



REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
FEBRUARY 21, 2023
7:00 PM

Call to Order

Open Forum

Each speaker is to keep their comment period to three minutes to allow sufficient time for others. Comments are to be an opportunity to address the HRA. Please refer to the HRA agenda and minutes web page for additional ways to submit comments. You may also call 612-861-9764 or email ldubois@richfieldmn.gov with questions. Call into the open forum by dialing 1-415-655-0001 Use webinar access code: 2466 518 7086 and password: 1234.

Approval of the minutes of the Regular Housing and Redevelopment Authority meeting of January 17, 2023.

AGENDA APPROVAL

1. Approval of the Agenda
2. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consideration of the adoption of a resolution approving Collateral Assignment of the Tax Increment Limited Revenue Note Series 2021 by CPII Development LLC in favor of Bridgewater Bank.
Staff Report No. 4

OTHER BUSINESS

3. Consideration of a request by the owners of the Oaks on Pleasant that the apartment building's housing affordability requirement be reduced from 25 to 22 years.
Staff Report No. 5

HRA DISCUSSION ITEMS

4. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

5. Executive Director's Report

CLAIMS

6. Claims

7. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9712.



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

January 17, 2023

CALL TO ORDER

Acting Chair Vrieze Daniels called the meeting to order at 7:00 p.m. in the Council Chambers.

HRA Members Present: Erin Vrieze Daniels, Acting Chair; Mary Supple, Lee Ohnesorge; Gordon Hanson; and Sean Hayford Oleary

HRA Members Absent:

Staff Present: Melissa Poehlman, Executive Director/Community Development Director; Julie Urban, Assistant Community Development Director; and LaTonia DuBois, Administrative Assistant.

Others Present:

OATH OF OFFICE

Assistant Community Development Director Urban administered the oath of office for Commissioner Hayford Oleary.

Assistant Community Development Director Urban administered the oath of office for Commissioner Supple.

OPEN FORUM

Acting Chair Vrieze Daniels provided instructions to call in for the open forum.

There were no callers.

APPROVAL OF THE MINUTES

M/Hanson, S/Supple to approve the minutes of the regular Housing and Redevelopment Authority meeting of December 19, 2022.

Motion carried: 5-0

ITEM #1	APPROVAL OF THE AGENDA
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M/Supple, S/Hayford Oleary to approve the agenda.

Motion carried: 5-0

ITEM #2	APPROVAL OF THE CONSENT CALANDER
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Executive Director Poehlman presented the Consent Calendar.

- a) Consider the appointment of Commissioner Hanson as Interim Secretary of the Richfield Housing and Redevelopment Authority. (Staff Report No. 1)
- b) Consider a resolution approving an extension of a Preliminary Redevelopment Agreement with Beacon Interfaith Housing Collaborative for the development of approximately 40 units of affordable, supportive housing for people at 6613 – 25 Portland Avenue. (Staff Report No. 2)

Resolution No. 1447

RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF AMENDED AND RESTATED PRELIMINARY REDEVELOPMENT AGREEMENT WITH BEACON INTERFAITH HOUSING COLLABORATIVE

M/Hayford Oleary, S/Ohnesorge to approve the Consent Calendar

Motion Carried: 5-0

Commissioner Supple spoke of a resident inquiry surrounding the Beacon development's level of accessibility.

Executive Director Poehlman explained the discussion would occur when the development proposal is brought before the commission.

ITEM #3	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM THE CONSENT CALENDAR
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None.

ITEM #4	CONSIDERATION OF AN AMENDMENT TO THE CONTRACT FOR PRIVATE DEVELOPMENT WITH MWF PROPERTIES FOR THE DEVELOPMENT OF 55 UNITS OF MULTI-FAMILY HOUSING AT 7700 PILLSBURY AVENUE SOUTH, EXTENDING THE CONTRACT FOR PRIVATE DEVELOPMENT DEADLINE TO JANUARY 15, 2024. (STAFF REPORT NO. 3)
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Assistant Community Development Director Urban presented Staff Report No. 3

RESOLUTION NO. 1448

RESOLUTION APPROVING AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT WITH MWF PROPERTIES, LLC

M/Supple, S/Hanson to adopt a resolution approving an amendment to the Contract for Private Development with MW F Properties for the development of 55 units of multi-family housing at 7700 Pillsbury Avenue South, extending the Contract for Private Development deadline to January 15, 2024.

Motion carried 5-0

ITEM #5	HRA DISCUSSION ITEMS
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None.

ITEM #6	EXECUTIVE DIRECTOR REPORT
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Executive Director Poehlman reported the City of Richfield was recommended for GAP funding for additional units at Woodlawn housing.

ITEM #7	CLAIMS
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M/Hanson, S/Supple that the following claims be approved:

<u>U.S. BANK</u>	<u>1/17/2023</u>
Section 8 Checks: 134426-134571	\$196,562.63
HRA Checks: 34302-34310	<u>\$21,174.07</u>
TOTAL	\$217,736.70

Motion carried: 5-0

ITEM #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:13 p.m.

Date Approved: February 21, 2023

Erin Vrieze Daniels
Acting HRA Chair

LaTonia DuBois
Administrative Assistant

Melissa Poehlman
Executive Director



STAFF REPORT NO. 4
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
2/21/2023

REPORT PREPARED BY: Julie Urban, Asst. Community Development Director

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: Julie Urban, Acting Executive Director
2/21/2023

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the adoption of a resolution approving Collateral Assignment of the Tax Increment Limited Revenue Note Series 2021 by CPII Development LLC in favor of Bridgewater Bank.

EXECUTIVE SUMMARY:

On March 11, 2021, the Housing and Redevelopment Authority (HRA) issued a Tax Increment Financing (TIF) Note to CPII Development LLC (Developer) in the amount of \$590,800 for the redevelopment of a portion of the Cedar Point II redevelopment area (63rd to 65th Street and 16th Avenue to Richfield Parkway) with the Rya apartments. The Contract for Private Development (Contract) approved by the HRA allows the Developer to assign the TIF Note to another entity. In this case, the Developer is seeking to assign the Note to Bridgewater Bank (Lender), and the Lender has requested that the HRA approve a Collateral Assignment of the Note.

The HRA Attorney has reviewed and approved the proposed Assignment.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving a Collateral Assignment of Tax Increment Limited Revenue Note Series 2021 by CPII Development LLC in favor of Bridgewater Bank.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA entered into a Contract for development of the apartment portion of the Cedar Point II redevelopment project on September 17, 2018. The HRA approved an amendment to the Contract on October 19, 2020, which approved the issuance of two TIF Notes for the project. The Developer assigned the Contract to a third party in March of 2021 along with one of the TIF Notes but retained ownership of the second Note.
- On September 17, 2018, the HRA also approved a Contract with the same Developer to redevelop the western portion of the redevelopment area with for-sale townhomes. The Developer is completing work on the townhome portion of the development and is seeking to assign the second Note to its Lender as collateral for the construction financing for the townhomes.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- Under the terms of the Contract, the Developer may assign the TIF Note to other entities.

C. CRITICAL TIMING ISSUES:

- Approval of the Collateral Assignment is needed for the Developer to close on the final portion of

construction financing relating to the townhome portion of the Cedar Point II development.

D. FINANCIAL IMPACT:

- There is no financial impact on the HRA from the Assignment. All terms of the Contract remain in effect, and an investment letter has been provided by the Lender, confirming that they understand the terms of the Note.

E. LEGAL CONSIDERATION:

- The HRA retains its rights under the Contract.
- The HRA Attorney will approve the final form of the document to be executed by the HRA Chair and Executive Director.

ALTERNATIVE RECOMMENDATION(S):

- Deny the request for the Collateral Assignment.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

	Description	Type
☐	Resolution	Resolution Letter
☐	Collateral Assignment	Contract/Agreement

**HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHFIELD, MINNESOTA**

RESOLUTION NO. _____

**RESOLUTION APPROVING A COLLATERAL ASSIGNMENT OF TAX INCREMENT NOTE BY
CPII DEVELOPMENT LLC IN FAVOR OF BRIDGEWATER BANK**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") entered into a Contract for Private Development, dated September 17, 2018, with NHH Companies, L.L.C., a Minnesota limited liability company ("NHH"), as assigned by NHH to CPII Development LLC, a Minnesota limited liability company ("CPII Development"), pursuant to an Assignment of Contract for Private Development, dated January 15, 2019, as amended by the First Amendment to Contract for Private Development, dated September 16, 2019, between the Authority and CPII Development, as amended by the Second Amendment to Contract for Private Development, dated October 19, 2020, between the Authority and CPII Development, as assigned by CPII Development to Rya Apartments, LLC, a Minnesota limited liability company ("Rya Apartments"), pursuant to the Assignment and Assumption Agreement, dated March 11, 2021 (collectively, the "Contract"), between CPII Development, Rya Apartments, and the Authority; and

WHEREAS, under the terms of the Contract, the Authority issued its Tax Increment Limited Revenue Note, Series 2021 (the "Special Assessments Costs TIF Note"), in the original aggregate principal amount of \$590,800, to reimburse CPII Development for special assessments and other capital costs in connection with the Minimum Improvements as defined and described in the Contract; and

WHEREAS, Bridgewater Bank, a Minnesota banking corporation (the "Lender"), has agreed to provide CPII Development with a loan (the "Loan") in the principal amount of \$531,700, and the Lender requires that CPII Development assign its interests in the Special Assessments Costs TIF Note to the Lender; and

WHEREAS, there have been presented to the Board of Commissioners of the Authority (the "Board") a form of a Collateral Assignment of Tax Increment Note (the "Collateral Assignment") between CPII Development and the Lender, including a consent of the Authority, pursuant to which CPII Development will assign its interest in the Special assessments Costs TIF Note and the payments made thereunder to the Lender and the Authority will consent to such assignment; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota as follows:

1. The Board hereby consents to the assignment of the Special Assessments Costs TIF Note by CPII Development to the Lender.
2. The Collateral Assignment is hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the Collateral Assignment for and on behalf of the Authority in substantially the form now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable,

or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

3. The Chair and the Executive Director are authorized and directed to execute any and all other documents or certificates deemed necessary to carry out the intentions of this resolution.

4. This resolution shall be in full force and effect upon its adoption.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 21st day of February, 2023.

Erin Vrieze Daniels, Acting Chair

ATTEST:

Gordon Hanson, Secretary

COLLATERAL ASSIGNMENT OF TAX INCREMENT NOTE

This Collateral Assignment of Tax Increment Note (this “Assignment”) is made as of February 20, 2023, by CPII Development LLC, a Minnesota limited liability company (“Borrower”) to and in favor of Bridgewater Bank, a Minnesota banking corporation (“Lender”).

RECITALS

A. Borrower and Lender have entered into a Loan Agreement dated February 20, 2023 (as may be amended, restated, extended, supplemented, or otherwise modified in writing from time to time, the “Loan Agreement”), pursuant to which Lender has agreed to make a loan to Borrower in the maximum principal amount of \$531,700.00 (the “Loan”).

B. Borrower and the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”) are parties to a Contract for Private Development dated September 17, 2018, as affected by an Assignment of Contract for Private Development dated January 15, 2019, the First Amendment of Contract for Private Development dated September 16, 2019, and the Second Amendment to Contract for Private Development dated October 19, 2020 (collectively, the “Contract”), pursuant to which the Authority has agreed to pay to Borrower, from Available Tax Increment (as defined in the Contract), according to the terms of the Special Assessments Costs TIF Note (as defined in the Contract).

C. As a condition to making the Loan, Lender has required Borrower to execute and deliver this Assignment to Lender.

NOW, THEREFORE, in consideration of the foregoing and to induce Lender to make the Loan, Borrower agrees as follows:

1. Assignment. Borrower transfers and assigns to Lender and grants to Lender, its successors and assigns, for the benefit of Lender, as security for the Loan, a security interest in all of Borrower’s right, title, and interest in and to the payment of the Special Assessments Costs TIF Note (the “TIF Payment”). This Assignment shall constitute a perfected, absolute, and present assignment, provided that Lender shall not have the right under this Assignment to exercise any remedies under this Assignment until an Event of Default (as defined in Section 8, below) shall occur. Contemporaneous with the execution of this Assignment, Borrower shall deliver possession of the original Special Assessments Costs TIF Note to Lender.

2. TIF Payment Proceeds. All payments under the Special Assessments Costs TIF Note shall be deposited directly by the Authority to a deposit account with Lender (the “Proceeds Account”) designated as Account No. 81189375. Borrower grants Lender a security interest in the Proceeds Account to secure the Loan. Borrower shall have no right of access to or withdrawal from the Proceeds Account except to apply funds to the Loan. *By this Assignment, Borrower irrevocably instructs the Authority to remit all payments under the Special Assessments Costs TIF Note directly to Proceeds Account.* In the event Borrower receives any proceeds of any TIF Payment, Borrower shall, within three business days of receipt, tender those funds to Lender for application to the Loan.

3. Representations and Warranties. Borrower represents and warrants to Lender and agrees as follows:

(a) Borrower will not, without the prior written consent of Lender, modify, amend, supplement, terminate, surrender, or change in any manner whatsoever the terms of the Contract affecting and related to the payment of the Special Assessments Costs TIF Note.

(b) The Special Assessments Costs TIF Note and the TIF Payment are free and clear of all liens, security interests, assignments, and encumbrances other than the assignment and security interest created by this Assignment and any obligations contained within the Contract.

(c) Borrower has the full right, power, and authority to assign the Special Assessments Costs TIF Note and the TIF Payment free and clear of any and all liens, security interests, and assignments, except as may be set forth in this Assignment.

(d) Borrower will keep the Special Assessments Costs TIF Note and the TIF Payment free from any lien, encumbrance, assignment, or security interest whatsoever, other than as described in this Assignment.

4. Covenants. Borrower covenants and agrees:

(a) It shall perform each and every one of its duties and obligations, if any, under the Contract and observe and comply with each and every term, covenant, condition, agreement, requirement, restriction, and provision of the Contract.

(b) It shall give prompt notice to Lender of any claim of or notice of default under the Contract known or given to it together with a copy of any such notice or claim if in writing.

(c) It will appear in and defend any action arising out of or in any manner connected with the Contract and the duties and obligations of Borrower or the Authority under the Redevelopment Agreement.

5. Purpose of Assignment. This Assignment is made to induce Lender to make the Loan and for the purpose of securing the performance and observance by Borrower of all of the terms and conditions of the Loan Agreement and all other obligations of Borrower under the Loan Agreement and ancillary loan documents.

6. Right to Act on Behalf of Borrower; TIF Payment/ Special Assessments Costs TIF Note. Borrower authorizes Lender and all persons and entities designated by Lender at the direction of Lender during an Event of Default to act on its behalf either in the name of Borrower or Lender (or the name of the person and entity designated by Lender) in connection with the exercise of any of the rights of Borrower to receive the TIF Payment under the Special Assessments Costs TIF Note. Borrower irrevocably appoints Lender and all persons and entities designated by Lender as its attorney-in-fact to demand, receive, and enforce Borrower's rights with respect to the TIF Payment under the Special Assessments Costs TIF Note. Borrower agrees to reimburse Lender on demand for any reasonable expenses incurred by Lender, or its agents or attorneys, pursuant to this authorization. Borrower irrevocably instructs, directs, authorizes, and empowers all parties to the Contract to recognize the claims of Lender and its successors or assigns, and to act upon any instructions or directions of Lender without investigating the reason for any action taken by Lender.

7. No Assumption by Lender. It is understood and agreed that Lender does not assume any of the obligations or duties of Borrower under the Contract or accept any responsibility or liability for the performance of any obligations imposed upon Borrower pursuant to the Contract.

8. Event of Default. An "Event of Default" shall mean the occurrence of any default under the Contract and the continuation of such default beyond any applicable grace period, the occurrence of any

13. Release. Upon a determination by Lender that the obligations secured by this Assignment have been fully satisfied, Lender shall deliver to Borrower such instruments of release as may be necessary to release the interests of Lender in the Special Assessments Costs TIF Note and the TIF Payment.

14. Counterparts, etc. This Assignment may be executed in counterparts, each of which will be deemed to be an original, but all of which together shall constitute one and the same instrument. Each party agrees that any electronic signature of a party to this Assignment, whether digital or encrypted, is intended to authenticate the execution of this Assignment by the party and shall bind the party to its terms and conditions with the same force and effect as an physical signature. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a person with the intent to sign the record, including DocuSign® or other electronic signatures. An image or copy of a signature of a party to this Assignment, including a scanned, PDF, facsimile, electronic or other copy, shall bind the party to its terms and conditions with the same force and effect as a physical signature.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed by their respective duly authorized officers, as of the date first above written.

BORROWER:

CPII DEVELOPMENT LLC,
a Minnesota limited liability company

By: _____
Name:
Title:

LENDER:

Bridgewater Bank,
a Minnesota banking corporation

By: _____
Name:
Title:

CONSENT OF AUTHORITY

The undersigned, being the Executive Director of the Housing and Redevelopment Authority of the City of Richfield, Minnesota (the "Authority"), do hereby consent, agree, represent, and warrant to Lender, on behalf of the Authority, intending to be legally bound:

1. The Authority hereby consents to the foregoing Collateral Assignment (the "Assignment").
2. The Authority is the Authority as defined in the Special Assessments Costs TIF Note described in the Assignment, and the Tax Increment District described therein is in full force and effect.
3. The Authority has full power and authority to execute this Consent and make effective its terms.
4. This Consent shall inure to the benefit of Lender and its successors and assigns, and shall be binding upon the Authority and its successors and assigns.

AUTHORITY:

Housing and Redevelopment Authority
City of Richfield, Minnesota

By: _____
Name: Erin Vrieze Daniels
Its: Acting Chair

By: _____
Name: Julie Urban
Its: Acting Executive Director

Dated: _____, 2023



STAFF REPORT NO. 5
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
2/21/2023

REPORT PREPARED BY: Julie Urban, Asst. Community Development Director
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: Melissa Poehlman, Executive Director
2/14/2023

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a request by the owners of the Oaks on Pleasant that the apartment building's housing affordability requirement be reduced from 25 to 22 years.

EXECUTIVE SUMMARY:

The Oaks on Pleasant is a 130-unit townhome-style apartment development at 6600 Pleasant Avenue South. The building was constructed in 2001 as part of the Urban Village redevelopment project, which includes Woodlake Center, McDonald's, and the Pines senior development. The Urban Village project as a whole was awarded a \$9.5 million Tax Increment Financing (TIF) Pay as you Go Note for the extraordinary costs associated with redevelopment. At that time, the Housing and Redevelopment Authority (HRA) was required to provide a local match for TIF projects. As a condition of the TIF and the \$600,000 local match, the Oaks was required to provide 12 units of housing affordable at 70% of the Area Median Income (AMI) three studios, seven one bedrooms and two three bedrooms. The project was also required to contribute 15% of the tax increment to the HRA's Housing & Redevelopment Fund.

The Housing Affordability Agreement (Agreement) requires the units to be affordable for a period of 25 years with the provision that after 15 years, the HRA will give reasonable consideration to any request from the developer to shorten the term. The owners are asking the HRA to exercise that consideration at this time, after providing 22 years of affordability.

The owners are asking the HRA to release them from the affordability requirement due to increasing costs as the building ages, and the challenge of finding tenants who qualify for the affordable units. Their intent is not to impact any of the existing tenants but to be able to rent future vacant units at a market rate and without requiring tenants to meet income restrictions.

The affordable rents have been well under the 70% AMI affordability limit, and the proposed market-rate rents will be close to the current maximum allowed by the 70% AMI limits.

RECOMMENDED ACTION:

By motion: Either

- Approve the reduction of affordability from 25 to 22 years for the Oaks on Pleasant and authorize the Acting Chair and Executive Director to execute a release of the Affordable Housing Agreement.

OR

- Deny the owner's request to shorten the affordability period.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The 130-unit Oaks on Pleasant apartment building was constructed in 2001 as part of the Woodlake Center/Urban Village redevelopment project. In exchange for a \$600,000 local match provided by the City, the Oaks agreed to provide 12 units of housing affordable at 70% of the AMI for a 25-year period with the option of requesting that the project be released from the requirement after 15 years.
- At the time the building was constructed, Richfield hadn't seen a market-rate apartment building constructed since the 1980s, so the primary goal of the project was to provide a contemporary apartment option with modern amenities, while offering some modest affordability.
- 15% of the overall development's tax increment has also been contributed to the HRA's housing and redevelopment fund, which has been used to fund affordable, market-rate, and redevelopment activities throughout the community.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The project was guided by the Lakes at Lyndale redevelopment plan, which there was no written affordability policy at the time the project was built; affordability was negotiated on a project-by-project basis.
- Under current policy, the project would have been required to provide 26 units affordable at 60% of the AMI or contribute 15% of the tax increment to the Housing & Redevelopment Fund.

C. CRITICAL TIMING ISSUES:

- The owners are requesting a release at this time so they may rent future vacant units at market rate.

D. FINANCIAL IMPACT:

- There is no financial impact on the HRA from the request. The pooling contribution to the Housing & Redevelopment Fund (Fund) will continue through the end of the TIF District, which is December 31, 2025. The total estimated amount of tax increment to be contributed to the Fund is \$3,200,000.

E. LEGAL CONSIDERATION:

- If the HRA agrees to release the owners from the affordability requirement, the HRA Attorney will prepare a satisfaction document.

ALTERNATIVE RECOMMENDATION(S):

N/A

PRINCIPAL PARTIES EXPECTED AT MEETING:

Steve Kirchner, property owner

ATTACHMENTS:

Description	Type
□ Letter requesting release	Backup Material
□ Affordable Housing Agreement	Backup Material



February 7, 2023

City of Richfield HRA
Attn Julie Urban
Via Email

Re: Request to Shorten the term of the Affordability Requirements at The Oaks On Pleasant

Dear Members of the HRA

I want to first say thank you to the City and the Housing and Redevelopment Authority for the opportunity to address you on this matter. The Oaks on Pleasant has been a great redevelopment success for the City of Richfield and we continue to be proud of the community we have developed at the property.

This letter is our formal request to the City of Richfield HRA that the affordability requirements for the units at The Oaks on Pleasant be shortened from 25 years to 22 years. We would request these changes due to the following reasons:

- It has become increasingly harder to find residents who income qualify for the units. Over the past 22 years the Oaks on Pleasant has been fortunate enough to be able to achieve close to 100% occupancy at the property. This has been achieved by providing a quality property at rents that are below many of our newer competition. The only units we have struggled to rent when they come available are our income restricted units. It is a small segment of the market that can income qualify for the program and still afford the monthly rent.
- With inflation at a level not seen in years it has become extremely important for the property to maximize our rents as much as possible. Expenses are increasing 8% to 12% and we are only seeing a 3% to 5% increase in rents. Keeping these rents artificially lower hinders our ability to keep up with expenses.
- Added expenses at the property as it ages are making it difficult to keep up with costs. These costs include the mandated inspection of all furnaces in the property due to city statutes. The property needs to offset these expenses with higher rents on our units.

At this time it is our intention to keep all existing affordable units in compliance with the affordable restrictions as long as the existing tenants continue their occupancy. The existing tenants would be given the standard rent increases they have received in the past and their

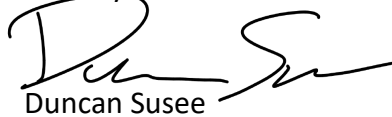
rent levels would not surpass the rent limits established for that given year. What we are requesting is that as our affordable units are vacated by the existing tenants that we are able to re-rent those units at our standard market rents with no restrictions on the income of the incoming tenant. In reality our standard market rents for our Studios, one bedrooms and two bedrooms are well below the 70% Maximum Gross Rents by Bedroom for Hennepin County posted by MHFA. Our current affordable unit rents compared to our proposed market rents are as follows:

<u>Bedroom Size</u>	<u>Current Affordable Rent</u>	<u>New Market Rent</u>	<u>70% allowable Rents</u>
Studio	\$1,205	\$1,265	\$1,438
1 Bedroom	\$1,250	\$1,380	\$1,540
2 Bedroom	\$1,565	\$1,775	\$1,848

As you can see, even if we raise rents to the market rate of our other units, our rents continue to fall under the 70% allowable rents and in the case of the studios and one bedrooms they fall under the 60% allowable rents. Based on this, the Oaks on Pleasant is requesting that the final 3 years of the income restrictions be lifted for any new tenant that may apply for these units. This will allow the property to provide housing to an expanded group of potential renters in Richfield while still providing rents that, per MHFA guidelines, fall into an affordable category.

We once again appreciate the opportunity to have a conversation about this topic and look forward to answering any questions you may have.

Thank you



Duncan Susee

CEO

Metes & Bounds Management Company

Managing agent for The Oaks LLC

**AGREEMENT REGARDING
AFFORDABLE UNITS**

THIS AGREEMENT, made and entered into this 17th day of October, 2001, is by and between THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a Minnesota public body corporate and politic (the "HRA"), and RICHFIELD STATE AGENCY, INC. a Minnesota corporation, (the "Redeveloper").

WHEREAS, the City of Richfield and HRA have established the Richfield Redevelopment Project Area ("Project Area") under the authority of Minnesota Statutes, Chapter 469 (the "Act"), and in accordance with the provisions of this Agreement will undertake to modify the Project Area, and to establish within the modified Project Area the Urban Village Tax Increment Financing District ("TIF District") and to adopt a Tax Increment Financing Plan (hereinafter defined as the "Tax Increment Plan") for the TIF District to facilitate the financing of public development and redevelopment costs in the Project Area; and

WHEREAS, to facilitate the Development, the Redeveloper and the Authority entered into a Contract for Private Development dated as of November 16, 1998 (the "Original Contract"), describing the parties' respective responsibilities in redevelopment of the property described in Exhibit A (the "Redevelopment Property"); and

WHEREAS, the parties also entered into a so-called Second Amendment to Contract for Private Development dated _____, 2000 (the "Amendment"), providing for certain additional assistance to Developer, and considered, but did not approve and execute a First Amendment to Contract (the Original Contract as heretofore amended is sometimes referred to herein as the "Existing Contract"); and

WHEREAS, the HRA and Redeveloper also entered into an Amended and Restated Contract for Private Development dated May 21, 2001 (the "Restated Contract") in order to establish and confirm the rights and responsibilities of the parties with respect to the Development, and to amend and restate the Existing Contract in its entirety; and

WHEREAS, Section 11.9 of the Restated Contract provides as follows:

Prior to the issuance of the Taxable Note the parties will enter into an agreement acknowledging the commitment to affordable housing approved by the HRA on February 16, 1999.

WHEREAS, it is the intention of the parties that this agreement will satisfy that obligation.

NOW, THEREFORE, in consideration of the premises and mutual obligations of the parties contained herein, each of them does hereby represent, covenant and agree with the others as follows:

A. Definitions:

Unless otherwise defined herein, or unless the context clearly suggests otherwise, the terms used in this Agreement shall have the meanings given them in the Restated Contract.

“Qualifying Tenants” shall mean and include individuals or families with adjusted Family Income calculated in the manner prescribed in Treasury Regulation Section 1.1 67(k)-3(b)(3) as it shall be in effect on the date of this Agreement, which does not exceed seventy percent (70 percent) of the median gross income for the area in which the Development is located, determined in a manner consistent with determinations of median gross income made under the leased housing program established under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, under such program as in effect immediately before such termination) Such calculation shall not be adjusted for family size. In no event, however, will the occupants of a unit be considered to be Qualifying Tenants if all the occupants are students, no one of which is entitled to file a joint return. The method of determining the percentages to be applied to the income of tenants and the manner in which such income is calculated as set forth in this Agreement will be determinative for the purposes of this Agreement, unless a change in such methods is permitted or required by any amendment to the Internal Revenue Code or an amendment or modification of the regulations issued or proposed to be issued thereunder.

“Certification Quarter” means, with respect to any Qualifying Tenant the three-month period which begins on the later of (i) the date on which the residential unit in the Development to be occupied by such Tenant is first placed in service, or (ii) the date on which such Tenant first occupies a residential unit in the Development on a rental basis, or signs a lease with respect to a residential unit, whichever occurs first.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the residential units in the Development are first occupied and ending on the later of the date (i) which is 25 years after the date on which at least 50 percent of the residential units in the Development are first occupied. Provided, however, that after 15 years from such occupancy date, the HRA will give reasonable consideration to any request from the Developer to shorten the term.

B. Redeveloper Covenants:

(1) Upon completion of the initial lease out of the Development, at least 12 of the completed residential units in the Development shall be occupied or held for occupancy by Qualifying Tenants. During the initial lease out period, at least 10% of the leased residential units (but not more than 12) will be so occupied. For purposes of satisfying the requirement that 12 of the residential units be occupied by Qualifying Tenants, the following principles apply: (i) an individual who qualifies as a Qualifying Tenant at the time he or she first occupies a unit will be deemed a Qualifying Tenant as long as he or she continues to reside in such unit even though the occupant subsequently ceases to meet the income or other requirements of a Qualifying Tenant, and (ii) when a

Qualifying Tenant leaves a unit, such unit will be considered as occupied by a Qualifying Tenant if it is held vacant and available for such occupancy until it is reoccupied by another tenant, other than on a temporary period which in no event shall exceed 31 days, at which time the status of the new tenant as a Qualifying Tenant is to be determined;

(2) to obtain and maintain on file with respect to each Qualifying Tenant who resides in the Development, a sworn, notarized income certification from such Qualifying Tenant containing a statement of the anticipated total annual income for the Certification Quarter of each person who proposes to live in the residential unit during the Certification Quarter; the form of Certification of Tenant Eligibility attached as Exhibit A to this Agreement, or other notarized form incorporating the same information, shall satisfy the requirements of this subparagraph;

(3) to permit an duly authorized representative of the HRA to inspect the books and records of the Redeveloper pertaining to the incomes of Qualifying Tenants residing in the Development; and

(4) to prepare and submit to the HRA at the beginning of the Qualified Project Period and quarterly on or before the first day of February, May, August and November each year during the Qualified Project Period and within thirty (30) days upon any change in occupancy of a unit in the Development, a Certification of Continuing Program Compliance executed by the Redeveloper.

RICHFIELD STATE AGENCY, INC.

By: Steven L. Kirchner

Its: President

STATE OF MINNESOTA)
) SS
COUNTY OF Hennepin)

The foregoing instrument was acknowledged before me this 17th day of October, 2001, by Steven L. Kirchner, the President of Richfield State Agency, a Minnesota Corporation, on behalf of the Corporation.

Grace A. Koebnick

Notary Public

