

## DEVELOPMENT AGREEMENT

This Agreement is entered into among the City of Stuart, Iowa (the "City") and Karl Chevrolet of Stuart, LLC (the "Company") as of the \_\_\_ day of July, 2018 (the "Commencement Date").

WHEREAS, the City has established the Stuart Urban Renewal Area (the "Urban Renewal Area"), and has adopted a tax increment ordinance for the Urban Renewal Area; and

WHEREAS, the City owns certain real property which is situated in the Urban Renewal Area and is more specifically described on Exhibit A hereto (the "Property"); and

WHEREAS, the Company has proposed to undertake the construction of new facilities for use in its automobile dealership operations on the Property ("the Project"); and

WHEREAS, the Company has requested that the City provide financial assistance in the form of a forgivable loan (the "Forgivable Loan") and incremental property tax payments to be used by the Company in paying the costs of undertaking a portion of the Project; and

WHEREAS, the City intends to sell its Taxable General Obligation Annual Appropriation Urban Renewal Bonds (the "Bonds") in the approximate principal amount of \$2,325,000 in order to fund the Forgivable Loan; and

WHEREAS, for purposes of calculating Incremental Property Tax Revenues (as herein defined) under this Agreement and Section 403.19 of the Code of Iowa, the base valuation of the Property is \$341,000 and

WHEREAS, Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects; and

WHEREAS, Chapter 15A of the Code of Iowa authorizes cities to provide grants, loans, guarantees, tax incentives and other financial assistance to or for the benefit of private persons;

NOW THEREFORE, the parties hereto agree as follows:

**A. Company's Covenants**

**1. Project Construction and Financing.** The Company agrees to construct the Project on the Property and to maintain and use the completed Project as part of its business operations throughout the Term (as hereinafter defined). Furthermore, the Company agrees to invest not less than \$10,000,000 into capital improvements for the Project, including construction work and other furnishings. The Company has submitted a detailed site plan (the "Site Plan") for the development of the Project to the City which was approved by the City on \_\_\_\_\_, 20\_\_ and is set forth as Exhibit B hereto. The Company agrees to construct the Project in accordance with the Site Plan and to substantially complete such construction by no later than July 1, 2019.

As a condition precedent to the City selling the Bonds and funding the Forgivable Loan and as evidence of the overall cost of the Project, the Company will submit for the City's review its architectural or engineering contract or contracts, construction contract or contracts with respect to the Project and any separate material or supply contract or contracts related to the Project.

Furthermore, as a condition precedent to the City selling the Bonds and funding the Forgivable Loan and as evidence of the Company's ability to finance the Project, the Company will submit for the City's review a detailed sources and uses of funds analysis for the Project, a term sheet and commitment letter with respect to each and every credit facility (other than the Forgivable Loan) to be undertaken by the Company with respect to funding the Project and satisfactory proof of any other assets being expended for the completion of the Project.

2. **Local Contractors.** The Company will use its best efforts to obtain bids for the construction of the Project from local contractors and local material suppliers.

3. **Certificate of Occupancy.** The Company shall take all action necessary to lawfully obtain a Certificate of Occupancy for the completed Project from the City's zoning administrator by July 1, 2019. The Company further agrees to operate and maintain the completed Project as part of its commercial automobile sales operations throughout the Term, as hereinafter defined. The Company hereby acknowledges that fulfillment of the obligation to keep the completed Project in service as part of the Company's business operations is and shall be a condition precedent to the City granting loan forgiveness under Section B.3 below.

4. **Forgivable Loan Disbursement Requests.** Commencing September 15, 2018, the Company shall have the right to periodically submit Forgivable Loan disbursement requests (each a "Forgivable Loan Disbursement Request") to the City in relation to costs incurred in the undertaking of the Project (the "Project Costs"). Each Forgivable Loan Disbursement Request shall be in the form attached hereto as Exhibit C. Claimed Project Costs may include the costs of planning, designing and constructing the Project; landscaping and grading all land for the Project; interest expense and other costs of financing; and other reasonably related costs of carrying out the Project.

Each Forgivable Loan Disbursement Request will be accompanied by billing statements, invoices and/or such other documentation as may reasonably requested by the City, confirming that the Project Costs detailed in such Forgivable Loan Disbursement Request were in fact incurred in the completion of the Project and that such Project Costs are of an amount reasonably to have been expected with respect to such Project.

5. **Forgivable Loan** The Company shall execute the Promissory Note and deliver the same to the City in evidence of its obligations with respect to the Forgivable Loan in the principal amount of \$2,325,000. The Promissory Note shall be in substantially the form as set forth on Exhibit D hereto.

The Company agrees to receive and apply the proceeds of the Forgivable Loan exclusively to the payment and/or reimbursement of the Project Costs.

All principal of and interest on the Forgivable Loan shall be due and owing to the City at City Hall by Noon on June 30, 2037, unless sooner forgiven in accordance with the terms of this Agreement or made subject to acceleration in accordance with Section A.14 of this Agreement.

The Forgivable Loan shall bear interest at a per annum rate equal to the yield on the Bonds (as hereinafter defined) calculated from the date of each advance of Disbursable Proceeds (as hereinafter defined) by the City to the Company under Section B.2 of this Agreement until paid. Interest shall be calculated on the basis of the actual 365-day or 366-day calendar year, whichever is appropriate.

Nothing herein shall prohibit the Company from forfeiting the right to loan forgiveness, as set forth in Section B.3 of this Agreement by prepaying on the Forgivable Loan at any time. All prepayments shall be applied first to accrued interest and then to outstanding principal. Prepaid principal shall cease to bear interest at the time of such prepayment.

**6. Bonds Issued to Fund Forgivable Loan.** The Company hereby acknowledges that the City will use its best efforts to issue the Bonds in order to fund the Forgivable Loan to the Company. The Company further acknowledges that the City will first apply any Incremental Property Tax Revenues (as hereinafter defined) that become available from the Property in any given year to the repayment of the Forgivable Loan before making any remaining Incremental Property Tax Revenues available to fund the Payments to the Company under Section B.4 hereof. The amount of Incremental Property Tax Revenues to be credited to the forgiveness of the Forgivable Loan in any given fiscal year shall be equal to the amount (the "Loan Forgiveness Deduction Amount") of Incremental Property Tax Revenues derived from the Property and used by the City to pay such principal of and interest on the Bonds as will come due in that same fiscal year of the City. At the time of issuance of the Bonds, a schedule reflecting the actual annual debt service payments on the Bonds will be attached hereto as Exhibit E.

**7. Minimum Assessment Agreement.** The Company agrees to enter into an assessment agreement (the "Assessment Agreement"), pursuant to Section 403.6 of the Code of Iowa fixing the minimum assessed valuation of the Property, in contemplation of the value to be added by the proposed Project, at not less than Seven Million Five Hundred Thousand Dollars (the "Minimum Assessed Valuation") as of January 1, 2019 (the "First Valuation Date"). It is intended by the Company that the Minimum Assessed Valuation shall be established on the Adair County property tax rolls as of the First Valuation Date regardless of the then-current degree of completion or incompleteness of the Project. The Assessment Agreement shall remain in effect throughout the Term (as hereinafter defined) of this Agreement. To the extent that there are any lienholders whose interests in the Property predate the date of the Assessment Agreement, then such lienholders will consent in writing to subject their interests in the Property to the Assessment Agreement.

The Company hereby acknowledges that the full and complete execution (including the required certification by the Adair County Assessor) and recordation of the Assessment Agreement is and shall be a condition precedent to the City selling the Bonds and funding the Forgivable Loan.

The Company further agrees that no Payments (as defined in Section B.4 of this Agreement) will be made to the Company unless and until the assessed valuation of the Property exceeds the Minimum Assessed Valuation.

**8. Property Taxes.** The Company agrees to make timely payment of all property taxes as they come due with respect to the Property with the completed Project thereon throughout the Term (as hereinafter defined) and to submit a receipt or cancelled check in evidence of each such payment.

**9. No Abatement; No Property Tax Exemption.** The Company agrees that it will not seek any tax exemption deferral or abatement either presently or prospectively authorized under any State, federal or local law with respect to taxation of the Property throughout the Term (as hereinafter defined) including the property to be leased, sold, transferred to or otherwise used by an entity that is exempt from property taxes under the laws of the State of Iowa.

**10. Property Tax Payment Certification.** For purposes of this Agreement “Annual Percentage” shall mean the annual percentage in effect from time to time as set forth in the following table:

Fiscal Year of City	Annual Percentage
First through Fifth Payment Years	100%
Sixth through Tenth Payment Years	40%

The Company agrees to certify to the City by no later than October 15 of each year, commencing October 15, 2019, an amount (the “Company’s Estimate”) equal to the estimated Incremental Property Tax Revenues anticipated to be paid in the fiscal year immediately following such certification with respect to the taxable valuation of the Property factored by the Annual Percentage and minus the relevant Loan Forgiveness Deduction Amount. In submitting each such Company’s estimate, the Company will complete and submit the worksheet attached hereto as Exhibit F. The City reserves the right to review and request revisions to each such Company’s Estimate to ensure the accuracy of the figures submitted. For purposes of this Agreement, Incremental Property Tax Revenues are calculated by: (1) determining the consolidated property tax levy (city, county, school, etc.) then in effect with respect to taxation of the Property; (2) subtracting (a) the debt service levies of all taxing jurisdictions, (b) the school district instructional support and physical plant and equipment levies and (c) any other levies which may be exempted from such calculation by action of the Iowa General Assembly; (3) multiplying the resulting modified consolidated levy rate times any incremental growth in the taxable valuation of the Property, as shown on the property tax rolls of Adair County, above and beyond the Base Valuation; and (4) deducting any property tax credits which shall be available with respect to the incremental valuation of the Property.

Upon request, the City staff shall provide reasonable assistance to the Company in completing the worksheet required under this Section A.10.

**11. Employment Requirements.** The Company agrees to meet the following employment requirements (the "Employment Requirements") during the Term, as hereinafter defined, of this Agreement:

A. Base Work Force. At the time the Project is completed and placed into service, the Company agrees that it will have a work force of at least \_\_\_ ( ) employees (the "Base Work Force") employed in connection with its operations on the Property;

B. Additional Work Force. The Company agrees to establish not less than twenty (20) additional full-time equivalent employment positions (the "Additional Work Force"), above and beyond the Base Work Force in connection with the Company's business operations on the Property by no later than October 1, 2020. The Company agrees to submit documentation to the satisfaction of the City, by no later than October 15 of each year, commencing October 15, 2020, demonstrating that the employment requirements detailed herein are being met by the Company. From October 1, 2020 and continuing through the remainder of the Term (as hereinafter defined) of this Agreement, the Company agrees to maintain a workforce consisting of not fewer than the Base Work Force plus the Additional Work Force. The Company hereby acknowledges that maintenance of the Additional Workforce shall be a condition precedent to the City granting loan forgiveness under Section B.3 below.

C. Work Force Goals. The Company will use its best efforts to maximize the number of residents of Stuart employed at the Project when it is placed into service. Furthermore, the Company intends to maximize the number of employment positions on its workforce which will have an average annual salary of \$40,000 per year. The Company further intends that its workforce at the completed Project will be comprised of approximately 45 employees. The provisions set forth in this Section A.11(C) are a non-binding statement of the Company's intent.

**12. Insurance.**

(a) The Company, and any successor in interest to the Company, shall obtain and continuously maintain insurance on the Property and the completed Project and, from time to time at the request of the City, furnish proof to the City that the premiums for such insurance have been paid and the insurance is in effect. The insurance coverage described below is the minimum insurance coverage that the Company must obtain and continuously maintain, provided that the Company shall obtain the insurance described in clause (i) below prior to the commencement of construction of the Project (excluding excavation and footings):

- (i) Builder's risk insurance, written on the so-called "Builder's Risk—Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Project at the date of completion, and with coverage available in non-reporting form on the so-called "all risk" form of policy.
- (ii) Comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual

liability insurance) together with an Owner's/Contractor's Policy naming the City, as an additional insured, with limits against bodily injury and property damage of not less than \$2,500,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used), written on an occurrence basis.

(iii) Workers compensation insurance, with statutory coverage.

(b) All insurance required in this Section shall be obtained and continuously maintained in responsible insurance companies selected by the Company or its successors that are authorized under the laws of the State of Iowa to assume the risks covered by such policies. Unless otherwise provided in this Section, each policy must contain a provision that the insurer will not cancel nor modify the policy without giving written notice to the insured at least thirty (30) days before the cancellation or modification becomes effective. Not less than fifteen (15) days prior to the expiration of any policy, the Company, or its successors or assigns, must renew the existing policy or replace the policy with another policy conforming to the provisions of this Section. In lieu of separate policies, the Company or its successors or assigns, may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein.

(c) The Company, its successors or assigns, agrees to notify the City promptly in the case of damage exceeding \$250,000 in amount to, or destruction of the Project resulting from fire or other casualty. Furthermore, the Company agrees to apply the proceeds from any and all casualty claims against the insurance detailed in this Section to the restoration and improvement of the Property and/or the Project.

**13. Indemnification.** The Company agrees to indemnify, defend and hold harmless the City, its officers, employees and departments, from and against any and all losses, liabilities, penalties, fines, damages, and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties) arising from or in connection with any of the following:

a) Any claim, demand, action, citation or legal proceeding arising out of or resulting from the construction of the Project.

b) Any claim, demand, action, citation or legal proceeding arising out of or related to occurrences that the Company or successors in interest will insure against in connection with the Project and/or the Property; and

c) Any claim, demand, action, citation or legal proceeding arising out of or resulting from an act or omission of the Company or any of its agents in its or their capacity as an employer of a person.

**14. Default Provisions.** The following shall be "Events of Default" under this Agreement, and the term "Event of Default" shall mean, whenever it is used in this Agreement (unless otherwise provided), any one or more of the following events:

- a) Failure by the Company to complete construction of the Project pursuant to the terms and conditions of this Agreement.
- b) Failure by the Company to fully and timely remit payment of property taxes when due and owing.
- c) Failure by the Company to observe or perform any other material covenant on its part, to be observed or performed hereunder.

Whenever any event of default described in this Agreement occurs, the City shall provide written notice to the Company describing the cause of the default and the steps that must be taken by the Company in order to cure the default. The Company shall have thirty (30) days after receipt of the notice to cure the default or to provide assurances satisfactory to City that the default will be cured as soon as reasonably possible. If the Company fails to cure the default or provide assurances, the City shall then have the right to:

- a) Pursue any action available to it, at law or in equity, in order to enforce the terms of this Agreement.
- b) Accelerate the due date of the then unforgiven principal amount of the Forgivable Loan, which amount shall become due and owing within 30-days of the provision of a written notice of such acceleration from the City to the Company. In the event of acceleration of the Forgivable Loan, the provisions with respect to loan forgiveness as set forth in section B.3 of this Agreement shall not apply.
- c) Withhold the Payments provided for under Section B.4 below.

## **B. City's Obligations**

1. **General Obligation Annual Appropriation Urban Renewal Bonds.** The City hereby agrees to use its best efforts to authorize, market and issue the Bonds in a principal amount not to exceed \$2,325,000. The City will use \$225,000 of the proceeds of the Bonds to pay costs associated with the issuance of the Bonds and capitalized interest. The City further agrees to advance the remaining proceeds of the Bonds in the amount of \$2,100,000 (the "Disbursable Proceeds") to the Company under the terms set forth in this Agreement in order to fund the Forgivable Loan.

2. **Forgivable Loan Disbursement.** Upon receipt of each Forgivable Loan Disbursement Request, the City will examine the information submitted and confirm to its satisfaction that the amount requested corresponds to legitimate costs incurred in undertaking the Project and improving the Development Property. To the extent that the City determines that more information is needed to make this confirmation, then the City will promptly request such additional information in writing from the Company. Once confirmed, the City shall advance the requested amount of Disbursable Proceeds to the Company within 15 days. A record shall be kept of each advancement of Disbursable Proceeds. The maximum aggregate amount of Disbursable Proceed to be advanced under this Agreement shall not exceed \$2,100,000. No

Disbursable Proceeds shall be advanced until all conditions precedent have been met pursuant to Section A of this Agreement.

**3. Forgivable Loan Forgiveness.** Principal of the Forgivable Loan shall be forgiven annually on each May 1 (each, herein referred to as a "Forgiveness Date"), during the Term, as hereinafter defined, of this Agreement, commencing May 1, 2021 and continuing to, and including, May 1, 2037. The amount of forgiveness on each Forgiveness Date shall be equal to the Loan Forgiveness Deduction Amount for that fiscal year. Loan forgiveness shall first be applied to accrued interest and then to outstanding principal.

**4. Payments.** To the extent that the valuation of the Property exceeds the Minimum Assessed Valuation in recognition of the Company's obligations set out above, the City agrees to make ten (10) annual economic development tax increment payments (the "Payments" and, individually each, a "Payment") to the Company during the Term (as hereinafter defined) pursuant to Chapters 15A and 403 of the Code of Iowa, provided however that the aggregate, total amount of the Payments to be made under this Agreement during the Term (as hereinafter defined) shall not exceed \$ \_\_\_\_\_ (the "Maximum Payment Total"). All Payments under this Agreement shall be subject to annual appropriation by the City Council, as provided hereunder.

The Payments shall not constitute general obligations of the City, but shall be made solely and only from Incremental Property Tax Revenues received by the City from the Adair County Treasurer attributable to the taxable valuation of the Property.

Each Payment shall not exceed an amount which represents the amount of the **remaining** Incremental Property Tax Revenues, factored by the then-current Annual Percentage, available to the City with respect to the Property with the completed Project thereon during the twelve (12) months immediately preceding each Payment date **after** the City has first withheld the Loan Forgiveness Deduction Amount, as described in section A.6 of this Agreement.

It is assumed that the new valuation from the Project will go on the property tax rolls as of January 1, 2019. Accordingly, the Payments will be made on June 1 of each fiscal year, beginning on June 1, 2021 and continuing to, and including, June 1, 2030, or until such earlier date upon which total Payments equal to the Maximum Payment Total have been made.

**5. Annual Appropriation.** Each Payment shall be subject to annual appropriation by the City Council. Prior to December 1 of each year during the Term (as hereinafter defined) of this Agreement, beginning in calendar year 2019, the City Council of the City shall consider the question of obligating for appropriation to the funding of the Payment due in the following fiscal year, an amount (the "Appropriated Amount") of Incremental Property Tax Revenues to be collected in the following fiscal year equal to or less than the most recently submitted Company's Estimate.

In any given fiscal year, if the City Council determines to not obligate the then-considered Appropriated Amount, then the City will be under no obligation to fund the Payment scheduled to become due in the following fiscal year, and the Company will have no rights whatsoever to compel the City to make such Payment or to seek damages relative thereto or to



compel the funding of such Payments in future fiscal years. A determination by the City Council to not obligate funds for any particular fiscal year's Payment shall not render this Agreement null and void, and the Company shall make the next succeeding submission of the Company's Estimate as called for in Section A.10 above, provided however that no Payment shall be made after June 1, 2030.

6. **Payment Amounts.** Each Payment shall be in an amount equal to the corresponding Appropriated Amount (for example, for the Payment due on June 1, 2021, the amount of such Payment would be determined by the Appropriated Amount determined for certification by December 1, 2019) provided, however, that no Payment shall exceed an amount which represents the Incremental Property Tax Revenues available to the City with respect to the Property during the twelve (12) months immediately preceding each Payment date.

7. **Certification of Payment Obligation.** In any given fiscal year, if the City Council determines to obligate the then-considered Appropriated Amount, as set forth in Section B.5 above, then the City Clerk will certify by December 1 of each such year to the Adair County Auditor an amount equal to the most recently obligated Appropriated Amount.

C. **Administrative Provisions**

1. **Amendment and Assignment.** Neither party may cause this Agreement to be amended, assigned, assumed, sold or otherwise transferred without the prior written consent of the other party. However, the City hereby gives its permission that the Company's rights to receive the Payments hereunder may be assigned by the Company to a private lender, as security on a credit facility taken with respect to the Project, without further action on the part of the City.

2. **Successors.** This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

3. **Term.** The term (the "Term") of this Agreement shall commence on the Commencement Date and end on June 30, 2037.

4. **Choice of Law.** This Agreement shall be deemed to be a contract made under the laws of the State of Iowa and for all purposes shall be governed by and construed in accordance with laws of the State of Iowa.

The City and the Company have caused this Agreement to be signed, in their names and on their behalf by their duly authorized officers, all as of the day and date written above.

CITY OF STUART, IOWA

By: \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

KARL CHEVROLET OF STUART, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT A**  
**LEGAL DESCRIPTION OF THE PROPERTY**

**EXHIBIT B**  
**SITE PLAN**

**EXHIBIT C**

**FORM FORGIVABLE LOAN DISBURSEMENT REQUEST**

Date submitted: \_\_\_\_\_

Submitted by: \_\_\_\_\_

Contact information: \_\_\_\_\_

Loan Amount Requested \$ \_\_\_\_\_

Index of Invoices/Statements Attached to substantive request:

\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

I, the undersigned hereby certify that the costs shown on the documents referred in the index above are (i) legitimate costs reasonably incurred in the undertaking of the Project.

KARL CHEVROLET OF STUART, LLC

By: \_\_\_\_\_

Title: \_\_\_\_\_

Reviewed and accepted by the City of Stuart, Iowa this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By: \_\_\_\_\_  
City Administrator

**EXHIBIT D**  
**PROMISSORY NOTE**

**MAXIMUM PRINCIPAL AMOUNT: \$ 2,325,000**

**Interest Rate: \_\_\_\_\_%**

**Dated: \_\_\_\_\_, 2018**

**Maturity Date: June 30, 2037**

Karl Chevrolet of Stuart, LLC (the "Borrower") for value received, promises to pay, to the City of Stuart, Iowa (the "City"), its successors or assigns, the principal sum of Two Million Three Hundred Twenty-Five Thousand Dollars (\$2,325,000), in lawful money of the United States of America, on June 30, 2037, with interest on the outstanding principal hereof, at the rate per annum specified above, from the date of this Note, payable on the Maturity Date, or upon prepayment of this instrument, as hereinafter provided. Interest shall be calculated on the basis of the actual 365-day or 366-day calendar year, as appropriate.

The City has made a forgivable loan to the Borrower in the principal amount of Two Million Three Hundred Twenty-Five Thousand Dollars (\$2,325,000) (the "Forgivable Loan") under this Promissory Note (the "Note") and under a certain Development Agreement (the "Agreement") between the City and the Borrower dated July \_\_, 2018, and reference is hereby made to the Agreement for a more complete description of the rights and obligations of the parties hereof.

The Forgivable Loan shall be forgiven by the City in accordance with the terms and schedule set forth in the Agreement, and all amounts forgiven shall be recorded on the Schedule of Forgiveness hereon.

Payment of principal of the Forgivable Loan shall be made to the City of Stuart at the Office of the City Clerk, City Hall, 119 East Front Street, Stuart, Iowa 50250 by Noon on June 30, 2037, unless sooner forgiven in accordance with the Agreement.

The Borrower reserves the right to prepay principal of this Note, in whole or in part, without penalty, at any time prior to maturity.

In the event of a default under the Agreement which has not been cured in accordance with the terms of the Agreement, including the failure to make repay principal of the Forgivable Loan under the terms of the Agreement, the Borrower agrees to pay all costs and expenses of collection, including reasonable attorney's fees. The Borrower waives demand, presentment, notice of non-payment, protest, notice of protest and notice of dishonor.

This Note is secured, and its maturity is subject to acceleration in each case upon the terms provided in the Agreement.

The validity, construction and enforceability of this Note shall be governed by the internal laws of the State of Iowa without giving effect to the conflict of laws principles thereof.

KARL CHEVROLET OF STUART, LLC

By: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE OF FORGIVENESS

<u>Date of Forgiveness</u>	<u>Amount Forgiven</u>	<u>Signature of City Clerk</u>
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

**EXHIBIT E**

**DEBT SERVICE SCHEDULE  
GENERAL OBLIGATION ANNUAL APPROPRIATION URBAN RENEWAL BONDS**



**EXHIBIT F**

**ANNUAL TIF WORKSHEET  
COMPANY'S ESTIMATE  
COMPANY'S ESTIMATE WORKSHEET**

- (1) Date of Preparation: October \_\_\_\_, 20 \_\_\_\_.
- (2) Assessed Valuation of Property as of January 1, 20 \_\_\_\_:  
\$ \_\_\_\_\_.
- (3) Base Taxable Valuation of Property:  
\$ \_\_\_\_\_.
- (4) Incremental Taxable Valuation of Property (2 minus 3):  
\$ \_\_\_\_\_ (the "TIF Value").
- (5) Current City fiscal year consolidated property tax levy rate for purposes of calculating Incremental Property Tax Revenues (the "Adjusted Levy Rate"):  
\$ \_\_\_\_\_ per thousand of value.
- (6) The TIF Value (4) factored by the Adjusted Levy Rate (5).  
\$ \_\_\_\_\_ x \$ \_\_\_\_\_ /1000 = \$ \_\_\_\_\_ (the "TIF Estimate")
- (7) The TIF Estimate \$ \_\_\_\_\_ minus the scheduled Loan Forgiveness Deduction Amount (\$ \_\_\_\_\_) for the next succeeding fiscal year of the City as shown on Exhibit D (the "Available TIF Estimate")
- (8) Available TIF Estimate (\$ \_\_\_\_\_ x Annual Percentage = Company's Estimate (\$ \_\_\_\_\_).

Fiscal Year of City	Annual Percentage
First through Fifth Payment Years	100%
Sixth through Tenth Payment Years	40%

Preparer Information: John P. Danos, Dorsey & Whitney LLP; 801 Grand Avenue Suite 4100; Des Moines, IA 50309; (515) 283-1000

**Taxpayer Information:** \_\_\_\_\_  
**Legal Description:** See Exhibit A

### ASSESSMENT AGREEMENT

THIS AGREEMENT, dated as of the \_\_\_\_ day of \_\_\_\_\_, 2018, by and among the City of Stuart, Iowa (the "City"), Karl Chevrolet of Stuart, LLC (the "Company") and the County Assessor of Adair County (the "Assessor").

### WITNESSETH

WHEREAS, the Company owns the real property, the legal description of which is contained in Exhibit A attached hereto (the "Property"), which is located in the Stuart Urban Renewal Area in the City; and

WHEREAS, a development agreement (the "Development Agreement"), dated July \_\_\_\_, 2018, has been executed between the City and the Company in connection with the construction by the Company of new facilities for use in its automobile dealership operations on the Property; and

WHEREAS, the Assessor's records show the valuation for the Property and any improvements as of January 1, 2018 to be \$\_\_\_\_\_ (the "2018 Valuation"); and

WHEREAS, pursuant to Section 403.6(19) of the Code of Iowa, the City and the Company desire to establish a minimum additional taxable value for the Property and the improvements to be constructed thereon in the amount of \$5,646,787, which shall be effective as of January 1, 2019, and from then until this Agreement is terminated pursuant to the terms herein and which is intended to reflect the minimum market value of the land and improvements;

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each other, do hereby agree as follows:

1. Effective January 1, 2019, the minimum actual value which shall be assessed for the Property, taking into account the improvements to be constructed thereon, shall be the sum of the 2018 Valuation plus Five Million Six Hundred Forty-Six Thousand Seven Hundred Eighty-Seven Dollars (\$5,646,787) (hereinafter the "Minimum Actual Value") until termination of this Agreement.

2. The Company hereby agrees that the Minimum Actual Value shall become and remain effective as of January 1, 2019, and throughout the term of this Agreement, regardless of the actual degree of completion or incompleteness of the Project, even if construction of the Project is not commenced by such date. Furthermore, the Company acknowledges that the City has materially changed its position in reliance upon the timeliness of such increase in valuation as set forth in the Development Agreement by issuing its General Obligation Annual Appropriation Urban Renewal Bonds (the "Bonds") in the approximate principal amount of \$2,325,000.

3. The Company agrees to pay when due, all taxes and assessments, general or special, and all other charges whatsoever levied upon or assessed or placed against the Property, subject to any limitations set forth in the Development Agreement. The Company further agrees that until this Agreement is terminated they will not seek administrative or judicial review of the applicability, enforceability, or constitutionality of this Agreement or the obligation to be taxed based upon the Minimum Actual Value or to raise any such argument by way of defense in any proceedings, including delinquent tax proceedings.

4. This Agreement, and the minimum assessed valuation established herein, shall be effective until the later of (a) such time as the City's obligation to pay principal of and interest on the Bonds has been satisfied in-full; or (b) the official determination of property valuations for the property tax rolls in Adair County, Iowa as of January 1, 2038.

5. Nothing herein shall be deemed to waive the Company's rights under Section 403.6(19) Code of Iowa, (2017) or otherwise, to contest that portion of any actual value assignment made by the Assessor in excess of the Minimum Actual Value.

6. This Agreement shall be promptly recorded with the Adair County Recorder, along with a copy of Iowa Code Section 403.6.

7. All lienholders shall have signed consents to this Assessment Agreement, which consents are attached hereto and made a part hereof.

8. Neither the preamble nor provisions of this Agreement are intended to, nor shall they be construed as, modifying the terms of any other contract between the City and the Company, including the Development Agreement.

*[Remainder of page intentionally left blank.]*

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

CITY OF STUART, IOWA

By \_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

KARL CHEVROLET OF STUART, LLC

By: \_\_\_\_\_  
[Name]

Its: \_\_\_\_\_  
[Title]

STATE OF IOWA                    )  
  )  
COUNTY OF ADAIR                )            SS:

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2018 by \_\_\_\_\_ and \_\_\_\_\_, the Mayor and City Clerk, respectively, of the City of Stuart, Iowa, a municipal corporation, on behalf of the City.

\_\_\_\_\_  
Notary Public

STATE OF IOWA            )  
                                  )  
COUNTY OF ADAIR        )            SS:

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
2018 by \_\_\_\_\_ the \_\_\_\_\_ of Karl Chevrolet of  
Stuart, LLC .

\_\_\_\_\_  
Notary Public

EXHIBIT A

(Legal Description of Property)

Certain real property situated in the City of Stuart, Adair County, State of Iowa more particularly described as follows:

CERTIFICATION BY ASSESSOR

The undersigned Assessor, being legally responsible for the assessment of the above described property upon completion of improvements to be made on it, hereby certifies that the actual value assigned to such land and improvements upon completion, shall be not less than \_\_\_\_\_ (\$ \_\_\_\_\_) until termination of the Agreement.

\_\_\_\_\_  
County Assessor for Adair County,  
State of Iowa

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Notary Public



LIENHOLDER'S CONSENT, IF ANY

In consideration of one dollar and other valuable consideration, the receipt of which is hereby acknowledged, and notwithstanding anything in any loan or security agreement to the contrary, the undersigned ratifies, approves, consents to and confirms the Assessment Agreement entered into between the parties, and agrees to be bound by its terms. This provision shall be binding on the parties and their respective successors and assigns.

[NAME OF LIENHOLDER]

By: \_\_\_\_\_  
Signature

Date: \_\_\_\_\_

STATE OF IOWA                    )  
  )            SS:  
COUNTY OF ADAIR                )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018 by \_\_\_\_\_ the \_\_\_\_\_ of \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

[Add additional pages for each Lienholder]

[If no Lienholders exist, this consent will not be completed]

City of Stuart, Iowa  
Karl Chevrolet Development  
Summary of Funding Analysis  
July 26, 2018



**Background.** The attached funding analysis is provided as analytical support for the City Council's review of the Karl Chevrolet Development Agreement which is proposed to be considered by the City Council on July 31, 2018. The summary below reviews the attached financial planning models.

**Exhibit 1.** Table 1 reviews the "existing" Karl Chevrolet property assessment as of January 1, 2018, based on property valuations provided by the Adair County Assessor as of the beginning of this year. Therefore, the proposed new facilities, currently under construction, are not included in this first table. The "base" valuation of the five Karl Chevrolet currently-owned parcels, are included in column F. The current aggregate assessed or Actual/100% valuation of \$1,853,213, minus the base of \$341,250, provides that \$1,511,963 is the "current" increment valuation (or difference in valuation) as of January 1, 2018.

Table 2, toward the bottom of the page in Exhibit 1, includes a step-by-step calculation of the components of the \$7,500,000 assessed 100% or Actual Valuation provided in the proposed Development Agreement. Please note the increment of \$7,091,250, listed in row 30, is the TIF increment valuation provided in the proposed Development Agreement. The estimated TIF revenue, from this increment, is \$227,177 per year.

**Exhibit 2.** To the left of this exhibit, please note a repeat or re-cap of the valuation information provided in Exhibit 1. This valuation information is included to show all TIF revenue calculations in a single spreadsheet. Exhibit 2 (continuing in Table 3) then includes the applicable net consolidated TIF levies, associated with Adair County, as calculated in Table 5 at the bottom of the page. The aggregate City revenue available to apply to debt service on the proposed forgivable loan - related to the Karl Chevrolet Development - is shown in column L. Please note that no (\$0) existing City TIF dollars are applied to the Karl Chevrolet forgivable loan. Therefore, this analysis reflects the Karl Chevrolet development being "self supporting" from TIF dollars derived from the \$7,500,000 minimum assessment reflected in the Development Agreement.

Column N at the top-right of the page includes the "net" TIF revenue available after applying Karl Chevrolet tax dollars toward the forgivable loan. Please note the gray-shaded area which is highlighted to demonstrate that the "surplus" or positive amounts shown from FY 2020-21 to FY 2024-25 are already designated for payments on existing City TIF debt service. Additionally, the model allows for reasonable use of TIF while taking into account dollars needed to fund regular City operations through the General Fund. Please note the excess TIF provided by \$7,500,000 in aggregate assessed valuation on Karl Chevrolet's properties is estimated to be \$1,247,686. If one sets aside the first five years, the excess TIF is \$858,222. Therefore, the Karl Chevrolet project, delivered with \$7,500,000 of assessed valuation, enforced through a Minimum Assessment Agreement, is self-supporting and more than pays for itself over the permitted 20 years of TIF revenue collection. This scenario reflects a 17-year structure for the City's proposed financing. The key risk for the City Council to consider is whether Karl Chevrolet continues to pay their property taxes over time.

Table 4 in Exhibit 2 is included in order to provide a listing of historic City Taxable Valuations. Table 6 provides a listing of past City tax levies.

The detailed debt service cash flows are included behind Tab 1.

CITY OF STUART, IOWA  
 Southwest Redevelopment Projects - Karl Chevrolet Expansion  
 Review of Base Valuations - Stuart Urban Renewal Area

Date Prepared: 7/25/2018

A B C D E F G H I J K L M

TABLE 1 - KARL CHEVROLET ASSESSMENT [1/1/2018] - CURRENT PROPERTY STATUS & ESTIMATE OF INCREMENT						
Current Adair County Assessments of Existing and Currently-Owned Karl Chevrolet Property						
Parcel	Description	1/1/2018 Actual/100% Assessment	Class	BASE per Adair County Auditor 1/1/2000 Valuation	ESTIMATED Increment, or Difference [D minus F]	Remarks/Notes
405427001	Land	\$189,069	Commercial			
405427001	Improvement	1,379,637	Commercial			
405427001	Subtotal (7001)	1,568,706		\$136,240	\$1,432,466	Existing (Current) Building Combined 405427001 Parcel
405427002	Land	111,023	Commercial	80,002	31,021	
405426001	Land	62,639	Commercial	45,136	17,503	
405426002	Land	62,639	Commercial	45,136	17,503	
405426003	Land	48,206	Commercial	34,736	13,470	
<b>Total:</b>		<b>\$1,853,213</b>		<b>\$341,250</b>	<b>\$1,511,963</b>	

Source: Adair County Assessor; <http://adair.iowaassessors.com/>  
 \$48,438 = Annual TIF Revenue from existing Karl Chevy increment  
 [\$1,511,963 x \$32.03622 net TIF levy (per \$1,000)]

**TABLE 2**  
 Review of Karl Chevrolet  
 TIF Increment Valuation

\$1,853,213	100% / Assessed Valuation from Existing/Currently-Built Property
5,646,787	Additional Valuation
\$7,500,000	PRELIMINARY/DRAFT/ESTIMATED Total Aggregate 100% Assessed Valuation
\$750,000	Rollback Associated with \$7,500,000 (10%)
\$341,250	Rollback Covered by Base
\$408,750	Rollback Covered by Increment [\$750,000 - \$341,250]
\$750,000	Verification of Rollback
\$7,091,250	TIF Valuation After Rollback Deducted [\$7,500,000 - \$408,750]
\$32,03622	x Consolidated Levy for TIF (per \$1,000)
\$227,177	Equals Calculated TIF Revenue (Karl Chevy TIF only)

\$7.5 Million Aggregate Min. Assess.

A B C D E F G H I J K L M N O  
Assumed Valuation Growth: 0.00% = to City's FY 18-19 Debt Service Levy

Fiscal Year	Actual/100% Assessment		Less: Rollback from TIF Increment		Equals Taxable TIF Increment Valuation		Net Consolidated Levies for City TIF Calculation		Calculated Tax Dollars for City		TAX DOLLARS FOR TIF-ESTIMATED DEBT SERVICE		Less: Debt Service on Forgive. Loan		Net or Cushion of Estimated TIF After D/Service		Remarks / Notes
	Valuation Year	TIF Increment	Assessment	Rollback	TIF Increment	Valuation	County	Adair	County	Debt Service	TIF Tax \$ from Karl	TIF Tax Dollars from Existing TIF Revenue	Total TIF Tax Dollars	Service on Forgive. Loan	Estimated TIF	Notes	
1	FY 2020-21	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$128,375)	\$108,102	Surplus is from existing property & is committed to pay existing TIF obligations through end of FY 2028-25		
2	FY 2021-22	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$127,575)	\$108,902			
3	FY 2022-23	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$181,750)	\$54,727			
4	FY 2023-24	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$179,030)	\$57,447			
5	FY 2024-25	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$176,190)	\$60,287			
6	FY 2025-26	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$233,230)	\$3,247			
7	FY 2026-27	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$232,770)	\$3,707			
8	FY 2027-28	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$236,970)	(\$493)			
9	FY 2028-29	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$235,538)	\$939			
10	FY 2029-30	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$233,818)	\$2,659			
11	FY 2030-31	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$236,723)	(\$246)			
12	FY 2031-32	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$233,935)	\$2,542			
13	FY 2032-33	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$235,655)	\$822			
14	FY 2033-34	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$236,630)	(\$153)			
15	FY 2034-35	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$231,830)	\$4,647			
16	FY 2035-36	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$236,580)	(\$103)			
17	FY 2036-37	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$105,250)	\$131,227			
18	FY 2037-38	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	(\$236,477)	\$236,477			
19	FY 2038-39	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	-	\$236,477			
20	FY 2039-40	\$7,500,000	(408,750)	(408,750)	\$7,091,250	N/A	\$32.03622	N/A	\$9,300	\$227,177	-	\$236,477	-	\$236,477			
															Subtotal from FY 2025-26 to FY 2039-40 is \$858,222		

\$185,996 \$4,543,537 \$4,729,533 (\$3,481,848) [City's TIF Surplus from Karl Chevy]

Fiscal Year	Valuation Year	Taxable Valuation	\$ Growth (over prior yr.)	% Growth (over prior yr.)
FY 2008-09	1/1/2007	48,900,367		
FY 2009-10	1/1/2008	50,765,389	1,865,022	3.814%
FY 2010-11	1/1/2009	54,648,404	3,883,015	7.649%
FY 2011-12	1/1/2010	54,233,548	(414,856)	-0.759%
FY 2012-13	1/1/2011	54,572,147	338,599	0.624%
FY 2013-14	1/1/2012	56,433,740	1,861,593	3.411%
FY 2014-15	1/1/2013	56,675,204	241,464	0.428%
FY 2015-16	1/1/2014	56,970,905	295,701	0.522%
FY 2016-17	1/1/2015	60,007,381	3,036,476	5.330%
FY 2017-18	1/1/2016	61,393,074	1,385,693	2.309%
FY 2018-19	1/1/2017	62,152,793	759,719	1.237%
Average:				2.457%

Entity	Total Levy	Inst. Supp. PEEL & D/S	Minus	Net Levy for TIF
Adair County	\$6,423,616	(\$1,000,000)		\$5,423,616
Stuart (City)	18,292,558	(4,998,971)		13,293,587
West Central Valley CSD	13,866,957	(4,963,800)		8,903,157
Co. Assessor	0.47066	-		0.47066
Ag. Extension	0.30000	-		0.30000
Co. Hospital	2.96749	-		2.96749
Cemetery	-	-		-
DIMACC	0.67458	-		0.67458
Other	-	-		-
State of Iowa	0.00310	-		0.00310
<b>Total</b>	<b>\$42,998,939</b>	<b>(\$10,962,771)</b>		<b>\$32,036,168</b>

Fiscal Year	Valuation Year	Total Levy	City Levy	Minus Debt/Service Operations	Net City Levy for	
FY 2008-09	1/1/2007	\$16,924,511	\$16,924,511	(\$3,983,577)	\$12,940,934	
FY 2009-10	1/1/2008	\$18,468,222	\$18,468,222	(\$5,771,118)	\$12,697,104	
FY 2010-11	1/1/2009	\$18,324,211	\$18,324,211	(\$5,456,344)	\$12,867,867	
FY 2011-12	1/1/2010	\$18,321,211	\$18,321,211	(\$5,417,866)	\$12,903,345	
FY 2012-13	1/1/2011	\$18,308,933	\$18,308,933	(\$4,856,200)	\$13,452,733	
FY 2013-14	1/1/2012	\$18,289,911	\$18,289,911	(\$4,683,446)	\$13,606,465	
FY 2014-15	1/1/2013	\$20,725,538	\$20,725,538	(\$4,903,877)	\$15,821,661	
FY 2015-16	1/1/2014	\$19,936,886	\$19,936,886	(\$5,481,118)	\$14,455,768	
FY 2016-17	1/1/2015	\$19,818,951	\$19,818,951	(\$5,086,884)	\$14,732,067	
FY 2017-18	1/1/2016	\$18,292,558	\$18,292,558	(\$4,998,971)	\$13,293,587	
FY 2018-19	1/1/2017	\$17,269,908	\$17,269,908	(\$1,311,445)	\$15,958,463	
Average:				\$18,607,266	(\$4,722,281)	\$13,884,985