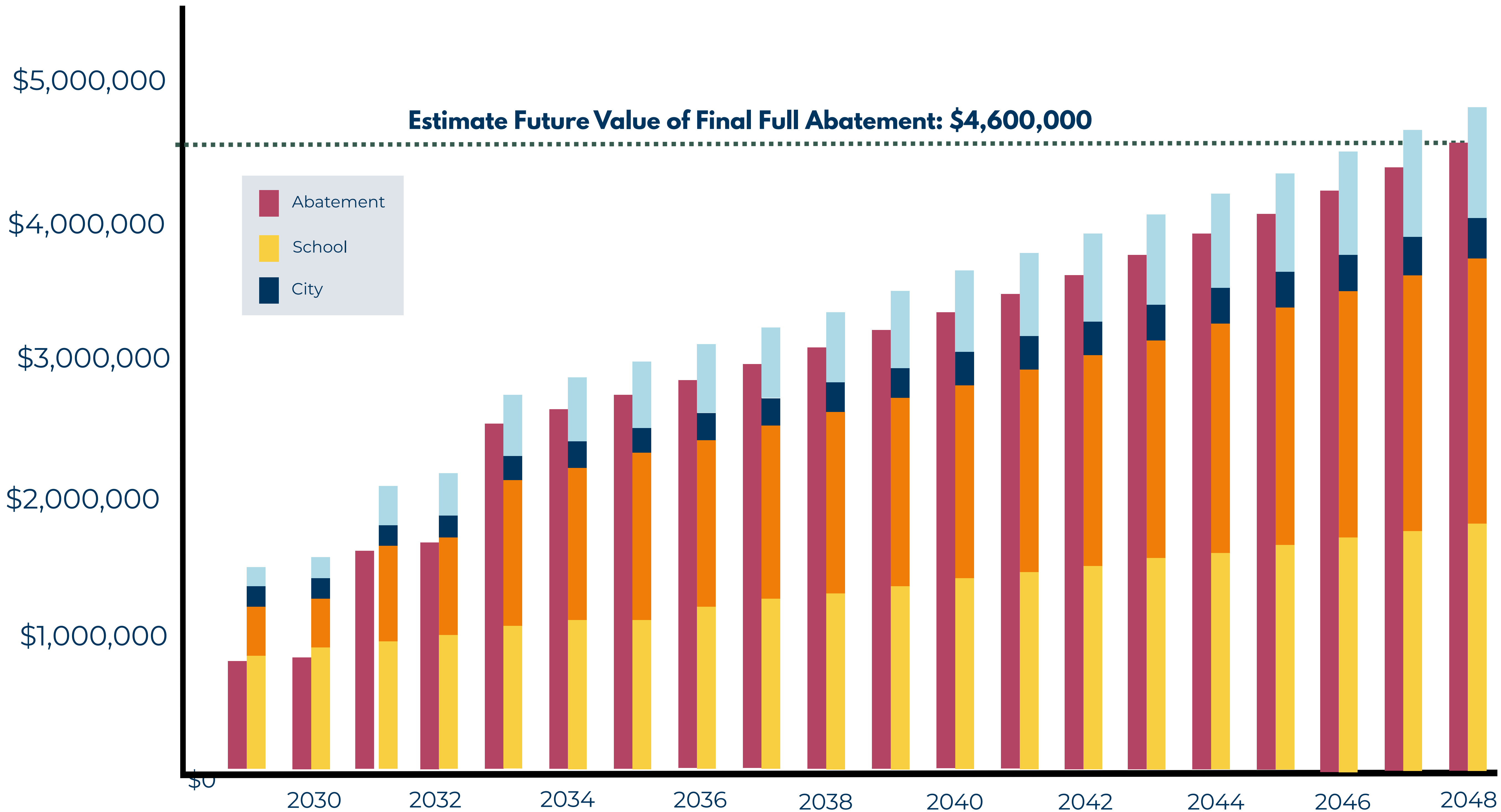
Hermantown Data Center - Financial Considerations vs. Abatement Value

Forecasted Effects of Inflation



Hermantown Data Center - Full Financial Benefit vs. Abatement Value

Forecasted Effect Inflation



Hermantown Data Center - Abatement Conclusion

Forecasts Assume No Change In Tax Rate

2052 - Final Abatement

Google - $1,700,000
School & City - $13,550,000

2053 - Abatement Concludes

Google - $0
School & City - $17,600,000

2056 - Final School Payment

Google - $0
School & City - $19,600,000

City Council Work Session

Questions?

Development Agreement & Tax Abatement Agreement
Hermantown Data Center

April 27, 2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/15/2026	26-120	Jim Phillips, 4924 Wildrose Tr.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment Period - Hermantown	4/14/2026
4/15/2026	26-121	Isaac Sullivan, 2315 Vermillion Rd., Duluth, MN 55803	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments About Industrial Development Site (Data Center)	4/14/2026
4/15/2026	26-122	James Thorstensen, 5784 Hermatnown Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Updated Scoping Documents	4/14/2026
4/15/2026	26-123	Joseph Barnstorf, jbarnstorf@gmail.com	Eric Johnson, Comm. Dev. Dir.	Concern	4/14/2026
4/16/2026	26-124	Eric Johnson, Comm. De. Dir.	twerner@duluthairport.com	City of Hermantown - Proposed Develolpment Project	4/15/2026
4/20/2026	26-125	Julie Athman Ernst	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Concerns	4/15/2026
4/20/2026	26-126	Mehgan Blair	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Updated AUAR	4/16/2026
4/20/2026	26-127	Robert Pagano	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Regarding the Data Center. The Voters of Hermantown Don't Want this. If You Vote This in, We Will Vote You Out	4/16/2026
4/20/2026	26-128	Elliot McDill	AUAR Comment Inbox, AUARcomments@hermantownmn.com	No to the Hermantown Data Center	4/16/2026
4/20/2026	26-129	Wendy W	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center in Hermantown	4/17/2026
4/20/2026	26-130	Luna	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Concerns About Datacenter AUAR	4/18/2026
4/20/2026	26-131	Bob K	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment	4/19/2026
4/20/2026	26-132	sissonwesley98@gmail.com	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Public Comment Sumition on the Google Data Center Updated AUAWS	4/20/2026
4/20/2026	26-133	Sue Anderson	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Updated AUAR Draft Order Comments	4/20/2026
4/20/2026	26-134	Mathew Murphy	Eric Johnson, Comm. Dev. Dir.	Google Data Center AUAR	4/4/2026
4/20/2026	26-135	Jo Anne Bates	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment	4/20/2026
4/21/2026	26-136	Heather Hiner	John Mulder, City Administrator	Lease at 5255 Maple Grove Rd.	4/20/2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/21/2026	26-137	Curtis Davis, 5381 Roosevelt Dr.	Alissa McClure, City Clerk	2027 Subject Tax Evaluation	4/20/2026
4/21/2026	26-138	Brandon Kohlts, Resource Renew	Alissa McClure, City Clerk	NE Minnesota Regional Solid Waste Management Plan Amendment Public Comment Period	4/16/2026
4/21/2026	26-139	Teng Loi, 5380 W Arrowhead Rd.	St. Louis County Assessor's Office	Property Valuation Appeal - 395-0010-04430	4/20//2026
4/21/2026	26-140	David Wahlberg	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center	4/21/2026
4/21/2026	26-141	Bob K	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment	4/20/2026
4/22/2026	26-142	Pamela Pagano	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center	4/21/2026
4/22/2026	26-143	Nicole Wizner	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comments	4/21/2026
4/22/2026	26-144	Jan Sandstrom	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comments	4/21/2026
4/22/2026	26-145	Sandra Goode, 3578 Midway Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Inadequacy of AUAR	4/21/2026
4/22/2026	26-146	John Geissler, Councilor	Bob Kohlmeier, mkkohlmeier@yahoo.com	COH Formal Appeals Process Question	4/20/2026
4/22/2026	26-147	John Geissler, Councilor	Bob Kohlmeier, mkkohlmeier@yahoo.com	Tax Relief is Promised for Who	4/20/2026
4/22/2026	26-148	Matthew Piede, matthew.piede@essentiahealth.org	Wayne Boucher, Mayor & City Council	Citizen Perspective: Support for Google Data Center Investment	4/21/2026
4/22/2026	26-149	Debra Thorstensen, dthorstensen@msn.com	Wayne Boucher, Mayor & City Council	Adolph Utility Extension - Economic Impact Analysis	4/21/2026
4/22/2026	26-150	Lee Field, MN Pollution Control Agency	Charles Flaig, 1511 Minnesota Ave., Duluth	Petroleum Tank Release Site File Closure - 5771 Highway 2	4/21/2026
4/22/2026	26-151	PERA SVF	John Mulder, City Administrator	SVF Plan - GASB 68 Report - Hermantown 5234-00	3/30/2026
4/22/2026	26-152	Ryan Buus, Rochester, MN	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Please Protect Robust Trout Streams	4/21/2026
4/22/2026	26-153	Ahnika Berg	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Public Comment Period 1	4/22/2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/22/2026	26-154	Samantha Meyer	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Say No to the Data Center	4/22/2026
4/22/2026	26-155	Brian Bergeron	AUAR Comment Inbox, AUARcomments@hermantownmn.com	RGU: City of Hermantown Eric Johnson 5105 Maple Grove Rd., Hermantown, MN 55811	4/22/2026
4/22/2026	26-156	Eric Johnson, Comm. Dev. Dir.	Planning & Zoning Commission	SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-157	Todd Hoaglund, 5041 Silver Leaf St.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/20/2026
4/22/2026	26-158	Chad & Lindsey Roberg, 5063 Silver Leaf St.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-159	Dan & Jen Heitzman, 5007 Timber Hill Ct.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-160	Jay & Helen Coughlin	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-161	Cindy Vittorio, President of Maple Village HOA	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-162	Dick Spehar, 5007 Silver Leaf St.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/21/2026
4/22/2026	26-163	David Kuiti, 4316 Sugar Maple Dr.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/19/2026
4/22/2026	26-164	Dianne Kuiti, 4316 Sugar Maple Dr.	Planning & Zoning Commission	Letter in Support of SUP, Jerid Prahl, 4311 Sugar Maple Dr.	4/19/2026
4/22/20226	26-165	Eric Johnson, Comm. Dev. Dir.	Planning & Zoning Commission	CIDP, Scannell Properties #791, LLC	4/21/2026
4/22/2026	26-166	Eric Johnson, Comm. Dev. Dir.	Planning & Zoning Commission	Preliminary & Final Plat Application, Scannell Properties #791, LLC	4/21/2026
4/23/2026	26-167	Miigis Gonzalez	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Concern for Health & Wellbeing of Hermantown Community	4/22/2026
4/23/2026	26-168	Bob K	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment	4/22/2026
4/23/2026	26-169	Kelsey Mack	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments on Updated AUAR Scoping Document	4/22/2026
4/23/2026	26-170	Joycanne Busche Hoyem	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Stop Data Center	4/22/2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/23/2026	26-171	Eleanor Dolan, 806 N 23rd Ave. W	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center Comments	4/22/2026
4/23/2026	26-172	Josh Sandstrom, 3892 Munger Shaw Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Adolph Data Center Comments	4/22/2026
4/24/2026	26-173	Kelly Beaster	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Public Comment on Proposed Data Center in Hermantown	4/23/2026
4/24/2026	26-174	Tim Beaster, S St. Louis Soil & Water Conservation Dist.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	SSLSWCD Comments on Updated Hermatnown Industrial AUAR Scoping Documents	4/23/2026
4/24/2026	26-175	Brad Orn, Northeast Title	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Public Comment	4/23/2026
4/24/2026	26-176	Amanda Mosiniak, 3221 Restormel St, Duluth MN 55806	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Proposed Hermantown Data Center	4/23/2026
4/24/2026	26-177	Amanda Mosiniak, 3221 Restormel St, Duluth MN 55806	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Proposed Hermantown Data Center / wildlife	4/23/2026
4/24/2026	26-178	Amanda Mosiniak, 3221 Restormel St, Duluth MN 55806	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Proposed Hermantown Data Center / electrical grid	4/23/2026
4/24/2026	26-179	Amanda Mosiniak, 3221 Restormel St, Duluth MN 55806	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Proposed Hermantown Data Center	4/23/2026
4/24/2026	26-180	Amanda Mosiniak, 3221 Restormel St, Duluth MN 55806	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Proposed Hermantown Data Center / alternatives	4/23/2026
4/24/2026	26-181	Rebecca Gramdorf	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Scoping Comments	4/23/2026
4/27/2026	26-182	Bob K, bkkohlmeier@yahoo.com	AUAR Comment Inbox, AUARcomments@hermantownmn.com; Wayne Boucher, Mayor, City Councilors; Chad Ronchetti, Econ. Dev. Dir; & Ed Worden, Admin Asst.	AUAR Comment	4/22/2026
4/27/2026	26-183	Emma Richtman, emmarichtman@gmail.com	Wayne Boucher, Mayor, Joe Wicklund, Asst. City Admimn.; Eric Johnson, Comm. Dev. Dir.; & City Councilors	Comments on the Adolph Study	4/23/2026
4/27/2026	26-184	Nick Peterson, npeterson1102@gmail.com	City Councilors	Support of the Data Center	4/23/2026
4/27/2026	26-185	Kristen Schmitt	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments on AUAR for Proposed Industrial Building Area	4/26/2026
4/27/2026	26-186	Eric Enberg, 5425 Morris Thomas Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments for AUAR Scoping Document	4/26/2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/27/2026	26-187	Brian Fredrickson	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments on AUAR for Hermantown Data Center	4/26/2026
4/27/2026	26-188	Amelia Cohoes	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment - Large Scale Data Center	4/26/2026
4/27/2026	26-189	Barbara Opal, 328 N 53rd Ave. W, Duluth	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comments	4/26/2026
4/27/2026	26-190	Andy Olson	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center	4/26/2026
4/27/2026	26-191	Kathleen (Brian Martin), 5347 Maple Grove Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments on the Hermantown Data Center Proposal	4/27/2026
4/28/2026	26-192	Jim Thorstensen, 5784 Hermantown Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comments	4/27/2026
4/28/2026	26-193	Elizabeth Albers	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Commenting on the Rvised AUAR	4/27/2026
4/28/2026	26-194	Tre Opack, Duluth	AUAR Comment Inbox, AUARcomments@hermantownmn.com & Eric Johnson, Comm. Dev. Dir.	Google Data Center - Loval Voice	4/27/2026
4/15/2026	26-195	Jim Phillips, 4924 Wildrose Tr.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment Period - Hermantown	4/14/2026
4/15/2026	26-196	Isaac Sullivan, 2315 Vermillion Rd., Duluth, MN 55804	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Comments About Industrial Development Site (Data Center)	4/14/2026
4/15/2026	26-197	James Thorstensen, 5784 Hermatnown Rd.	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Updated Scoping Documents	4/14/2026
4/15/2026	26-198	Joseph Barnstorf, jbarnstorf@gmail.com	Eric Johnson, Comm. Dev. Dir.	Concern	4/14/2026
4/16/2026	26-199	Eric Johnson, Comm. De. Dir.	twerner@duluthairport.com	City of Hermantown - Proposed Develolpment Project	4/15/2026
4/20/2026	26-200	Julie Athman Ernst	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Concerns	4/15/2026
4/20/2026	26-201	Mehgan Blair	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Updated AUAR	4/16/2026
4/20/2026	26-202	Robert Pagano	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Regarding the Data Center. The Voters of Hermantown Don't Want this. If You Vote This in, We Will Vote You Out	4/16/2026
4/20/2026	26-203	Elliot McDill	AUAR Comment Inbox, AUARcomments@hermantownmn.com	No to the Hermantown Data Center	4/16/2026

2026 CORRESPONDENCE

DATE	LOG #	FROM	TO	REGARDING	FILED
4/20/2026	26-204	Wendy W	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Data Center in Hermantown	4/17/2026
4/20/2026	26-205	Luna	AUAR Comment Inbox, AUARcomments@hermantownmn.com	Concerns About Datacenter AUAR	4/18/2026
4/20/2026	26-206	Bob K	AUAR Comment Inbox, AUARcomments@hermantownmn.com	AUAR Comment	4/19/2026

CITY OF HERMANTOWN
City Council Meeting
Monday, April 20, 2026
6:30 PM Central

MEETING CONDUCTED IN PERSON

Mayor Wayne Boucher: Present

Councilor John Geissler: Present

Councilor Andy Hjelle: Present

Councilor Brian LeBlanc: Present

Councilor Joseph Peterson: Present

CITY STAFF: John Mulder, City Administrator; Joe Wicklund, Assistant City Administrator; Chad Ronchetti, Economic Development Director; Zach Graves, Fire Chief; David Bolf, City Engineer; Gunnar Johnson, City Attorney; Mark Gunderson, Deputy Commander

VISITORS: 28

1. **CALL TO ORDER**

2. **PLEDGE OF ALLEGIANCE**

3. **ROLL CALL**

4. **ANNOUNCEMENTS**

5. **COMMUNICATIONS**

   A. Correspondence 26-38 through 26-119 placed on file

6. **PRESENTATIONS**

   A. **NorthStar Ford Arena Close Out**
   John Mulder, City Administrator
   (Pre-Agenda Only)

   B. **Adolph Utility Extension – Economic Impact Analysis**
   Chad Ronchetti, Economic Development Director

7. **PUBLIC COMMENT**

   Tom Bates 5369 Morris Thomas Road, Hermantown, MN – Spoke about concerns regarding noise produced from data centers. He stated that higher frequency sound can be filtered out but lower frequency, primarily below 200 hertz, is nearly impossible to stop. He expressed concerns for the quantity of fans and chillers data centers use and how much sound it will produce in a five-mile radius of Hermantown. He compared increase of sound to motorcycles and a full orchestra. He shared ways that low frequency can be harmful such as, disturbing sleep, hypertension, heart disease, and increased stress hormones. He shared concern about the noise from the failsafe diesel generators data centers use, which would produce 130dbs per unit. He stated that an industrial corner in Hermantown may be a good thing but not with a data center, as it has more draw backs than other industries.

Susan Anderson 3959 Old Midway Road, Hermantown, MN – Spoke in opposition to the proposed hyperscale data center. She stated she has been told not to worry about the data center since Minnesota has the best environmental regulations and protections in the nation. She shared cases from Minnesota within the last three years where companies were fined for waste water and air quality violations. She shared that the cases were not data centers, but companies who are supposed to follow Minnesota's environmental standards and didn't. She asked council if the data center was built would it be regularly and effectively monitored to confirm that it is within environmental compliance. She expressed concern that even if it was monitored once a year that is still a full year of pollution before it is noticed or turned in. She stated that environmental standards are only as good as the integrity of Google.

Dawn LePointe 4731 Portland Road, Hermantown, MN – Shared feeling envious of the towns and counties that have enacted temporary moratoriums on new data center projects. She defined a moratorium as a temporary prohibition not a ban, and shared that governing bodies are wise to notice a needed pause to study impacts and determine if a data center is appropriate. She questioned why Hermantown's values and priorities are different than the municipalities that are passing moratoriums. She asked Council to propose one- or two-year moratorium on hyperscale data centers in Hermantown. She spoke about Council members comments not really knowing what a data center was until it came to light. She stated that Council is responsible for making decisions that could likely be detriment of the community and can use a moratorium to learn important facts like the rest of the residents. She expressed she was pleased that the St. Louis County Board Commission listened to constituents and voted that proposed zoning amendments were inadequate. She spoke about the phrase sunk cost fallacy, where a person is reluctant to abandon a course of action because of how much they have invested into it when abandonment would be more beneficial. She stated that it is okay for Council to vote no and say no to city staff regardless of their investment. She stated that Council needs to act in the best interest of the community and the community of Hermantown refuses to be preyed upon.

Tim Resberg 3634 Midway Road, Hermantown, MN – Mentioned Director Ronchetti's presentation given and asked if the utility extension is for the new substation or data center. He shared he heard that the data center would pay for it to be put in but then the tax payers are going to have to pay to maintain it. He shared that he has worked on high voltage transformers and it is very hard to keep the noise down from them. He expressed concern about the data center creating pollution and dropping the values of tax payer properties in the surrounding areas. He shared they may have to blast bedrock to get footings of buildings down and asked what will happen to peoples wells and houses if that's the case. He asked Council to think about its tax payers and community members.

Jonathan Thornton 5869 Hermantown Road, Hermantown, MN – Spoke regarding the Adolph Development Economic Impact Study that was shared by Director Ronchetti. He expressed frustration as a constituent that Director Ronchetti left after the presentation and that the word neighborhood was not mentioned. He shared that as a resident he expects Council to look out for their best interests and not trillion-dollar companies. He spoke regarding the AUAR scoping document and its mention of the 2045 Comprehensive Plan. He reminded Council that the 2045 Comprehensive Plan steering committee met for 18 months and the future urban services area in the SW corner was never mentioned once. He mentioned questions asked by Councilors during the pre-agenda meeting. He said it was good to ask why does the new AUAR appear to be authored by the City of Hermantown, not a consultant and why the data center was not mentioned as one of the five scenarios in the Adolph Development Economic Impact Study. He stated that there is a pattern of behavior by City staff to not include information on the data center to mislead constituents. He told Council that today would be a good day for the City of Hermantown to stop misleading constituents.

Owen Lyons 5143 W Arrowhead Road, Hermantown, MN – Spoke about concerns for the proposed data center. He shared that for an industrial site storm sewer is needed and relies on ponds. He asked what chemicals do the experimental ponds filter and if they are on alarms. He stated he used to build these buildings and spoke about the battery racks and generators that go into a single building. He shared that generators use anti-freeze and diesel while the chillers close loop system uses anti-freeze. He expressed concern for runoff into ponds and how the chemicals will affect surrounding residents' water as his grandkids live in that area. He stated that if Council okays this that Hermantown should be legally liable. He heeded Council to never trust corporations.

Sarah Lofald 5502 Hermantown Road, Hermantown, MN – Spoke about her comments from the last meeting regarding the ambiguity of updated AUAR, ordinances, and zoning. She expressed concern that changes were made to fit the data center and that city staff was manipulated by the developer. She shared frustration around the lack of public comment during the process and how the media was the one to break the news. She spoke about Council assuring citizens they were not approving a data center. She shared an email from January 2025 of a resident asking the Mayor and Eric Johnson if the company who wanted to purchase their land was going to build a data center and the cities response was only regarding wetland delineation despite knowing about the potential data center since September 2024. She spoke about a resident in April 2025 who directly asked multiple times if the Council knows anything about a data base and was told they don't know anything at this time about a data base. She stated comments that Council did not sign an NDA conceals the fact that two city staff sitting up with Council did. She shared that City claims they are working together to better serve the community and questioned who they really are working with and serving. She asked Council if the residents of Hermantown show up at a city council meeting to oppose the development of a massive data center complex by Google, will they listen.

Emma Richtman 5215 Chris Drive, Hermantown, MN – Shared that it is encouraging to hear Councilors ask questions during Director Ronchetti's presentation. She spoke about the time commitment and sacrifices made to stopping the data center project. She shared that the community has had to become overnight experts on the subject to be taken seriously as their hopes are not good enough. She stated that the facts and studies they have shared are still not good enough to move the dial. She thanked her neighbors who are sacrificing their time to fight for their cause. She shared that ground has not broken but their wellbeing is already being impacted by the proposed hyperscale data center. She stated that they all have better things with their time than reviewing AUARs and asked Council if they have read the scoping document. She shared that she hopes and expects them to submit comments as it also impacts them as Hermantown residents. She emphasized that the people impacted by the project are not numbers and deserve to be treated with respect. She spoke about attending a County Commission meeting and feeling hear for the first time when there was discussion from commissioners and the tabling of an ordinance for further review. She told Council they have the power to exit this project at any time and to be loyal to their constituents who vote for them.

Alicia Navetta 5219 Wadena Street, Duluth, MN – Spoke about Googles first hyperscale data centers in Dalles Oregon built in 2006. She shared that in 2021 the city of Dalles was ordered to release water usage of the hyperscale data center and did not due to an NDA with Google claiming it was a trade secret. She shared that after settling a lawsuit it was revealed Googles hyperscale data center used 12% of the city's water in 2012 and the four standing data centers today use 40% of the city's water totaling 550 million gallons a year. She spoke about the city of Dalles having to acquire federal land to expand their reservoir, which Google is only covering a quarter and the rest is covered by loans and public water rates. She pointed out similarities of Dalles and Hermantown, both are small towns, have small budgets, and are working with tech giants. She stated the story of Dalles can be used to look 20 years into the future of Hermantown. She shared that a low job counts of 200 jobs across four hyperscale data centers when Google had originally promised 200 jobs per hyperscale data center. She expressed concern for the area’s future consisting of more data centers, increased resource usage, and continued secrecy as NDAs are still affecting resident relationships. She told Council to look at the lessons from Dalles Oregon and say no.

8. **<u>CONSENT AGENDA</u>**

A. **Minutes** - Approval or correction of March 23, 2026 City Council Work Session Minutes and the April 6, 2026 City Council Continuation Minutes

B. **Accounts Payable** - Approve general city warrants from April 1, 2026 through April 15, 2026 in the amount of $639,836,96

Motion to the approve the Consent Agenda. This motion, made by Councilor Hjelle and seconded by Councilor Geissler, Carried.

Councilor John Geissler:	Yea
Councilor Andy Hjelle:	Yea
Councilor Brian LeBlanc:	Yea
Councilor Joseph Peterson:	Yea
Mayor Wayne Boucher:	Yea

Yea: 5, Nay: 0

9. **RESOLUTIONS**

A. **2026-41 Resolution Authorizing The Purchase Of A John Deere 325 G Tracked Skid Steer In The Amount Of $74,500.00**

(motion, roll call)

Motion to approve 2026-41 Resolution Authorizing The Purchase Of A John Deere 325 G Tracked Skid Steer In The Amount Of $74,500.00. This motion, made by Councilor LeBlanc and seconded by Councilor Peterson, Carried.

Councilor John Geissler:	Yea
Councilor Andy Hjelle:	Yea
Councilor Brian LeBlanc:	Yea
Councilor Joseph Peterson:	Yea
Mayor Wayne Boucher:	Yea

Yea: 5, Nay: 0

B. **2026-42 Resolution Authorizing The City Of Hermantown To Support St. Louis County For The 2027 Project CSAH 32 (Arrowhead Rd) Sidewalk, Curb & Gutter, & Storm Sewer**

(motion, roll call)

Motion to approve 2026-42 Resolution Authorizing The City Of Hermantown To Support St. Louis County For The 2027 Project CSAH 32 (Arrowhead Rd) Sidewalk, Curb & Gutter, & Storm Sewer. This motion, made by Councilor Geissler and seconded by Councilor Peterson, Carried.

Councilor John Geissler: Yea

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 5, Nay: 0

C. **2026-43 Resolution Approving Change Order Numbers 36 & 37 (KA Change Orders #12 & #13) For The NorthStar Ford Arena As A Reduction In The Amount Of ($246,238.91)**

(motion, roll call)

Motion to approve 2026-43 Resolution Approving Change Order Numbers 36 & 37 (KA Change Orders #12 & #13) For The NorthStar Ford Arena As A Reduction In The Amount Of ($246,238.91). This motion, made by Councilor Peterson and seconded by Councilor Hjelle, Carried.

Councilor John Geissler: Yea

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 5, Nay: 0

D. **2026-44 Resolution Approving Pay Request Number 22 For The NorthStar Ford Arena To Kraus-Anderson Construction Company In The Amount Of $267,072.77**

(motion, roll call)

Motion to approve 2026-44 Resolution Approving Pay Request Number 22 For The NorthStar Ford Arena To Kraus-Anderson Construction Company In The Amount Of $267,072.77. This motion, made by Councilor LeBlanc and seconded by Councilor Geissler, Carried.

Councilor John Geissler: Yea

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 5, Nay: 0

10. **RECESS**

Motion to recess at 7:34 p.m. This motion, made by Councilor LeBlanc and seconded by Councilor Peterson, Carried.

Councilor John Geissler: Yea

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 5, Nay: 0

ATTEST:

____
Mayor

____
City Clerk

City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811
Minnesota

CITY COUNCIL
WORK SESSION MINUTES
COUNCIL CHAMBERS
Monday, April 27th, 2026
at 4:30 P.M.

ROLL CALL: Councilors Geissler, Hjelle, LeBlanc, Peterson, and Mayor Boucher

CITY STAFF: John Mulder, City Administrator; Joe Wicklund, Assistant City Administrator; Chad Ronchetti, Economic Development Director; Eric Johnson, Community Development Director; Jim Crace, Public Safety Director; Alissa McClure, City Clerk; David Bolf, City Engineer; Gunnar Johnson, City Attorney

OTHERS: Chris Virta, City's Bond Counsel from Fryberger Law Firm, and about 20 visitors (there was no sign in sheet)

DISCUSSION ITEMS

1. Local Board of Appeals & Equalization Meeting Preview: Alissa McClure discussed the upcoming Local Board of Appeal & Equalization Meeting scheduled for April 30th. She gave an update on the communication we have received so far, and asked for direction on how they would like the meeting run.

2. Hermantown Data Center – Tax Abatement Agreement & Development Agreement Preview: Chad Ronchetti walked through the proposed tax abatement agreement and development agreement for the data center. Chad Ronchetti gave a presentation that will be part of the public hearing and the documents will be part of the Agenda for May 4, 2026. Council members asked a number of questions.

3. Following the discussion, the City Council recessed the meeting at approximately 5:45 p.m. until Monday, May 4, 2026.

____
Mayor

ATTEST:

____
City Administrator

CITY OF HERMANTOWN

CHECKS #73052-73085
04/16/2026 - 04/30/2026

<u>PAYROLL CHECKS</u>	
Electronic Checks - #-62579-62624	$112,446.46
Electronic Checks - #-62542-62572	$23,628.63
<u>LIABILITY CHECKS</u>	
Electronic Checks - #-62573-62578	$87,769.44
Electronic Checks - #-62539-62541	$5,283.41
Checks - #73052-73056	$4,828.00
PAYROLL EXPENSE TOTAL	**$229,127.94**
<u>ACCOUNTS PAYABLE</u>	
Checks - #73057-73085	$57,395.49
Electronic Payments #-97320-97338	$437,693.20
ACCOUNTS PAYABLE TOTAL	**$495,088.69**
TOTAL	**$724,216.63**

Fund	Account	Department	Vendor Name	Description	Amount	Check #
601	494300	Water Distribution	CITY OF DULUTH COMFORT SYSTEMS	Mar 2026 Water Charges	121,065.82	-97338
602	494900	Sewer Administration and General	MN POWER	0973881171 Sewer	665.34	-97337
605	431160	Street Lighting	MN POWER	1424100000 Street Lights	469.20	-97337
605	431160	Street Lighting	MN POWER	0041881181 Street Lights	477.47	-97337
601	494400	Water Administration and General	MN POWER	3623400000 Water	1,091.64	-97337
101	452100	Parks	MN POWER	0606881181 Murphy House	35.77	-97337
101	452100	Parks	MN POWER	0606881181 Parks	174.65	-97337
605	431160	Street Lighting	MN POWER	0247020000 Street Lights	401.86	-97337
101	431901	City Garage	MN POWER	4995600000 5255 Maple Grove Rd	47.44	-97337
605	431160	Street Lighting	MN POWER	6175310000 Street Lights	743.21	-97337
275	452200	Community Building	MN POWER	5498955531 4289 Ugstad Rd/EWC	10,909.32	-97337
101	452200	Community Building	MN POWER	0606881181 Community Bldg	545.42	-97337
101	422902	Firehall #2 Morris Thomas Road	MN POWER	4995600000 FH #2 MorrisThomas	136.49	-97337
101	419901	City Hall & Police Building Maintenance	MN POWER	4995600000 City Hall/Police/Fi	2,960.34	-97337
601	494400	Water Administration and General	MN POWER	4995600000 4971 Lightning Dr	170.27	-97337
605	431160	Street Lighting	MN POWER	0234310000 Overhead St Lights	481.11	-97337
605	431160	Street Lighting	MN POWER	0733871171 Traffic Lights	823.13	-97337
101	422903	Firehall #3 Midway Road	MN POWER	4995600000 FH #3 Midway/Rose	87.00	-97337
605	431160	Street Lighting	MN POWER	3060281959 Street Lights (Roun	20.61	-97337
275	452200	Community Building	MN POWER	3481871314 EWC Garage	19.80	-97337
602	494900	Sewer Administration and General	MN POWER	4995600000 4971 Lightning Dr	113.51	-97337
101	422901	Firehall #1 Maple Grove Road	MN POWER	4995600000 City Hall/Police/Fi	1,892.68	-97337
101	431901	City Garage	MN POWER	4995600000 4971 Lightning Dr	283.79	-97337
101	419100	Community Development	WEX HEALTH INC	Monthly Participant /Cobra Fee	9.54	-97336
101	421100	Police Administration	WEX HEALTH INC	Monthly Participant /Cobra Fee	93.54	-97336
601	494400	Water Administration and General	WEX HEALTH INC	Monthly Participant /Cobra Fee	15.90	-97336
101	422100	Fire Administration	WEX HEALTH INC	Monthly Participant /Cobra Fee	9.54	-97336
602	494900	Sewer Administration and General	WEX HEALTH INC	Monthly Participant /Cobra Fee	15.90	-97336
101	419901	City Hall & Police Building Maintenance	WEX HEALTH INC	Monthly Participant /Cobra Fee	9.54	-97336
101	431100	Street Department	WEX HEALTH INC	Monthly Participant /Cobra Fee	15.90	-97336
101	415300	Administration & Finance	WEX HEALTH INC	Monthly Participant /Cobra Fee	36.14	-97336
601	494300	Water Distribution	ACME TOOLS	Trash Pump	373.00	-97335
101	419901	City Hall & Police Building Maintenance	ACP CREATIVIT, LLC	Apr 2026 Maintenance	237.85	-97334
101	431100	Street Department	ACP CREATIVIT, LLC	Apr 2026 Maintenance	16.75	-97334
101	422901	Firehall #1 Maple Grove Road	ACP CREATIVIT, LLC	Apr 2026 Maintenance	70.35	-97334
101	452200	Community Building	ACP CREATIVIT, LLC	Apr 2026 Maintenance	10.05	-97334
101	421100	Police Administration	AXON ENTERPRISE INC	Evidence - Ecom License	959.07	-97333
101	421100	Police Administration	CIT	Microsoft NCE /Defender for Of	171.13	-97332

Fund	Account	Department	Vendor Name	Description	Amount	Check #
101	422100	Fire Administration	CIT	CIT Managed Services	1,070.00	-97332
101	424100	Building Inspection	CIT	CIT Managed Services	356.29	-97332
101	411100	Council	CIT	Microsoft NCE /Defender for Of	23.60	-97332
101	431100	Street Department	CIT	CIT Managed Services	713.71	-97332
101	424100	Building Inspection	CIT	Microsoft NCE /Defender for Of	11.78	-97332
602	494900	Sewer Administration and General	CIT	Microsoft NCE /Defender for Of	5.91	-97332
602	494900	Sewer Administration and General	CIT	CIT Managed Services	178.71	-97332
101	419100	Community Development	CIT	CIT Managed Services	267.50	-97332
101	419100	Community Development	CIT	Microsoft NCE /Defender for Of	8.85	-97332
601	494400	Water Administration and General	CIT	Microsoft NCE /Defender for Of	8.85	-97332
601	494400	Water Administration and General	CIT	CIT Managed Services	267.50	-97332
101	422100	Fire Administration	CIT	Microsoft NCE /Defender for Of	35.39	-97332
101	413100	Mayor	CIT	Microsoft NCE /Defender for Of	5.91	-97332
101	411100	Council	CIT	CIT Managed Services	713.71	-97332
101	417200	Communications	CIT	CIT Managed Services	535.00	-97332
101	421100	Police Administration	CIT	CIT Managed Services	5,174.67	-97332
101	431100	Street Department	CIT	Microsoft NCE /Defender for Of	23.60	-97332
101	415300	Administration & Finance	CIT	CIT Managed Services	1,783.70	-97332
101	415300	Administration & Finance	CIT	Microsoft NCE /Defender for Of	58.99	-97332
101	413100	Mayor	CIT	CIT Managed Services	178.71	-97332
101	417200	Communications	CIT	Microsoft NCE /Defender for Of	17.69	-97332
101	452100	Parks	ELITE PORTABLE TOILETS, LLC	Portable Toilet - Fichtner Fie	85.00	-97331
101	419901	City Hall & Police Building Maintenance	FIREPRO SPRINKLER SPECIALISTS, INC	Fire Sprinkler Service Work	606.21	-97330
230	465100	HEDA	FRYBERGER, BUCHANAN, SMITH & FREDERICK,	Legal Services - HEDA	2,000.00	-97329
412	419100	Community Development	GEI CONSULTANTS, INC.	Keene Creek Trail Segment 3	1,667.76	-97328
602	494500	Sewer Maintenance	GREAT LAKES PIPE SERVICE INC	Lift Station Cleaning - Roosev	1,490.00	-97327
602	494500	Sewer Maintenance	GREAT LAKES PIPE SERVICE INC	Sanitary Cleaning	4,405.00	-97327
101	415300	Administration & Finance	INNOVATIVE OFFICE SOLUTIONS, LLC	Ink/Copy Paper/Paper Roll	40.19	-97326
415	465200	Community Development	KRAUS-ANDERSON CONSTRUCTION COMPANY, INC	Hermantown Hockey Arena	179,612.36	-97325
415	465200	Community Development	KRAUS-ANDERSON CONSTRUCTION COMPANY, INC	Hermantown Hockey Arena	87,460.41	-97325
101	421100	Police Administration	MENARD INC	Velcro	19.82	-97324
101	424100	Building Inspection	MENARD INC	Brush/Wipes/Cleaner/Wash & Wax	39.54	-97324
101	421100	Police Administration	MENARD INC	Slow Cooker	39.99	-97324
601	494300	Water Distribution	MENARD INC	PVC Cement	25.67	-97324
601	494300	Water Distribution	MENARD INC	Foam at MG Road Water Valve	273.72	-97324
101	422100	Fire Administration	MENARD INC	Air Chucks	9.98	-97324

Fund	Account	Department	Vendor Name	Description	Amount	Check #
101	431100	Street Department	MENARD INC	2" Male Hose Fitting	4.99	-97324
601	494300	Water Distribution	MENARD INC	Sharpie	9.85	-97324
101	422100	Fire Administration	MENARD INC	Small Engine Fuel	84.95	-97324
101	422903	Firehall #3 Midway Road	MIDWAY SEWER SERVICE, INC.	Pumping Service - 4494 Midway	250.00	-97323
101	421100	Police Administration	SYMBOLARTS	Badges - PD	162.50	-97322
101	431100	Street Department	TOWMASTER	Heavy Haul Jack	762.56	-97321
601	494300	Water Distribution	TOWMASTER	Heavy Haul Jack	762.56	-97321
101	419901	City Hall & Police Building Maintenance	VIKING AUTOMATIC SPRINKLER COMPANY	Annual Fire Alarm Inspection	780.00	-97320
101	431100	Street Department	A & S TRUCK AND TRAILER REPAIR	Radiator - H-1	5,427.87	73057
101	421100	Police Administration	ANGEL ARMOR, LLC	Bullet Resistent Vest	2,050.00	73058
101	421100	Police Administration	ANGEL ARMOR, LLC	Bullet Resistent Vest	2,150.00	73058
101	421100	Police Administration	ANIMAL ALLIES HUMANE SOCIETY	Mar 2026 Boarding	1,925.00	73059
101	431100	Street Department	BOBCAT OF DULUTH INC	Broom Bristle	942.54	73060
101	431100	Street Department	BOBCAT OF DULUTH INC	Tool Cat Filters	91.28	73060
101	422100	Fire Administration	BULLDOG COLLISION	Vehicle Repair - PD 2021 Chevy	1,000.00	73061
602	494500	Sewer Maintenance	CENTRAL PENSION FUND	Training Per Contract	108.34	73062
101	431100	Street Department	CENTRAL PENSION FUND	Training Per Contract	108.33	73062
601	494300	Water Distribution	CENTRAL PENSION FUND	Training Per Contract	108.33	73062
101	419901	City Hall & Police Building Maintenance	CINTAS CORPORATION	Mats at CH	18.11	73063
101	431100	Street Department	CINTAS CORPORATION	Uniforms	7.92	73063
101	431100	Street Department	CINTAS CORPORATION	Uniforms	7.92	73063
101	431901	City Garage	CINTAS CORPORATION	Mats/Supplies	42.55	73063
101	431100	Street Department	CINTAS CORPORATION	Uniforms	19.07	73063
101	431100	Street Department	CINTAS CORPORATION	Uniforms	40.87	73063
101	419901	City Hall & Police Building Maintenance	CINTAS CORPORATION	Mats at CH	74.98	73063
101	431901	City Garage	CINTAS CORPORATION	Mats/Supplies	71.21	73063
602	494900	Sewer Administration and General	CUSTOMER ELATION INC	03/10/26 - 04/06/26 Answering	25.58	73064
601	494400	Water Administration and General	CUSTOMER ELATION INC	03/10/26 - 04/06/26 Answering	38.37	73064
101	431100	Street Department	DENNY'S LAWN & GARDEN	Gas Pole Pruner	662.48	73065
101	452100	Parks	DENNY'S LAWN & GARDEN	Maintenance - Cub Cadet Mower	334.13	73065
101	422100	Fire Administration	DEPARTMENT OF EMPLOY & ECON DEVELOP	Unemployment Benefits/Johnson,	149.85	73066
101	421100	Police Administration	DULUTH NEWS-TRIBUNE	Newspaper PD 12 Months	379.09	73067
101	422100	Fire Administration	FIRE SAFETY USA	Helmets	3,149.95	73068
101	422100	Fire Administration	FIRE SAFETY USA	Accountability Tags	88.75	73068
603	441100	Storm Water	HALVOR LINES, INC	Haul Street Sweeper from Renta	1,600.52	73069
101	415300	Administration & Finance	HERMANTOWN STAR LLC	Mar 16, 2026 Minutes	66.00	73070
101	419100	Community Development	HERMANTOWN STAR LLC	Public Hearing Planning & Zoni	57.75	73070
101	415300	Administration & Finance	ICMA - INT'L CITY/COUNTY MANAGEMENT ASSO	ICMA Membership - Mulder	1,200.00	73071

Fund	Account	Department	Vendor Name	Description	Amount	Check #
101	419901	City Hall & Police Building Maintenance	IMPERIALDADE	Towels/Can Liner/Urinal Screen	509.73	73072
101	421100	Police Administration	JOHNSON FITNESS & WELLNESS	Fitness Equipment	20,471.97	73073
415	465200	Community Development	KFI ENGINEERS	Northstar Ford Arena	3,146.50	73074
101	431100	Street Department	MONARCH PAVING COMPANY	Cold Mix	1,443.82	73075
101	452100	Parks	NAPA AUTO PARTS	Oil & Air Filter - Parks Trail	31.07	73076
101	431100	Street Department	NAPA AUTO PARTS	Antifreeze - Loader	62.94	73076
101	452100	Parks	NAPA AUTO PARTS	Fuel Filter/Battery - Parks Tr	154.66	73076
101	452200	Community Building	NORTHSTAR SERVICES	Furnace Repair	372.00	73077
601	494300	Water Distribution	PACE ANALYTICAL SERVICES, LLC	Drinking Water Testing	1,041.00	73078
601	494300	Water Distribution	PACE ANALYTICAL SERVICES, LLC	Drinking Water Testing	1,041.00	73078
230	465100	HEDA	RONCHETTI, CHAD	Reimburse - Hotel/Parking/Food	183.33	73079
230	465100	HEDA	RONCHETTI, CHAD	Claude Pro & OpenAI ChatGPT Su	41.78	73079
230	214500	Escrow Deposits Payable	RONCHETTI, CHAD	Reimburse - Hotel/Parking/Food	643.17	73079
230	465100	HEDA	RONCHETTI, CHAD	Claude Pro & OpenAI ChatGPT Su	92.52	73079
101	421100	Police Administration	SHEL/DON GROUP INC	Business Cards - Enright & Kos	178.69	73080
412	419100	Community Development	SHORT ELLIOTT HENDRICKSON INC	Keene Creek Trail Hydraulics	3,067.53	73081
101	431100	Street Department	ST LOUIS COUNTY AUDITOR	Brine Solution Feb 2026	1,020.00	73082
101	421100	Police Administration	STREICHER'S	Practice Ammo	1,077.10	73083
101	421100	Police Administration	STREICHER'S	Duty Gear - Kostiuk, K	60.00	73083
101	421100	Police Administration	THOMSON REUTERS - WEST	Clear Subscription - Mar 26	181.91	73084
101	421100	Police Administration	TROY'S SERVICE CENTER	Oil & Filter - SQD 15	105.66	73085
101	421100	Police Administration	TROY'S SERVICE CENTER	Oil & Filter & Maintenance - S	426.15	73085
101	421100	Police Administration	TROY'S SERVICE CENTER	Oil & Filter - SQD 14	96.17	73085

Totals: **135 records printed** **495,088.69**

City of Hermantown Minnesota

CITY COUNCIL MEETING DATE: May 4, 2026

TO: Mayor & City Council

FROM: Eric Johnson, Community Development Director

SUBJECT: Special Use Permit with conditions for construction of an 2,400 square foot accessory structure and associated driveway in a R-3 zoning district

☒ **RESOLUTION:** 2026-46 ☐ **ORDINANCE:** ☐ **OTHER:**

REQUESTED ACTION

Approve a Special Use Permit with conditions for the construction of a 2,400 (40 x 60') square foot accessory building and associated driveway in a R-3 zoning district

BACKGROUND

The applicant (Jerid Prahl) desires to build an 2,400 square foot accessory structure on a property at 4311 Sugar Maple Drive. Construction of an accessory structure over 1,200 square feet in size is permitted with a Special Use Permit per Section 535.06.5 of the Zoning Ordinance. The applicant is requesting approval for construction of a 2,400 square foot accessory structure.

SITE INFORMATION:

Parcel Size:	+/- 1.8 acres
Legal Access:	4311 Sugar Maple Drive
Wetlands:	Yes, as part of original plat
Existing Zoning:	R-3, Residential
Airport Overlay:	Safety Zone 3 – height restrictions only
Shoreland Overlay:	No
Comprehensive Plan:	Residential

BACKGROUND

Accessory structures over 1,200 square feet in size are permitted only with a Special Use Permit in the R-3, Residential Zoning District. The applicant is requesting approval to construct a 2,400 square foot accessory building. The accessory building would be 40 feet by 60 feet in size, with 11-foot sidewalls. The overall height of the proposed building is approximately 21 feet. The construction type would be slab-on-grade, with LP style siding with decorative rock wainscot and shingle roof. The building will be used to house the applicant's personal belongings. No business activity is proposed as part of this use

The proposed property is located on Sugar Maple Drive, and is comprised of two lots which have been combined to create a +/-1.8 acre parcel. The proposed accessory structure is approximately 80 feet from the nearest neighboring structure and approximately 95 feet from Sugar Maple Drive.

A public hearing for the SUP application was held on April 21, 2026. Public comments included three people who were in support of the application and three who were against the application due to structure size and HOA concerns. The Planning and Zoning Commission unanimously recommended the project to the City Council for their review and approval.

Section 535.06.5 of the Zoning Ordinance lists the dimensional requirements for accessory structures in excess of 1,200 square feet. They are:

Table 1. Dimensional requirements for accessory structures in excess of 1,200 square feet	R-3 Requirement	Provided
Minimum depth of front yard from R.O.W.	Equal to or greater than the building line of the primary structure	+/- 95 feet (similar to primary structure)
Minimum side yard setback	Equal to the height of the accessory structure	+/- 28 feet from east property line
Minimum rear yard setback	Equal to the height of the accessory structure	+/- 190 feet
Minimum setback from primary structure	10 feet	+/- 20 feet
Maximum building height	35 feet	+/- 21 feet
Maximum sidewall height	14 feet	11 feet

There are several requirements that must be satisfied in order to qualify for a Special Use Permit, from Section 725 "Governing Criteria" of the Zoning Ordinance.

1. *Is the development compatible with development permitted under the general provisions of the Zoning Ordinance for lands in its vicinity?*

   There are no significant accessory structures in the vicinity of the property. However, the Zoning Ordinance allows for 35% lot coverage for structures on a property. With the addition of a 2,400 square foot structure, the property would be at approximately 6.9%.

2. *Is the proposed use injurious to the use and enjoyment of the environment, or detrimental to the rightful use and enjoyment of other property in its vicinity?*

The accessory structure will allow the owner to improve their property by providing storage for personal property.

3. *Is the use consistent with the Comprehensive Plan and the spirit and intent of the Zoning Ordinance?*

The proposed accessory structure is consistent with Comprehensive Plan recommendations for residential areas of the City. The Zoning Ordinance allows for up to 35% lot coverage for structures with the proposed property being at 6.9% coverage after the construction of the proposed accessory structure. The proposed use meets the performance standards set in Section 535.06.5 regulating accessory structures in excess of 1,200 square feet.

4. *Will the use result in a random pattern of development, or cause negative fiscal and environmental effects upon the community?*

   The Zoning Ordinance allows for 35% lot coverage for structures on a property. With the addition of a 2,400 square foot structure, the property would be at approximately 6.9%

5. *Are there other criteria of the Zoning Ordinance that should be considered?*

   The applicant has already combined the two parcels into a single one and has applied for a land disturbance permit.

Wetlands
The property was delineated as part of the development of the Maple Village plat. In addition, the National Wetland Inventory does not show any wetland impacts associated with the proposed work.

Recommendation
Staff recommends approval of the Special Use Permit, subject to the following conditions:

1. The approval is for a 2,400 square foot accessory structure on the property at 4311 Sugar Maple Drive (395-0134-00250)
2. The proposed accessory structure shall meet all setback requirements for setbacks for Accessory Structures in the R-3 Zoning District.
3. The proposed accessory structure location is depicted on the approved site plan. If approved by the Community Development Director, the accessory structure may be placed in other locations on the site, however the 2,400 square foot accessory building will need to meet the minimum setback requirements and/or obtain a variance per Section 535.06.5 of the Zoning Ordinance.
4. Erosion control measures shall be utilized and remain in place throughout the construction period and shall not be removed until vegetation is established on the site.
5. Accessory structures shall not be utilized for any use or activity not otherwise allowed in the zone district in which such accessory building is to be located.
6. No business activity is allowed in association with the accessory structure approval.
7. The applicant shall sign a consent form assenting to all conditions of this approval.

8. The applicant shall pay an administrative fine of $750 per violation of any condition of this approval.

SOURCE OF FUNDS (if applicable)

Not applicable

ATTACHMENTS

- Location Map
- Proposed Site Plan
- Proposed Structure Image
- Project Narrative
- HOA Letter

Resolution No. 2026-46

<u>Resolution Approving Special Use Permit For Construction Of An Accessory Structure In Excess Of 1,200 Square Feet In The R-3 Zoning District At 3711 Sugar Maple Drive (395-0134-00250) And Imposing Conditions Thereon</u>

WHEREAS, Jerid Prahl ("Applicant") made application for a Special Use Permit for the construction of a 2,400 square foot accessory building ("Project") in the City of Hermantown, County of St. Louis, State of Minnesota, on the property located at 3711 Sugar Maple Drive (395-0134-00250) and legally described in Attachment A.

WHEREAS, the Planning and Zoning Commission of the City of Hermantown held a public hearing on such application on April 21, 2026 recommended that the City Council approve the application subject to certain conditions; and

WHEREAS, the City Council of the City of Hermantown has carefully reviewed the application for a Special Use Permit, the transcript of the public hearing held by the Planning and Zoning Commission, and the recommendations of the Planning and Zoning Commission.

NOW, THEREFORE, on the basis of the foregoing, the City Council of the City of Hermantown, in connection with the application by Developer for a Special Use Permit for the Project does hereby make the following:

FINDINGS OF FACT

1. Applicant made application for the project which is to be located within the City of Hermantown.

2. Applicant has advised the City that all work will be within property owned by Applicant.

3. Applicant is the user or potential user of such property.

4. The fee required to be submitted with the Special Use Permit application has been paid.

5. The Planning and Zoning Commission held a public hearing on the application following notice as required by ordinances of the City of Hermantown.

6. The Planning and Zoning Commission of the City of Hermantown submitted its report and recommendation on such application to the City Council within the time period set forth in the ordinances of the City of Hermantown.

7. The City Council considered such application after receiving the report and recommendation of the Planning and Zoning Commission.

8. The activity proposed in such application is compatible with development permitted under the general provisions of the Hermantown Zoning Ordinance and is compatible with land uses on substantially all land in the vicinity of the proposed development.

9. The activity proposed will not be injurious to the use and enjoyment of the environment, or detrimental to the rightful use and enjoyment of other property in the immediate vicinity of the proposed development.

10. The proposed activity is consistent with the overall Hermantown Comprehensive Plan and with the spirit and intent of the provisions of the Hermantown Zoning Ordinance.

11. The proposed use will not result in a random pattern of development with little contiguity to existing programmed development, and will not cause negative fiscal and environmental effects upon the community.

12. In order to ensure that the spirit and intent of the Hermantown Zoning Ordinance are met, conditions must be imposed on the permit requested by Applicant.

On the basis of the foregoing Findings of Fact, the City Council of the City of Hermantown is hereby resolved as follows:

1. The application for Special Use Permit to construct the Project is hereby approved and permission is hereby granted to conduct the activity described in Applicant's application.

2. The Special Use Permit hereby approved is hereby expressly subject to the following conditions:

a. That the Project will be constructed as described in the plans accompanying the application and the conditions contained herein.

b. This permit is not assignable except with the written consent of the City of Hermantown.

c. The Zoning Officer of the City of Hermantown shall be notified at least five (5) days in advance of the commencement of the work authorized hereunder and shall be notified of its completion within (5) days thereafter.

d. No change shall be made in the Project without written permission being previously obtained from the City of Hermantown.

e. Applicant shall grant access to the site at all reasonable times during and after construction to authorized representatives of the City of Hermantown for inspection of the Project to see the terms of this permit are met.

f. The permit is permissive only. No liability shall be imposed upon or incurred by the City of Hermantown or any of its officers, agents or employees, officially or personally, on account of the granting hereof or on account of any damage to any person or property resulting from any act or omission of Applicant or any of Applicant's agents, employees or contractors relating to any matter hereunder. This permit shall not be construed as estopping or limiting any legal claims or right of action of any person against Applicant, its agents, employees of contractors, for any damage or injury resulting from any such act or omission, or as estopping or limiting any legal claim or right of action of the City of Hermantown against Applicant, its agents, employees or contractors for violation of or failure to comply with the permit or applicable provisions of law.

g. This permit may be terminated by the City of Hermantown at any time it deems necessary for the conservation of water resources, or in the interest of public health and welfare, or for violation of any of the provisions of this permit.

h. Accessory structure shall not be utilized for any business use or activity not otherwise allowed in the zone district in which such accessory building is to be located.

i. Applicant is initially and continually in compliance with all of the ordinances and regulations of the City of Hermantown Building Code and the Hermantown Fire Code.

j. The proposed accessory structure shall meet all setback requirements and/or obtain a variance for setbacks for Accessory Structures in the R-3, Residential Zoning District.

k. All state licenses and other permits required for the Project have been obtained by the Applicant and copies are provided to the City of Hermantown before the release of a permanent Certificate of Occupancy.

l. That Applicant pay all direct costs incurred by the City of Hermantown in connection with the enforcement and administration of this permit within fifteen (15) days of Applicant being invoiced by the City for such costs.

m. The applicant will be required to combine the two parcels in order to insure access to the future structure from Hermantown Road.

n. The applicant shall sign a consent form assenting to all conditions of this approval.

o. The applicant shall pay an administrative fine of $750 per violation of any condition of this approval.

13. The Mayor and City Clerk are hereby authorized and directed to execute and deliver to Applicant a Special Use Permit consistent with this resolution upon written acceptance by Applicant of the conditions hereby imposed on such permit.

Councilor _______ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _______ and, upon a vote being taken thereon, the following voted in favor thereof:

Councilors _______

And the following voted in opposition thereto:

Councilors _______

WHEREUPON, such resolution was declared duly passed and adopted May 4, 2026.

STATE OF MINNESOTA)
COUNTY OF ST. LOUIS) SS.
CITY OF HERMANTOWN)

I, the undersigned, being the duly qualified and acting Clerk of the City of Hermantown, St. Louis County, Minnesota, a Minnesota municipal corporation, hereby certify that the above and foregoing Resolution 2026-46 is a true and correct copy of the Resolution as adopted by the City Council on the 4th day of May, 2026.

In Witness Whereof, I have hereunto set my hand and affixed the corporate seal of said City of Hermantown, the 5th day of May, 2026.

____
Alissa McClure, City Clerk

ATTACHMENT A

LOTS 25 AND 26, BLOCK 1, MAPLE VILLAGE SECTION 11 TOWNSHIP 50 RANGE 15

Property ID: 395-0134-00250

(TOP THREE INCHES RESERVED FOR RECORDING DATA)

SPECIAL USE PERMIT

Permission is hereby granted to Jerid Prahl ("Applicant") for a Special Use Permit for the construction of a 2,400 square foot accessory building ("Project") in the City of Hermantown, County of St. Louis, State of Minnesota, on the property located at 3711 Sugar Maple Drive (395-0134-00250) And Imposing Conditions Thereon and legally described in Attachment A.

The permission hereby granted is expressly conditioned as follows:

a. That the Project will be constructed as described in the plans accompanying the application and the conditions contained herein.

b. The Zoning Officer of the City of Hermantown shall be notified at least five (5) days in advance of the commencement of the work authorized hereunder and shall be notified of its completion within (5) days thereafter.

c. No change shall be made in the Project without written permission being previously obtained from the City of Hermantown.

d. Applicant shall grant access to the site at all reasonable times during and after construction to authorized representatives of the City of Hermantown for inspection of the Project to see the terms of this permit are met.

e. The permit is permissive only. No liability shall be imposed upon or incurred by the City of Hermantown or any of its officers, agents or employees, officially or personally, on account of the granting hereof or on account of any damage to any person or property resulting from any act or omission of Applicant or any of Applicant's agents, employees or contractors relating to any matter hereunder. This permit shall not be construed as stopping or limiting any legal claims or right of action of any person against Applicant, its agents, employees of contractors, for any damage or injury resulting from any such act or omission, or as estopping or limiting any legal claim or right of action of the City of

Hermantown against Developer, its agents, employees or contractors for violation of or failure to comply with the permit or applicable provisions of law.

f. This permit may be terminated by the City of Hermantown at any time it deems necessary for the conservation of water resources, or in the interest of public health and welfare, or for violation of any of the provisions of this permit.

g. Applicant is initially and continually in compliance with all of the ordinances and regulations of the City of Hermantown Building Code and the Hermantown Fire Code.

h. All state licenses and other permits required for the Project have been obtained by the Applicant and copies are provided to the City of Hermantown.

i. That Applicant pay all direct costs incurred by the City of Hermantown in connection with the enforcement and administration of this permit within fifteen (15) days of Applicant being invoiced by the City for such costs.

j. The approval is for a Special Use Permit for construction of an accessory structure located at 3711 Sugar Maple Drive (395-0134-00250).

k. Erosion control measures shall be utilized and remain in place throughout the construction period and shall not be removed until vegetation is established on the site.

l. Accessory structures shall not be utilized for any use or activity not otherwise allowed in the zone district in which such accessory building is to be located.

m. No business activity is allowed in association with the accessory structure approval.

n. Prior to issuance of a building permit, all necessary permits shall be obtained.

o. The applicant shall sign a consent form assenting to all conditions of this approval.

p. The applicant shall pay an administrative fine of $750 per violation of any condition of this approval.

IN WITNESS WHEREOF, the Mayor and City Clerk have hereunto set their hands on behalf of the City of Hermantown on the ____ day of _______________, 2026.

CITY OF HERMANTOWN

By __________________________________
Its Mayor

By __________________________________
Its Clerk

STATE OF MINNESOTA)
)ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this ___ day of ___________, 2026, by Wayne Boucher and Alissa McClure, the Mayor and City Clerk respectively of the City of Hermantown on behalf of the City.

____
Notary Public

ACCEPTANCE OF CONDITIONS

Jerid Prahl ("Applicant") hereby acknowledges and accepts the conditions specified on the foregoing Resolution and covenants and agrees to comply with each and every such condition.

Applicant acknowledges that the failure to comply with all of the modifications and conditions shall constitute a violation of the Hermantown Zoning Ordinance and that the City of Hermantown may, in such event, exercise and enforce its rights against the undersigned by instituting any appropriate action or proceeding to prevent, restrain, correct or abate the violation including, without limitation, exercising and enforcing its rights against any security that the undersigned may provide to the City to insure its compliance with the conditions contained in the foregoing Resolution.

Applicant acknowledges that this Resolution shall be recorded with the title to the property described in the text of the Resolution.

IN WITNESS WHEREAS, Jerid Prahl ("Applicant") has executed this acceptance this ____ day of __________, 2026.

By ________________________________

Jerid Prahl

STATE OF MINNESOTA)
)ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this ___ day of ___________, 2026, by ______________________.

____

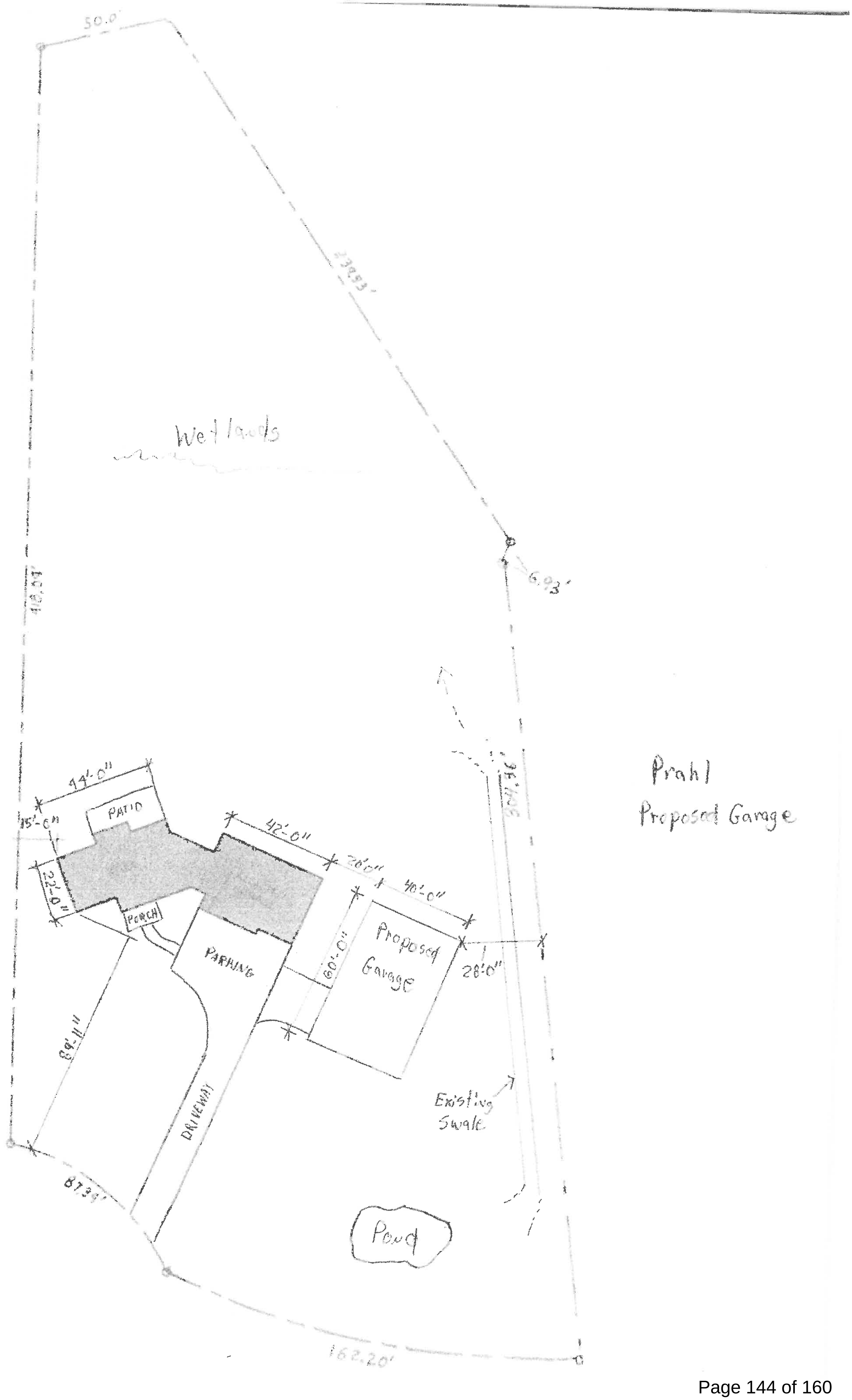
Notary Public

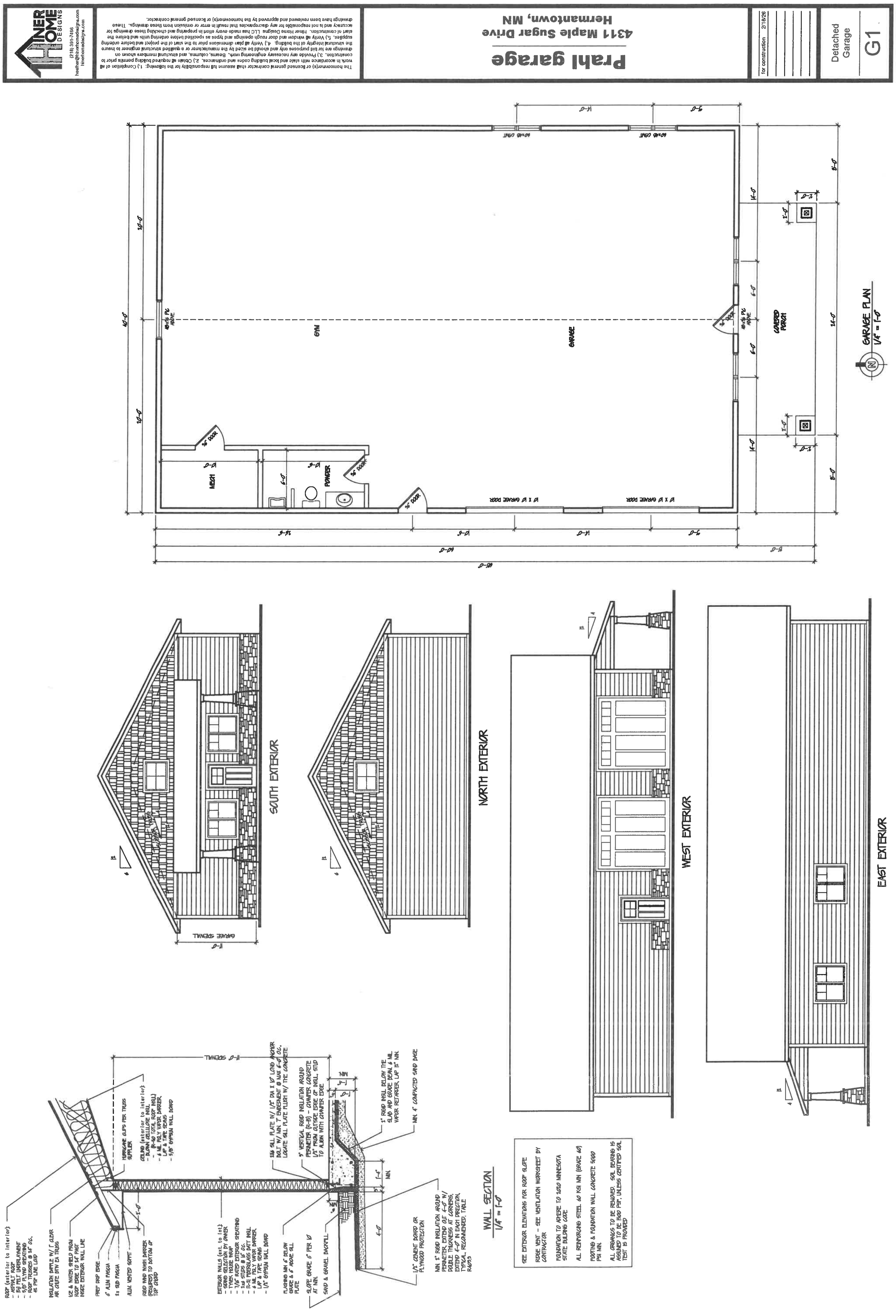
ATTACHMENT A

LOTS 25 AND 26, BLOCK 1, MAPLE VILLAGE SECTION 11 TOWNSHIP 50 RANGE 15

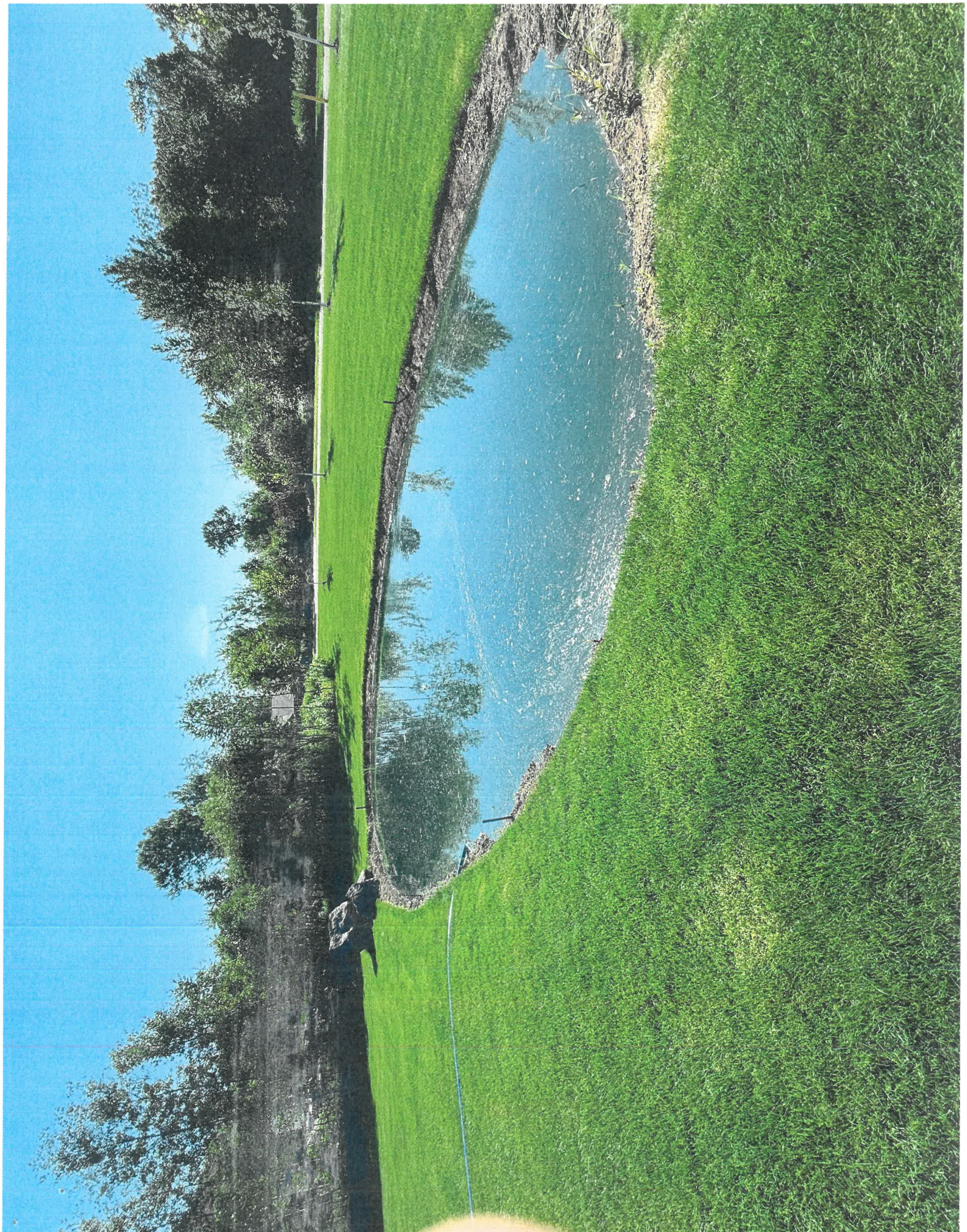
Property ID: 395-0134-00250

Location Map


50.0'
239.93'
Wetlands
418.51'
6.93'
Prahl
Proposed Garage
44'-0"
PATIO
15'-0"
42'-0"
26'0"
40'-0"
22'-0"
PORCH
PARKING
60'-0"
Proposed Garage
28'0"
306.35'
89'-11"
DRIVEWAY
Existing Swale
87.34'
Pond
162.20'



Prahl garage
4311 Maple Sugar Drive
Hermantown, MN
Detached Garage
G1
for construction 2/18/26
GARAGE PLAN
1/4" = 1'-0"
SOUTH EXTERIOR
NORTH EXTERIOR
WEST EXTERIOR
EAST EXTERIOR
WALL SECTION
1/4" = 1'-0"



To: Hermantown Zoning and Planning Commission

Subject: Additional Background – Jerid & Diana Prahl Proposed Garage

We built a single-family home on lot 25 of Maple Village Development in 2015 (4311 Sugar Maple Drive). In 2025 I purchased the lot to the East of Lot 25 (Lot 26). I had them combined into a single lot with St. Louis County (see included document).

The lot was landscaped under City of Hermantown Erosion Control and Fill Permit from Trish Crego. This included fill & gravel pad which will serve as foundation of this garage. All excavation/dirt/swale work was done by licensed Contractor Jay Peterson of Peterson Excavating and landscaping. Sodding and tree planting was done by Scott Pionk Sodding and Landscaping. Included in the work was creation of a drainage swale on easterly side of lot to collect excess water from both our lot and the easterly neighbor lot. Now that this landscaping and pad is completed, no additional lot work is required to place the proposed garage, outside slab preparatory work and utility connections.

As part of the initial landscaping, we planted mature maple trees in front of proposed garage location and 100 spruce on the side yard between the proposed garage and neighbor's house. I will also be planting 200 more spruce trees on the property in spring of 2026 (already ordered from State of MN).

The proposed garage is sized for parking of vehicles, a storage of existing recreational vehicles and trailers so they are not left in driveway and visible by neighbors to result in a visual detraction. Additionally, we would like to use some space for kid's sport area and fitness

This project also falls under the jurisdiction of Maple Village and their restrictive covenants. This review was completed and approved by the Maple Village Architectural Control Committee on 12/03/25. See the attached letter from Cindy Vittorio – President of Maple Village HOA and Architectural Board Member

If you have any questions regarding this application, please feel free to contact me.

Thank you in advance for consideration and approval of my request.

Regards,

Jerid and Diana Prahl

4311 Sugar Maple Drive
Hermantown, MN 55803
(218) 591-1788
jprahl@nextecsystems.com

To: Hermantown Planning and Zoning Commission

From: Cindy Vittorio – Maple Village HOA Architectural Control Committee member and President of Maple Village HOA

Subject: Prahl Proposed Garage (Lot 25 Maple Village)

Consistent with Maple Village Bylaws, all new construction within Maple Village must be reviewed by the HOA's Architectural Control Committee (ACC) for compliance with Restrictive Covenants within our Governing documents.

In addition to my role as President of the HOA, I am also a member of the Architectural Control Committee (ACC)CC. In December of 2025, the Architectural Control Committee reviewed Jerid and Diana Prahl's proposed Garage Plan and **approved** the plans based on the HOA Covenants, which include Architectural alignment with the neighborhood, size of the building, exterior finishing, among other factors included in our Restrictive Covenants.

The Prahl's have done an excellent job landscaping the lot and adding trees to enhance the look of the property. The Prahl's have indicated that they will be planting more trees in the spring.

Please contact me with any further questions.

Regards,

Cindy Vittorio

Maple Village HOA ACC member

President of Maple Village HOA

CITY COUNCIL MEETING DATE: May 4, 2026

TO: Mayor & City Council

FROM: Trish Crego, Utility and Infrastructure Director

SUBJECT: Utility Agreement with The Perells at 5338 Roosevelt Drive

☒ **RESOLUTION:** 2026-47 ☐ **ORDINANCE:** ☐ **OTHER:**

REQUESTED ACTION

Approval of the utility agreement with Michael and Kenrea Perell in order to install a backflow preventer structure at 5338 Roosevelt Drive.

BACKGROUND

The Property Owner has experienced two sewer backups on the Property which occurred on December 23, 2024 and April 25, 2025. The City denies liability, but is willing to resolve the claim by reimbursing Property Owner for the installation of a backflow preventer to protect the Property through the terms of this Agreement the Property Owner has obtained two estimates for the installation of a backflow preventer the lesser of which is $3,450.00.

SOURCE OF FUNDS (if applicable)

602-494500-319

ATTACHMENTS

Resolution
Quotes
Agreement

Resolution No. 2026-47

Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Utility Agreement With Michael And Kenrea Perell

WHEREAS, Michael and Kenrea Perell ("Owner") desire to update their sanitary sewer from the City of Hermantown, a municipal corporation (hereinafter called "City"); and

WHEREAS, the Owner desires to install backflow prevention device at 5338 Roosevelt Drive; and

WHEREAS, the Owner has obtained two estimates for the installation of a backflow preventer the lesser of which is $3,450.00 Exhibit A attached hereto; and

WHEREAS, City has agreed to reimburse the Owner under the terms and conditions specified in the Utility Agreement Exhibit B.

NOW THEREFORE, BE IT RESOLVED, By the City Council of the City of Hermantown, Minnesota, that the Mayor and City Clerk are hereby authorized and directed to execute and deliver the Utility Agreement substantially in the form of the one attached hereto as Exhibit B.

Councilor _______ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _______ and, upon a vote being taken thereon, the following voted in favor thereof:

Councilors _______

and the following voted in opposition thereto:

Councilor _______

WHEREUPON, such resolution was declared duly passed and adopted May 4, 2026.

STATE OF MINNESOTA)
COUNTY OF ST. LOUIS) SS.
CITY OF HERMANTOWN)

I, the undersigned, being the duly qualified and acting Clerk of the City of Hermantown, St. Louis County, Minnesota, a Minnesota municipal corporation, hereby certify that the above and foregoing Resolution 2026-47 is a true and correct copy of the Resolution as adopted by the City Council on the 4th day of May, 2026.

In Witness Whereof, I have hereunto set my hand and affixed the corporate seal of said City of Hermantown, the 5th day of May, 2026.

____

Alissa McClure, City Clerk

AG O'Brien Plumbing and Heating 4907 Lightning Dr, Duluth, MN 55811
2187299662 | will@agobrien.com

Estimate #720

Estimate for Mike Perell

For: Mike Perell,
5338 Roosevelt Dr,
Hermantown, MN 55811

Created on: Thu Jan 08, 2026
Expires on: Thu Feb 26, 2026

Prepared by: Brad Kolenda
Serviced on: Wed Nov 26, 2025

Option #1

$3,600.00

Services

Quote for backflow preventer in basement
- Break up floor
- Install a backflow preventer
- Test for leaks
- Back pour

Price reflects 1 backflow install if 2 are required the price will be $4,200

Subtotal	**$3,600.00**
Tax Material Sale Tax	$0.00
Total	

Kalkbrenner Plumbing & Heating Inc 12802 W 9th St, Duluth, MN 55808
2186263316 | mike@callkalkbrenner.com

Estimate #7937

Estimate for Mike Perell

For: Mike Perell,
5338 Roosevelt Dr,
Hermantown, MN 55811

Created on: Thu Jan 08, 2026
Expires on: Fri Jan 09, 2026

Serviced on: Wed Dec 31, 2025

This estimate has expired, but we would still love to win your business. Please contact us by calling 2186263316

financing available

Option #1

$3,450.00 total or as low as

$157.45 / month*

Services	Qty	Unit price	Amount
Custom Job *Bust and patch floor as needed pending waste line layout under the slab *Supply & Install 3" PVC backwater valve and 3" Pvc ball valve. *Connect to existing 3" pvc drainage piping, reroute as needed to accommodate location of the backwater valve	1.00	$3,450.00	$3,450.00

*Supply & Install Curb Box
with removable lid

Services subtotal	$3,450.00
Subtotal	**$3,450.00**
Total	**$3,450.00**
or monthly payments as low as	**$157.45 / month**

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

THIS SETTLEMENT AGREEMENT AND MUTUAL RELEASE ("Agreement") dated this _____ day of __________________, 2026 is by and between **City of Hermantown** ("City") and **Michael Perell** and **Kenrea Perell** (collectively "Property Owner") and arises out of the following circumstances:

A. Property Owner resides at 5338 Roosevelt Drive in the City of Hermantown, Minnesota ("Property").

B. Property Owner has experienced two sewer backups on the Property which occurred on December 23, 2024 and April 25, 2025 (collectively "Backups").

C. The City investigated the Backups and denies any liability.

D. The parties believe that the installation of a back flow preventer will protect the Property against future sewer backups.

E. Property Owner has obtained two estimates for the installation of a backflow preventor. The first estimate is for $3,450.00 from Kalkbrenner Plumbing & Heating. The second estimate is for $3,600.00 from AG O'Brien Plumbing and Heating.

F. City denies liability, but is willing to resolve the claim by reimbursing Property Owner $3,450.00 for the installation of a backflow preventer to protect the Property through the terms of this Agreement.

NOW, THEREFORE in consideration of the mutual covenants herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed by and between the parties as follows:

1. **Consideration.** As consideration, City shall pay Property Owner a settlement payment of $3,450.00 on _______________, 2026 after City and Property Owner execute this Agreement.

2. **Release.** For the payment of the Settlement Amount and provision of other consideration as set forth herein, Property Owner and their representatives, successors, and assigns hereby fully and forever release and discharge the City and the City's departments, offices, mayor, councilors, officers, employees, agents, affiliates, insurers, attorneys, predecessors, successors, and assigns from any and all claims, demands, actions, causes of action, damages, costs, fees, disbursements, and expenses of whatever kind or nature, including specifically attorneys' fees, expert fees, costs and disbursements incurred by Property Owner, which Property Owner now has or may hereafter have against the City that in any way arise out of or relate to the Backup, including, without limitation, the claims it may have asserted in the claim for liability of the Backup. Property Owner understands that this release includes all claims that it or its legal representatives and assigns may have either individually or in a representative capacity.

3. **Applicable Law in Construction.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Minnesota and shall be deemed to have been drafted by both of the parties hereto.

4. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of Property Owner and City and their respective heirs, representatives, successors, and assigns.

5. **Severability.** If any part of this Agreement is determined by a court of last resort, or a lower court of no appeal is taken, to be unlawful, invalid, or otherwise unenforceable, the balance of this Agreement shall remain in full force and effect, and the offending provision shall be deemed amended to the extent necessary to conform to the law. If such amendment, however, cannot be achieved without materially altering the releases of claims, then this Agreement shall be void.

6. **Modifications and Waiver.** No purported modification or waiver of any provision of the Agreement shall be binding unless in writing and signed by both parties (in the case of modifications) or by the party to be charged (in the case of waivers). Any waiver shall be limited to the circumstances or events specifically referenced in the writing and shall not be deemed a waiver of any other provision hereof, or of the same circumstance or event upon any reoccurrence thereof.

7. **No Adverse Inference.** The undersigned agree that should any dispute arise over the interpretation of this Agreement, the Agreement will be interpreted neutrally and that any rule requiring interpretation against the party drafting various provisions of this Agreement shall not apply. The parties agree that they have equally participated in the drafting of this Agreement.

8. **Entire Agreement.** This Agreement constitute the entire agreement between the parties and supersedes all prior oral and written agreement, communications, and understandings between them.

9. **Counterparts.** This Agreement may be executed in counterparts and by each party on different counterparts with the same effect as if the signatures thereto were on the same instrument. This Agreement shall be effective and binding upon all parties when all parties have executed this Agreement or a counterpart of this Agreement.

10. **Facsimile and Electronic Signatures**. The parties hereto consent and agree that this Agreement may be signed and/or transmitted by e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (a) to the extent a party signs this Agreement using electronic signature technology, by clicking "SIGN", such party is signing this Agreement electronically, and (b) the electronic signatures appearing on this Agreement shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

11. **City Council Approval.** This Agreement shall not be effective unless and until the Hermantown City Council approves this Agreement.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, City of Hermantown has executed this Settlement Agreement and Mutual Release by and through its authorized representative as of the date first written above.

City of Hermantown

By ___________________________________
Its Mayor

And by_______________________________
Its City Clerk

Dated: _______________________________

[SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Property Owner has executed this Settlement Agreement and Mutual Release as of the date first written above.

____
Michael Perell

Dated: _______________________________

____
Kenrea Perell

Dated: _______________________________

[END OF SIGNATURES]

THIS DOCUMENT WAS DRAFTED BY:
Gunnar B. Johnson
Overom Law, PLLC
802 Garfield Avenue
Suite 101
Duluth, MN 55802