



**REGULAR CITY COUNCIL MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
MAY 23, 2023
7:00 PM**

INTRODUCTORY PROCEEDINGS

Call to order

Pledge of Allegiance

Open forum

Call into the open forum by dialing 1-415-655-0001 Use webinar access code: 2633 626 2586 and password: 1234.

Please refer to the Council Agenda & Minutes web page for additional ways to submit comments.

Approval of the Minutes of the (1) City Council Work Session of May 9, 2023; and (2) City Council Meeting of May 9, 2023.

PRESENTATIONS

1. Food Safety Awards

AGENDA APPROVAL

2. Approval of the Agenda
3. **Consent Calendar contains several separate items, which are acted upon by the City Council in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further Council action on these items is necessary. However, any Council Member may request that an item be removed from the Consent Calendar and placed on the regular agenda for Council discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consider approval of a Temporary On Sale Intoxicating Liquor license for an event scheduled to take place June 10, 2023, at Fred Babcock VFW #5555, located at 6715 Lakeshore Dr.
Staff Report No. 61
 - B. Consider approval of a Temporary On Sale Intoxicating Liquor license for events scheduled to take place July 3rd and 4th, 2023, at Fred Babcock VFW #5555, located at 6715 Lakeshore Dr.
Staff Report No. 62
 - C. Consider approval for a Temporary On Sale Intoxicating Liquor license for the Academy of Holy Angels, located at 6600 Nicollet Avenue S., for their annual Rock The Lawn event scheduled to take place June 24, 2023.
Staff Report No. 63

D. Consider an appointment to the Advisory Board of Health.

Staff Report No. 64

4. Consideration of items, if any, removed from Consent Calendar

OTHER BUSINESS

5. Consider confirmation of the appointment of Kumud Verma to be Finance Director for the City of Richfield.

Staff Report No. 65

6. Consider a request to modify (2024) and then terminate (2025) Best Buy's Minimum Assessment Agreement.

Staff Report No. 66

CITY MANAGER'S REPORT

7. City Manager's Report

CLAIMS AND PAYROLLS

8. Claims and Payroll

COUNCIL DISCUSSION

9. Hats Off to Hometown Hits

10. 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 612-861-9739.



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

City Council Work Session

May 9, 2023

CALL TO ORDER

Mayor Supple called the work session to order at 5:18 p.m. in the Bartholomew Room.

Council Members Present: Mary Supple, Sharon Christensen, Simon Trautmann, Sean Hayford Oleary, Ben Whalen

Staff Present: Katie Rodriguez, City Manager; Kristin Asher, Public Works Director; Joe Powers, City Engineer; Matt Hardegger, Transportation Engineer; Jay Henthorne, Police Chief; Chris Link, Deputy Public Works Director; Rachel Lindholm, Sustainability Specialist; and Chris Swanson, Management Analyst

ITEM #1

STAFF IS SEEKING DIRECTION ON A PROPOSED INCREASE TO ELECTRIC AND GAS FRANCHISE FEES AND THE STREETLIGHT USER FEE TO HELP FUND RIGHT-OF-WAY IMPROVEMENTS, SUSTAINABILITY PROJECTS, AND TO COVER ELECTRICITY COSTS FOR THE STREETLIGHTING SYSTEM.

Deputy Director Link provided a summary of the items for discussion. He talked about the city's current fee structure and outlined the rising cost in utilities in recent years. Deputy Director Link reviewed the proposed increase in fees, including what projects would be supported along with the \$50,000 earmarked for sustainability projects.

Council Member Hayford Oleary asked if staff could provide an outline of how the fees are structured. Deputy Director Link provided a summary of the current fee structure, specifically highlighting the difference between the electric and gas franchise fees and the streetlight user fee. Council Member Hayford Oleary noted that other cities are using these fees for dedicated bike ped funding and would be in support of increasing the amount to \$250,000 a year for this work. Director Asher said some of this funding is already included in the franchise fee but would be willing to explore additional options.

Council Member Whalen asked if there was a way to do a sliding scale for the fee. Specifically, he was wondering if there was a way to require higher energy users to pay a larger portion. He talked about how the City of Portland is using a model with a sliding scale and that this has raised a significant amount of funds. Director Asher said staff will do some more research.

Council Member Whalen asked staff why we haven't done a standard 3-5% annual increase each year to reflect that pricing has continued to increase. Deputy Director Link stated that state statute restricts when the fees can be increased.

Mayor Supple asked how multi units are billed. Deputy Director Link detailed the way these units are billed. Mayor Supple asked if the recent increase in utility costs was because of an unfunded mandate from the state. Deputy Director Link said that is not the major driver but there are additional costs from state decisions.

Council Member Hayford Oleary asked what projects have been funded so far from these franchise fees as he would like to see these funds spent on projects that benefit the whole community. Director Asher said that the funds cover rejuvenation work done on the street. Council Member Hayford Oleary said he understood but wanted to be transparent that multi units are paying a bigger portion of the bill.

Staff outlined the next steps with the implementation of these new fees. Staff expects this new rate to go into effect January 1, 2024.

ITEM #2	REFRESHER ON LOCAL SPEED LIMITS, STAFF'S ONGOING SPEED LIMIT STUDY, AND AN UPDATED STAFF RECOMMENDATION FOR DISCUSSION.
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Transportation Engineer Hardegger provided a summary of previous discussions, including the history of speed limits in the city and what can be regulated per state statute. He provided a broad summary of what other cities are doing around lowering speed limits along with a refresher of the work session held in September of 2022.

Staff provided the council with their recommendation that the speed limit in the city should be 25 mph. He went through the methodology for how staff came to this conclusion. Staff noted the entire city is residential and having a standard speed limit in Richfield would not create "high speed zones" in racially diverse areas. Engineer Hardegger provided information on why staff is not recommending 20 mph as the adopted limit. He noted the proposed speed will create an opportunity for more voluntary compliance. He also talked about one of the long-term goals of the city is to support active transportation. He asked how the council would define success for this project.

Council Member Trautmann talked about his goals for this work. Specifically, he wanted to see increased safety. He asked about the benefit of a 25-mph speed limit if folks were already driving this speed. Staff noted this reduction helps push down the median speed of everyone. Council Member Trautmann asked if there would be any impact on the top 5% of speeders. Staff said there is mixed data around this question as the speed reductions are new. Staff did note that other cities found the median speeds stayed the same but the odds that someone was speeding decreased when speeds were reduced. Council Member Christensen noted she hears a lot of speeding around the STEM school. She asked if staff had an education and enforcement plan in place. Staff said they do not have a plan yet but would come up with a robust education campaign. Staff did say they would work with other cities that have done this work to come up with best practices. Chief Henthorne noted that with a reduction in most speeds they can better focus on the small number of habitual speeders.

Council Member Hayford Oleary confirmed with staff that the recommendation was a lowered speed. He asked staff on looking at setting a 20-mph limit, particularly in some areas where we already see reduced speeds, in the future. Engineer Hardegger agreed there were some neighborhoods where folks already drive slower. He said that having a neighborhood-by-neighborhood speed limit would be challenging from a messaging and enforcement aspect. He did discuss some of the work that can be done in the interim to continue to reduce speeds. Council Member Hayford Oleary thanked staff for the response, he did say he would prefer 20-mph, but would be willing to support a 25-mph standard. He also asked staff to look at how stop signs are placed to see if this can impact speeds. He felt strongly that 77th Street should not be over 30-mph. He noted that there are many lower income families living on this strip of road and that they should also receive

the benefit of the reduced speed limits. Staff said they would investigate this in the future. Engineer Hardegger said a speed study would be done sometime later this year in that area and that one of the challenges that has been found with this discussion is there is not good data on speeds across the city.

Council Member Whalen thought the city should also focus time on making pedestrian crossings safer. He specifically spoke of the crossing at Chicago as an area of focus. He did agree that he would like to see 20-mph across the city but recognized that lowering the speed limit does not make people decrease their speed. He also wondered how much it would cost to re-sign the city. Staff said that this cost would be minimal as most of the work is done in house.

Council Member Trautmann spotlighted 77th Street on the map. He noted that 20% of residents live along this corridor, next to the highway. He wanted to advocate for decreasing the speed on 77th to make it safer for kids and the families in this corridor. City Engineer Powers noted the Chicago Ave crossing statement may be improved in the upcoming 494 project. Staff reiterated that this would be an area of particular focus. Director Asher mentioned the play between finding the right speed for a road while not creating additional traffic. Council Member Trautmann said he really felt strongly about decreasing 77th to 30-mph and, for the sake of safety, the council should do what they can to make it happen regardless of the pain. Council Member Hayford O'Leary was supportive. Mayor Supple said she was pleased about the updated proposal. She felt the multi-tier system presented at the last work session would have been confusing to residents and challenging to enforce. She talked broadly about wanting to keep the speeds down across the entire city, specifically looking at roads like 77th.

Council Member Whalen asked about earlier comments regarding designing roads to be driven slower. He asked if there were options to continue to decrease traffic speeds without reconstructing roads. Staff said there are ways to add additional items to the road to help with this.

Mayor Supple said her main goal was safety. Council Member Christensen agreed; she talked about what she had seen on other streets that may help slow down drivers. Staff were willing to look at other options to reduce speeds in the future. Staff noted there is always a balance in terms of what can be done and the cost of the upgrades. Council Member Whalen noted this was also climate action as slower drivers create less emission and the city should incentivize walking, biking, or public transit. He talked about how slower speed limits may encourage other forms of transportation. Council Member Hayford O'Leary asked about how the city could lower speed limits on county roads. Staff said they would investigate. Council Member Whalen asked that we include county roads in future maps.

Mayor Supple asked if roundabouts will still be 15-mph. Staff said the recommended speed limit for a roundabout is still 15-mph.

Council Member Hayford O'Leary congratulated staff for their work on this item.

Staff provided a final summary of the discussion and a timeline for the next steps. Staff planned to start looking at an education strategy sooner rather than later. Implementation will be in the fall of 2023-spring of 2024.

Director Asher asked if there needed to be more public discussion on this or if the council was comfortable moving forward with this program. Council Member Christensen asked if this timeline worked with the speed limit discussions with the county. Director Asher said the city can start that conversation immediately and this work can move forward.

Mayor Supple asked if plans to talk with MnDOT about their current construction schedule and the impact this will have on their work. Staff said they have thought about this item and believe the impact will be minimal, as the MnDOT projects do not redirect any traffic to city roads so there should be little impact. Staff will reach out to make sure MnDOT is aware of the work.

Council Member Whalen asked about the current traffic count maps and the locations of the speed surveys. Staff said the surveys are based on complaints or state aid programs. Engineer Hardegger noted that staff plans to provide more random sampling moving forward.

Mayor Supple and City Manager Rodriguez summarized the conversation and spoke about next steps.

ADJOURNMENT

Mayor Supple adjourned the work session at 6:47 pm

Date Approved: May 23, 2023

Mary B. Supple
Mayor

Chris Swanson
Management Analyst

Katie Rodriguez
City Manager



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

Regular Council Meeting

May 9, 2023

CALL TO ORDER

The meeting was called to order by Mayor Supple at 7:00 p.m. in the Council Chambers.

Council Members Present: Mary Supple, Mayor; Sharon Christensen; Simon Trautmann; Sean Hayford Oleary; and Ben Whalen

Staff Present: Katie Rodriguez, City Manager; Mary Tietjen, City Attorney; and Chris Swanson, Management Analyst

PLEDGE OF ALLEGIANCE

Mayor Supple led the Pledge of Allegiance.

OPEN FORUM

Mayor Supple reviewed the options to participate:

- Participate live by calling 1-415-655-0001 during the open forum portion
- Call prior to meeting 612-861-9711
- Email prior to meeting kwynn@richfieldmn.gov

Kathleen Balaban, 65th and Stevens, stated she asked at the March 14 meeting for direct contact with her citizen chairpersons for the various commissions, boards, and authorities. She indicated staff's response was that it would cost \$130 per email and they were now working on an online form to fill out. She noted at the Commission's training session, the City Attorney stated the Commissioners are now public servants, which meant to her that their personal information was now public and would be on the Commission's website. She requested the City do nothing further with her March 14 request, but instead she was now asking that each commission, board, and authority member have their pictures on the City's website and some personal contact information be given for the Chairperson(s). She requested the videos be removed where staff was presenting from every commission site.

APPROVAL OF MINUTES

M/Trautmann, S/Christensen to approve the minutes of the: (1) City Council Work Session of April 25, 2023; (2) Council Meeting of April 25, 2023.

Motion carried: 5-0

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

Motion carried: 5-0

ITEM #2	CONSENT CALENDAR
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City Manager Rodriguez presented the consent calendar.

- A. Consider adoption of several resolutions to accept financial and/or material support from state and federal agencies for local infrastructure planning and construction (Staff Report No. 55)

RESOLUTION NO. 12089

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT A
PLANNING ASSISTANCE GRANT FROM THE MINNESOTA
DEPARTMENT OF TRANSPORTATION FOR ACTIVE TRANSPORTATION
PLANNING ASSISTANCE**

RESOLUTION NO. 12090

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT A
PLANNING ASSISTANCE AND MATERIAL GRANT FROM THE
MINNESOTA DEPARTMENT OF TRANSPORTATION FOR A
DEMONSTRATION PROJECT ON 70TH STREET**

RESOLUTION NO. 12091

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT A
PLANNING ASSISTANCE AND MATERIAL GRANT FROM THE
MINNESOTA DEPARTMENT OF TRANSPORTATION FOR A
DEMONSTRATION PROJECT ON 73RD STREET**

RESOLUTION NO. 12092

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT
GRANT FUNDS FROM THE MINNESOTA DEPARTMENT OF
TRANSPORTATION FOR SIDEWALK CONSTRUCTION ON 71ST STREET**

RESOLUTION NO. 12093

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT
GRANT FUNDS FROM THE MINNESOTA DEPARTMENT OF
TRANSPORTATION FOR PEDESTRIAN IMPROVEMENT AT 66TH
STREET AND RICHFIELD PARKWAY**

RESOLUTION NO. 12094

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO GRANT
FUNDS FROM THE METROPOLITAN COUNCIL FOR TRAIL
CONSTRUCTION ON 73RD STREET**

- B. Consider the approval of resolution authorizing Agreement #1044209 with the Minnesota Department of Transportation (MnDOT) and Hennepin County for provisions related to minor

traffic signal maintenance for the south traffic signal at Trunk Highway 62 and Penn Avenue (CSAH 32) (Staff Report No. 56)

RESOLUTION NO. 12095

RESOLUTION AUTHORIZING APPROVAL OF MNDOT AGREEMENT NO. 1044209 BETWEEN THE MINNESOTA DEPARTMENT OF TRANSPORTATION AND THE CITY OF RICHFIELD FOR TRAFFIC CONTROL SIGNAL MAINTENANCE

- C. Consider acceptance of the public storm sewer constructed by Hope Presbyterian Church and authorize reimbursement of costs incurred by Hope Presbyterian Church for the installation of public storm sewer across the church's private parking lot (Staff Report No. 57)

RESOLUTION NO. 12096

RESOLUTION ACCEPTING THE PUBLIC STORM SEWER IMPROVEMENTS AT HOPE PRESBYTERIAN CHURCH AND AUTHORIZING REIMBURSEMENT OF ELIGIBLE CONSTRUCTION COSTS

- D. Consider the approval of the amended fourth amendments to the Site Lease Agreement at 6700 Portland Avenue between the City of Richfield and Sprint Spectrum Realty Company, LLC (successor in interest to Sprint Spectrum LP., a Delaware limited partnership) to modify equipment, request for the addition of a five (5) year automatic Renewal Term and change of successor in interest to T-Mobile Central LLC. (Staff Report No. 58)
- E. To consider a resolution to approve the amendment to (1) Educational Facilities Revenue Note (academy of Holy Angels Project), Series 2002, dated December 30, 2002; and (2) the Educational Facilities Revenue Note (Academy of Holy Angels Project), Series 2003. (Staff Report No. 59)

RESOLUTION NO. 12097

RESOLUTION APPROVING AMENDMENTS TO CERTAIN REVENUE NOTES ISSUED FOR THE BENEFIT OF ACADEMY OF HOLY ANGELS AND AUTHORIZING THE EXECUTION AND DELIVERY OF ALLONGES TO THE NOTES

- F. Consider a resolution to accept \$100,000 in funds from Hennepin County's Broadband Expansion grant and to authorize the Mayor and City Manager to execute the grant agreement with Hennepin County and subsequent agreement with Arrive Ministries (Staff Report No. 60)

RESOLUTION NO. 12098

RESOLUTION APPROVING ACCEPTANCE OF HENNEPIN COUNTY BROADBAND EXPANSION GRANT FUNDS

M/Trautmann, S/Christensen to approve the consent calendar.

Council Member Whalen lifted up the City's partnership on Item A (the Safe Routes to School Program) between the Public Work's Department and the School District. He stated these projects would make for a safer bike and pedestrian routes for the students to get to school. He thanked staff for their work in applying for the various grants.

Motion carried: 5-0

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

ITEM #4	CITY MANAGER'S REPORT
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City Manager Rodriguez stated she had nothing to report.

ITEM #5	CLAIMS AND PAYROLL
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M/Trautmann, S/Hayford Oleary that the following claims and payrolls be approved:

<u>U.S. BANK</u>	<u>05/09/2023</u>
A/P Checks: 313986 - 314284	\$1,664,880.51
Payroll: 178131 - 178424	<u>\$804,935.01</u>
TOTAL	\$2,469,815.52

Motion carried: 5-0

ITEM #6	HATS OFF TO HOMETOWN HITS
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Council Member Trautmann stated the Taste of Richfield is May 11, 2023. He indicated this is a great opportunity to support the Richfield Foundation.

Council Member Hayford Oleary stated there were still tickets available for the Taste of Richfield at the Richfield Foundation's website.

Council Member Christensen stated she had attended the first Farmers Market at Veteran's Park this past Saturday. She noted there were many past vendors that were back again, and it was a fun event and runs through October.

Council Member Whalen shared the Sustainability Commission had their first City tree and rain barrel sale both of which sold out. He noted the Commission was planning to have this event again with it possibly being expanded. With respect to the community garden project, he believed most of the plots have been claimed. He gave a shout out to the City's former Council Member, State Representative Mike Howard, who chairs the Housing Committee which passed a historic housing Bill of \$1 billion. He thanked Representative Howard and others for their good work in getting this Bill passed.

Mayor Supple stated the City was looking for one resident to fill an open seat on the Housing and Redevelopment Authority (HRA), which means that person would also be on the Economic Development Authority (EDA). She noted additional information on this position is posted on the City's website under the HRA and EDA. She stated this was Drinking Water Week and to celebrate the City was offering limited tours of the Richfield Water Plant. She indicated there were still spots open for this event and she encouraged people to attend the tour. She stated the opening of the High School Art show was being held at the Richfield Community Center where student's exhibits will be there through

the end of June. She also stated the City is looking for feedback from the community regarding the off-road bike park that was being proposed. She then gave hats off to the Richfield Fire Department for rescuing ducklings out of a sewer grate.

ITEM #7	ADJOURNMENT
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M/Trautmann, S/Whalen to adjourn the meeting at 7:19 p.m.

Motion carried: 5-0

Date Approved: May 23, 2023

Mary B. Supple
Mayor

Chris Swanson
Management Analyst

Katie Rodriguez
City Manager



STAFF REPORT NO. 61
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
5/17/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/17/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider approval of a Temporary On Sale Intoxicating Liquor license for an event scheduled to take place June 10, 2023, at Fred Babcock VFW #5555, located at 6715 Lakeshore Dr.

EXECUTIVE SUMMARY:

On April 7, 2023, the City received application materials for a Temporary On Sale Intoxicating Liquor license for Fred Babcock VFW #5555.

This is for a wrestling event. The VFW plans to set up in the parking lot. Food and refreshments, including alcohol, will be sold at the event. Their request is to serve alcohol from 2:00 p.m. to 10:00 p.m.

The Director of Public Safety has reviewed and approved the license application and sees no reason it should be denied.

All required information has been provided and all licensing fees have been received.

RECOMMENDED ACTION:

By motion: Approve the issuance of a Temporary On Sale Intoxicating Liquor license for Fred Babcock VFW #5555 located at 6715 Lakeshore Dr., for their wrestling event scheduled to take place June 10, 2023.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The applicant has satisfied the following requirements for the issuance of this license:

- The required licensing fee has been paid.
- Proof of liquor liability insurance has been submitted showing Integrity Mutual Insurance Company affording coverage (parking lot included).
- The applicant has contacted sanitarians from the City of Bloomington to ensure proper food handling practices are followed.
- Employees of the VFW will be providing security and will patrol the area for this event.

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

Richfield City Code Section 1202.05 requires all applicants to comply with all of the provisions of this code, as well as the provisions of Minnesota Statute Chapter 340A.

C. **CRITICAL TIMING ISSUES:**

The sale of intoxicating liquor in the parking lot must cease no later than 10:00 p.m. on June 10, 2023.

D. **FINANCIAL IMPACT:**

The required licensing fees have been received.

E. **LEGAL CONSIDERATION:**

There are no legal considerations.

ALTERNATIVE RECOMMENDATION(S):

The Council could deny the requested license; however, that would mean the applicant would not be able to serve alcohol outside to the public during the June 10th event.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative of VFW.



STAFF REPORT NO. 62
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
5/8/2023

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/17/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider approval of a Temporary On Sale Intoxicating Liquor license for events scheduled to take place July 3rd and 4th, 2023, at Fred Babcock VFW #5555, located at 6715 Lakeshore Dr.

EXECUTIVE SUMMARY:

On April 20, 2023, the City received application materials for a Temporary On Sale Intoxicating Liquor license for Fred Babcock VFW #5555.

This is for their 4th of July event. The VFW plans to set up in the parking lot. Food and refreshments, including alcohol, will be sold at the event. Their request is to serve alcohol from 3:00 p.m. to 10:00 p.m. on July 3, 2023, and from 1:00 p.m. to 10:00 p.m. on July 4, 2023.

The Director of Public Safety has reviewed and approved the license application and sees no reason it should be denied.

All required information has been provided and all licensing fees have been received.

RECOMMENDED ACTION:

By motion: Approve the issuance of a Temporary On Sale Intoxicating Liquor license for Fred Babcock VFW #5555 located at 6715 Lakeshore Dr., for their event scheduled to take place July 3-4, 2023.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The applicant has satisfied the following requirements for the issuance of this license:

- The required licensing fee has been paid.
- Proof of liquor liability insurance has been submitted showing Integrity Mutual Insurance Company affording coverage (parking lot included).
- The applicant has contacted sanitarians from the City of Bloomington to ensure proper food handling practices are followed.
- Employees of the VFW will be providing security and will patrol the area for this event.

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

Richfield City Code Section 1202.05 requires all applicants to comply with all of the provisions of this code, as well as the provisions of Minnesota Statue Chapter 340A.

C. **CRITICAL TIMING ISSUES:**

The sale of intoxicating liquor in the parking lot must cease no later than 10:00 p.m. on July 3 and 4, 2023.

D. **FINANCIAL IMPACT:**

The required licensing fees have been received.

E. **LEGAL CONSIDERATION:**

There are no legal considerations.

ALTERNATIVE RECOMMENDATION(S):

The Council could deny the requested license; however, that would mean the applicant would not be able to serve alcohol outside to the public during the July 3-4 event.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative of VFW.



STAFF REPORT NO. 63
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
5/8/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/17/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider approval for a Temporary On Sale Intoxicating Liquor license for the Academy of Holy Angels, located at 6600 Nicollet Avenue S., for their annual Rock The Lawn event scheduled to take place June 24, 2023.

EXECUTIVE SUMMARY:

On April 24, 2023, the City received application materials for a Temporary On Sale Intoxicating Liquor license for Academy of Holy Angels, located at 6600 Nicollet Avenue South, for their annual Rock the Lawn event taking place on June 24, 2023. They will serve beer and wine from 5:00pm - 11:00pm. No other intoxicating liquor beverages will be permitted.

Pizza Luce and NorthStar Tavern will be providing food for the event. The Academy of Holy Angels has contacted food sanitarians from the City of Bloomington to ensure proper food handling practices are allowed.

The Director of Public Safety has reviewed all required information and documents and has found no basis for denial.

RECOMMENDED ACTION:

By motion: Approve the issuance of a Temporary On Sale Intoxicating Liquor license for Academy of Holy Angels, located at 6600 Nicollet Ave S., for their annual Rock The Lawn event scheduled to take place June 24, 2023.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The applicant has satisfied the following requirements for the issuance of this license:

- The required licensing fee has been paid.
- Proof of liquor liability insurance has been submitted showing Integrity Mutual Insurance Company affording coverage.
- Along with the application they included a diagram of where the alcohol will be served and consumed as well as how ID's will be checked and how they will be monitoring sales and consumption.

- Employees of the Academy of Holy Angels and off-duty Richfield Police Officers will be providing security and will patrol the area for this event.

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

Richfield City Code Section 1202.05 requires all applicants to comply with all of the provisions of this code, as well as the provisions of Minnesota Statute Chapter 340A.

C. **CRITICAL TIMING ISSUES:**

There are no critical timing issues.

D. **FINANCIAL IMPACT:**

The required licensing fees have been received.

E. **LEGAL CONSIDERATION:**

There are no legal considerations.

ALTERNATIVE RECOMMENDATION(S):

The Council could deny the approval of the Temporary On Sale Intoxicating Liquor license for the Academy of Holy Angels. This would mean the applicant would not be able to serve wine or strong beer; however, Public Safety has not found any basis for denial.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative of Academy of Holy Angels.



STAFF REPORT NO. 64
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Kelly Wynn, Administrative Assistant

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/17/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider an appointment to the Advisory Board of Health.

EXECUTIVE SUMMARY:

The Advisory Board of Health has two current openings on the board due to resignations.

Terms for advisory board and commissions are for three years unless filling a mid-term vacancy. The City received one application in the recent recruitment from this spring. The Mayor and City Council members reviewed the application and made the decision for appointment to the Advisory Board of Health.

RECOMMENDED ACTION:

By motion: Appoint Stephanie Mockobee to fill an opening on the Advisory Board of Health with a term that will expire January 31, 2025.

BASIS OF RECOMMENDATION:

A. **HISTORICAL CONTEXT**

This information is contained in the Executive Summary.

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

City advisory board and commissions were established by City ordinance or resolution.

C. **CRITICAL TIMING ISSUES:**

To ensure a quorum at future advisory board and commission meetings, the City Council should make appointments to fill vacant positions.

D. **FINANCIAL IMPACT:**

None

E. **LEGAL CONSIDERATION:**

None

ALTERNATIVE RECOMMENDATION(S):

None

PRINCIPAL PARTIES EXPECTED AT MEETING:



STAFF REPORT NO. 65
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Katie Rodriguez, City Manager

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/16/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider confirmation of the appointment of Kumud Verma to be Finance Director for the City of Richfield.

EXECUTIVE SUMMARY:

Kumud Verma started in her role as Finance Manager on May 18, 2022. Ms. Verma brings over 20 years of experience in accounting, budgeting, municipal bond issuance, technology solutions and leadership experience to the role. She also has a Master's degree in Finance and a Bachelor's degree in Accounting.

Ms. Verma has excelled in her leadership of the Finance Department. She had to quickly learn municipal accounting, operations and processes. She has regularly improved and updated processes as she learned and will be key in implementing further process and technology upgrades. The City plans a major financial software upgrade in May 2024. She is already an important member of the leadership team and has developed strong professional relationships with colleagues both inside and outside the organization. Her accomplishments are even more impressive given that the department continues to be short staffed.

Ms. Verma's response to the staff shortages demonstrates her strategic problem-solving and innovation. Given the shortage of public finance professionals nationwide, she recently created a student internship position to help with the annual budget and also create a better pipeline of talent to fill current and future needs.

Ms. Verma's skill set will also be needed to continue progress on Strategic Plan initiatives, including better long-term financial planning.

The City's success depends on an effective Finance Department and Ms. Verma has the technical and leadership skills to strengthen the department so the City can build on a tradition of sound and responsible financial management.

RECOMMENDED ACTION:

By motion: Confirm the appointment of Kumud Verma as Finance Director for the City of Richfield.

BASIS OF RECOMMENDATION:

A. **HISTORICAL CONTEXT**

Historical Context is contained in the Executive Summary.

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

C. **CRITICAL TIMING ISSUES:**

The Finance Director position has been vacant since August 2021.

D. **FINANCIAL IMPACT:**

The 2023 Budget includes the funding necessary to provide for the salary and benefit contributions as negotiated.

E. **LEGAL CONSIDERATION:**

According to Richfield City Charter Section 6.02 Powers and Duties of the City Manager, subsection 3, and under Richfield City Code Section 310.01 Subd. 3, Charter authority, appointment or removal of department heads shall be made final only upon a majority vote of the Council.

ALTERNATIVE RECOMMENDATION(S):

The Council can reject the recommendation and direct the City Manager to not fill the Finance Director position or seek a new candidate.

PRINCIPAL PARTIES EXPECTED AT MEETING:



STAFF REPORT NO. 66
CITY COUNCIL MEETING
5/23/2023

REPORT PREPARED BY: Melissa Poehlman, Community Development Director / HRA Executive Director

DEPARTMENT DIRECTOR REVIEW: Melissa Poehlman, Community Development Director / HRA Executive Director
5/18/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
5/18/2023

ITEM FOR COUNCIL CONSIDERATION:

Consider a request to modify (2024) and then terminate (2025) Best Buy's Minimum Assessment Agreement.

EXECUTIVE SUMMARY:

The Interchange West / Lyndale Gateway Tax Increment Financing (TIF) District was established in 1999. This District is a "scattered site" redevelopment District with multiple projects and outstanding obligations, including the Best Buy corporate headquarters, Mainstreet Village, and the Casteel Place Townhomes. Best Buy has approached the City and Housing and Redevelopment Authority (HRA) to request a modification to their individual contract which would remove the Minimum Assessment Agreement that prevents the tax value of their property from falling below \$118.5 million during the life of the TIF District (ending December 31, 2025).

The Minimum Assessment Agreement (MAA) is in place for two purposes. As part of the Contract for Private Development with Best Buy, the City agreed to issue General Obligation Bonds (Bonds) to help fund the significant infrastructure improvements necessary to handle the traffic of the Best Buy Corporate Campus. The principal and interest payments on these Bonds are made with tax increment generated by the project. This obligation remains outstanding, with the final payment due on February 1, 2024. Sufficient increment will be available to make the remaining two payments. The MAA is also in place to provide a mechanism for pooling. Pooling allows the HRA to spend a portion of tax increment outside the geographical boundaries of the TIF District for TIF-eligible activities such as affordable housing. A modification or termination of the MAA will not impact remaining Bond payments, but it will likely impact the amount of money contributed to the Housing and Redevelopment Fund.

In November of 2022, Best Buy submitted a request for termination of the MAA (attached). After significant work by HRA staff, the HRA Attorney, and HRA financial consultants from Ehlers, a work session was held with the Council and HRA in March to discuss the potential impacts to the HRA and Best Buy. At the time, Best Buy proposed a contract amendment that would ensure no loss of revenue to the HRA for pooling for affordable housing, which is estimated to be between \$210,000 and \$385,000 over the remaining two years of the District.

Best Buy also requested that the HRA provide an accounting of payments to Best Buy and pooling over the life of the TIF District. This analysis was ongoing at the time of the work session; however, policymakers made it clear that a global solution to all outstanding issues should be found prior to any request to modify or terminate the MAA. This financial review has now been completed and has revealed that due to the complexities of this District and two successful tax court petitions by Best Buy to reduce their property tax value, the HRA has overpaid Best Buy by approximately \$851,000.

HRA and City staff have indicated support for a solution that 1) ensures that the Housing and Redevelopment Fund is fully funded at the level anticipated by the MAA and 2) that Best Buy acknowledge that the HRA intends to recoup the identified overpayment by withholding additional available increment received over the last two years of the TIF District.

Best Buy has submitted the attached letter and legal analysis (dated May 12, 2023) disputing the HRA's assertion that they have been overpaid. To resolve the dispute and move forward with their request for modification and termination of the MAA, they have proposed that the City and HRA approve their request in exchange for 20% of the actual tax benefit to Best Buy in 2024 and 2025 (staff recommends that the request to subtract Best Buy's legal and appraisal fees to pursue a tax value reduction be rejected out of hand; therefore the following analysis does not include a reduction for these costs).

If successful in their request for a reduced tax value in 2024 and 2025, the potential payment to the HRA under the proposal is estimated to be between \$423,000 and \$764,000 (cumulative). HRA staff and financial consultants believe that this would leave the HRA between \$472,000 and \$638,000 short of full recoupment. If Best Buy is unable to get a reduction for pay 2024 taxes, the amount paid to the HRA would be halved. The HRA has advised Best Buy and believes that the approval of the City, School District and County are required to modify and/or terminate the MAA and the deadline for these approvals is June 30, 2023. The HRA believes that Best Buy is unlikely to be successful in their request for the 2024 tax year and that the second scenario is therefore more likely. Finally, there is a possibility (though seemingly unlikely) that no reduction in value would be granted, in which case, the HRA would continue to receive the anticipated funds for the Housing and Redevelopment Fund but would not recoup any overpayment.

HRA and City staff, along with the HRA Attorney and financial experts have reviewed the proposal and legal analysis provided. We strongly disagree with the analysis and a legal response by the HRA Attorney is included as an attachment to this report. Based on our analysis, we recommend denial of the request. While Best Buy is an important and valued employer in our community, the contractual agreement in place should be honored unless a "do no harm" solution can be found.

RECOMMENDED ACTION:

By Motion: Deny a request to modify and/or terminate the Minimum Assessment Agreement for the Best Buy Corporate Campus at 7601 Penn Avenue South.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The MAA requires that during the life of the TIF District the value upon which Best Buy's taxes are calculated does not fall below \$118.5 million. The value of the Best Buy parcel exceeded the MAA amount until 2014. Since that time, the value has remained at the minimum assessment.

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

See attached legal analysis by HRA Attorney Julie Eddington.

C. CRITICAL TIMING ISSUES:

Best Buy has indicated to staff that they would like the MMA modified/terminated as soon as possible. In order to reduce pay 2024 taxes, Best Buy must obtain written approval of a modification or termination of the MAA from the City, County, and School Board and record the document modifying the MMA on or prior to June 30, 2023.

D. FINANCIAL IMPACT:

- The HRA has concluded that Best Buy has been overpaid by approximately \$851,000.

- Modification and/or termination of the Minimum Assessment Agreement will reduce money available for other housing and redevelopment work in the community by an estimated \$210,000 to \$385,000.
- In exchange for the City and HRA's support, Best Buy has proposed to share the benefits of a reduced tax value with the HRA should their request to the County be successful. The HRA estimates that this amount could be in the range of \$212,000 to \$764,000. HRA staff and consultants believe that the lower end of the range is more likely given timing constraints for a pay 2024 reduction.
- In all of the proposed scenarios, the HRA fails to recoup the total increment and pooling that it should receive under the terms of the current contract.

E. LEGAL CONSIDERATION:

- The HRA has the legal authority and duty to recoup overpayments and will begin to do so with the August 1, 2023 TIF Payment.
- HRA Attorney Julie Eddington will be present to address legal questions.
- An amendment to the Contract for Private Development between the HRA and Best Buy is also required. Consideration by the HRA has been scheduled for June 5, 2023.

ALTERNATIVE RECOMMENDATION(S):

Approve the request for modification/termination of the Minimum Assessment Agreement with Best Buy for property at 7601 Penn Avenue South.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Julie Eddington, HRA Attorney, Kennedy & Graven Jeanne Vogt, Senior Fiscal Consultant, Ehlers Tracy Smith, Senior Director and Tax Counsel, Best Buy Dan Lopez, Director of Government Affairs, Best Buy William Griffith & Timothy Rye, Attorneys for Best Buy, Larkin Hoffman

ATTACHMENTS:

Description	Type
▢ Best Buy - Min. Assessment Termination Request	Exhibit
▢ 051223 Best Buy Ltr to Richfield HRA	Exhibit
▢ 051223 Best Buy Legal Analysis of HRA Position	Exhibit
▢ HRA Legal Response to 051223 Best Buy Ltr	Exhibit



Best Buy
Tax – C6-901
Mobile: 612-817-8573
tracy.smith4@bestbuy.com

November 22, 2022

VIA U.S. Mail and Email to MPoehlman@richfieldmn.gov

Melissa Poehlman, Executive Director
Richfield Housing and Redevelopment Authority
6700 Portland Avenue
Richfield, MN 55423

Re: Termination of Minimum Assessment Agreement Between Richfield HRA and Best Buy

Dear Ms. Poehlman:

Thanks so much for meeting with me and the Best Buy team on November 1, 2022, to discuss both the orderly winddown of the Lyndale Gateway/Interchange West Tax Increment Financing District (the "TIF District") and the termination of the longstanding Minimum Assessment Agreement between Richfield HRA and Best Buy dated March 5, 2003 (the "Minimum Assessment Agreement"). This letter addresses the second item above and is our formal request to terminate the Minimum Assessment Agreement, including obtaining the required consent of the City Council, before December 31, 2022.

Background

The Best Buy Corporate Headquarters (the "Campus") is located in the Interchange West TIF District, which was combined with the Lyndale Gateway District and is referred to in this letter as the "TIF District." As we discussed in our meeting, the City and Best Buy have a long history of working cooperatively to build this corporate campus and upgrade local streets and utilities, and to provide funding for reconstruction of the Penn Avenue interchange.

In 2010, Best Buy consented to the issuance of refunding bonds, which resulted in significant savings retained by the HRA under the Fourth Amendment to Contract for Private Development. Over the years, the TIF District has provided more than \$10 million in support of the HRA's programs and housing initiatives. Since 2003, the Campus has drawn thousands of employees and business visitors to the City each day who support local businesses including hotels, retailers, convenience stores, and restaurants. In addition, Best Buy has been proud to engage as a good corporate citizen supporting the Richfield community through funding and sponsorships. This includes supporting local youth at our Teen Tech Center at the Richfield Middle School and the Minnesota Independence College & Community, as well as sponsorships of community events like the July 4th fireworks and Richfield Police and Fire Safety Awareness Day.

Importantly, as the end of the TIF District approaches in 2026, Best Buy is facing an uncertain macroeconomic environment and a seismic shift in workplace expectations, behavior and utilization. Many employers, including Best Buy, have implemented hybrid work policies to meet new post-pandemic employee expectations where more flexibility is demanded. Specifically, we allow a flexible workweek where employees work three days per week in the office, and have the option to work two days from a remote location. We believe this shift to be permanent in the marketplace. In that context, Best Buy remains focused on keeping the Campus buildings viable and productive for corporate use and as a driver of economic activity for Richfield. To support those efforts Best Buy must be attentive to the costs of operating the Campus, including keeping property taxes competitive. Richfield's own interests of attracting workers and commerce to its City clearly are furthered by supporting these same efforts.

Discussion

Without a doubt, the Minimum Assessment Agreement results in the Campus being significantly overvalued for property tax purposes – particularly given the amount of available office space in the Twin Cities following the recent pandemic. To remain a viable and attractive corporate office building in the Twin Cities, property taxes must be competitive and based on fair market value – like essentially all other corporate offices in the Twin Cities. Best Buy's efforts to attract workers, commerce, and potentially new lessees to its Campus also clearly will benefit the City. First, full utilization of the Campus will bring more people to the City on a daily basis and additional commercial traffic to the City. Second, the City's long-term tax base will be enhanced and stabilized. This will become even more important when the TIF District ends in the near future and tax increment is replaced with tax payments to the City's general funds.

Moreover, Best Buy has ensured that the original intent of the TIF financing arrangement, including limited risk to the City, has and will come to fruition. The termination of the Minimum Assessment Agreement is entirely consistent with its original purpose, namely, to ensure the source of repayment of the bonds issued to build the interchange at Penn Avenue and I-494. Since the final payment of the bonds is scheduled for February 2024, based on taxes already assessed and payable in 2023, the City faces absolutely no risk related to the few remaining bond payments.

In the meantime, Best Buy necessarily is focused on bringing the assessed value of the Campus for property tax purposes in line with its peer properties, and competitors, in the market. In this regard, Best Buy is merely taking steps to pay fair taxes based on the Campus's fair market value; rather than paying artificially inflated property taxes pursuant to the Minimum Assessment Agreement – an agreement that no longer serves its intended purpose. Best Buy respectfully requests that the HRA approve the termination of the Minimum Assessment Agreement, including the City Council's consent, before December 31, 2022. This timing will help ensure that the Campus will be subject to property taxes based on its fair market value for 2023 taxes payable in 2024.

Best Buy's request provides a win-win for both Best Buy and the City of Richfield. The City pays off its bond obligations with tax increment generated by the Campus in 2023 and terminates the Minimum Assessment Agreement without risk to the City or its taxpayers. Best Buy, in turn, takes an important

Melissa Poehlman
Page 3
November 22, 2022

step toward paying fair, competitive property taxes on the Campus building, which will help attract opportunities to fill the excess space. Best Buy and the City will work together to help support the viability of one of Richfield's cornerstone properties with a flow of employees and commerce to the City for years to come.

We appreciate our longstanding partnership with the City of Richfield and look forward to addressing these important issues in a timely manner for the benefit of the City, its residents, and Best Buy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tracy M. Smith', written over the printed name and title.

Tracy M. Smith
Senior Director & Tax Counsel

cc: Julie A. Eddington (JEddington@Kennedy-Graven.com)
Julie Urban (JUrban@richfieldmn.gov)
William C. Griffith (wgriffith@larkinhoffman.com)
Tim Rye (trye@larkinhoffman.com)
Kate Beine (Kate.Beine@bestbuy.com)
Mike Hiltner (Mike.Hiltner@bestbuy.com)



May 12, 2022

Best Buy
Tax – C6-938
Mobile: 612-817-8573
tracy.smith4@bestbuy.com

Sent via email to: MPoehlman@richfieldmn.gov

Melissa Poehlman, Executive Director
Richfield Housing and Redevelopment Authority
6700 Portland Avenue
Richfield, MN 55423

Re: Interchange West TIF District – Settlement of Issues as the District Approaches
Decertification

Dear Ms. Poehlman:

This letter follows up our recent discussion in which Best Buy, the City of Richfield (“City”) and the Richfield Housing and Redevelopment Authority (“HRA”) are seeking a global resolution of all matters and issues facing the parties regarding administration of the Interchange West TIF District (the “TIF District” or the “District”). To do so, the parties must be respectful of their mutual good work, long term relationship, and fruitful negotiations over the past two decades that have led to the unqualified success of the largest office building in Richfield, along with significant funding of the housing programs of the HRA.

As discussed, the parties recognize and are proud that the increased tax increment generated from Best Buy’s corporate headquarters has supported numerous affordable housing and rehabilitation initiatives in Richfield, including the new home program, the rehabilitation loan program, Richfield Rediscovered, transformation home loans, and the affordable housing trust fund. Best Buy itself has funded over \$11 million to the City/HRA to be used as they saw fit to support the community and these affordable housing initiatives. Best Buy also is proud of its significant presence in the Richfield community, which includes repeated contributions to over a dozen local organizations, including Richfield Public Schools, and its recent and very exciting opening of a Best Buy Teen Tech Center at Richfield Middle School.

In this letter, Best Buy’s intent is to provide the parties with a win-win resolution; this intent has remained constant throughout our discussions this past year (and previously). Today we are again making a “win-win” proposal to address all issues at hand, while also making it clear that Best Buy has a strong legal basis for its claims. In furtherance of our desire to reach a global resolution with full transparency and on a reasonable and fair basis, I have asked our outside counsel to provide relevant background, our understanding of the HRA’s position with respect to outstanding matters, and Best Buy’s response to this position. See attached correspondence and exhibits to Larkin Hoffman letter dated May 12, 2023 (“Larkin Hoffman Letter”).

- Best Buy's New Proposal for Resolution

In addition to resolving administrative and legal claims, Best Buy puts forth a global resolution that would include: (1) Richfield's express support and cooperation with Best Buy's request to modify and then terminate the Minimum Assessment Agreement, which agreement has fully served its intended purpose; (2) a resolution of Richfield's recent claim that it has overpaid Best Buy, which according to Richfield's own analysis largely arose from payments made about a decade ago; and (3) a resolution of the HRA's pooling of tax increment generated by the District, which Best Buy believed had previously been resolved as a result of our discussions that culminated in execution of the Fifth Amendment in 2014.

To be clear, this proposal is made for global settlement purposes only. Aside from the legal and financial issues outlined in the Larkin Hoffman Letter, Best Buy and the HRA have worked diligently to align on matters associated with the Minimum Assessment Agreement. The parties understand the Minimum Assessment Agreement is no longer beneficial to either party (with the full payment of bonds), particularly given Best Buy's offer to "make the HRA whole" for the loss of any funds associated with the modification/termination of the Minimum Assessment Agreement (assuming Best Buy is able to reduce the value of the property for property tax purposes to a reasonable fair market value).

As discussed at the meeting with the HRA on March 6th, the parties were encouraged to negotiate a global resolution of all matters, including those associated with the modification and termination of the Minimum Assessment Agreement and pooling limitations. In various discussions following the City Council meeting, and despite the strength of Best Buy's legal position, Best Buy has offered to be flexible with respect to the substantial amount of funds to which it believes Best Buy is entitled under Minnesota law and the Contract for Private Development (about \$1.5 million as of the end of the District). The HRA, however, continues to pursue its newfound position desiring to collect a legally questionable "overpayment" to Best Buy of approximately \$850,000 – most of which arises from payments over a decade ago.

Setting aside these past discussions, Best Buy is offering a new resolution for the mutual benefit of the parties. In very simple terms, (1) the HRA/City agrees to, and expressly supports, the modification and termination of the Minimum Assessment Agreement on or before June 27, 2023, and (2) any property tax benefit flowing to Best Buy from the reduction in assessed value below \$118,500,000 in tax years pay-2024 and pay-2025 (net of attorney's fees and appraisal costs incurred in pursuing this change to the Minimum Assessment Agreement and the property tax reduction) will be shared by the parties – with 20 percent of such net benefit to be received by the HRA. The idea behind this proposal is that the parties work in collaboration to their mutual benefit, with the HRA ultimately receiving funds that may well exceed the "make whole" payment originally discussed with the HRA. Of course, any shared benefit is dependent on a lower assessed value reached for the pay-2024 and pay-2025 tax years.

Please keep in mind that the potential benefit to the HRA and to Best Buy as a result of a reduced assessed value for property tax purposes is reduced dramatically if the Minimum Assessment Agreement is not modified and consented to by the County Assessor before June 30, 2023.

Melissa Poehlman

May 12, 2023

Page 3

Conclusion

Best Buy, like the HRA, strongly believes a global resolution is in the best interests of the parties; it manages risk, resolves longstanding concerns with the administration of the District, shares potential benefits, and avoids protracted dispute resolution. Best Buy does not believe the HRA's current position is supported by law. Best Buy has acted in good faith throughout our long relationship with the HRA and the City and does so again with this proposal for a global resolution that offers a "win-win" for all parties.

We look forward to hearing from you within the next week or so to discuss our next steps.

Sincerely,

A handwritten signature in black ink, appearing to read "Tracy M. Smith", with a stylized, flowing script.

Tracy M. Smith
Vice President, Tax Counsel

cc via email: Julie Eddington
William Griffith
Timothy Rye
Mike Hiltner
Dan Lopez



Larkin Hoffman

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May 12, 2023

Ms. Tracy Smith
Best Buy
7601 Penn Avenue South
Richfield, MN 55423-3645

Via Email
(tracy.smith4@bestbuy.com)

Re: Legal Analysis of Issues Presented for Wind Down of the Best Buy-Richfield HRA TIF District

Dear Tracy:

Since 2014, Best Buy Co., Inc. ("Best Buy"), has been working to understand the administration by the City of Richfield (the "City") and the Richfield Housing and Redevelopment Authority (the "HRA"), of the Interchange West TIF District (the "District") that includes the Best Buy corporate headquarters at 7601 Penn Ave. S. (the "Campus"). In 2014, it was discovered that the HRA was collecting tax increment at levels well in excess of statutory limits, which would result in a substantial overcollection by the HRA through the end of the District if action were not taken. As a result, Best Buy and the HRA agreed to amend the Contract for Private Development (the "Contract") to bring the HRA collections in line with statutory limits and moderate the degree of overcollections by the HRA so that it would be easier to fall under the statutory limit before decertification. That agreement was memorialized in the Fifth Amendment to the Contract, dated July 14, 2014 (the "Fifth Amendment").

Throughout that process, and even after the Fifth Amendment, calculation errors and issues with the administration of the District were identified. We had correspondence, meetings and information exchanges with you and the HRA from 2015 through 2018, but substantial issues remained. We were frequently reminded, by the HRA and its counsel, that the HRA only had to comply with pooling requirements by the end of the District and that any miscalculations and overcollections would be corrected in the final years of the District.

In the fall of 2022, we reached out to the HRA to open that discussion and work toward an orderly wind down of the District. As part of that conversation, Best Buy requested the termination or modification of the Minimum Assessment Agreement ("MAA") so that the Campus could be fairly valued at market rates allowing Best Buy and other tenants to pay taxes

in line with other similar quality office buildings in the Twin Cities, particularly given the unprecedented downsizing taking place in the office market.¹

Through many meetings and exchanges, progress was made. We now have a common understanding of how the District was administered by the HRA, and the HRA seems to agree that the Campus being valued at market levels would be a positive for Best Buy, potential tenants, and the City. Unfortunately, other legal and administrative issues remain unresolved.

The HRA has presented a position that disregards Best Buy's rights under the Contract and violates Minnesota statutory law. This letter outlines our legal analysis of the HRA's position. We have outlined below the HRA's position as we understand it and our responsive analysis.

1. HRA Position

a. HRA Asserts Overpayment to Best Buy

The HRA currently alleges it overpaid Best Buy \$851,420.75 to date. This is a newfound assertion made by the HRA for the first time during the parties' recent discussions in 2022 and 2023. The HRA's recent analysis of the TIF payments over the life of the District shows that almost every single semi-annual payment to Best Buy over the past two decades has been inaccurate. Attached hereto as Ex. 1 (column entitled "Over/(Under) Payment"). Ex. 1 is the HRA's own current analysis of the tax increment calculations associated with the District. Despite these numerous inaccuracies over the years with respect to the District, the HRA now purports it overpaid Best Buy between 2010 and 2014, almost more than a decade ago.

b. HRA Argues that Minn. Stat. § 469.1763, Subd. 2, 25% Pooling Limit, Does Not Apply

The HRA asserts it follows Minn. Stat. § 469.1763, Subd. 2, the statutory 25% pooling limit, despite HRA's own analysis and documentation showing that it has collected 29% of total tax increment. See Ex. 1. As shown at the bottom of Column M in Exhibit 1, the HRA admits it currently has collected amounts in excess of 29%, which is well above the 25% statutory limit as discussed below. Moreover, the HRA asserts it has no plans to reduce its collections below 25%

¹ Recent articles regarding office downsizing:

<https://www.axios.com/2023/05/09/commercial-real-estate-us-fed>
<https://protect-us.mimecast.com/s/PUKSC5yALjHMpvl3tzpLRG?domain=startribune.com/>
<https://www.startribune.com/marshalls-in-downtown-minneapolis-is-closing/600234487/>
https://www.bizjournals.com/twincities/news/2022/12/15/what-to-do-with-big-office-blocks-in-twin-cities.html?utm_source=st&utm_medium=en&utm_campaign=me&utm_content=MN&ana=e_MN_me&j=30001285&senddate=2022-12-16
<https://www.startribune.com/ameriprise-will-cut-its-downtown-mpls-office-space-moving-to-one-building-from-two/600234538/>
<https://www.axios.com/2023/05/09/commercial-real-estate-us-fed>
<https://www.startribune.com/unitedhealth-group-headquarters-building-in-minnetonka-is-for-sale/600261083/>
<https://www.axios.com/local/twin-cities/2023/04/17/wells-fargo-office-consolidation-twin-cities-home-mortgage-campus>
<https://www.twincities.com/2023/03/30/blue-cross-blue-shield-downsizing-cagan-real-estate-footprint/>
<https://www.startribune.com/thomson-reuters-searches-for-new-offices-in-the-twin-cities/600243289/>

per payment, but nonetheless the HRA claims it will comply with pooling requirements at the end of the District.

HRA Wind Down Proposal to Best Buy

In recent discussions with Best Buy, the HRA said it would withhold \$851,420.75 from the remaining PayGo payments to Best Buy while continuing to collect 25% of the tax increment from Best Buy's portion of the District – the same rate it has been collecting since the commencement of the Fifth Amendment. See Ex. 2, which is a copy of the Fifth Amendment. Either or both actions by the HRA, the withholding of the \$851,420.75 and the continuing to collect 25% of the tax increment, are contrary to the parties' agreement and understanding as of the execution of the Fifth Amendment. Attached hereto is Ex. 3, the HRA's own forecast and analysis as of February 2014, prepared by Ehlers, the HRA's finance expert, to calculate the impact of the Fifth Amendment and the parties' negotiations at that time to address the 25% statutory limit problem. Ex. 3 provides, "...From 2014 forward, we have projected increment and payments using the following assumptions...Total pooling of 25% for the HRA to allocate between the Administration and Housing and Redevelopment Fund...We also want to note that we previously estimated that the HRA would not take administration the last 1.5 years; however, based on final review that period will be 3.0 years." The chart in Ex. 3 further confirms, "City cannot collect Admin/Pooling [for last six semi-annual payments] to stay within 25% limit." Clearly, the HRA's continued collection of 25% of the tax increment is contrary to the parties' understanding at the time of the Fifth Amendment, as confirmed by Ex. 3 specifically showing HRA collections of zero during the last three years of the District to allow the overall collection percentage to meet the 25% statutory threshold.

2. Legal Problems with the HRA Position

a. Asserted Overpayment Is Beyond the Statute of Limitations and Unenforceable

The HRA Act, defined as Minn. Stat. §§ 469.001-469.047 by the Contract under Article 1, provides that contract and tort law apply to the Contract for Private Development between the parties. The HRA Act provides that "an authority *shall* be liable in contract or tort in the same manner as a private corporation." Minn. Stat. § 469.014 (emphasis added). As such, any action for the enforcement of a contract or other obligation (such as an assertion of an overpayment) must be commenced within six years from the commission of the act. Minn. Stat. § 541.05, subd. 1(1). Since the majority of the alleged overpayments occurred between 2010 and 2014, stated simply, the statute of limitations has expired, and any assertion of overpayment is time barred. Moreover, if the HRA attempted to collect the claimed overpayment now, it also would be a breach of the Contract pursuant to the 5th Amendment and all remedies for breach would be available to Best Buy. Accordingly, the HRA's claim for payment of \$851,420.75 is legally infirm and unenforceable.

Keep in mind that one rationale for Minnesota's six-year contract dispute statute of limitations is to ensure that any such dispute is decided on good, valid, and available information and evidence. When disputes, such as contract disputes, are a decade old, the witnesses and documents involved become dated and often inaccurate. In fact, it is clear that many of the

discussions and communications between the parties in the 2010 through 2014 period are no longer available and have not been thoroughly researched. Today's assertion by the HRA of an overpayment is based solely on an analysis of the numbers as of today, and not the specific facts that may have existed at the time. Even if the HRA somehow overlooks both the clear statute of limitations bar and the breach of contract problem, the HRA still can only "find" an "overpayment" if the HRA collects and spends tax increment in excess of the statutory pooling limit, which it cannot under Minnesota law as we explain in the next section.

b. The HRA is in Violation of the Statutory 25% Pooling Limit

Minn. Stat. § 469.1763, Subd. 2, limits the amount of money eligible for spending by the HRA for activities outside the District but within a defined geographic area to 25%. More importantly, the statute mandates that at least 75% of the total revenue derived from the tax increment "must be expended on activities in the district", which in this case are the Bonds and the PayGo Note. Minn. Stat. 469.1763, Subd. 3(a)(2) and (3).

Under the HRA's own analysis, HRA collections of 29% of the total tax increment generated from taxes paid by Best Buy confirms that its collections violate the 25% statutory limit. *See*, Ex. 1. Moreover, in May of 2022, pursuant to Resolution No 11979, the HRA unilaterally amended the TIF Plan attempting to increase the pooling limit from 25% to 35%, so long as 10% was for affordable housing. However, the statute relied on by the City, Minn. Stat. § 469.1763, Subd. 2(d) does not increase the 25% pooling limit, it merely alters the geographic area in which the funds can be spent.

Subdivision 2(a) provides:

Not more than 25 percent of the total revenue derived from tax increments paid by properties within the district may be expended, through a develop fund or otherwise, *on activities outside of the district but within the defined geographic area of the project.*

Subdivision 2(d) provides:

The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures *for activities located outside the geographic area of the district* under paragraph (a).

There are two components to the 25% pooling limit: 1) expenditures outside of the District; and 2) within a specified geographic area. Subdivision 2(d) does not change the 25% limit or the mandate that at least 75% of the tax increment must be spent on *in district* obligations. It only changes the geographic area in which the HRA can spend its maximum 25%. As a result, the election by the HRA pursuant to Minn. Stat. § 469.1763, subd. 2(d) does increase the 25% pooling limit to 35%, it only changes **where** the 25% can be spent.

Interestingly, this election would have been relevant at the beginning of the District when the Richfield Redevelopment Project Area ("Project Area") did not incorporate the entire city, but on December 13, 2005 the Project Area was increased to incorporate the entire city. After December 13, 2005 the HRA could spend its 25% anywhere in the city. As a result, the May 2022 Amendment to the TIF Plan has no meaning and the 25% pooling limit remains.

Moreover, even if the City were successful in increasing the pooling limit to 35%, it would violate the terms of the Fifth Amendment, and of the Contract, which also set the limit at 25%. Finally, the HRA cannot make any change that would alter the terms or application of the agreement without written consent of Best Buy – see Section 10.13 of the Contract. Accordingly, any unilateral change to the terms or operations of the contract is a material breach of the Contract.

c. Other issues

- (1) Best Buy appreciates the work that the HRA, the City, and Best Buy have invested to understand the TIF calculations performed by Ehlers, the HRA's financial advisor. However, Best Buy only agrees with the current Ehlers TIF calculations for the District for purposes of settlement discussions; in any other venue, the HRA will need to prove all of its calculations and the particular facts and errors applicable to each payment to Best Buy pursuant to the PayGo Note;
- (2) Consistent with the above explanation, Minn. Stat. § 469.1763, Subd. 2(d) does not increase the spending limit outside the district to 35%; as such, the HRA has overcollected approximately \$575,000 from the non-Best Buy portion of the District, which will need to go to in-district obligations, including the PayGo Note.

3. An Orderly Wind Down of the TIF District Requires Payment to Best Buy of \$605,449 to Comply with Minnesota Law and the Parties' Contract for Private Development.

As of this moment, according to the HRA's own financial advisor, the HRA has collected \$10,304,940 of the \$35,392,281 in total tax increment; or 29.12% of the total tax increment. Twenty-five percent (25%) of the \$35,392,281 in total tax increment equals \$8,848,070, which means the HRA currently has overcollected \$1,456,870 from Best Buy portion of the District. Due to accounting errors, some of the nearly \$1.45 million must be transferred to the Best Buy portion of the District, including toward paydown of the PayGo Note. To comply with Minn. Stat. 469.1763, Subd. 2(a), the HRA is required to pay Best Buy \$605,449, consistent with the following schedule.

	Total Tax Increment	HRA @ 25%	Bonds	PayGo
Compliant	\$35,392,281	\$8,848,070	\$11,826,921	\$14,717,290
Actual	\$35,392,281	\$10,304,940	\$11,826,921	\$14,111,841
Correction	\$0	(\$1,456,870)	\$0	\$605,449²

² This amount is less than the HRAs overcollection because it offsets any purported overpayments on the PayGo.

Best Buy's request to confirm the orderly wind down of the TIF District, consistent with the parties' discussions in 2014 when the Fifth Amendment was executed, has already led to correction of administrative errors and, more importantly, is a reasonable step to resolve the HRA's continued overcollection to avoid refunds that would be required by the HRA to meet the 25% pooling limit by the end of the District.

The HRA's newfound assertion of an overpayment to Best Buy reaches back more than a decade ago. This assertion is not only problematic because it is inconsistent with the HRA's projections in 2014 that it would be able to meet the 25% limit by the end of the District by ending pooling early, but is barred by the statute of limitations and is a violation of Minn. Stat. § 469.1763, subd. 2(a) limiting HRA collections to 25%. This is what the parties intended when negotiating the Fifth Amendment. See Exhibit 3.

4. Conclusion

As of this moment, the HRA has collected \$10,304,940 of the \$35,392,281 in total tax increment; or 29.12% of the total tax increment (25% of \$35,392,281 is \$8,848,070, which means the HRA has overcollected by \$1,456,870). To comply with Minn. Stat. 469.1763, subd. 2(a) as of now the tax increment should be corrected as shown in the preceding section

As you have noted on several occasions in our discussions with HRA staff, legal counsel, and consultants, Best Buy initiated discussions in 2014 and again in 2022 to resolve the substantial financial and legal issues set forth in this letter, among others on a cooperative basis. Through Best Buy's insistence and diligence in this regard, significant accounting errors have been corrected and both parties have a better understanding of collections over the life of the District. Still, the HRA cannot unilaterally alter the applicable TIF Plan, TIF collections, and pooling limits in ways that undermine the Contract, PayGo Note or avoid its obligations under Minnesota law.

Sincerely,



Timothy A. Rye, for
Larkin Hoffman



William C. Griffith, for
Larkin Hoffman

EXHIBIT 1

** REVISED AS OF 03/13/2023 - FINAL **

City of Richfield
Lyndale Gateway / Interchange West TIF District
History of PAYGO Payments to Best Buy
Through and Including August 1, 2022 Payment

		Ties to G/L		10%		15%		Ties to G/L							
A	B	C	D	E	F	G	H	I = D - E - F - G - H	J	K = J - I	L	M	N		
Payment Date	Developer Agreement In Place	Developer Agreement Requirements	Increment Used in PAYGO Calc	Tax Increment Received - Best Buy Portion Only	Amounts Withheld				Net Payment to Best Buy	Actual Payment	Over / (Under) Payment	Comments	% of Admin & Pooling to TIF Received	Cummulative Over / (Under) Payment	
					Admin Costs	To HRA Trust Fund (Pooling)	TIF Shortfall Payments / Adjustments	Debt Service Payments							
8/1/2002	2nd Amendment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	
2/1/2003	2nd Amendment		-	-	-	-	-	-	-	-	-			-	
8/1/2003	3rd Amendment	Fixed Exhibits	-	-	-	-	-	-	-	-	-			-	
2/1/2004	3rd Amendment	Fixed Exhibits	-	-	-	-	-	-	-	-	-			-	
8/1/2004	3rd Amendment	Fixed Exhibits	868,271.00	870,480.02	(32,012.00)	(224,084.00)	-	(195,321.88)	419,062.14	416,853.00	(2,209.14)	Admin is Exhibit C	29%	(2,209.14)	
2/1/2005	3rd Amendment	Fixed Exhibits	868,271.00	870,480.01	(32,686.00)	(228,801.00)	-	(455,321.88)	153,671.13	156,853.00	3,181.87	Admin is Exhibit C	30%	972.73	
8/1/2005	3rd Amendment	Fixed Exhibits	923,239.00	906,162.44	(32,686.00)	(228,801.00)	-	(190,121.88)	454,553.56	471,631.00	17,077.44	Admin is Exhibit C	29%	18,050.17	
2/1/2006	3rd Amendment	Fixed Exhibits	923,239.00	945,408.92	(33,371.00)	(233,598.00)	-	(460,121.88)	218,318.04	201,631.00	(16,687.04)	Admin is Exhibit C	28%	1,363.13	
8/1/2006	3rd Amendment	Fixed Exhibits	856,073.00	858,672.26	(33,371.00)	(233,598.00)	-	(184,721.88)	406,981.38	404,382.00	(2,599.38)	Admin is Exhibit C	31%	(1,236.25)	
2/1/2007	3rd Amendment	Fixed Exhibits	856,073.00	858,672.25	(34,068.00)	(238,479.00)	-	(469,721.88)	116,403.37	119,382.00	2,978.63	Admin is Exhibit C	32%	1,742.38	
8/1/2007	3rd Amendment	Fixed Exhibits	895,588.00	898,460.12	(34,068.00)	(238,479.00)	-	(179,021.88)	446,891.24	444,020.00	(2,871.24)	Admin is Exhibit C	30%	(1,128.86)	
2/1/2008	3rd Amendment	Fixed Exhibits	895,588.00	898,460.13	(34,777.00)	(243,443.00)	-	(474,021.88)	146,218.25	149,020.00	2,801.75	Admin is Exhibit C	31%	1,672.89	
8/1/2008	3rd Amendment	Fixed Exhibits	994,093.51	990,015.10	(34,777.00)	(243,443.00)	-	(173,121.88)	538,673.22	-	(538,673.22)	Admin is Exhibit C	28%	(537,000.33)	
2/1/2009	3rd Amendment	Fixed Exhibits	994,093.51	990,015.10	(35,499.00)	(248,493.00)	-	(483,121.88)	222,901.22	767,330.01	544,428.79	Admin is Exhibit C	29%	7,428.46	
8/1/2009	3rd Amendment	Fixed Exhibits	1,186,644.76	1,029,251.37	(35,499.00)	(248,493.00)	-	(166,766.88)	578,492.49	-	(578,492.49)	Admin is Exhibit C	28%	(571,064.03)	
2/1/2010	3rd Amendment	Fixed Exhibits	1,180,652.87	1,026,100.11	(36,233.00)	(253,631.00)	-	(486,766.88)	249,469.23	1,137,941.96	888,472.73	PAYGO Pd on full district, not just Best Buy	28%	317,408.70	
8/1/2010	3rd Amendment	Fixed Exhibits	897,090.80	893,861.27	(36,233.00)	(253,631.00)	-	(160,046.88)	443,950.39	453,912.18	9,961.79	Admin is Exhibit C	32%	327,370.49	
2/1/2011	4th Amendment	Fixed Exhibits	993,584.48	893,861.27	(36,979.00)	(263,611.08)	-	(495,046.88)	98,224.31	190,345.99	92,121.68	Debt refinanced	34%	419,492.17	
8/1/2011	4th Amendment	Fixed Exhibits	678,299.10	510,892.14	(36,979.00)	(258,857.00)	-	(95,458.45)	119,597.69	287,004.69	167,407.00	PAYGO Pd on full district, not just Best Buy	58%	586,899.17	
2/1/2012	4th Amendment	Fixed Exhibits	633,289.20	475,121.50	(37,739.00)	(320,583.63)	-	(451,433.75)	(334,634.88)	-	334,634.88	\$170,391.14 withheld; paid on full district	75%	921,534.05	
8/1/2012	4th Amendment	Fixed Exhibits	948,293.74	949,230.22	(37,739.00)	(264,173.00)	(28,897.04)	(300,508.75)	346,809.47	230,208.31	(116,601.16)	Admin is Exhibit C	32%	804,932.89	
2/1/2013	4th Amendment	Fixed Exhibits	971,755.62	949,230.20	(38,511.00)	(328,632.26)	(28,896.82)	(300,508.75)	281,578.19	310,081.06	28,502.87	G/L doesn't have Clean-up settlement of \$1,777.09	39%	833,435.76	
8/1/2013	4th Amendment	Fixed Exhibits	1,037,457.24	1,037,368.76	(38,511.00)	(269,581.00)	(28,905.89)	(301,358.75)	427,918.01	309,121.34	(118,796.67)	Admin changed from Exhibit B to Exhibit C	30%	714,639.09	
2/1/2014	4th Amendment	Fixed Exhibits	1,037,457.24	1,037,457.77	(39,297.00)	(330,783.26)	(28,899.22)	(301,358.75)	366,018.76	368,179.28	2,160.52	Admin changed from Exhibit B to Exhibit C	36%	716,799.61	
8/1/2014	4th Amendment	Fixed Exhibits	907,565.45	997,757.58	(39,297.00)	(275,082.00)	(28,905.89)	(301,633.75)	381,744.83	506,220.81	124,475.98	Reduction for pooling not included in payment	32%	841,275.58	
2/1/2015	5th Amendment	75% of TIF Received	907,565.45	997,757.57	(99,775.76)	(149,663.64)	(28,906.86)	(301,633.75)	446,684.42	350,133.48	(96,550.94)	PAYGO schedule had incorrect frozen rate	25%	744,724.64	
8/1/2015	5th Amendment	75% of TIF Received	1,181,472.27	1,181,465.53	(118,146.55)	(177,219.83)	-	(303,483.75)	582,615.40	582,620.45	5.05	Value petitioned	25%	744,729.70	
2/1/2016	5th Amendment	75% of TIF Received	1,181,472.27	1,181,465.53	(118,146.55)	(177,219.83)	(206,924.92)	(303,483.75)	375,690.48	375,695.54	5.06	Value petitioned - portion of payment withheld	25%	744,734.75	
8/1/2016	5th Amendment	75% of TIF Received	1,529,741.27	1,378,151.63	(137,815.16)	(206,722.74)	(346,357.95)	(304,573.75)	382,682.03	382,682.02	(0.01)	Value petitioned - portion of payment withheld	25%	744,734.74	
2/1/2017	5th Amendment	75% of TIF Received	1,377,593.76	1,378,151.61	(137,815.16)	(206,722.74)	(346,357.94)	(304,573.75)	382,682.02	382,682.02	-	Value petitioned - portion of payment withheld	25%	744,734.74	
8/1/2017	5th Amendment	75% of TIF Received	1,300,674.61	1,300,681.97	(130,068.20)	(195,102.30)	(323,359.72)	(304,638.75)	347,513.00	347,507.49	(5.51)	Value petitioned - portion of payment withheld	25%	744,729.23	
12/31/2017	5th Amendment	75% of TIF Received	(179,851.69)	(179,851.01)	17,985.10	26,977.65	206,924.92	-	72,036.66	109,778.73	37,742.07	2015 Adjustment - Tax Court Petition		782,471.30	
12/31/2017	5th Amendment	75% of TIF Received	(586,554.23)	(585,104.29)	58,510.43	87,765.64	692,715.89	-	253,887.67	292,273.34	38,385.67	2016 Adjustment - Tax Court Petition		820,856.97	
12/31/2017	5th Amendment	75% of TIF Received	754,306.25	745,418.54	(74,541.85)	(111,812.78)	323,359.72	(304,638.75)	577,784.88	578,901.16	1,116.28	Includes reduction for Pay 2017 tax court petition	25%	821,973.25	
8/1/2018	5th Amendment	75% of TIF Received	979,426.56	975,900.99	(97,590.10)	(146,385.15)	-	(304,258.75)	427,666.99	428,166.72	499.73	Bond payment reduction for 2019 not 2018	25%	822,472.98	
2/1/2019	5th Amendment	75% of TIF Received	979,426.56	975,900.99	(97,590.10)	(146,385.15)	-	(304,258.75)	427,666.99	428,166.72	499.73	Bond payment reduction for 2019 not 2018	25%	822,972.71	
8/1/2019	5th Amendment	75% of TIF Received	1,011,713.23	987,514.72	(98,751.47)	(148,127.21)	-	(306,898.75)	433,737.29	756,053.30	322,316.01	Payment not reduced for debt service	25%	1,145,288.72	
2/1/2020	5th Amendment	75% of TIF Received	1,011,713.23	987,514.72	(98,751.47)	(148,127.21)	-	(306,898.75)	433,737.29	142,255.80	(291,481.49)	Payment corrected	25%	853,807.23	
8/1/2020	5th Amendment	75% of TIF Received	896,142.72	892,916.61	(89,291.66)	(133,937.49)	-	(306,621.25)	363,066.21	363,066.21	(0.00)		25%	853,807.23	
2/1/2021	5th Amendment	75% of TIF Received	896,142.72	892,916.61	(89,291.66)	(133,937.49)	-	(306,621.25)	363,066.21	363,066.21	(0.00)		25%	853,807.22	
8/1/2021	5th Amendment	75% of TIF Received	885,065.89	881,875.38	(88,187.54)	(132,281.31)	-	(308,090.00)	353,316.53	353,319.74	3.21		25%	853,810.43	
2/1/2022	5th Amendment	75% of TIF Received	885,065.89	885,065.89	(88,506.59)	(132,759.88)	-	(308,090.00)	355,709.42	353,319.74	(2,389.68)	G/L not reduced for OSA fee	25%	851,420.75	
8/1/2022	5th Amendment	75% of TIF Received	816,730.29	813,790.06	(81,379.01)	(122,068.51)	-	(311,325.00)	299,017.54	299,017.55	0.01		25%	851,420.75	
2/1/2023	5th Amendment	75% of TIF Received	816,730.29	813,790.06	(81,379.01)	(122,068.51)	(81,379.01)	(311,325.00)	299,017.54	299,017.54	-		25%	851,420.75	
8/1/2023	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		(313,500.00)	296,842.54	296,842.54	-		25%	851,420.75	
2/1/2024	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		(313,500.00)	296,842.54	296,842.54	-		25%	851,420.75	
8/1/2024	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		-	610,342.54	610,342.54	-		25%	851,420.75	
2/1/2025	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		-	610,342.54	610,342.54	-		25%	851,420.75	
8/1/2025	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		-	610,342.54	610,342.54	-		25%	851,420.75	
2/1/2026	5th Amendment	75% of TIF Received		813,790.06	(81,379.01)	(122,068.51)		-	610,342.54	610,342.54	-		25%	851,420.75	
GRAND TOTALS - PAID THROUGH & INCLUDING 2/1/2023			\$ 36,957,602.78	\$ 35,392,281.65	\$ (2,400,864.31)	\$ (7,904,075.71)	\$ (173,411.72)	\$ (11,826,921.02)	\$ 13,260,420.61	\$ 14,111,841.36	\$ 851,420.75		29%		
CALCULATION OF ADMIN AND POOLING CAPPED AT 25%				\$ 35,392,281.65	\$ (3,539,228.17)	\$ (5,308,842.25)	\$ (173,411.72)	\$ (11,826,921.02)	\$ 14,717,290.21	\$ 14,111,841.36	\$ (605,448.85)		25%		
DIFFERENCE				\$ -	\$ (1,138,363.86)	\$ 2,595,233.46	\$ -	\$ -	\$ 1,456,869.60	\$ -	\$ (1,456,869.60)				

EXHIBIT 2

FIFTH AMENDMENT TO CONTRACT FOR PRIVATE REDEVELOPMENT

THIS AGREEMENT, made and entered into as of the 14th day of July, 2014, 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 BEST BUY CO., INC., a Minnesota corporation (the "Redeveloper").

WITNESSETH:

WHEREAS, the parties hereto did on or about March 28, 2000 enter into an agreement entitled Contract for Private Redevelopment (the "Contract"), calling for the redevelopment of an area of land (the "Property") lying within the City of Richfield; and

WHEREAS, the parties hereto did on or about November 27, 2000, February 20, 2001, March 5, 2003, and December 21, 2010, enter into agreements entitled First Amendment to Contract for Private Redevelopment (the "First Amendment"), the Second Amendment to Contract for Private Redevelopment (the "Second Amendment"), the Third Amendment to Contract for Private Redevelopment (the "Third Amendment"), and the Fourth Amendment to Contract for Private Redevelopment (the "Fourth Amendment"), respectively, which amended the Contract; and

WHEREAS, the HRA and the Redeveloper propose to amend the Contract further to revise the provisions related to the City's administrative fees and housing fund fees; and

NOW, THEREFORE, based upon the mutual covenants and undertakings hereinafter, and in the Contract provided, the parties hereto stipulate and agree as follows:

I. The WHEREAS clauses set forth above are incorporated into this Fifth Amendment to Contract for Private Redevelopment and confirmed in all respects.

II. The Contract is hereby amended in the following respects:

1. The definition of "Available Tax Increment" found in Section 1.1 of the Contract (as amended by the Fourth Amendment) is amended as follows:

"Available Tax Increment" for the purpose of the Note means seventy-five percent (75%) of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the HRA by the County in the six months preceding each Payment Date, after deducting any amount necessary to pay principal and interest on the TIF Bonds or, subject to the provisions of Section 3.5, subd. 3, any TIF Refunding Bonds.

2. Exhibits A, B, and C to the Fourth Amendment are deleted.

3. The HRA and the Redeveloper acknowledge and agree that pursuant to the terms of the Contract and the Note, all Available Tax Increment will be used to pay the principal of and interest on the Note.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amendment to Contract for Private Redevelopment to be duly executed in their behalf by their authorized representatives on or as of the date first above written.

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

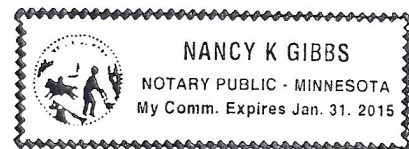
By *Wendy B. Smith*
Its Chairperson, Vice Chair

By *Steven L. Devich*
Its Executive Director

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

III. The foregoing instrument was acknowledged before me this 16 day of June, 2014, by ^{Wendy B. Smith} ~~Suzanne M. Sandahl~~, the Chairperson of the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.

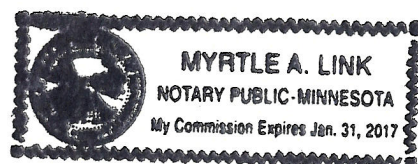
Nancy K Gibbs
Notary Public



STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

IV. The foregoing instrument was acknowledged before me this 16 day of June, 2014, by Steven L. Devich, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.

Myrtle A. Link
Notary Public



BEST BUY CO., INC.

By

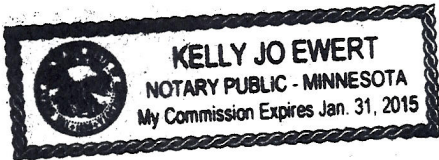
Its

[Signature]
VP - Global Properties

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

ss.:

The foregoing instrument was acknowledged before me this 14th day of July, 2014,
by David Sisson, the VP - Global Properties of Best Buy Co., Inc., a Minnesota corporation, on
behalf of the Redeveloper.



Notary Public

Kelly Ewert

EXHIBIT 3

From: Rebecca Kurtz [<mailto:rkurtz@ehlers-inc.com>]
Sent: Monday, February 03, 2014 11:41 AM
To: Griffith, William C.
Cc: Steve Devich (SDevich@cityofrichfield.org); John Stark; Myrt Link (MLink@cityofrichfield.org); Julie Eddington (External Address)
Subject: RE: Best Buy Co.

Good morning, Bill,

Attached is the cashflow for the estimated increment and payments for the Best Buy TIF Note, assuming the minimum market value of \$118,500,000 and the needed adjustments for the HRA's administration and pooling.

The top half shows actual TIF payments from Hennepin County to date and the Pooling (Administration and Housing and Redevelopment Fund) payments. These payments are per the Contract. We received the final settlement information for 2013 from the County last week, so that has been updated for the 2013 information. From 2014 forward, we have projected increment and payments using the following assumptions:

- Semi-annual TIF settlement based on the current market value and tax rate with no inflationary increases
- Total Pooling of 25% for the HRA to allocate between the Administration and Housing and Redevelopment Fund

Based on the updated information and final review, we are estimating that the remaining amount to be paid on the Pay-as-you-go Note is \$18,712,117. We also want to note that we previously estimated that the HRA would not take administration the last 1.5 years; however, based on final review, that period will be 3.0 years.

As you know, to the extent that market values and tax rates change, the TIF projections will change, and therefore the Paygo Note and Pooling projections will be adjusted.

Please do not hesitate to contact me with any questions.

Rebecca L. Kurtz, Financial Advisor/CIPFA
3060 Centre Pointe Drive
Roseville, MN 55113
Phone: (651) 697-8516



From: Griffith, William C. [<mailto:wgriffith@larkinhoffman.com>]
Sent: Friday, January 31, 2014 9:36 AM
To: Rebecca Kurtz
Subject: Best Buy Co.

Good morning Rebecca,

I am following up our last meeting with you and City staff to see if we can get copies of your modeling of the revised administrative fees and impact on the PAYG Note. Thanks so much,

Bill

William C. Griffith
Shareholder
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City of Richfield

Best Buy projections with proposed Amendment to Contract (reducing Administration and Pooling amount)

Actual to date and projections beginning in 2014 based on minimum assessed market value of \$118,500,000 and estimated Pay 2014 tax information, but City takes only 25% for Administration and Pooling beginning in 2014.

Tax Year	Payment Date	Semi-Annual Gross Tax Increment	MVHC	Total Increment	Per Agreement		Pooling 25%	Tax Exempt G.O. Bond Payment	\$170,408 Repayment of 2/1/12 Shortfall	Available for Paygo	Annual Available for Paygo	Pooling Calculation	
					Admin. at FIXED	Housing at FIXED						Total Pooling	Pooling %
1999													
2000		1,440		1,440									
2001		74,977		74,977									
2002		91,095	255	91,350									
2003		384,269	4,157	388,426									
2004		1,740,960	5,890	1,746,850	116,278	448,169						564,447	
2005		1,851,571		1,851,571	118,622	457,601						576,223	
2006		1,717,344		1,717,344	121,004	467,196						588,200	
2007		1,796,920		1,796,920	123,428	476,957						600,385	
2008		1,980,030		1,980,030	125,894	486,886						612,780	
2009		2,055,351		2,055,351	128,404	496,987						625,391	
2010		1,787,723		1,787,723	130,956	507,261						638,217	
2011		986,014		986,014	133,552	522,468						650,020	
2012		1,898,460		1,898,460	136,192	584,757						720,949	
2013		2,078,663		2,078,663	138,878	598,213						737,091	
through 2013		18,444,817	10,302	18,455,119	1,273,208	5,046,496						6,319,704	34.24%
2014	08/01/14	1,037,457		1,037,457			(259,364)	(76,634)	(28,897)	931,926		259,364	
2014	02/01/15	1,037,457		1,037,457			(259,364)	(526,634)	(28,907)	481,916	1,413,843	259,364	33.31%
2015	08/01/15	1,037,457		1,037,457			(259,364)	(73,484)		963,973		259,364	
2015	02/01/16	1,037,457		1,037,457			(259,364)	(533,484)		503,973	1,467,947	259,364	32.55%
2016	08/01/16	1,037,457		1,037,457			(259,364)	(69,574)		967,883		259,364	
2016	02/01/17	1,037,457		1,037,457			(259,364)	(539,574)		497,883	1,465,767	259,364	33.65%
2017	08/01/17	1,037,457		1,037,457			(259,364)	(64,639)		972,818		259,364	
2017	02/01/18	1,037,457		1,037,457			(259,364)	(544,639)		492,818	1,465,637	259,364	31.38%
2018	08/01/18	1,037,457		1,037,457			(259,364)	(58,759)		978,698		259,364	
2018	02/01/19	1,037,457		1,037,457			(259,364)	(548,759)		488,698	1,467,397	259,364	32.35%
2019	08/01/19	1,037,457		1,037,457			(259,364)	(51,899)		985,558		259,364	
2019	02/01/20	1,037,457		1,037,457			(259,364)	(561,899)		475,558	1,461,117	259,364	31.83%
2020	08/01/20	1,037,457		1,037,457			(259,364)	(44,121)		993,336		259,364	
2020	02/01/21	1,037,457		1,037,457			(259,364)	(569,121)		468,336	1,461,672	259,364	30.17%
2021	08/01/21	1,037,457		1,037,457			(259,364)	(35,590)		1,001,867		259,364	
2021	02/01/22	1,037,457		1,037,457			(259,364)	(580,590)		456,867	1,458,734	259,364	29.87%
2022	08/01/22	1,037,457		1,037,457			(259,364)	(26,325)		1,011,132		259,364	
2022	02/01/23	1,037,457		1,037,457			(259,364)	(596,325)		441,132	1,452,264	259,364	29.59%
2023	08/01/23	1,037,457		1,037,457			0	(13,500)		1,023,957		0	
2023	02/01/24	1,037,457		1,037,457			0	(613,500)		423,957	1,447,914	0	28.03%
2024	08/01/24	1,037,457		1,037,457			0	0		1,037,457		0	
2024	02/01/25	1,037,457		1,037,457			0	0		1,037,457	2,074,914	0	26.62%
2025	08/01/25	1,037,457		1,037,457			0	0		1,037,457		0	
2025	02/01/26	1,037,457		1,037,457			0	0		1,037,457	2,074,914	0	25.35%
Estimated Totals:		43,343,785	10,302	43,354,087	1,273,208	5,046,496	(4,668,557)	(6,129,048)	(57,804)	18,712,117	18,712,117	10,988,260	25.35%

Notes:

1. Projections are estimates based on the Pay 2014 market value. To the extent that market values and tax rates change, the payment for the Paygo note and Pooling will change.

Estimated Pay-as-you-go payment

City cannot collect Admin/ Pooling to stay within 25% limit



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May 18, 2023

Melissa,

Thank you for sharing with me the letter drafted by Larkin Hoffman which Tracy Smith from Best Buy provided to you. There are a number of inaccuracies in the letter that I would like to clarify. I believe a lot of the inaccuracies arise due to the fact that the contract is what drives the TIF payments for the Best Buy development and the manner of providing TIF to the HRA and to Best Buy fluctuated over time.

Contract for Private Development

The contract and its five amendments provide the requirements of how TIF is used for the Best Buy portion of the TIF District. The contract itself had numerous changes in TIF payments over the years. The HRA is required to follow the requirements of the contract and its amendments. The manner of providing TIF to the HRA and Best Buy changed four times over the years.

It is important to note that TIF contracts can be structured in many ways - an authority can provide any amount of TIF (from a very small amount like \$5,000 to 100% of the TIF). An authority may determine to collect some TIF to pool for other projects. How TIF is used and what TIF amounts are provided to the developer are memorialized in the contract.

HRA Expenditures of TIF

An authority can collect TIF and keep the TIF as provided by the contract. However, an authority cannot *expend* more than 25% of the TIF. The HRA can use up to 10% of the TIF from the TIF District for administrative expenses and can pool tax increment with a maximum of pooled TIF in the amount of 25% of the TIF (including administrative expenses).

TIF District

The TIF District is complicated. The TIF District has three different developments and each development has or had its own contract and TIF Note. Each development has to comply with the requirements of their contracts. Each development receives TIF from the property upon which it has developed. For purposes of reporting to the Office of the State Auditor every year, the HRA must treat the TIF District as one TIF District. **The HRA is currently below the 25% expenditure limit for the TIF District.**

Change in TIF Payments Over Time (TIF Note was issued 7/31/2001)

- The original contract (2000) had a set schedule of payments to be provided under the TIF Note to Best Buy and the HRA kept the remaining TIF.
- The First Amendment (2000) changed the TIF payment formula to provide that the HRA receive 15% of the TIF (with a maximum amount of \$634,366 per year), plus 5% of the TIF (with a maximum of \$210,566).
- The Third Amendment (2010) revised the definition of "Available Tax Increment" to include set schedule of payments to the HRA for pooling for affordable housing (to replace the housing that was lost) and a set schedule of payments for administrative expenses of the HRA.

- The Fourth Amendment (2010) revised the definition of “Available Tax Increment” to include set payments to the HRA for pooling for affordable housing (to replace the housing that was lost) and set payments for administrative expenses of the HRA.
- The Fifth Amendment (2014) revised the definition of “Available Tax Increment” to the following formula (which remains in place today):
“Available Tax Increment” for the purpose of the Note means seventy-five percent (75%) of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the HRA by the County in the six months preceding each Payment Date, after deducting any amount necessary to pay principal and interest on the TIF Bonds or, subject to the provisions of Section 3.5, subd. 3, any TIF Refunding Bonds.

The HRA and Best Buy approved the original contract and all the amendments that changed how TIF was distributed over time.

Confusion Regarding Fifth Amendment

The only material change made in the Fifth Amendment was to update the definition of “Available Tax Increment.” The definition was changed as follows:

“Available Tax Increment” for the purpose of the Note means seventy-five percent (75%) of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the HRA by the County in the six months preceding each Payment Date, after deducting any amount necessary to pay principal and interest on the TIF Bonds or, subject to the provisions of Section 3.5, subd. 3, any TIF Refunding Bonds.

What the Fifth Amendment says is that moving forward (as of July 14, 2014), the developer will receive 75% of the TIF collected from the County in the last six months and the HRA will receive the remaining 25% of the Tax Increment collected from the County in the last six months. There was no other substantive agreement in the Fifth Amendment.

“Unilateral” Amendment to TIF Plan

The TIF Plan is a document approved by the City and the HRA and not approved or executed by the developer. The HRA modified the TIF Plan for this TIF district (per Minn. Stat. Section 469.1763, subd. 2d) in order to maximize the use of the TIF it had received under the First Amendment and used the unobligated TIF funds to (i) transfer money to a spending plan pursuant to Minn. Stat. Section 469.176, subd. 4n; and (ii) transfer money to the City’s affordable housing trust fund as provided in special legislation the HRA received in 2021. These were funds that otherwise would have been returned to the County for redistribution and not funds that would have been paid to Best Buy. To be clear, these funds were provided to the HRA in the early 2000s and were lawfully provided to the HRA based on the contract at the time.

Overpayments of TIF to Best Buy

TIF law does not prevent the TIF authority from seeking to correct an overpayment. We confirmed this with Jason Nord at the Office of the State Auditor. In fact, the HRA has a duty to correct the error because otherwise, an overpayment is an unauthorized use of tax increment. Best Buy’s position that a statute of limitations is applicable does not make sense in this context. The HRA makes payments on the TIF Note every six months. A statute of limitations argument does not apply because the semi-annual TIF payments on the TIF Note are effectively just prepayments of the total amount that is due to the developer under the terms of the TIF Note and the contract. The statute of limitations period would not be triggered payment by payment but rather based on the total amount due at maturity. A statute of limitations period would only begin *after* final payment of the TIF Note.

Minimum Assessment Agreement

We discussed the assessment agreement during our meetings with Best Buy several times. We repeatedly informed the Best Buy team that they would need significant lead time in order to get the proper sign offs from the County, the School District, and the City in order to remove the assessment agreement from the Best Buy property (as required by Minn. Stat. Section 469.177, subd. 8).

Please contact me at your convenience with any questions regarding the foregoing.

KENNEDY & GRAVEN, CHARTERED

A handwritten signature in cursive script that reads "Julie Eddington".

Julie Eddington