



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
JUNE 21, 2022
7:00 PM**

Call to Order

Open Forum: To participate remotely dial 1-415-655-0001, enter webinar access code: 2456 519 3413 password: 1234

Approval of the minutes of the Regular Housing and Redevelopment Authority Meeting of May 16, 2022.

AGENDA APPROVAL

1. Approval of the Agenda

RESOLUTIONS

2. Consideration of a resolution awarding up to \$200,000 in funding from the Affordable Housing Trust Fund to MWF Properties for the development of 55 units of affordable multi-family housing at 7700 Pillsbury Avenue South.

Staff Report No. 22

3. Consideration of the adoption of a resolution approving a Contract for Private Development with 101 E 66th St LLC and authorizing the issuance of a Tax Increment Limited Revenue Note related to the construction of an 80-unit mixed use project at 101 - 66th Street East.

Staff Report No. 23

HRA DISCUSSION ITEMS

4. Review and discussion of the Richfield Rediscovered Program.

EXECUTIVE DIRECTOR REPORT

5. Executive Director's Report

CLAIMS

6. Claims
7. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

May 16, 2022

CALL TO ORDER

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

HRA Members Present: Mary Supple, Chair; Erin Vrieze Daniels, Vice Chair; Maria Regan Gonzalez; Lee Ohnesorge; and Gordon Hanson

HRA Members Absent: None.

Staff Present: Melissa Poehlman, Executive Director/Community Development Director; Julie Urban, Assistant Community Development Director; Jane Skov, IT Manager; and Kari Sinning, City Clerk.

Others Present: Ted Levin, Owner; Tao Gong and Huan Ma, Owners; Denis Cherniy, General Contractor

OPEN FORUM

Chair Supple provided instructions to call in for the open forum and due to technical difficulties the Authority moved the Open Forum to allow for those to call in.

Executive Director Poehlman read an emailed comment from Ben Whalen, 7533 Clinton Avenue, regarding the use funds for the Richfield Rediscovered Program.

APPROVAL OF THE MINUTES

M/Regan Gonzalez, S/Vrieze Daniels to approve the minutes of the: 1) Joint City Council, HRA, and Planning Commission Work Session of March 8, 2022; 2) Joint City Council, HRA and Planning Commission Work Session of April 12, 2022; and 3) Regular Housing and Redevelopment Authority Meeting of April 18, 2022.

Motion carried 5-0.

ITEM #1

APPROVAL OF THE AGENDA

M/Regan Gonzalez, S/Hanson to approve the agenda with the open forum moved.

Motion carried 5-0

ITEM #2	CONSIDERATION OF THE ADOPTION OF A RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY LOCATED AT 1516 - 66TH STREET EAST (STAFF REPORT NO. 19)
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Executive Director Poehlman presented Staff Report No. 19.

M/Hanson, S/Regan Gonzalez to adopt a resolution authorizing the purchase of real property located at 1516 - 66th Street East for \$561,180.

HRA RESOLUTION NO. 1431

**RESOLUTION AUTHORIZING PURCHASE OF REAL PROPERTY
LOCATED AT 1516 – 66TH STREET EAST**

Chair Supple thanked the owners for their commitment to Richfield over the last 48 years.

Motion Carried 5-0

OPEN FORUM

With the technical difficulties resolved, Chair Supple provided instructions to call in for the open forum of which there were no callers.

ITEM #3	CONSIDER RESOLUTIONS APPROVING A MODIFICATION TO THE TAX INCREMENT REDEVELOPMENT PLANS FOR THE LYNDALE GATEWAY/INTERCHANGE WEST, URBAN VILLAGE AND CITY BELLA TAX INCREMENT FINANCING DISTRICTS, ALLOWING AN ADDITIONAL 10 PERCENT OF INCREMENT TO BE POOLED FOR AFFORDABLE HOUSING PURPOSES. (STAFF REPORT NO. 20)
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Assistant Community Development Director Urban presented Staff Report No. 20.

Commissioner Regan Gonzalez asked if money can be contributed throughout the timeframe or just once. Assistant Director Urban stated that it can be contributed throughout the years until December 31, 2026. Commissioner Regan Gonzalez expressed excitement and hoped that this will set precedence for the future of this use for not just Richfield but other cities as well.

Chair Supple shared in the excitement and stated that this gives the City more flexibility to fund projects for affordable housing.

M/Regan Gonzalez, S/Vrieze Daniels to adopt resolutions approving a modification to the Tax Increment Redevelopment Plans for the Lyndale Gateway/Interchange West, Urban Village

and City Bella Tax Increment Financing districts3 to allow pooling of an additional 10 percent to the City's Affordable Housing Trust Fund.

HRA RESOLUTION NO. 1432

RESOLUTION APPROVING A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR THE URBAN VILLAGE TAX INCREMENT FINANCING DISTRICT

HRA RESOLUTION NO. 1433

RESOLUTION APPROVING A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR THE CITY BELLA TAX INCREMENT FINANCING DISTRICT

HRA RESOLUTION NO. 1434

RESOLUTION APPROVING A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR THE INTERCHANGE WEST AND LYNDALE GATEWAY TAX INCREMENT FINANCING DISTRICT

Motion Carried 5-0

ITEM #4	CONSIDERATION OF THE APPROVAL OF A CONTRACT FOR PRIVATE DEVELOPMENT BETWEEN THE HOUSING AND REDEVELOPMENT AUTHORITY AND TAO GONG AND HUAN MA FOR THE REDEVELOPMENT OF 6644 LOGAN AVENUE SOUTH UNDER THE RICHFIELD REDISCOVERED CREDIT PROGRAM. (STAFF REPORT NO. 21)
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Assistant Community Development Director Urban presented Staff Report No. 21.

Chair Supple clarified that this item is only for this specific proposal and not about the Richfield Rediscovered Program merits.

M/Vrieze Daniels, S/Hanson to approve and authorize execution of a Contract for Private Development between the Housing and Redevelopment Authority and Tao Gong and Huan Ma for the redevelopment of 6644 Logan Avenue South.

Commissioner Vrieze Daniels supported the contract, expressed excitement for the new house to be built, and welcomed the new owners to the neighborhood.

Chair Supple expressed excitement for the energy efficient plans that would be built.

Motion Carried 5-0

ITEM #5	HRA DISCUSSION ITEMS
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Commissioner Regan Gonzalez commented that she would need more information to make a decision regarding the future of the Richfield Rediscovered Program. Commissioner Vrieze Daniels agreed with Commissioner Regan Gonzalez and proposed that all of the programs be

analyzed to see how they work together and how they serve the future. Executive Director Poehlman stated that as budget preparations for 2023 are underway that now is the time to look at the programs and this topic could be added to the discussion items next month.

Commissioner Hanson asked about the criteria that businesses or homes could be sold to the HRA. Executive Director Poehlman stated the process, requirements, and interests that the City would have for a property.

Chair Supple thanked Vice Chair Vrieze Daniels for chairing the April meeting in her absence. She also extended thanks to City Staff regarding the work they did to help Woodlawn Terrace manufactured home residents to own their land and stated that a documentary was made to showcase the process in hopes to help other cities to help their manufactured home parks.

ITEM #6	EXECUTIVE DIRECTOR REPORT
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Executive Director Poehlman updated the Authority on the Beacon proposal for the Portland roundabout parcels as they are going to delay until 2023 due to financing and there will likely be a request for an extension on the preliminary proposal.

ITEM #7	CLAIMS
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M/Regan Gonzalez, S/Vrieze Daniels that the following claims be approved:

<u>U.S. BANK</u>	<u>5/16/2022</u>
Section 8 Checks: 133794 – 133878	\$184,391.15
HRA Checks: 34188 – 34199	<u>\$79,532.14</u>
TOTAL	\$263,923.29

Motion carried 5-0

Item #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:30 p.m.

Date Approved: June 21, 2022

Mary B. Supple
HRA Chair

Kari Sinning
City Clerk

Melissa Poehlman
Executive Director



STAFF REPORT NO. 22
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
6/21/2022

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

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: Melissa Poehلمان, Executive Director
6/15/2022

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a resolution awarding up to \$200,000 in funding from the Affordable Housing Trust Fund to MWF Properties for the development of 55 units of affordable multi-family housing at 7700 Pillsbury Avenue South.

EXECUTIVE SUMMARY:

MWF Properties (the Developer) has received approvals to construct 55 units of multi-family housing on Housing and Redevelopment Authority (HRA)-owned property located at 7700 Pillsbury Avenue South. The HRA approved a Contract for Private Development (Contract) with the Developer in December 2021 to provide 48 units affordable at 60% of the Area Median Income (AMI), five units affordable at 50% AMI, and two units for people with disabilities, affordable at 30% AMI. The HRA agreed to provide \$881,848 in tax increment financing to support the project. The Developer planned to apply for tax-exempt bonds and four percent tax credits in January to finance the project; however, insufficient funds were available.

Facing rising construction costs, the Developer has decided to apply for nine percent tax credits for the project from Minnesota Housing. The nine percent tax credits will provide significant additional equity to the project that will cover the increased construction costs and enable the project to offer deeper affordability than was originally proposed. The Developer is also planning to make additional energy-efficiency improvements to the building.

The Developer is proposing to provide the following level of affordability:

- Six units affordable at 30% of the AMI
- 19 units affordable at 50% of the AMI
- 18 units affordable at 60% of the AMI
- Seven housing support units for people who have experienced homelessness (30% AMI)
- Five units for people with disabilities (30% AMI)

The number of three bedroom units will be reduced from 15 to nine but five four bedroom units will be added. The energy efficiency level the project will seek to obtain is the B3 Sustainable Building 2030 Energy Standard (SB 2030), which includes a combination of on-site renewable energy generation and energy efficiency.

To help fund the project revisions, the Developer is seeking an additional \$200,000 from the HRA's Affordable Housing Trust Fund. The additional funds will help the Developer to provide the increased affordability as well as the energy efficiency improvements, which will make the project more likely to receive tax credits.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving an amendment to the Contract for Private Development with MWF Properties, awarding up to \$200,000 for affordability and energy-efficiency improvements, and authorizing the Chair and Executive Director to execute the amendment.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The property at 7700 Pillsbury Avenue South was originally the site of the City Garage/Public Works facility offices. After garage operations were moved to the new Public Works facility at 66th Street and Trunk Highway 77, the property was transferred to the HRA to be marketed for redevelopment.
- In 2019, the HRA approved a Contract with MWF Properties to develop 55 units of work force housing on the HRA-owned property at 7700 Pillsbury Avenue South. The project applied for but was not awarded nine percent tax credits, and the Contract expired.
- MWF presented the project at a work session on October 18, 2021.
- The HRA approved a Contract for Private Development with MWF on December 20, 2021.
- The City Council approved land use items related to the project on May 10, 2022.

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

- The proposed project would exceed the requirements of the Inclusionary Housing Policy, which requires that 20 percent of all projects assisted with public financing be affordable at 60 percent of the AMI.
- The project provides a significant number of deeply affordable units, units with larger bedroom sizes, and also housing for people with disabilities, which is all consistent with HRA goals for affordable housing.
- Minnesota Housing awards an allocation of nine percent tax credits on an annual basis. The awards are made to projects that best meet the goals established in the State's Qualified Allocation Plan. Deep affordability, large units, housing for people with disabilities, locations in areas with access to employment and quality schools, energy-efficiency features, low land costs, and local financial commitment all make a project more competitive for the limited funds.
- The SB 2030 Energy Standard is a progressive energy conservation program designed to significantly reduce the energy and carbon in Minnesota commercial, institutional and industrial buildings. Based on the national Architecture 2030 program, SB 2030 has been tailored to the needs of Minnesota buildings. Compliance with the SB 2030 Standard is achieved by a combination of on-site renewable energy generation and energy efficiency.

C. CRITICAL TIMING ISSUES:

- The application for nine percent tax credits is due July 14, 2022. The Developer is asking for a commitment of additional financial assistance from the HRA to include in the application to increase the project score and provide a better opportunity for the project to be funded.
- Following approval of the resolution, the HRA Attorney will prepare a formal amendment to the Contract.

D. FINANCIAL IMPACT:

- Funding will be provided by the City's Affordable Housing Trust Fund.

E. LEGAL CONSIDERATION:

- The amendment will be prepared by the HRA Attorney.

ALTERNATIVE RECOMMENDATION(S):

- Decide not to approve additional funds for the Richfield Flats project.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Ryan Schwickert, MWF Properties

ATTACHMENTS:

Description	Type
📎 Resolution	Resolution Letter

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

RESOLUTION NO. _____

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

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") was created pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of Richfield, Minnesota (the "City"); and

WHEREAS, MWF Properties, LLC, a Minnesota limited liability company (the "Developer"), intends to acquire certain property from the Authority (the "Development Property") and construct thereon an approximately 55-unit multifamily housing development, including two (2) one bedroom units of housing for people with disabilities, accompanied by supportive services for persons or families whose income is thirty percent (30%) or less of the metro area's median gross income and five (5) two bedroom units reserved for persons or families whose income is fifty percent (50%) or less of the metro area's median gross income (the "Minimum Improvements"); and

WHEREAS, the Board of Commissioners of the Authority (the "Board") previously approved a Contract for Private Development (the "Development Agreement") between the Authority and the Developer, pursuant to which the Developer agreed to construct the Minimum Improvements, and the Authority agreed to reimburse the Developer for certain public redevelopment costs associated with the Minimum Improvements (the "Public Redevelopment Costs"); and

WHEREAS, pursuant to the Development Agreement, the Authority proposed to convey property to the Developer in exchange for a payment of \$70,000 (resulting in a land write-down of \$700,000); and

WHEREAS, in order to make the Minimum Improvements economically feasible for the Developer to construct, the Authority planned to reimburse the Developer for public redevelopment costs in the amount of up to \$881,848 by either (i) establishing a housing Tax Increment Financing District (the "TIF District") within the Richfield Project pursuant to Minnesota Statutes, Section 469.174 through 469.1794, as amended; or (ii) drawing funds from the City's Affordable Housing Trust Fund; and

WHEREAS, the Developer has determined to change the project to a 9% tax credit project and plans to change the affordability mix of units to include four bedroom units and is exploring energy efficiency measures; and

WHEREAS, the Developer intends to change the unit mix in the Minimum Improvements to include seven (7) HPH Housing Support units, five (5) 811 units for disabled individuals, six units for persons or families whose income is thirty percent (30%) or less of the metro area's median gross income, and nineteen (19) units for persons or families whose income is fifty percent (50%) or less of the metro area's median gross income; and

WHEREAS, the Developer has requested an additional amount of funds in the maximum amount of \$200,000 to be drawn from the City's Affordable Housing Trust Fund in order to change the affordability mix of units and implement energy efficiency measures; and

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

Section 1. The Authority hereby approves an increase in funds to the Developer in the amount of up to \$200,000 if the Developer provides the Authority's staff with sufficient evidence of a need for the additional funds.

Section 2. The Chair and the Executive Director are hereby authorized to execute and deliver to the Developer an amendment to the Development Agreement incorporating to carry out the intentions of this resolution.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 21st day of June, 2022.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary



STAFF REPORT NO. 23
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
6/21/2022

REPORT PREPARED BY: Melissa Poehlman, Executive Director
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: Melissa Poehlman, Executive Director
6/16/2022

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the adoption of a resolution approving a Contract for Private Development with 101 E 66th St LLC and authorizing the issuance of a Tax Increment Limited Revenue Note related to the construction of an 80-unit mixed use project at 101 - 66th Street East.

EXECUTIVE SUMMARY:

The property at 101 - 66th St East was first vacated in 2013. After three years of neglect, it was purchased for redevelopment by PLH & Associates in 2016. After many years of work, the City approved plans for a 42-unit mixed use building in October 2020, and the Housing and Redevelopment Authority (HRA) approved a Contract for Private Development to provide assistance in the form of Tax Increment in January 2021. Shortly thereafter, PLH sold the property to 101 E 66th St LLC (Developer).

In June 2021, the Developer presented new plans for the redevelopment of the site and on January 11, 2022, the Council approved site plans for an 80-unit, 5-story mixed use building. HRA financial consultant Ehlers has reviewed the project finances and, as was the case with the previous proposal, there is a substantial financial "gap" that must be filled in order to redevelop the blighted site.

HRA staff has worked with HRA Legal Counsel and the Developer to negotiate a Contract for Private Development (Contract). Among the provisions of the Contract are:

- The Developer will make improvements totaling at least \$18,000,800 million to include construction of a new 5-story mixed use building with approximately 80 apartment units and 2,700 square feet of ground floor commercial space;
- The Developer will pay and/or reimburse the HRA's up-front costs to create this Contract and other administrative costs;
- A minimum of 20% of the units in the building (16 units) will be reserved for households earning 60% or less of the Area Median Income (AMI) for the life of the Tax Increment Financing (TIF) District (projected to be 16 years). Affordable units are to be distributed proportionally among the various unit types.
- In accordance with the City and HRA's Inclusionary Housing Policy, the development must include at least three "Type A" units that include roll-in showers and grab bars; or at least two units that are ADA accessible.
- The HRA will withhold the first 10% of Tax Increment for reimbursement of its ongoing administrative costs throughout the life of the District.
- The maximum TIF that would be available to the Developer is \$2.3 million. Staff and the HRA's Financial Advisor (Ehlers) have concluded that the development could not occur "But For" this level of assistance.
- As a reminder, in a TIF District, the property owner continues to pay taxes on the pre-redevelopment

property values to all of the taxing jurisdictions (City, County, and School District) as had been the case prior to the establishment of the TIF District. The property owner also pays normal property taxes on the value of the new construction; these "new" taxes can be returned to the Developer to reimburse them for costs necessary to make the project financially feasible.

RECOMMENDED ACTION:

By motion: Approve a resolution approving a Contract for Private Development with 101 E 66th St LLC and authorizing the issuance of a Tax Increment Limited Revenue Note.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- Southview Baptist Church vacated the property and began marketing it for sale in 2013.
- Developer PLH & Associates purchased the property in 2016.
- June 26, 2018 - City Council approves land use applications for 31-unit mixed use development.
- May 28, 2019 & May 12, 2020 - City Council approves extension of land use approvals.
- June 15, 2020 - Revised plans with reduced commercial space and affordable units presented to City Council and HRA.
- July 14, 2020 - City Council approves application for Livable Communities Development Account grant funds (not awarded).
- July 20, 2020 - HRA approves Preliminary Development Agreement.
- October 13, 2020 - City Council approves revised land use application for 42-unit mixed use development.
- January 19, 2021 - HRA approves Contract for Private Development and issuance of TIF Note (not executed).
- May 2021 - PLH & Associates sells project to North Bay Companies (dba 101 E 66th St LLC).
- June 6, 2021 - New Developer presents plans for a 75-unit, 6-story mixed use building at work session.
- January 11, 2022 - City Council approves land use plans for an 80-unit, 5-story mixed use building.

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

- In a Redevelopment TIF District there are no statutory requirements related to affordability. The HRA and City's Inclusionary Housing Policy states that rental housing developments that receive financial assistance must either:
 - Reserve 20% of the units for households earning 60% or less of the Area Median Income; OR
 - Contribute 15% of the available Tax Increment generated to the Richfield Housing and Redevelopment Fund.

C. CRITICAL TIMING ISSUES:

- The Developer is anxious to lock in financing due to the instability in the market.
- The Contract requires that construction commence by December 31, 2022 and be substantially complete by December 31, 2024.

D. FINANCIAL IMPACT:

- The Contract calls for the Developer to receive up to \$2.3 million in TIF.
 - That TIF would be provided in the form of a "Pay-As-You-Go" Note and would not pose a financial risk to the HRA (the risk would be to the Developer if the property failed to pay adequate property taxes).
 - The development property will continue to generate and pay property taxes to all of the current taxing jurisdictions (City, County, and School District) based on the "base value" of the property.
 - The Developer would be obligated to reimburse the HRA for legal and financial costs associated with drafting this Contract and with evaluating project finances.
 - The HRA would retain 10% of the TIF generated to reimburse the HRA for ongoing expenses related to the administration of the District.

E. LEGAL CONSIDERATION:

- The Contract was drafted by HRA Attorney Julie Eddington.

ALTERNATIVE RECOMMENDATION(S):

1. Do not approve the Contract.
2. Approve the Contract with modifications.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative(s) of 101 E 66th St LLC

ATTACHMENTS:

	Description	Type
▣	Resolution	Resolution Letter
▣	Contract for Private Development	Contract/Agreement

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

RESOLUTION NO. _____

**RESOLUTION APPROVING CONTRACT FOR PRIVATE DEVELOPMENT WITH 101 E 66TH
ST LLC AND AUTHORIZING THE ISSUANCE OF A TAX INCREMENT LIMITED REVENUE
NOTE**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") was created pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of Richfield, Minnesota (the "City"); and

WHEREAS, the City and the Authority intend to establish a redevelopment tax increment financing district (the "TIF District") within the Richfield Redevelopment Project, pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the "TIF Act"); and

WHEREAS, 101 E 66th St LLC, a Minnesota limited liability company (the "Developer"), owns certain property in the City (the "Development Property") and has proposed to construct thereon approximately 80 rental housing units, including sixteen affordable housing units, and approximately 2,800 square feet of commercial space (the "Minimum Improvements"); and

WHEREAS, there has been presented before this Board of Commissioners of the Authority (the "Board") a Contract for Private Development (the "Development Agreement") between the Authority and the Developer, pursuant to which the Developer will agree to construct the Minimum Improvements, and the Authority will agree to reimburse the Developer for certain public redevelopment costs associated with the Minimum Improvements (the "Public Redevelopment Costs"); and

WHEREAS, pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the Public Redevelopment Costs, and such bonds shall be payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds; and

WHEREAS, pursuant to the Development Agreement, the Authority has proposed to issue a Tax Increment Limited Revenue Note to the Developer (the "TIF Note") in the maximum principal amount of \$2,300,000 to reimburse the Developer for the Public Redevelopment Costs; and

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

Section 1. The Development Agreement. The Development Agreement is hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the Development Agreement for and on behalf of the Authority in substantially the form now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

Section 2. The TIF Note.

2.01. The Authority hereby approves and authorizes the Chair and Executive Director to execute the TIF Note upon the Executive Director's determination that the conditions for issuance of the TIF Note set forth in Section 3.3 of the Development Agreement have been met. The TIF Note shall be sold to the Developer with such terms provided in the Development Agreement. The Authority hereby delegates to the Executive Director the determination of the date on which the TIF Note is to be delivered. The Authority shall receive in exchange for the sale of the TIF Note the agreement of the Developer to pay or cause to be paid the Public Redevelopment Costs.

2.02. The TIF Note shall be in substantially the form set forth in Exhibit B attached to the Development Agreement, with the blanks to be properly filled in and the principal amount and payment schedule adjusted as of the date of issue.

2.03. The TIF Note shall be issued as a single typewritten note numbered R-1. The TIF Note shall be issuable only in fully registered form. Principal of the TIF Note shall be payable by check or draft issued by the registrar described herein. Principal of the TIF Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date (as defined in the Development Agreement), whether or not such day is a business day.

2.04. The Authority hereby appoints the Executive Director of the Authority to perform the functions of registrar, transfer agent and paying agent (the "Registrar") for the TIF Note. The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto shall be as follows:

(a) The Registrar shall keep at its office a bond register in which the Registrar shall provide for the registration of ownership of the TIF Note and the registration of transfers and exchanges of the TIF Note.

(b) Upon surrender for transfer of the TIF Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new TIF Note or Notes of a like aggregate principal amount and maturity, as requested by the transferor. Notwithstanding the foregoing, the TIF Note shall not be transferred to any person other than an affiliate, or other related entity, of the Developer unless the Authority has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Developer or a certificate of the transferor, in a form satisfactory to the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

(c) Any TIF Note surrendered upon any transfer shall be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.

(d) If the TIF Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such TIF Note or separate instrument of transfer is legally authorized. The Registrar shall incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(e) The Authority and the Registrar may treat the person in whose name the TIF Note is at any time registered in the bond register as the absolute owner of such TIF Note, whether the TIF Note shall be

overdue or not, for the purpose of receiving payment of, or on account of, the principal of such TIF Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such TIF Note to the extent of the sum or sums so paid.

(f) For every transfer or exchange of the TIF Note, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange.

(g) In case the TIF Note shall become mutilated or be lost, stolen, or destroyed, the Registrar shall deliver a new TIF Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of such mutilated TIF Note or in lieu of and in substitution for such TIF Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of the TIF Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that such TIF Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar shall be named as obligees. The TIF Note so surrendered to the Registrar shall be cancelled by it and evidence of such cancellation shall be given to the Authority. If the mutilated, lost, stolen, or destroyed TIF Note has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new TIF Note prior to payment.

2.05. The TIF Note shall be prepared under the direction of the Executive Director and shall be executed on behalf of the Authority by the signatures of its Chair and Executive Director. In case any officer whose signature shall appear on the TIF Note shall cease to be such officer before the delivery of the TIF Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the TIF Note has been so executed, it shall be delivered by the Executive Director to the Developer in accordance with the Development Agreement.

Section 3. Security Provisions of the TIF Note.

3.01. The Authority hereby pledges to the payment of the principal of the TIF Note all Available Tax Increment (as defined in the Development Agreement and as further described in the TIF Note). Available Tax Increment shall be applied to payment of the principal of the TIF Note in accordance with the terms of Development Agreement and the form of TIF Note.

3.02. Until the date the TIF Note is no longer outstanding and no principal thereof (to the extent required to be paid pursuant to this resolution) remains unpaid, the Authority shall maintain a separate and special "Bond Fund" for the TIF Note to be used for no purpose other than the payment of the principal of the TIF Note. The Authority irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment, subject to the terms of the Development Agreement. Any Available Tax Increment remaining in either Bond Fund shall be transferred to the Authority's account for the TIF District upon the payment of all principal to be paid with respect to the TIF Note.

Section 4. Miscellaneous.

4.01. The Chair and the Executive Director are hereby authorized to execute and deliver to the Developer any and all documents deemed necessary to carry out the intentions of this resolution and the Development Agreement.

4.02. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Developer certified copies of all proceedings and records of the Authority, and such other affidavits,

certificates, and information as may be required to show the facts relating to the legality and marketability of the TIF Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the Authority as to the facts recited therein.

4.03. This resolution shall be effective upon the establishment of the TIF District.

4.04. The approval of the execution and delivery of the Development Agreement shall supersede any prior approvals by the Board with respect to the development of the Development Property by a private developer.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 21st day of June, 2022.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

**Fourth Draft
June 14, 2022**

**CONTRACT
FOR
PRIVATE DEVELOPMENT**

between

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

and

101 E 66TH ST LLC

Dated June 21, 2022

This document was drafted by:
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150 South Fifth Street, Suite 700
Minneapolis, Minnesota 55402-1299
Telephone: 612-337-9300

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CONTRACT FOR PRIVATE DEVELOPMENT

THIS CONTRACT FOR PRIVATE DEVELOPMENT, made as of the 21st day of June, 2022 (the “Agreement”), is between the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a public body corporate and politic under the laws of the State of Minnesota (the “Authority”), and 101 E 66TH ST LLC, a Minnesota limited liability company (the “Developer”).

WITNESSETH:

WHEREAS, the Authority was created pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended (the “HRA Act”), and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of Richfield, Minnesota (the “City”); and

WHEREAS, the Authority has undertaken a program to promote redevelopment and development of land that is underused or underutilized within the City, and in this connection the Authority administers a redevelopment project known as the Richfield Redevelopment Project (the “Redevelopment Project”) pursuant to the HRA Act; and

WHEREAS, pursuant to the HRA Act, the Authority is authorized to undertake certain activities to facilitate the redevelopment of blighted properties and promote the development of affordable housing within the City; and

WHEREAS, within the Redevelopment Project, the Authority has created the 2020-2 Tax Increment Financing District – EMI (the “TIF District”), a redevelopment district, in order to facilitate redevelopment of certain property in the Redevelopment Project and promote the development of affordable housing within the City; and

WHEREAS, the Developer owns certain property in the City (the “Development Property”) within the TIF District and intends to construct thereon a mixed-use development, including approximately 80 apartment units (including sixteen affordable units) and approximately 2,800 square feet of commercial space (the “Minimum Improvements”); and

WHEREAS, in order to achieve the objectives of the redevelopment plan for the Redevelopment Project and make the Minimum Improvements economically feasible for the Developer to construct, the Authority is prepared to reimburse the Developer for a portion of land acquisition costs, site improvement costs, infrastructure costs, demolition and remediation costs, and other costs related to the Minimum Improvements that may be reimbursed with tax increment; and

WHEREAS, the Authority believes that the development of the TIF District pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable State of Minnesota and local laws and requirements under which the Redevelopment Project has been undertaken and is being assisted.

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

ARTICLE I

Definitions

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context, the following terms have the following meanings:

“Agreement” means this Contract for Private Development, as the same may be from time to time modified, amended, or supplemented.

“Authority” means the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota.

“Authority Representative” means the Executive Director of the Authority.

“Available Tax Increment” means, on each Payment Date, the Tax Increment attributable to the Development Property and paid to the Authority by the County in the six months preceding the Payment Date after first deducting therefrom ten percent (10%) of the Tax Increment to be used to reimburse the Authority for administrative expenses. Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under this Agreement that has not been waived by the Authority. Once the Event of Default is cured or waived by the Authority, withheld Tax Increment shall be Available Tax Increment.

“Board” means the Board of Commissioners of the Authority.

“Certificate of Completion” means the certification provided to the Developer pursuant to Section 4.4 hereof and set forth in EXHIBIT D.

“City” means the City of Richfield, Minnesota.

“City Council” means the City Council of the City.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed by the Developer on the Development Property, including the Minimum Improvements, which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the City; and (b) shall include at least the following: (1) site plan, (2) foundation plan, (3) floor plan for each floor, (4) cross-sections of each (length and width), (5) elevations (all sides, including a building materials schedule), (6) landscape and grading plan, and (7) such other plans or supplements to the foregoing plans as the City may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means Hennepin County, Minnesota.

“Declaration of Restrictive Covenants” means the Declaration of Restrictive Covenants between the Authority and the Developer in substantially the form set forth in EXHIBIT E.

“Developer” means 101 E 66th St LLC, a Minnesota limited liability company, or its permitted successors and assigns.

“Development Property” means the real property described in EXHIBIT A.

“Event of Default” means an action by the Developer listed in Article IX hereof.

“Holder” means the owner of a Mortgage.

“HRA Act” means Minnesota Statutes, Sections 469.001 through 469.047, as amended.

“Material Change” means a change in construction plans that materially and adversely affects generation of tax increment or changes the number of units of rental housing.

“Maturity Date” means the date that the TIF Note has been paid in full or terminated, whichever is earlier.

“Minimum Improvements” means the development on the Development Property of a mixed use development, including approximately 80 apartment units (including 16 affordable units) and approximately 2,800 square feet of commercial space.

“Minimum Market Value” has the meaning set forth in Section 4.2(a)(vi) hereof.

“Mortgage” means any mortgage made by the Developer which is secured, in whole or in part, with the Development Property and which is a permitted encumbrance pursuant to the provisions of Article VII hereof.

“Payment Date” means each February 1 and August 1 on which principal of and interest on the TIF Note is paid.

“Public Redevelopment Costs” means costs related to the development of the Minimum Improvements and eligible to be reimbursed with Tax Increment, including but not limited to land acquisition costs, site improvement costs, infrastructure costs, and demolition and remediation costs.

“Qualified Project Period” means the period commencing on the date a certificate of occupancy is received from the City and continuing through the date that is fifteen years after the date a certificate of occupancy is received from the City.

“Redevelopment Plan” means the Redevelopment Plan for the Redevelopment Project approved and adopted by the Board and the City Council.

“Redevelopment Project” means the Richfield Redevelopment Project.

“State” means the State of Minnesota.

“Tax Increment” means that portion of the real property taxes which is paid with respect to the TIF District and which is remitted to the Authority as tax increment pursuant to the TIF Act.

“Tax Official” means any County assessor, County auditor, County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“TIF Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

“TIF District” means the 2020-2 Tax Increment District – Emi, a redevelopment district within the Redevelopment Project.

“TIF Note” means the Tax Increment Limited Revenue Note, substantially in the form attached hereto as EXHIBIT B, to be delivered by the Authority to the Developer pursuant to Section 3.3(a) hereof.

“TIF Plan” means the Tax Increment Financing Plan for the TIF District, as approved by the City Council of the City on January 26, 2021, as it may be amended and supplemented.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of strikes, other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the Authority in exercising its rights under this Agreement) which directly result in delays, acts of public enemies, wars, blockades, insurrections, riots, earthquakes, fires, floods, disasters, sabotage, regulatory changes, or other events or circumstances not within the reasonable control of a party preventing a party from performing its obligations, including, without limitation, diseases, public health emergencies, pandemics (e.g., COVID-19), endemics, travel bans, domestic or international restrictions on travel, or acts of governmental bodies (but not including governmental actions, orders, penalties, judgments, or requirements which such party could have prevented by compliance with applicable laws, regulations and standards).

(The remainder of this page is intentionally left blank.)

ARTICLE II

Representations and Warranties

Section 2.1. Representations by the Authority. The Authority makes the following representations as the basis for the undertaking on its part herein contained:

(a) The Authority is a housing and redevelopment authority organized and existing under the laws of the State. Under the provisions of the HRA Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder, and execution of this Agreement has been duly, properly and validly authorized by the Authority.

(b) The Authority proposes to assist in financing certain land acquisition costs, demolition and remediation costs, and site improvement costs necessary to facilitate the construction of the Minimum Improvements in accordance with the terms of this Agreement to further the objectives of the Redevelopment Plan.

(c) The Authority finds that the Minimum Improvements are necessary to alleviate a shortage of, and maintain existing supplies of, decent, safe, and sanitary housing and to promote redevelopment of blighted properties in the City.

(d) The execution, delivery and performance of this Agreement and of any other documents or instruments required pursuant to this Agreement by the Authority, and consummation of the transactions contemplated therein and the fulfillment of the terms thereof, do not and will not conflict with or constitute a breach of or default under any existing (i) indenture, mortgage, deed of trust or other agreement or instrument to which the Authority is a party or by which the Authority or any of its property is or may be bound; or (ii) legislative act, constitution or other proceedings establishing or relating to the establishment of the Authority or its officers or its resolutions.

(e) There is not pending, nor to the best of the Authority's knowledge is there threatened, any suit, action or proceeding against the Authority before any court, arbitrator, administrative agency or other governmental authority that materially and adversely affects the validity of any of the transactions contemplated hereby, the ability of the Authority to perform its obligations hereunder, or the validity or enforcement of this Agreement.

(f) No commissioner of the Board or officer of the Authority has either a direct or indirect financial interest in this Agreement, nor will any commissioner or officer benefit financially from this Agreement within the meaning of Section 469.009 of the HRA Act.

Section 2.2. Representations by the Developer. The Developer represents and warrants that:

(a) The Developer is a Minnesota limited liability company duly organized and in good standing under the laws of the State, is duly authorized to transact business within the State, and has the power to enter into this Agreement.

(b) The Developer will construct, operate and maintain the Minimum Improvements in accordance with the terms of this Agreement, the Redevelopment Plan, and all local, State, and federal laws and regulations (including, but not limited to, environmental, zoning, building code, labor, and public health laws and regulations).

(c) The Developer has received no notice or communication from any local, State or federal official that the activities of the Developer or the Authority in or on the Development Property may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the Authority is aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, State, or federal environmental law, regulation, or review procedure.

(d) The Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, State, and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

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

(f) The proposed development by the Developer hereunder would not occur but for the tax increment financing assistance being provided by the Authority hereunder.

(g) The Developer shall promptly advise the Authority in writing of all litigation or claims affecting any part of the Minimum Improvements and all written complaints and charges made by any governmental authority materially affecting the Minimum Improvements or materially affecting Developer or its business which may delay or require changes in construction of the Minimum Improvements.

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ARTICLE III

Property Acquisition; Financing

Section 3.1. Status of Development Property. The Developer owns the Development Property. The Authority has no obligation to purchase the Development Property.

Section 3.2. Environmental Conditions.

(a) The Developer acknowledges that the Authority makes no representations or warranties as to the condition of the soils on the Development Property or the fitness of the Development Property for construction of the Minimum Improvements or any other purpose for which the Developer may make use of such property, and that the assistance provided to the Developer under this Agreement neither implies any responsibility by the Authority for any contamination of the Development Property nor imposes any obligation on such parties to participate in any cleanup of the Development Property.

(b) Without limiting its obligations under Section 8.3 hereof, the Developer further agrees that it will indemnify, defend, and hold harmless the Authority and its governing body members, officers, and employees, from any claims or actions arising out of the presence, if any, of hazardous wastes or pollutants existing on or in the Development Property, unless and to the extent that such hazardous wastes or pollutants are present as a result of the actions or omissions of the indemnitees. Nothing in this Section will be construed to limit or affect any limitations on liability of the Authority under State or federal law, including without limitation Minnesota Statutes, Sections 466.04 and 604.02, as amended.

Section 3.3. Issuance of Pay-As-You-Go TIF Note.

(a) To reimburse the Developer for certain Public Redevelopment Costs, the Authority shall issue and deliver and the Developer shall purchase the TIF Note in the principal amount of \$2,300,000 in substantially the form set forth in EXHIBIT B. The Authority and the Developer agree that the consideration from the Developer for the purchase of the TIF Note shall consist of the Developer's payment of the Public Redevelopment Costs in at least the principal amount of the TIF Note.

The Authority shall deliver the TIF Note upon delivery by the Developer of an investment letter in substantially the form attached hereto as EXHIBIT C, together with evidence reasonably satisfactory to the Authority that the Developer has paid the Public Redevelopment Costs in at least the principal amount of the TIF Note. The principal of and interest on the TIF Note shall be payable each Payment Date solely with Available Tax Increment.

Following the end of the 2022 regular session of Minnesota's house and senate, legislators have stated that they are considering a special session and one item that is expected to be discussed is a significant decrease in the property taxes to be paid by housing projects that comply with Minn. Stat. Section 273.128. If such a law is approved and the Developer determines to take advantage of the new law, the Authority reserves the right to decrease the amount of the TIF Note based on the new amount of property taxes that would be due and owing for the Minimum Improvements.

(b) The Developer understands and acknowledges that the Authority makes no representations or warranties regarding the amount of Available Tax Increment, or that revenues pledged to the TIF Note will be sufficient to pay the principal of and interest on the TIF Note. Any estimates of Tax Increment prepared by the Authority or its financial or municipal advisors in connection with the TIF District or this Agreement are for the benefit of the Authority and are not intended as representations on which the Developer may rely.

(c) The Authority acknowledges that the Developer may assign the TIF Note to a lender that provides part of the financing for the acquisition of the Development Property or the construction of the Minimum Improvements. Pursuant to the terms of the TIF Note, the TIF Note may be assigned if the assignee executes an investment letter in substantially the form set forth in EXHIBIT C.

Section 3.4. Term of TIF District. The Developer understands and acknowledges that the TIF Note is payable solely from the Available Tax Increment generated in the first sixteen years of the TIF District.

Section 3.5. Termination of TIF District. At any time following payment in full of the principal of and interest on the TIF Note, the Authority may use the remaining Tax Increment for any other authorized uses set forth in the TIF Plan or may terminate the TIF District.

Section 3.6. Payment of Administrative Costs. The Developer has deposited with the Authority \$15,000 to pay Administrative Costs. "Administrative Costs" are defined as out-of-pocket costs incurred by the Authority, together with staff and consultant costs of the Authority, all attributable to or incurred in connection with the negotiation and preparation of this Agreement, the TIF Plan, and other documents and agreements in connection with the establishment of the TIF District and development of the Development Property, and not previously paid by Developer. At the Developer's request, but no more often than monthly, the Authority will provide the Developer with a written report including invoices, time sheets or other comparable evidence of expenditures for Administrative Costs and the outstanding balance of funds deposited. At any time the deposit drops below \$1,000, the Developer shall replenish the deposit to the full \$15,000 within 30 days after receipt of written notice thereof from the Authority. If at any time the Authority determines that the deposit is insufficient to pay Administrative Costs, the Developer is obligated to pay such shortfall within 15 days after receipt of a written notice from the Authority containing evidence of the unpaid costs. If Administrative Costs incurred, and reasonably anticipated to be incurred, are less than the deposit by the Developer, the Authority shall return to the Developer any funds not anticipated to be needed.

Section 3.7. Records. The Authority and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of Developer relating to the Minimum Improvements and the costs for which the Developer has been reimbursed with Tax Increment.

Section 3.8. Purpose of Assistance. The parties agree and understand that the purpose of the Authority's financial assistance to the Developer is to facilitate redevelopment of blighted properties and the development of housing and is not a "business subsidy" within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended. No portion of the tax increment assistance provided pursuant to the Agreement shall be utilized for the commercial portion of the Minimum Improvements.

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ARTICLE IV

Construction of Minimum Improvements

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property substantially in accordance with the Construction Plans as approved pursuant to Section 4.2 hereof, and at all times prior to the Maturity Date, the Developer will operate and maintain, preserve, and keep the Minimum Improvements or cause such improvements to be maintained, preserved, and kept with the appurtenances and every part and parcel thereof, in good repair and condition. The Authority shall have no obligation to operate or maintain the Minimum Improvements.

Section 4.2. Construction Plans.

(a) Before commencement of construction of the Minimum Improvements, the Developer shall submit the Construction Plans to the Authority. The Authority Representative will approve the Construction Plans in writing if (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to the goals and objectives of the Redevelopment Plan; (iii) the Construction Plans conform to all applicable federal, State, and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; (v) the Construction Plans do not provide for expenditures in excess of the funds available to the Developer from all sources (including Developer's equity) for construction of the Minimum Improvements; (vi) the Construction Plans provide for the construction of Minimum Improvements having an estimated market value of at least \$18,000,800 (the "Minimum Market Value"); and (vii) no uncured Event of Default has occurred. Approval may be based upon a review by the City's Building Official of the Construction Plans. No approval by the Authority Representative shall relieve the Developer of the obligation to comply with the terms of this Agreement or of the Redevelopment Plan, applicable federal, State, and local laws, ordinances, rules, and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the Authority Representative shall constitute a waiver of an Event of Default. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the Authority Representative, in whole or in part. Such rejections shall set forth in detail the reasons therefor, and shall be made within 30 days after the date of their receipt by the Authority. If the Authority Representative rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within 30 days after written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the Authority. The Authority Representative's approval shall not be unreasonably withheld, delayed or conditioned. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements constructed in accordance with said plans) comply to the Authority's satisfaction with the provisions of this Agreement relating thereto.

(b) If the Developer desires to make any Material Change in the Construction Plans after their approval by the Authority, the Developer shall submit the proposed change to the Authority for its approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of this Section 4.2 with respect to such previously approved Construction Plans, the Authority Representative shall approve the proposed change and notify the Developer in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Authority unless rejected, in whole or in part, by written notice by the Authority to the Developer, setting forth in detail the reasons therefor. Such rejection shall be made within 30 days after receipt of the notice of such change. The Authority's approval of any such change in the Construction Plans may be conditioned on amendment to provisions of this Agreement if such amendments will mitigate the materiality of such proposed changes.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer will commence the construction of the Minimum Improvements by December 31, 2022, and substantially complete construction of the Minimum Improvements by December 31, 2024. Construction is considered to be commenced upon the beginning of physical improvements beyond grading. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in substantial conformity with the Construction Plans as submitted by the Developer and approved by the Authority.

The Developer agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that the Developer, and such successors and assigns, shall promptly begin and diligently prosecute to completion the development of the Minimum Improvements.

Section 4.4. Certificate of Completion.

(a) Promptly after completion of the Minimum Improvements in accordance with those provisions of this Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for beginning and completion thereof), the Authority Representative will furnish the Developer with a Certificate of Completion shown in EXHIBIT D; provided, however, that prior to the issuance of the Certificate of Completion, the Developer must provide the Authority with evidence satisfactory to the Authority Representative that all contractors, subcontractors, and project laborers have been paid.

(b) If the Authority Representative shall refuse or fail to provide any certification in accordance with the provisions of this Section 4.4, the Authority Representative shall, within 30 days after written request by the Developer, provide the Developer with a written statement, indicating in adequate detail in what respects the Developer has failed to complete the Minimum Improvements in accordance with the provisions of this Agreement, or is otherwise in default, and what measures or acts will be necessary, in the opinion of the Authority, for the Developer to take or perform in order to obtain such certification.

(c) Regardless of whether a Certificate of Completion is issued by the Authority, the construction of the Minimum Improvements shall be deemed to be complete upon issuance of a certificate of occupancy by the City.

Section 4.5. Affordability Covenants.

(a) The Developer agrees that at all times from initial occupancy of the Minimum Improvements through the date that is fifteen (15) years after the date the Developer received a Certificate of Occupancy for the Minimum Improvements, at least sixteen (16) of the units within the Minimum Improvements shall be reserved for occupancy by individuals whose income is sixty percent (60%) or less of the area's median gross income and satisfy the income requirements for a qualified residential rental project as defined in Section 142(d) of the Internal Revenue Code.

(b) Pursuant to the City's Inclusionary Housing Policy, the Minimum Improvements must include (i) at least three (3) "Type A" units per ANSI A117.1, Section 1003 of the 2020 Minnesota Accessibility Code that include roll-in showers and grab bars; or (ii) at least two (2) Rental Housing Units that are ADA accessible units per ANSI A117.1 Section 1002 of the 2020 Minnesota Accessibility Code.

(c) The Developer agrees to distribute the affordable units across unit types as follows:

Type of Unit	Total Number of Units	Number of Affordable Units
Studio	37	7 at 60% Area Median Income
One Bedroom	31	5 at 60% Area Median Income
Two Bedroom	11	3 at 60% Area Median Income
Three Bedroom	1	1 at 60% Area Median Income

(d) The Developer and the Authority shall execute the Declaration of Restrictive Covenants in substantially the form set forth in EXHIBIT E and record such agreement against the Development Property.

(e) During the term of the Declaration, the Developer shall not adopt any policies specifically prohibiting or excluding any rental to tenants holding certificates/vouchers under Section 8 of the United States Housing Act of 1937, as amended, codified as 42 U.S.C. Sections 1401 et seq., or its successor because of such prospective tenant's status as such a certificate/voucher holder.

(f) The Authority and its representatives will have the right at all reasonable times while the covenants in this Section are in effect, after reasonable notice to inspect, examine, and copy all books and records of the Developer and its successors and assigns relating to the covenants described in this Section and in the Declaration.

(g) The Developer will immediately notify the Authority if at any time during the term of the Declaration the dwelling units in the Minimum Improvements are not occupied or available for occupancy as required by the terms of the Declaration.

Section 4.6. Affordable Housing Reporting. At least annually, no later than April 1 of each year commencing on the April 1 first following the issuance of the Certificate of Completion, the Developer shall provide a report to the Authority evidencing that the Developer complied with the income affordability covenants set forth in Section 4.5 hereof during the previous calendar year. The income affordability reporting shall be on the form entitled "Tenant Income Certification" from the Minnesota Housing Finance Agency (MHFA HTC Form 14), or if unavailable, any similar form. The Authority may require the Developer to provide additional information reasonably necessary to assess the accuracy of such certification. Unless earlier excused by the Authority, the Developer shall send affordable housing reports to the Authority until TIF District is decertified. If the Developer fails to provide the annual reporting required under this Section, the Authority may withhold payments of Available Tax Increment under the TIF Note.

It is the intention of the parties hereto that if tax-exempt revenue obligations are issued by the City or the Authority for the benefit of the Developer, the annual report required under this Section may be used to satisfy the reporting requirements under a regulatory agreement between the City or the Authority, the Developer, and the trustee for such tax-exempt revenue obligations.

Section 4.7. Notice of Sale of Minimum Improvements. In consideration of the financial assistance provided to the Developer pursuant to Article III hereof, the Developer agrees to provide the Authority with at least 90 days' notice of any sale of the Minimum Improvements.

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ARTICLE V

Insurance

Section 5.1. Insurance.

(a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority, furnish the Authority with proof of payment of premiums on policies covering the following:

(i) builder's risk insurance, written on the so-called "Builder's Risk – Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy; the interest of the Authority shall be protected in accordance with a clause in form and content satisfactory to the Authority;

(ii) comprehensive general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) together with a Protective Liability Policy with limits against bodily injury and property damage of not less than \$2,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); the Authority shall be listed as an additional insured on the policy; and

(iii) workers' compensation insurance, with statutory coverage.

(b) Upon completion of construction of the Minimum Improvements and prior to the Maturity Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the Authority shall furnish proof of the payment of premiums on, insurance as follows:

(i) insurance against loss and damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses;

(ii) comprehensive general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and property, in the minimum amount for each occurrence and for each year of \$2,000,000, and shall be endorsed to show the Authority as an additional insured; and

(iii) such other insurance, including workers' compensation insurance respecting all employees, if any, of the Developer, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in this Article V shall be taken out and maintained in responsible insurance companies selected by the Developer which are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Developer will deposit annually with the Authority policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to the Developer and the Authority at least 30 days before the cancellation or modification becomes effective. In lieu of separate policies, the Developer

may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Developer shall deposit with the Authority a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the Authority immediately in the case of damage exceeding \$250,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

The Developer shall complete the repair, reconstruction, and restoration of the Minimum Improvements, whether or not the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Developer.

(e) Notwithstanding anything to the contrary contained in this Agreement, in the event of damage to the Minimum Improvements in excess of \$250,000 and the Developer fails to complete any repair, reconstruction or restoration of the Minimum Improvements within 18 months from the date of damage, the Authority may, at its option, terminate the TIF Note as provided in Section 9.3(b) hereof. If the Authority terminates the TIF Note, such termination shall constitute the Authority's sole remedy under this Agreement as a result of the Developer's failure to repair, reconstruct, or restore the Minimum Improvements. Thereafter, the Authority shall have no further obligations to make any payments under the TIF Note.

(f) The Developer and the Authority agree that all of the insurance provisions set forth in this Article V shall terminate upon the termination of this Agreement.

Section 5.2. Subordination. Notwithstanding anything to the contrary contained in this Article V, the rights of the Authority with respect to the receipt and application of any proceeds of insurance shall, in all respects, be subject and subordinate to the rights of any lender under a Mortgage approved pursuant to Article VII hereof.

(The remainder of this page is intentionally left blank.)

ARTICLE VI

Tax Increment; Taxes

Section 6.1. Right to Collect Delinquent Taxes. The Developer acknowledges that the Authority is providing substantial aid and assistance in furtherance of the redevelopment through issuance of the TIF Note. The Developer understands that the Tax Increments pledged to payment of the TIF Note are derived from real estate taxes on the Development Property, which taxes must be promptly and timely paid. To that end, the Developer agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the Authority to sue the Developer or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit, the Authority shall also be entitled to recover its costs, expenses and reasonable attorneys' fees.

Section 6.2. Reduction of Taxes. The Developer agrees that after the date of certification of the TIF District and prior to completion of the Minimum Improvements, it will not cause a reduction in the real property taxes paid in respect of the Development Property through (a) willful destruction of the Development Property or any part thereof (except for the demolition of structures required for construction of the Minimum Improvements); or (b) willful refusal to reconstruct damaged or destroyed property pursuant to Section 5.1 hereof.

The Developer also agrees that it will not, prior to the Maturity Date, (i) seek exemption from property tax for the Development Property; (ii) convey or transfer or allow conveyance or transfer of the Development Property to any entity that is exempt from payment of real property taxes under State law; or (iii) seek or agree to any reduction of the assessor's estimated market value to below the Minimum Market Value.

The Developer may, at any time following the issuance of the Certificate of Completion, seek through petition or other means to have the assessor's estimated market value for the Development Property reduced to not less than the Minimum Market Value. Such activity must be preceded by written notice from the Developer to the Authority indicating its intention to do so.

Upon receiving such notice, or otherwise learning of the Developer's intentions, the Authority may suspend or reduce payments due under the TIF Note except for the portion of such payments from Available Tax Increment based on the Minimum Market Value or the assessor's estimated market value for the year in which the Minimum Improvements have been completed, if less than Minimum Market Value, until the actual amount of the reduction in market value is determined, whereupon the Authority will make the suspended payments less any amount that the Authority is required to repay the County as a result of any retroactive reduction in market value of the Development Property.

During the period that the payments are subject to suspension, the Authority may make partial payments on the TIF Note, from the amounts subject to suspension, if it determines, in its sole and absolute discretion, that the amount retained will be sufficient to cover any repayment which the County may require. Upon resolution of the Developer's tax petition, any Available Tax Increment deferred and withheld under this Section shall be paid, without interest thereon, to the extent payable under the assessor's final determination of market value.

The Authority's suspension of payments on the TIF Note pursuant to this Section shall not be considered a default under Section 9.1 hereof.

Section 6.3. Qualifications. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that upon a transfer of the Development Property to another person or entity, the Developer will remain obligated under Sections 6.1 and 6.2 hereof, unless the Developer is released from such obligations in accordance with the terms and conditions of Section 8.2(b) or 8.3 hereof.

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ARTICLE VII

Financing

Section 7.1. Mortgage Financing.

(a) Before commencement of construction of the Minimum Improvements, the Developer shall submit to the Authority evidence of one or more commitments for financing which, together with committed equity for such construction, is sufficient for payment of the Minimum Improvements. Such commitments may be submitted as short-term financing, long-term mortgage financing, a bridge loan with a long-term take-out financing commitment, or any combination of the foregoing.

(b) If the Authority finds that the financing is sufficiently committed and adequate in amount to pay the costs specified in subsection (a) above, then the Authority shall notify the Developer in writing of its approval. Such approval shall not be unreasonably withheld and either approval or rejection shall be given within 30 days from the date when the Authority is provided the evidence of financing. A failure by the Authority to respond to such evidence of financing shall be deemed to constitute an approval hereunder. If the Authority rejects the evidence of financing as inadequate, it shall do so in writing specifying the basis for the rejection. In any event the Developer shall submit adequate evidence of financing within 30 days after such rejection.

Section 7.2. Authority's Option to Cure Default in Mortgage. In the event that any portion of the Developer's funds is provided through mortgage financing, and there occurs a default under any Mortgage authorized pursuant to this Article VII, the Developer shall cause the Authority to receive copies of any notice of default received by the Developer from the Holder of such Mortgage. Thereafter, the Authority shall have the right, but not the obligation, to cure any such default on behalf of the Developer within such cure periods as are available to the Developer under the Mortgage documents.

Section 7.3. Modification; Subordination. In order to facilitate the Developer obtaining financing for the development of the Minimum Improvements, the Authority agrees to subordinate its rights under this Agreement to the Holder of any Mortgage securing construction or permanent financing, under terms and conditions reasonably acceptable to the Authority. An agreement to subordinate this Agreement must be approved by the Board.

Section 7.4. Termination. All the provisions of this Article VII shall terminate with respect to the Minimum Improvements, upon delivery of the Certificate of Completion for the Minimum Improvements. The Developer or any successor in interest to the Minimum Improvements or portion thereof, may sell or engage in financing or any other transaction creating a mortgage or encumbrance or lien on the Minimum Improvements or any portion thereof for which a Certificate of Completion has been obtained, without obtaining prior written approval of the Authority; provided that such sale, financing or other transaction creating a mortgage or encumbrance shall not be deemed as resulting in any subordination of the Authority's rights under this Agreement unless the Authority expressly consents to such a subordination.

(The remainder of this page is intentionally left blank.)

ARTICLE VIII

Prohibitions Against Assignment and Transfer; Indemnification

Section 8.1. Representation as to Development. The Developer represents and agrees that its purchase of the Development Property, and its other undertakings pursuant to this Agreement, are, and will be used, for the purpose of development of the Development Property and not for speculation in land holding.

Section 8.2. Prohibition Against Developer's Transfer of Property and Assignment of Agreement. The Developer represents and agrees that prior to issuance of the Certificate of Completion for the Minimum Improvements:

(a) Except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Developer or any successor in interest to the Development Property, or any part thereof, to perform its obligations with respect to making the Minimum Improvements under this Agreement, and any other purpose authorized by this Agreement, the Developer has not made or created and will not make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to this Agreement or the Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same (except a lease to a residential occupant or a lease to a retail/commercial tenant), without the prior written approval of the Authority unless the Developer remains liable and bound by this Agreement in which event the Authority's approval is not required. Any such transfer shall be subject to the provisions of this Agreement.

(b) Prior to the issuance of the Certificate of Completion, in the event the Developer, upon transfer or assignment of the Development Property seeks to be released from its obligations under this Agreement, the Authority shall be entitled to require, except as otherwise provided in this Agreement, as conditions to any such release that:

(i) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the Authority, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer.

(ii) Any proposed transferee, by instrument in writing satisfactory to the Authority and in form recordable among the land records, shall, for itself and its successors and assigns, and expressly for the benefit of the Authority, have expressly assumed all of the obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject; provided, however, that the fact that any transferee of, or any other successor in interest whatsoever to, the Development Property, or any part thereof, shall not, for whatever reason, have assumed such obligations or so agreed, and shall not (unless and only to the extent otherwise specifically provided in this Agreement or agreed to in writing by the Authority) deprive the Authority of any rights or remedies or controls with respect to the Development Property or any part thereof or the construction of the Minimum Improvements; it being the intent of the parties as expressed in this Agreement that (to the fullest extent permitted at law and in equity and excepting only in the manner and to the extent specifically provided otherwise in this Agreement) no transfer of, or change with respect to, ownership in the Development Property or any part thereof, or any interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally or practically, to deprive or limit the Authority of or with respect to any rights or remedies on controls provided in or resulting from this Agreement with respect to the Minimum Improvements that the Authority would have had, had there been no such transfer or change. In the

absence of specific written agreement by the Authority to the contrary, no such transfer or approval by the Authority thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto.

(iii) Any and all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property governed by this Article VIII, shall be in a form reasonably satisfactory to the Authority.

In the event the foregoing conditions are satisfied then the Developer shall be released from its obligation under this Agreement.

After issuance of the Certificate of Completion for the Minimum Improvements, the Developer may transfer or assign the Development Property or the Developer's interest in this Agreement if it obtains the prior written consent of the Authority (which consent will not be unreasonably withheld) and the transferee or assignee is bound by all the Developer's obligations hereunder. The Developer shall submit to the Authority written evidence of any such transfer or assignment, including the transferee or assignee's express assumption of the Developer's obligations under this Agreement. If the Developer fails to provide such evidence of transfer and assumption, the Developer shall remain bound by all its obligations under this Agreement.

Section 8.3. Release and Indemnification Covenants.

(a) The Developer releases from and covenants and agrees that the Authority and its governing body members, officers, agents, servants and employees thereof shall not be liable for and agrees to indemnify and hold harmless the Authority and its respective governing body members, officers, agents, servants and employees thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

(b) Except for any willful misrepresentation, gross negligence or any willful or wanton misconduct of the Authority, or its governing body members, officers, agents or employees, the Developer agrees to protect and defend the Authority and its governing body members, officers, agents, servants and employees thereof, now or forever, and further agrees to hold the aforesaid harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, maintenance and operation of the Minimum Improvements. As to any willful misrepresentation, gross negligence or any willful or wanton misconduct of the Authority, or its governing body members, officers, agents or employees, the Authority agrees to protect and defend the Developer, its officers, agents, servants and employees and hold the same harmless from any such proceedings.

(c) The Authority and its governing body members, officers, agents, servants and employees thereof shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Development Property or Minimum Improvements due to any act of negligence of any person.

(d) All covenants, stipulations, promises, agreements and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any governing body member, officer, agent, servant or employee of the Authority in the individual capacity thereof.

ARTICLE IX

Events of Default

Section 9.1. Events of Default. The following will be “Events of Default” under this Agreement and the term “Event of Default” means, whenever it is used in this Agreement, any one or more of the following events, after the non-defaulting party provides 30 days’ written notice to the defaulting party of the event, but only if the event has not been cured within said 30 days or, if the event is by its nature incurable within 30 days, the defaulting party does not, within the 30 day period, provide assurances reasonably satisfactory to the party providing notice of default that the event will be cured and will be cured as soon as reasonably possible:

(a) failure by the Developer or the Authority to observe or perform any covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement; or

(b) if the Developer:

(i) files any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law;

(ii) makes an assignment for benefit of its creditors;

(iii) fails to pay real estate taxes on the Development Property or the Minimum Improvements as they become due;

(iv) admits in writing its inability to pay its debts generally as they become due;

(v) is adjudicated a bankrupt or insolvent;

(vi) fails to comply with the Declaration; or

(vii) fails to comply with labor laws.

Section 9.2. Remedies on Default. Whenever any Event of Default referred to in Section 9.1 hereof occurs, the non-defaulting party may exercise its rights under this Section 9.2 after providing 30 days’ written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said 30 days or, if the Event of Default is by its nature incurable within 30 days, the defaulting party does not provide assurances reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible:

(a) suspend its performance under this Agreement until it receives assurances that the defaulting party will cure its default and continue its performance under this Agreement;

(b) cancel and rescind or terminate this Agreement, subject to the provisions of Section 9.3;

(c) upon a default by the Developer resulting from the Developer’s noncompliance with labor laws, the Authority may determine not to issue the TIF Note, delay the issuance of the TIF Note until the Developer is in compliance with labor laws, reduce the principal amount of the TIF Note issued or to be issued, and terminate this Agreement;

(d) upon a default by the Developer, other than as provided in subsection (c) above, the Authority may suspend payments under the TIF Note or terminate the TIF Note and the TIF District, subject to the provisions of Section 9.3 hereof; or

(e) take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

Section 9.3. Termination or Suspension of TIF Note. After the Authority has issued its Certificate of Completion for the Minimum Improvements, the Authority and the City may exercise its rights under Section 9.2 hereof only for the following Events of Default:

(a) the Developer fails to pay real estate taxes or assessments on the Development Property or any part thereof when due, and such taxes or assessments shall not have been paid, or provision satisfactory to the Authority made for such payment, within 30 days after written demand by the Authority to do so;

(b) the Developer fails to comply with Developer's obligation to operate and maintain, preserve, and keep the Minimum Improvements or cause such improvements to be maintained, preserved, and kept with the appurtenances and every part and parcel thereof, in good repair and condition, pursuant to Sections 4.1 and 5.1 hereof; provided that, upon Developer's failure to comply with Developer's obligations under Section 4.1 or 5.1 hereof, if uncured after 30 days' written notice to the Developer of such failure, the Authority may only suspend payments under the TIF Note until such time as Developer complies with said obligations; if the Developer fails to comply with said obligations for a period of 18 months, the Authority may terminate the TIF Note and the TIF District; or

(c) if the Developer fails to provide the annual reports required by Section 4.6 hereof regarding compliance with the income restrictions described in Section 4.5 hereof, the Authority may suspend payments of Available Tax Increment under the TIF Note.

Section 9.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it shall not be necessary to give notice, other than the notices already required in Sections 9.2 and 9.3 hereof.

Section 9.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.6. Attorneys' Fees and Costs. Whenever any Event of Default occurs and if the Authority employs attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, and the Authority prevails in the action, the Developer agrees that it will, within 10 days of written demand by the Authority, pay to the Authority the reasonable fees of the attorneys and the other expenses so incurred by the Authority.

ARTICLE X

Additional Provisions

Section 10.1. Conflict of Interests; Authority Representatives Not Individually Liable. The Authority and the Developer, to the best of their respective knowledge, represent and agree that no member, official, or employee of the Authority shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, or employee participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested. No member, official, or employee of the Authority shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Authority or County or for any amount which may become due to the Developer or successor or on any obligations under the terms of this Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in this Agreement it will comply with all applicable federal, State, and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restrictions on Use. The Developer agrees that, prior to the Maturity Date, the Developer, and such successors and assigns, shall use the Development Property solely for the development of housing in accordance with the terms of this Agreement, including the affordability requirements set forth in Section 4.5 and shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under this Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at 2118 Fourth Avenue South, Minneapolis, MN 55404, Attn: President; and

(b) in the case of the Authority, is addressed to or delivered personally to the Authority at 6700 Portland Avenue South, Richfield, MN 55423, Attn: Community Development Director;

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

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The Authority may record a memorandum of this Agreement and any amendments thereto with the Registrar of Titles of the County. The Developer shall pay all costs for recording.

Section 10.9. Amendment. This Agreement may be amended only by written agreement executed by the Authority and the Developer.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Authority has caused this Contract for Private Development to be duly executed in its name and behalf and the Developer has caused this Contract for Private Development to be duly executed in its name and behalf as of the date and year first written above.

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

By _____
Its Chair

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Mary B. Supple, the Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of the State of Minnesota, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Melissa Poehlman, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of the State of Minnesota, on behalf of the Authority.

Notary Public

Execution page of the Developer to the Contract for Private Development, dated the date and year first written above.

101 E 66TH ST LLC

By _____
Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by _____, the _____ of 101 E 66th St LLC, a Minnesota limited liability company, on behalf of the Developer.

Notary Public

EXHIBIT A

DEVELOPMENT PROPERTY

Parcel 1:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows, to wit:

Beginning at the northwest corner of said Lot 7, and running thence south along the west line of said Lot 7, a distance of 46.56 feet; thence running east a distance of 135.62 feet; thence running north a distance of 46.62 feet to the north line of said Lot 7; thence running west along the said north line of Lot 7 a distance of 135.63 feet to the place of beginning;

The North 22.56 feet of that part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Beginning at a point on the west line of said Lot 7, 46.56 feet south of the northwest corner of said Lot 7, thence running east a distance of 135.62 feet; thence south to a point on the south line of said Lot 7, 135.61 feet east of the southwest corner of said Lot 7; thence west to said southwest corner, thence north along the west line of said Lot 7 to the point of beginning.

Parcel 2:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Beginning at a point on the west line of said Lot 7, 46.56 feet south of the northwest corner of said Lot 7, thence running east a distance of 135.62 feet; thence south to a point on the south line of said Lot 7, 135.61 feet east of the southwest corner of said Lot 7, thence west to said southwest corner, thence north along the west line of said Lot 7 to the point of beginning, except the North 22.56 feet thereof,

The west half of Lot 8, except the south 50 feet thereof, Goodspeed's First Plat, Hennepin County, Minnesota..

Parcel 3:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Commencing at the northwest corner of said Lot 7, thence south along the west line of said Lot 7, 46.56 feet, thence east on a line parallel to the north line of said Lot 7, 135.62 feet to the actual point of beginning; thence north to a point on the north line of said Lot 7, 135.63 feet east from the northwest corner thereof, thence east along the north line of said Lot 7 to the northeast corner, thence south along the east line to the southeast corner of said Lot 7, thence west along the south line to a point 135.61 feet east from the southwest corner measured along the south line of said Lot 7, thence north to the actual point of beginning.

Parcel 4:

The east half of Lot 8, Goodspeed's First Plat, Hennepin County, Minnesota.

EXHIBIT B
FORM OF TIF NOTE

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE
CITY OF RICHFIELD

No. R-1

\$ _____

TAX INCREMENT LIMITED REVENUE NOTE
SERIES _____

Rate

Date
of Original Issue

_____ %

_____, 20__

The Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”), for value received, certifies that it is indebted and hereby promises to pay to 101 E 66th St LLC, a Minnesota limited liability company, or registered assigns (the “Owner”), the principal sum of \$2,300,000 and to pay interest thereon at the rate per annum set forth above, as and to the extent set forth herein. Capitalized terms used herein that are otherwise not defined shall have the meanings provided in the Contract for Private Development, dated _____, 2022 (the “Agreement”), between the Authority and the Owner.

1. Payments. Principal and interest (the “Payments”) shall be paid on August 1, 2024, and each February 1 and August 1 thereafter (each a “Payment Date”) to and including February 1, 2039, in the amounts and from the sources set forth in Section 3 herein. Payments shall be applied first to accrued interest, and then to unpaid principal.

Payments are payable by mail to the address of the Owner or such other address as the Owner may designate upon 30 days’ written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. Interest. Interest at the rate stated above shall accrue on the unpaid principal, commencing on the Date of Original Issue. Interest shall accrue on a simple basis and will not be added to principal. Interest shall be computed on the basis of a year of three hundred sixty (360) days and charged for actual days principal is unpaid.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from Available Tax Increment attributable to the Development Property and paid to the Authority by the County in the six (6) months preceding the Payment Date. The principal of and interest on this Note shall be payable each Payment Date solely from Available Tax Increment. No payments will be made on the Note on any Payment Date if there is an uncured Event of Default under the Agreement.

“Available Tax Increment” means, on each Payment Date, the Tax Increment attributable to the Development Property and paid to the Authority by the County in the six (6) months preceding the Payment Date after first deducting therefrom ten percent (10%) of the Tax Increment to be used to reimburse the Authority for administrative expenses and subject to Section 4.5 hereof. Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under this Agreement that has not been waived by the Authority. Once the Event of Default is cured or waived by the Authority, withheld Tax Increment shall be Available Tax Increment.

The Authority shall have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the Authority to pay the entire amount of principal or interest on this Note on any Payment Date shall not constitute a default hereunder as long as the Authority pays principal and interest hereon to the extent of Available Tax Increment. The Authority shall have no obligation to pay unpaid balance of principal or accrued interest that may remain after the payment of Available Tax Increment from the last payment of Tax Increment the Authority is entitled to receive from the County with respect to the Development Property.

4. Optional Prepayment. The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Note.

5. Termination. At the Authority’s option, this Note shall terminate and the Authority’s obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer, but only if the Event of Default has not been cured in accordance with Section 9.2 of the Agreement.

6. Nature of Obligation. This Note is issued to aid in financing certain public development costs and administrative costs of a Redevelopment Project undertaken by the Authority pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and is issued pursuant to an authorizing resolution (the “Resolution”) duly adopted by the Board of Commissioners of the Authority on _____, 2022, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 through 469.1794, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the Authority or its financial or municipal advisors in connection with the TIF District or the Agreement are for the benefit of the Authority, and are not intended as representations on which the Developer may rely.

THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THIS NOTE.

8. Registration. This Note is issuable only as a fully registered note without coupons.

9. Transfer. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the Authority kept for that purpose at the principal office of the City Clerk of the City of Richfield. Upon surrender for transfer of this TIF Note, including any assignment or exchange thereof, duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Executive Director, as registrar (the "Registrar"), duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, and the payment by the Owner of any tax, fee, or governmental charge required to be paid by or to the Authority with respect to such transfer or exchange, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

Notwithstanding the foregoing, this TIF Note shall not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the Authority has been provided with an investment letter in a form substantially similar to the investment letter in Exhibit C attached to the Agreement or a certificate of the transferor, in a form satisfactory to the Executive Director of the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

The Owner may assign this TIF Note to a lender that provides all or part of the financing for the acquisition of the Development Property or the construction of the Minimum Improvements. The Authority hereby consents to such assignment, conditioned upon receipt of an investment letter from such lender in substantially the form attached to the Agreement as Exhibit C, or other form reasonably acceptable to the Executive Director of the Authority. The Authority also agrees that future assignments of this TIF Note may be approved by the Executive Director of the Authority without action of the Board of Commissioners of the Authority, upon the receipt of an investment letter in substantially the form of Exhibit C of the Agreement or other investment letter reasonably acceptable to the Authority from such assignees.

This Note is issued pursuant to the Resolution and is entitled to the benefits thereof, which Resolution is incorporated herein by reference.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota has caused this Note to be executed with the manual signatures of its Chair and Executive Director, all as of the Date of Original Issue specified above.

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

Executive Director

Chair

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the Authority's Executive Director, in the name of the person last listed below.

Date of Registration

Registered Owner

Signature of Executive Director

101 E 66th St, LLC

Federal ID # _____

EXHIBIT C

FORM OF INVESTMENT LETTER

To the Housing and Redevelopment Authority in and for the City of Richfield (the “Authority”)
Attention: Executive Director

Re: \$_____ Tax Increment Limited Revenue Note, Series 20____

The undersigned, as Owner of \$_____ in principal amount of the above-captioned Note (the “Note”) pursuant to a resolution adopted by the Board of Commissioners of the Authority on _____, 2022 (the “Resolution”), hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, development counsel, as follows:

1. We understand and acknowledge that the TIF Note is delivered to the Owner as of this date pursuant to the Resolution and the Contract for Private Development, dated _____, 2022 (the “Contract”), between the Authority and the Owner.

2. We understand that the TIF Note is payable as to principal and interest solely from Available Tax Increment (as defined in the TIF Note).

3. We further understand that any estimates of Tax Increment prepared by the Authority or its financial or municipal advisors in connection with the TIF District, the Contract or the TIF Note are for the benefit of the Authority, and are not intended as representations on which the Owner may rely.

4. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the above-stated principal amount of the TIF Note.

5. We acknowledge that no offering statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Authority and the TIF Note has been issued or prepared by the Authority, and that, in due diligence, we have made our own inquiry and analysis with respect to the Authority, the TIF Note and the security therefor, and other material factors affecting the security and payment of the TIF Note.

6. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Authority, the TIF Note and the security therefor, and that as a reasonable investor we have been able to make our decision to purchase the above-stated principal amount of the TIF Note.

7. We have been informed that the TIF Note (i) is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, or under federal securities laws or regulations; (ii) will not be listed on any stock or other securities exchange; and (iii) will carry no rating from any rating service.

8. We acknowledge that neither the Authority nor Kennedy & Graven, Chartered has made any representations as to the status of interest on the TIF Note for state or federal income tax purposes.

9. We represent to you that we are purchasing the TIF Note for our own accounts and not for resale or other distribution thereof, except to the extent otherwise provided in the TIF Note, the Resolution, or any other resolution adopted by the Authority.

10. All capitalized terms used herein have the meaning provided in the Contract unless the context clearly requires otherwise.

11. The Owner's federal tax identification number is _____.

12. We acknowledge receipt of the TIF Note as of the date hereof.

101 E 66TH ST LLC

By _____
Its _____

Dated: _____, 20__

EXHIBIT D

FORM OF CERTIFICATE OF COMPLETION

The undersigned hereby certifies that 101 E 66th St LLC, a Minnesota limited liability company (the "Developer"), has fully complied with its obligations under Articles III and IV of that document titled "Contract for Private Development," dated June 21, 2022, between the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota and the Developer (the "Agreement"), which was recorded in the office of Registrar of Titles of Hennepin County, Minnesota on _____, 20____, as document number _____, with respect to construction of the Minimum Improvements in accordance with Article IV of the Agreement, and that the Developer is released and forever discharged from its obligations with respect to construction of the Minimum Improvements under Articles III and IV of the Agreement.

Dated: _____, 20____.

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

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 20____, by _____, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

Notary Public

This document was drafted by:
Kennedy & Graven, Chartered (JAE)
150 South Fifth Street, Suite 700
Minneapolis, Minnesota 55402-1299
Telephone: 612-337-9300

EXHIBIT E

FORM OF DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, made as of the 20th day of June, 2022 (the “Declaration”), is by 101 E 66TH ST LLC, a Minnesota limited liability company (the “Developer”), in favor of the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a public body corporate and politic under the laws of the State of Minnesota (the “Authority”).

RECITALS:

WHEREAS, the Developer owns real property legally described in EXHIBIT A attached hereto (the “Development Property”); and

WHEREAS, pursuant to the Contract, the Developer will construct a multifamily housing development consisting of a mixed use development, including approximately 80 apartment units and approximately 2,800 square feet of commercial space (the “Project”) on the Development Property, and to cause compliance with certain affordability covenants described in Section 4.5 of the Contract; and

WHEREAS, Section 4.5 of the Contract requires that the Developer cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in Section 4.5 of the Contract; and

WHEREAS, the Developer intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Development Property for the term described herein and binding upon all subsequent owners of the Development Property for the term described herein, and are not merely personal covenants of the Developer; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Contract unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Developer agrees as follows:

1. Term of Restrictions.

(a) Occupancy and Rental Restrictions. The term of the Occupancy Restrictions set forth in Section 3 hereof will commence on the date a certificate of occupancy is received from the City of Richfield, Minnesota (the “City”) for all affordable rental units on the Development Property (the “Rental Housing Units”). The Qualified Project Period shall continue through the date that is fifteen (15) years following the receipt of a certificate of occupancy from the City. The period from commencement to termination is the “Qualified Project Period.”

(b) Removal from Real Estate Records. Upon termination of this Declaration, the Authority will, upon request by the Developer or its assigns, execute any document appropriate to remove this Declaration from the real estate records of Hennepin County, Minnesota.

2. Project Restrictions.

(a) the Developer represents, warrants, and covenants that:

(i) All leases of Rental Housing Units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) will contain clauses, among others, wherein each individual lessee:

(1) certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) agrees that the family income at the time the lease is executed will be deemed substantial and material obligation of the lessee's tenancy, that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Developer or the Authority, and that the lessee's failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) Upon at least forty-eight (48) hours' notice, the Developer will permit any duly authorized representative of the Authority to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions.

(a) Tenant Income Provisions. The Developer represents, warrants, and covenants that:

(i) Qualifying Tenants. From the commencement of the Qualified Project Period, at least 16 of the Rental Housing Units will be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. Qualifying Tenants means those persons and families who are determined from time to time by the Developer to have combined adjusted income that does not exceed sixty percent (60%) of the Minneapolis-St. Paul metropolitan statistical area (the "Metro Area") median income for the applicable calendar year, except as provided in the last two sentences of this paragraph. For purposes of this definition, the occupants of a residential unit will not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are "students," as defined in Section 151(c)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds one hundred forty percent (140%) of the maximum income qualifying as low or moderate income for a family of its size, the next available unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the Rental Housing Unit will not continue to be treated as a Qualifying Unit. A tenant that initially qualified as a Qualifying Tenant, will continue to qualify even if such Qualifying Tenant's income exceeds sixty percent (60%) of the Metro Area median income so long as that Tenant's income does not exceed 140% of the maximum qualifying income. A tenant that initially qualified as a Qualifying Tenant, even if that Tenant's income exceeds 140% of the maximum qualifying income, will continue to qualify as a Qualifying Tenant so long as the Next Available Unit Rule is complied with.

(ii) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached

hereto as EXHIBIT B, or in any other form as may be approved by the Authority (the “Eligibility Certification”), in which the prospective Qualifying Tenant certifies as to qualifying as low or moderate income. In addition, the person will be required to provide whatever other information, documents, or certifications are deemed necessary by the Authority to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by the Developer with respect to each Qualifying Tenant who resides in a Rental Housing Unit or resided therein during the immediately preceding calendar year.

(iii) Lease. The form of lease to be utilized by the Developer in renting any Rental Housing Units to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(iv) Annual Report. The Developer covenants and agrees that during the term of this Declaration, it will prepare and submit to the Authority on or before April 1 of each year, a certificate substantially in the form of EXHIBIT C hereto, executed by the Developer, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the Rental Housing Units which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of the certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the Rental Housing Units were rented or available for rental on a continuous basis during the year to members of the general public and that the Developer was not otherwise in default under this Declaration during the year.

(v) Notice of Non-Compliance. The Developer will immediately notify the Authority if at any time during the term of this Declaration the Rental Housing Units are not occupied or available for occupancy as required by the terms of this Declaration.

(b) Section 8 Housing. During the term of this Declaration, the Developer shall not adopt any policies specifically excluding rental to tenants holding Section 8 certificate/voucher holders.

4. Transfer Restrictions. The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Rental Restrictions and Occupancy Restrictions provided herein (the “Transfer”) that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the Authority, all duties and obligations of the Developer under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the “Assumption Agreement”). The Developer will deliver the Assumption Agreement to the Authority prior to the Transfer.

5. Notice of Sale. In consideration of the financial assistance provided to the Developer pursuant to Article IV of the Contract, the Developer agrees to provide the Authority with at least ninety (90) days’ notice of any sale of the Project.

6. Enforcement.

(a) The Developer will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the Authority to inspect any books and records of the Developer regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Developer will submit any other information, documents or certifications requested by the Authority which the Authority deems reasonably necessary to substantial the Developer's continuing compliance with the provisions specified in this Declaration.

(c) The Developer acknowledges that the primary purpose for requiring compliance by the Developer with the restrictions provided in this Declaration is to ensure compliance of the property with the housing affordability covenants set forth in Section 4.5 of the Contract, and by reason thereof, the Developer, in consideration for assistance provided by the Authority under the Contract that makes possible the construction of the Project on the Development Property, hereby agrees and consents that the Authority will be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Developer of its obligations under this Declaration in a state court of competent jurisdiction. The Developer hereby further specifically acknowledges that the Authority cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Developer understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the Authority may exercise any remedy available to it under Article IX of the Contract.

7. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless the Authority and its members, officers, and agents from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Developer to comply with the terms of this Declaration, or on account of any representation or warranty of the Developer contained herein being untrue.

8. Agent of the Authority. The Authority will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Developer of any agency appointment by written notice.

9. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

10. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Developer and the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the Authority: Housing and Redevelopment Authority
 in and for the City of Richfield, Minnesota
 6700 Portland Avenue South
 Richfield, MN 55423
 Attn: Community Development Director

To the Developer: 101 E 66th St LLC
2118 Fourth Avenue South
Minneapolis, MN 55404
Attn: President

11. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

12. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Developer to enforce the provisions of this Declaration, the Developer agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the Authority in connection with the action.

13. Declaration Binding. This Declaration and the covenants contained herein will run with the real property comprising the Project and will bind the Developer and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits will inure to the Authority and its successors and assigns for the term of this Declaration as provided in Section 1(b) hereof.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Developer has caused this Declaration of Restrictive Covenants to be signed by its duly authorized representative as of the date and year first written above.

101 E 66TH ST LLC

By _____
Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by _____, the _____ of 101 E 66th St LLC, a Minnesota limited liability company, on behalf of the Developer.

Notary Public

This document was drafted by:
Kennedy & Graven, Chartered (JAE)
150 South Fifth Street, Suite 700
Minneapolis, Minnesota 55402-1299
Telephone: 612-337-9300

This Declaration of Restrictive Covenants is acknowledged and consented to by:

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

By _____
Its Chair

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by _____, the Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of the State of Minnesota, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Melissa Poehlman, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of the State of Minnesota, on behalf of the Authority.

Notary Public

EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS

LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY

Parcel 1:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows, to wit:

Beginning at the northwest corner of said Lot 7, and running thence south along the west line of said Lot 7, a distance of 46.56 feet; thence running east a distance of 135.62 feet; thence running north a distance of 46.62 feet to the north line of said Lot 7; thence running west along the said north line of Lot 7 a distance of 135.63 feet to the place of beginning;

The North 22.56 feet of that part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Beginning at a point on the west line of said Lot 7, 46.56 feet south of the northwest corner of said Lot 7, thence running east a distance of 135.62 feet; thence south to a point on the south line of said Lot 7, 135.61 feet east of the southwest corner of said Lot 7; thence west to said southwest corner, thence north along the west line of said Lot 7 to the point of beginning.

Parcel 2:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Beginning at a point on the west line of said Lot 7, 46.56 feet south of the northwest corner of said Lot 7, thence running east a distance of 135.62 feet; thence south to a point on the south line of said Lot 7, 135.61 feet east of the southwest corner of said Lot 7, thence west to said southwest corner, thence north along the west line of said Lot 7 to the point of beginning, except the North 22.56 feet thereof,

The west half of Lot 8, except the south 50 feet thereof, Goodspeed's First Plat, Hennepin County, Minnesota..

Parcel 3:

That part of Lot 7, Goodspeed's First Plat, Hennepin County, Minnesota, described as follows:

Commencing at the northwest corner of said Lot 7, thence south along the west line of said Lot 7, 46.56 feet, thence east on a line parallel to the north line of said Lot 7, 135.62 feet to the actual point of beginning; thence north to a point on the north line of said Lot 7, 135.63 feet east from the northwest corner thereof, thence east along the north line of said Lot 7 to the northeast corner, thence south along the east line to the southeast corner of said Lot 7, thence west along the south line to a point 135.61 feet east from the southwest corner measured along the south line of said Lot 7, thence north to the actual point of beginning.

Parcel 4:

The east half of Lot 8, Goodspeed's First Plat, Hennepin County, Minnesota.

EXHIBIT B TO DECLARATION OF RESTRICTIVE COVENANTS

CERTIFICATION OF TENANT ELIGIBILITY

Certification of Tenant Eligibility

(INCOME COMPUTATION AND CERTIFICATION)

Project: [Address], Richfield, Minnesota

Owner: _____

Unit Type: _____ Studio _____ 1 BR _____ 2 BR _____ 3 BR

1. I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons (including minors) who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

Name of Members of the Household	Relationship To Head of Household	Age	Place of Employment
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Income Computation

2. The anticipated income of all the above persons during the 12-month period beginning this date,

(a) including all wages and salaries, overtime pay, commissions, fees, tips and bonuses before payroll deductions; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); interest and dividends; the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; but

(b) excluding casual, sporadic or irregular gifts; amounts which are specifically for or in reimbursement of medical expenses; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of educational

scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for these types of purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs, is as follows: \$_____.

3. If any of the persons described above (or whose income or contributions was included in item 2) has any savings, bonds, equity in real property or other form of capital investment, provide:

(a) the total value of all such assets owned by all such persons: \$_____;

(b) the amount of income expected to be derived from such assets in the 12 month period commencing this date: \$_____; and

(c) the amount of such income which is included in income listed in item 2: \$_____.

4. (a) Will all of the persons listed in item 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____

No _____

(b) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____

No _____

THE UNDERSIGNED HEREBY CERTIFY THAT THE INFORMATION SET FORTH ABOVE IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGE THAT THE LEASE FOR THE UNIT TO BE OCCUPIED BY THE UNDERSIGNED WILL BE CANCELLED UPON 10 DAYS WRITTEN NOTICE IF ANY OF THE INFORMATION ABOVE IS NOT TRUE AND CORRECT.

Head of Household

Spouse

FOR COMPLETION BY OWNER
(OR ITS MANAGER) ONLY

1. Calculation of Eligible Tenant Income:

(a) Enter amount entered for entire household in 2 above: \$_____

(b) If the amount entered in 3(a) above is greater than \$5,000, enter the greater of (i) the amount entered in 3(b) less the amount entered in 3(c) or (ii) 10% of the amount entered in 3(a):
\$_____

(c) TOTAL ELIGIBLE INCOME (Line 1(a) plus Line 1(b)): \$_____

2. The amount entered in 1(c) is less than or equal to [50%] [60%] of median income for the area in which the Project is located, as defined in the Declaration. [50%] [60%] is necessary for status as a "Qualifying Tenant" under Section 3(a) of the Declaration.

3. Rent:

(a) The rent for the unit is \$_____.

(b) The amount entered in 3(a) is less than or equal to the maximum rent permitted under the Declaration.

4. Number of apartment unit assigned: _____.

5. This apartment unit was ____ was not ____ last occupied for a period of at least 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit was less than or equal to [50%] [60%] of Median Income in the area.

6. Check as applicable: _____ Applicant qualifies as a Qualifying Tenant (tenants of at least _____ units must meet), or ____ Applicant otherwise qualifies to rent a unit.

THE UNDERSIGNED HEREBY CERTIFIES THAT HE/SHE HAS NO KNOWLEDGE OF ANY FACTS WHICH WOULD CAUSE HIM/HER TO BELIEVE THAT ANY OF THE INFORMATION PROVIDED BY THE TENANT MAY BE UNTRUE OR INCORRECT.

101 E 66TH ST LLC

By _____
Its _____

EXHIBIT C TO DECLARATION OF RESTRICTIVE COVENANTS

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Certificate of
Continuing Program Compliance

Date: _____

The following information with respect to the multifamily housing development located at _____, Richfield, Minnesota (the "Project"), is being provided by 101 E 66th St LLC, a Minnesota limited liability company (the "Owner"), to the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority"), pursuant to that certain Declaration of Restrictive Covenants, dated _____, 2022 (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is _____. The total number of these units occupied is _____.

(B) The following residential units (identified by unit number) are currently occupied by "Qualifying Tenants," as the term is defined in the Declaration (for a total of ____ units):

Studio Units: _____

1 BR Units: _____

2 BR Units: _____

3 BR Units: _____

(C) The following residential units which are included in (B) above, have been re-designated as units for Qualifying Tenants since _____, 20____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the Authority by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by Qualifying Tenants based on the information set forth below:

	Unit Number	Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Rent
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
[etc.]							

(E) The Owner has obtained a “Certification of Tenant Eligibility,” in the form provided as EXHIBIT B to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent “Certification of Tenant Eligibility” for each Tenant named in (D) above who signed such a Certification since _____, 20__, the date on which the last “Certificate of Continuing Program Compliance” was filed with the Authority by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least twelve (12) months.

(G) The information provided in this “Certificate of Continuing Program Compliance” is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any “Certification of Tenant Eligibility” obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof at least _____ of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The rental levels for each Qualifying Tenant comply with the maximum permitted under the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner, on _____, 20____.

101 E 66TH ST LLC

By _____

Its _____

HOUSING AND REDEVELOPMENT AUTHORITY
Office of Executive Director

June 21, 2022

HRA Memorandum No.01
Housing and Redevelopment
Authority Commissioners
City of Richfield

Subject: Richfield Rediscovered Program

Dear Commissioners:

Prior to the May 16, 2022, Housing and Redevelopment Authority (HRA) meeting, Council member Whalen submitted comments asking that the HRA discontinue the Richfield Rediscovered Program (RR Program). In response, HRA members asked that staff add the topic as a discussion item at the June meeting. Specifically, members asked to look at how all HRA programs work together, where the funding might be re-directed, and what are the options for either ending or pausing the program.

Since that time, Council member Hayford-Oleary also submitted comments. Both Council members encourage the HRA to discontinue the RR Program and direct resources elsewhere. Responses to the points they raise and some corrections to the financial numbers they state are included in this memo.

Background

The RR Program was created in 1990 with the following goals:

1. Attract and retain growing families to the community by constructing larger, higher-valued homes.
2. Increase the tax base.
3. Remove substandard homes.

In the early 2000s, an additional goal was added to the RR Program as the community sought to create housing choices for the “empty-nester” demographic

4. Facilitate the construction of multi-unit, owner-occupied homes designed to expand family opportunities or to serve elderly residents.

The RR Program was originally created as a subset of the New Home Program, which had been addressing substandard homes in the community since 1974 through rehabilitation and new construction. The intent of RR Program was to speed up the pace of removing substandard homes and attempt to slow the trend of families leaving the community by offering larger and higher-valued homes.

The HRA has continued to construct new, affordable homes through the New Home Program (23% of all new homes constructed since 1991). In recent years, the HRA has also programmed additional funds into affordable homeownership through the down payment assistance program and by facilitating permanent affordability of existing homes through the West Hennepin Affordable Housing Land Trust.

Since 1991, 151 new homes have been constructed under RR Program and 44 under the New Home Program. While a new home built under the Programs typically replaces one existing substandard home, in several instances, larger lots have allowed for more than one replacement house, resulting in a net-gain of 39 homes.

Big Picture

The City's Comprehensive Plan (Plan) guides the HRA's housing and development work. One of the housing goals in the Plan is to provide a full range of housing choices that meets residents' needs at every stage of their lives and ensure a healthy balance of housing types that meets the needs of a diverse population with diverse needs.

To meet the housing choice goal, the HRA offers a variety of programs, at a variety of income levels (see attached chart).

One of the policies to support this goal is to "encourage the creation of 'move-up' housing through new construction and home remodeling." The RR Program and the Transformation Home Loan Program are two ways that the HRA implements this policy.

The City's Inclusionary Housing Policy also encourages a range of housing prices by requiring any homeownership project receiving financial assistance from the HRA to include affordable housing. With regards to the RR Program, the policy requires that at least 20% of the units built within a three year period must be developed under the New Home Program. Since implementing the Inclusionary Housing Policy, developments under the New Home Program have made up 22% of newly constructed units.

Cost of the Program

Since 2012, 35 homes have been constructed under the RR Program, and the subsidy per house has ranged from \$2,200 to \$67,400, with an average subsidy of \$41,500 per house and a total expenditure of approximately \$1.45 million.

Since 2012, 11 homes have been constructed under the New Home Program, and the subsidy per house has ranged from \$1,000 to \$101,000, with an average subsidy of \$75,196 per house and a total expenditure of approximately \$881,000.

Since 2016, the HRA has also dedicated funds to purchase and rehabilitate homes using the land trust model, which guarantees 99 years of affordability. Seven homes have been purchased and rehabilitated during this time, with the subsidy per house ranging from \$72,000 to \$142,000, an average subsidy of \$96,700 per home, and a total expenditure of approximately \$677,000.

Source of Funds

Funding for the RR and New Home Programs is provided by the HRA's Housing and Redevelopment Fund (HRF), which is pooled tax increment collected from redevelopment Tax Increment Financing (TIF) districts and must be spent to alleviate blighted conditions. Special legislation passed in 2021 allows the HRA to temporarily transfer a portion of this pooled tax increment into the Affordable Housing Trust Fund, to be spent on affordable housing projects, without alleviating blighted conditions.

HRA programs are funded by a variety of sources, depending on the rules and restrictions tied to each source (see attached chart).

Current Conditions/Constraints

There continues to be strong demand for the RR Program; however, the supply has shrunk as the HRA has purchased many of the substandard homes in the community, and high market prices have limited the number that are financially feasible. HRA staff have limited HRA purchases under the RR Program to the following:

1. Problematic properties that should not be sold on the open market, often referred by the City's Code Enforcement division.
2. Tax forfeiture properties that have a blighting influence on the neighborhood.
3. Cases where the owner seeks out the HRA and is willing to accept a more modest offer than the house might receive in the open market.

The application of these factors has naturally limited the pace of the RR Program, and development in recent years has been on long-held lots and remnants from road projects (e.g., Emerson Lane, 6625 2nd Avenue, 66th Street remnants).

There are currently two lots programmed for development under the RR Program: 6326 14th Avenue and 6600 Newton Avenue. The lot at 6600 Logan Avenue is scheduled for affordable new construction under the New Home Program in 2022.

While the HRA's housing rehabilitation programs address the goals of diversifying the housing stock and increasing the tax base, they do not address blighted properties that need removal. Some of these blighted property lots can and are redeveloped under the New Home Program; however, developing them as affordable is not always financially feasible, and the capacity of our non-profit partners to build new homes on these lots is also limited. Developing a new affordable home typically has a gap beyond the cost of the HRA lot subsidy, and Habitat has proven to be the partner most able to bring additional funding to the table to fill that gap.

In recent years, we have used the RR Lot Sale and New Home Programs to further other city housing goals that the market hasn't typically met, such as accessory dwelling units, highly efficient homes, and accessibility features. In the case of RR, priority is currently given to applications that meet one of these goals, and under the New Home

Program, we sell the lot for one dollar when the proposed house meets one of these goals.

Recommendations

Based on the review of the RR Program and in light of current market conditions, staff recommends the following:

1. Continue to budget Housing & Redevelopment Fund funds on the development of two RR properties (one lot sale and one credit) and one New Home new construction per year, thus making some funds available in the event the opportunity arises to purchase a substandard home.
2. Continue the practice of not actively seeking properties but limiting acquisition to problematic properties and those where the owner seeks out the HRA and is willing to accept a modest price.
3. Add the requirement to the guidelines of the RR Lot Sale and RR Credit, and New Home Programs that houses include “extra” features such as an accessory dwelling unit, accessibility, energy-efficiency, and/or a duplex (where allowed).

Alternative Recommendation

1. The HRA could choose to discontinue the RR Program by taking action to eliminate it at a future meeting.
2. The HRA could choose to pause the RR Program by choosing to not budget acquisition and/or credit funds to the RR Program in the 2023/2022 revised budget.

In either case, staff would ask for direction from the HRA on whether or not the current available RR lots (6600 Newton and 6326 14th) should be reprogrammed for development under the New Home Program.

Respectfully submitted,

Melissa Poehlman
Executive Director

Attachments

June 12, 2022

To Chair Supple and all members of the HRA,

I wanted to pass along some thoughts about the Richfield Rediscovered program more broadly after my specific comments on the last application for it. I'd also be happy to discuss this one on one if any of you would like - my understanding is this will not come before the council so you and I can talk freely without open meeting law applying.

My basic concern remains the same: We've discussed on numerous occasions and agreed that the areas of greatest need in Richfield are for deeply affordable housing, larger affordable units, and accessible units. We also discussed how these will not be addressed by the open market and therefore we must focus city resources toward these goals.

Richfield Rediscovered, while not bad, simply is not focused on those goals. Its goal is to create "move-up housing," something I believe people are still looking for but is not nearly as scarce as it was when the program was first created. MANY Richfield homes have already had additions, improvements, extra bedrooms, etc. to accommodate larger families and more modern tastes. Some folks will continue to do this without city assistance or they can take advantage of the many other programs we offer. Those programs, mostly loans instead of direct subsidies, are much cheaper to provide and can serve far more families. We can still pursue the goals of Richfield Rediscovered without sinking \$40,000-80,000 into single properties.

Additionally, Richfield Rediscovered *intentionally* serves higher income families. The express goal is to create higher-end homes. I'm not opposed to expensive homes but do not believe the city needs to subsidize them at the same (or sometimes higher) level as our apartment rehab program, for example, which receives \$100,000 annually. To me, this allocation of funds serves to perpetuate rather than fix the income inequities in our city.

Everyone who already lives in Richfield or wants to live here, regardless of their income, deserves a stable & dignified place to call home. If we're serious about using our public resources to make that more possible, I think it is time we retire the Richfield Rediscovered program and reallocate those funds toward areas of greater need.

Again, I'm happy to talk more if any of you would like!

Ben Whalen
Richfield City Council - Ward 3

June 9, 2022

Dear HRA members, executive director Poehlman, and assistant director Urban:

I understand you will be discussing possible changes or future considerations to the Richfield Rediscovered program at your upcoming meeting. I urge you to seriously consider retiring the program and directing funding to more productive and equitable uses.

I respect the goals of Richfield Rediscovered, and believe it helped Richfield through more challenging housing markets. But with Richfield's home values strong and continued strong interest from homebuyers, it is not necessary. Additionally, high home values have inflated the degree to which the HRA is subsidizing these transactions, sometimes in excess of \$100,000 for a single unit. Even with the subsidy, Richfield Rediscovered homes remain some of the most expensive housing options in Richfield — making this a large public subsidy that directly benefits only our wealthiest residents.

I defer to the HRA's and staff's expertise on how to best spend the money, but I believe ample options exist — even staying within single-family home revitalization programs.

Here are example ideas you might consider:

Facade grants or matching grants

A goal of Richfield Rediscovered had been to create showcase homes that inspire better maintenance and upkeep of the block. A much smaller investment per unit could be directed toward things that improve the aesthetics of existing homes — such as funding to support driveway and walkway repair, siding and windows, or landscaping. This could be a combination of low-interest loans, or perhaps grants or forgivable loans for income-qualified households.

I would far rather live on a block of 10 homes fixed up at \$10,000 apiece than a single brand-new house that got \$100,000.

Additional support for renovations and expansion

Another goal of Richfield Rediscovered was to diversify our housing stock, by adding more bedrooms and bathrooms. Programs like the Transformation Home Loan could be improved by offering more funding per year, or a greater matching share than 15% — and would still result in more homes that meet the needs of growing families, with less cost to the public.

Programs that add housing units

One of the major issue with Richfield Rediscovered is that, despite large subsidy levels, it usually results in net *zero* new homes — because it is tearing down one single-family home to create one *new* single-family home. But programs like the new ADU pilot as part of the transformation home loan provide a great example of using subsidy to increase the number of homes. This is a great program, but the incentives could potentially be larger. You could retain a

program that would encourage ADU development, lot splits, or (if permitted in the future by our zoning code) duplex construction.

Programs targeted at income-qualified recipients

Although still very expensive per unit, I think programs like the New Home Program serve a useful niche — on a limited scale — to get buyers into lower-maintenance homes they can afford.

Thank you for your work and dedication to Richfield.

Sincerely,
Sean Hayford Oleary

EDA/HRA Programs by Affordability

Home Ownership					
	Deferred Loan Program (CDBG)		Transformation Home Loans (EDA levy)	Rehab	
	Acquisition/Rehab (Land Trust) (CDBG/AHTF/HRF)		Architectural Consultant (HRA levy)		
	Fix-Up Fund (HRA Levy)		Remodeling Advisor (HRA levy)		
	New Home Program (Land Trust, HFH) (HRF)		Richfield Rediscovered (HRF)	New Construction	
	Down Payment Assistance (CDBG/AHTF)			Direct Assistance	
Rental					
	Apartment Remodeling (EDA levy)			Rehab	
	IHP - Redevelopment- 20% of Units (TIF)		80% of Units (TIF)	New Construction	
	Kids at Home (EDA levy)			Direct Assistance	
	Section 8 (federal)				
	<30% AMI	31-50% AMI	51-80% AMI	81-110% AMI	No restrictions

(CDBG = Community Development Block Grant; AHTF = Affordable Housing Trust Fund; HRF = Housing & Redevelopment Fund/pooled TIF)