



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
VIRTUAL MEETING HELD VIA WEBEX
OCTOBER 19, 2020
7:00 PM**

Call to Order

Attendance Roll Call

Open Forum: Opportunity to address the HRA on items not on the Agenda; dial phone number 612-861-0651. As you call in, a moderator will assist you.

Approval of the 1) Concurrent Housing and Redevelopment Authority and City Council work session of September 21, 2020; 2) Regular Housing and Redevelopment Authority meeting of September 21, 2020; and 3) Special Housing and Redevelopment Authority meeting of September 29, 2020.

AGENDA APPROVAL

1. Approval of the Agenda

OTHER BUSINESS

2. Consideration of the acceptance of the Richfield Housing and Redevelopment Authority Tax Increment Financing District Status Update.

Staff Report No. 34

3. Consider a resolution approving an amendment to the Contract for Private Development with CPII Development LLC for the Cedar Point II apartment development project.

Staff Report No. 35

HRA DISCUSSION ITEMS

4. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

5. Executive Director's Report

CLAIMS

6. Claims

7. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

Concurrent Housing and Redevelopment Authority and City Council Work Session

September 21, 2020

CALL TO ORDER

The work session was called to order by HRA Chair Supple at 5:47 p.m. via Webex.

HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl; Erin Vrieze Daniels; and Pat Elliott

HRA Members Absent: None

Council Members Present: Maria Regan Gonzalez, Mayor; Mary Supple; Simon Trautmann; Ben Whalen; and Edwina Garcia

Council Members Absent: None

Staff Present: Katie Rodriguez, City Manager; John Stark, HRA Executive Director/Community Development Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.

Others Present: None

Item #1	REVIEW THE INCLUSIONARY AFFORDABLE HOUSING POLICY
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Executive Director Stark provided a brief history and overview of the Inclusionary Affordable Housing Policy (Policy). Housing Manager Urban presented a Power Point that went over the current housing data, the current Policy, possible revisions, and ways to gain deeper affordability and gain community feedback.

Chair Supple inquired about 30% Area Median Income (AMI) units and possible conflicts with Tax Increment Financing (TIF).

Housing Manager Urban explained challenges with obtaining 30% AMI and the need to find ways to obtain flexibility with legislature.

Council Member Whalen had a follow up question regarding TIF rules at the state level, if it would cause conflicts or if it would be unlikely to get developers to provide 30% units until TIF rules change at the state level.

Housing Manager explained Council Member Whalen's concern would be a likely outcome.

Commissioner Vrieze Daniels inquired about applying the Policy to public land sales and how it would have applied to the Emerson Lane land sales.

Housing Manager Urban explained the Emerson Lane land sales fell under the scattered site single family housing program and that program requires for 20% to be affordable over a period of 3 years; therefore, the Policy would not have applied to that development.

Council Member Whalen inquired about smaller parcels and if exceptions and flexibility could apply to specific lots when being sold at subsidy.

Housing Manager Urban explained the impacts of the Policy being made into an Ordinance.

Executive Director Stark pointed out the two new developments in the city that did not require subsidy, the Novo and Lunds and explained that Lunds owned the land. The Novo was really the only development that happened without subsidy and in the past developments happening without subsidy was a sign of good infrastructure.

Council Member Trautmann spoke to Type A (Adaptable) and fully accessible units creating a greater capacity.

Executive Director Stark mentioned another tool, other than TIF, that could offer more affordability would be to put a second mortgage on the property, generally with a 15-18 year term.

Council Member Whalen spoke of current Policy terms, ability to vary current Policy and an open-ended statement in the Policy. Inquired about how St. Louis Park manages compliance with their affordable housing policy.

Housing Manager Urban explained that St. Louis Park hired a consultant and some practicalities for the City of Richfield to manage compliance.

Housing Manager Urban offered some concepts to gain community feedback and asked Council Members and Commissioners to offer further suggestions.

Chair Supple spoke of posting information in public spaces.

Council Member Trautmann mentioned community feedback he received regarding Accessory Dwelling Units (ADUs) and the interest in exploring detached ADU's as a possibility.

Council Member Whalen spoke of the possibility of VEAP providing assistance with distributing information.

Housing Manager Urban spoke of other housing partners she will reach out to as well.

Executive Director Stark expressed appreciation for any help available.

Council Member Whalen mentioned the possibility of working with the housing team to do phone banking and/or door knocking.

Chair Supple mentioned feedback regarding the Governor's Moratorium and requirements of notice.

Mayor Regan Gonzalez expressed appreciation for the outreach plan and mentioned plain language information could be shared with to community groups to gain feedback, and inquired about staff's response for detached ADU's.

Housing Manager Urban explained steps being made to allow detached ADU's.

Executive Director Stark spoke of a possible pilot program.

Council Member Whalen spoke of the importance to hear voices of renters. Council Member Trautmann supported Council Member Whalen's views.

Housing Manager Urban mentioned attached and detached ADU's would both be considered for a pilot program.

Chair Supple and Council Member Trautmann thanked staff for all their hard work.

ADJOURNMENT

The work session was adjourned by unanimous consent at 6:57 p.m.

Date Approved: October 13, 2020

Mary Supple
Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

September 21, 2020

CALL TO ORDER

The meeting was called to order by Chair Supple at 7:00 p.m. via Webex.

HRA Members Present: Mary Supple, Chair; Sue Sandahl; Maria Regan Gonzalez; Pat Elliott and Erin Vrieze Daniels.

HRA Members Absent: None.

Staff Present: Katie Rodriguez, City Manager; John Stark, Executive Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.

Others Present: Rebecca Kurtz, Ehlers; Adam Seraphine, NHH Properties; Kate Blum-Wise, DJR Architecture; Mick Stoddard, DJR Architecture; Daniel Oberpiller, NorthBay.

OPEN FORUM

Chair Supple provided the phone number for live comments. Caller Ruane Onesirosan, 2421 65th Street West, inquired about funds available through the Cares Act and about how one could access funds for businesses. Chair Supple explained this would be discussed at the Economic Development Authority meeting which will follow the Housing and Redevelopment Authority meeting.

APPROVAL OF THE MINUTES

M/Elliott, S/Regan Gonzalez to approve the minutes of the regular Housing and Redevelopment Authority meeting of August 17, 2020

Motion carried 5-0

Item #1

APPROVAL OF THE AGENDA

M/Vrieze Daniels, S/Elliott to approve the agenda.

Motion carried 5-0

Item #2	APPROVAL OF THE CONSENT CALENDAR
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Executive Director Stark presented the consent calendar.

- A) Consider adoption of a resolution approving Collateral Assignment of the Tax Increment Financing Note and Subordination of the Right to Repurchase in the Contract for Private Development for the Cedar Point II townhomes. (Staff Report No. 28).

RESOLUTION NO. 1368
RESOLUTION APPROVING A SUBORDINATION AGREEMENT WITH
BRIDGEWATER BANK AND ASSIGNMENTS OF TAX INCREMENT REVENUES
NOTES

- B) Consideration of a Grant Compliance Agreement with Cedar Point Investments, LLC regarding a community homeownership impact Fund Award for RF64 townhomes. (Staff Report No. 29).

RESOLUTION NO. 1369
RESOLUTION APPROVING GRANT COMPLIANCE AGREEMENT WITH CEDAR POINT
INVESTMENTS LLC

- C) Consider an adjustment to the payment standard for the Section 8 Housing Choice Voucher Program. (Staff Report No. 30).

M/Elliott, S/Sandahl to approve the consent calendar.

Motion carried 5-0

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

Item #4	CONSIDER THE RESOLUTION APPROVING A MODIFICATION TO THE REDEVELOPMENT PLAN AND APPROVAL OF TAX INCREMENT FINANCING PLAN FOR THE INTERNAL LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH THE 2020-1 TAX INCREMENT FINANCE DISTRICT (HENLEYII). (S.R. NO. 31).
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Executive Director Stark presented staff report No. 31

Rebecca Kurtz, Ehlers, provided additional information regarding the Tax Increment Finance District.

M/Regan Gonzalez, S/Elliott, to approve a resolution adopting a modification to the redevelopment plan and approval of a Tax Increment Financing plan for the 2020-1 Tax Increment (Henley II).

Motion carried 5-0

RESOLUTION NO. 1370

RESOLUTION APPROVING A MODIFICATION TO THE REDEVELOPMENT PLAN FOR THE RICHFIELD REDEVELOPMENT PROJECT; AND APPROVING A TAX INCREMENT FINANCING PLAN FOR THE 2020-1 TAX INCREMENT FINANCE DISTRICT: HENLEY II

M/Sandahl, S/Regan Gonzalez to authorize an internal loan for advance of certain costs in connection with the 2020-1 Tax Increment Financing District (Henley II).

Motion carried 5-0

RESOLUTION NO. 1371

RESOLUTION AUTHORIZING INTERNAL LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH THE 2020-1 TAX INCREMENT FINANCE DISTRICT: HENLEY II

Item #5	CONSIDER A RESOLUTION APPROVING AN AMENDMENT TO THE CONTRACT FOR PRIVATE DEVELOPMENT FOR CEDAR POINT II DEVELOPMENT, LLC. (S.R. NO. 32).
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Executive Director Stark explained the need to postpone this item until Tuesday, September 29, 2020.

M/Supple, S/Vrieze Daniels to table agenda Item #5 until Tuesday, September 29, 2020

Motion carried 5-0

Item #6	HRA DISCUSSION
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None.

Item #7	EXECUTIVE DIRECTOR'S REPORT
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None.

Item #8	CLAIMS
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M/Vrieze Daniels, S/Elliott that the following claims be approved:

U.S. BANK	9/21/2020
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Section 8 Checks 132110-132188	\$175,192.48
HRA Checks 33884-33899	\$28,483.97
Total	\$203,676.45

Motion carried 5-0

Item #9	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:27 p.m.

Date Approved: October 19, 2020

Mary B. Supple
HRA Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Special Meeting

September 29, 2020

CALL TO ORDER

The meeting was called to order by Chair Supple at 7:01 p.m. via Webex.

HRA Members Present: Mary Supple, Chair; Sue Sandahl; Maria Regan Gonzalez; and Erin Vrieze Daniels.

HRA Members Absent: Pat Elliott.

Staff Present: John Stark, Executive Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.

Others Present: Adam Seraphine, Cedar Point II Development, LLC; and Mike Barnett, Cedar Point II Development, LLC.

Item #1	APPROVAL OF THE AGENDA
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M/Regan Gonzalez, S/Sandahl to approve the agenda.

Motion carried 4-0.

Item #2	CONSIDER A RESOLUTION APPROVING A MEMORANDUM OF UNDERSTANDING FOR A FUTURE AMENDMENT TO THE CONTRACT WITH CPII DEVELOPMENT, LLC FOR THE CEDAR POINT II APARTMENT DEVELOPMENT PROJECT. (S.R. NO. 33)
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Executive Director Stark provided a brief introduction and Housing Manager Urban presented staff report No. 33 and explained terms of the current Contract.

Housing Manager Urban explained changes to the construction schedule and a new equity partner, Schafer Richardson.

Chair Supple inquired about the closing date.

Housing Manager Urban explained closing is planned for the end of October.

M/Regan Gonzalez, S/Vrieze Daniels to adopt a resolution approving a Memorandum of Understanding with CPII Development, LLC for the Cedar Point II apartment development project.

Motion carried 4-0.

Item #3	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:16 p.m.

Date Approved: October 19, 2020

Mary B. Supple
HRA Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



STAFF REPORT NO. 34
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
10/19/2020

REPORT PREPARED BY: Myrt Link, Community Development Accountant
OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
10/14/2020

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the acceptance of the Richfield Housing and Redevelopment Authority Tax Increment Financing District Status Update.

EXECUTIVE SUMMARY:

The Tax Increment Financing (TIF) District Status Update is presented to the Richfield Housing and Redevelopment Authority (HRA) annually for review. There are currently 11 active TIF Districts. This year, the TIF Status Update shows that the HRA is able to meet all of its Pay-As-You-Go Note and General Obligation Tax Increment Bond obligations.

HRA staff and financial consultant, Rebecca Kurtz, will provide a brief summary of the TIF Status Update at this meeting.

RECOMMENDED ACTION:

By motion: Accept the Richfield Housing and Redevelopment Authority Annual Tax Increment Financing District Status Update.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The annual TIF Status Update is provided to the HRA to summarize tax increment financial activity and comment on the status of the HRA's ability to meet its tax increment obligations.

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

- The TIF Status Update is presented annually to keep the HRA informed of the ability to meet outstanding obligations.

C. CRITICAL TIMING ISSUES:

- None

D. FINANCIAL IMPACT:

- See detailed TIF Status Update document.

E. LEGAL CONSIDERATION:

- N/A

ALTERNATIVE RECOMMENDATION(S):

- None

PRINCIPAL PARTIES EXPECTED AT MEETING:

Rebecca Kurtz, Ehlers, Inc.

ATTACHMENTS:

Description	Type
 TIF Status Report	Backup Material



2020 STATUS UPDATE Tax Increment Financing Districts

Richfield Housing & Redevelopment Authority
City of Richfield, Hennepin County, Minnesota



October 19, 2020

Tax Increment Financing District Summary

The City of Richfield and the Housing and Redevelopment Authority (“HRA”) have utilized Tax Increment Financing (“TIF”) for key redevelopment and housing projects in the City since the 1980s. Utilizing this tool to accomplish the various goals of the City and HRA has strengthened the overall diversity of housing options, land uses and tax base, while redeveloping blighted sites and increasing employment opportunities.

Project Area and TIF Districts

The HRA has 11 active TIF districts:

- Urban Village (Oaks on Pleasant and Houlihan’s)
- Interchange West/Lyndale Gateway (Best Buy and Main Street Village)
- City Bella (City Bella Housing Cooperative)
- Lyndale Gateway West (Kensington Park)
- Cedar Corridor (RF64 Apartments)
- 2010 – 1 Housing (Lyndale Plaza / Woodlake Housing)
- Lyndale Gardens (former Lyndale Gardens site with Lakewinds Co-op and the Henley)
- 2014-1 TIF District (former City garage site with RM Senior Housing)
- 2017-1 TIF District (Chamberlain)
- 2018-1 TIF District (Cedar Point II Townhomes)
- 2020-1 TIF District (Henley II)

All the Districts are located within the Richfield Redevelopment Project area. The boundaries of the Project Area are coterminous with the City boundaries, which provide the HRA a maximum area of tax increment spending authority.

Obligations

Three types of obligations are associated with the HRA’s TIF districts:

1. **Pay-As-You-Go TIF Revenue Note.** Pay-As-You-Go Notes pledges to the note holder a certain percent of the available tax increment from the specific district or specific parcels. With this type of obligation, the developer pays for the expenses and is reimbursed with tax increment over the term of the TIF district. Less tax increment revenue results in lower pay-as-you-go note payments and the obligation may not be paid in full at the time of decertification of the TIF district. To the extent that the increment is not available to make a payment, the HRA is not obligated to make up any shortfalls. This type of obligation provides the lowest risk to the City and HRA.
2. **General Obligation Tax Increment Bond.** General Obligation (“G.O.”) Bonds are intended to be paid with tax increment revenue; however, they are general obligations of the City and pledge the City’s full faith and credit. If on an annual basis there is not enough tax increment to pay the debt service payment, the City agrees to levy a property tax to pay the shortfall. This type of obligation provides the most risk to the City and taxpayers.
3. **Interfund Loan.** Interfund Loans are issued when the City or HRA provides up-front money from various sources to assist with projects. Most interfund loans have a maximum amount and are used to reimburse the HRA for administration and preliminary expenses. The outstanding loan may be less than the maximum set forth in the resolution and the

outstanding balance may increase or decrease over time, depending on the status of the project.

An interfund loan resolution must be adopted prior to the expenditure in order to use tax increment to reimburse for the expenditure. The loans are normally repaid from tax increment or land sale revenue. This type of obligation provides some risk to the City and HRA that the loan may not be repaid in full. It is not a general obligation, so taxes do not need to be levied to pay the loan, and the City and HRA have the option to write-off the loan or unpaid balances.

Administration

In all Districts, the HRA may retain a maximum of 10% of the tax increment revenue for administration expenses. The revenue can only be spent on qualified administration expenses for the TIF districts, and the amount taken for administration is included in the maximum pooling limit. In addition, the HRA must have documentation of administration expenses.

Housing & Redevelopment Fund and Pooling

The HRA may retain a maximum of 25% through pooling for *some* redevelopment TIF districts. These funds are redevelopment tax increment and **must** be spent on qualified redevelopment expenses. The funds may be spent outside the boundaries of the tax increment district but must be spent within the boundaries of the Project Area.

The 25% maximum includes the amount retained for administration. For example, if the HRA is retaining 10% for administration, an additional 15% of the tax increment from the District may be retained for activities outside the TIF district but within the Project Area. If less than 10% is retained for administration, the amount available for redevelopment expenditures may increase.

Currently, pooling funds are being used to fund the Housing and Redevelopment Fund, which in turn, is the funding source for the Richfield Rediscovered Program and for occasional purchases of other substandard properties. As TIF Districts that contribute to pooling are decertified, and the pooling ceases to be generated, the HRA will need to seek alternate funding sources for the Housing and Redevelopment Fund or will need to reduce project expenditures commensurately.

The Districts that contribute to pooling and their cash balance as of December 2019 follow:

TIF District	Balance as of 12/31/2019	Decertification Date
Urban Village	\$ 569,167	2025
Interchange West / Lyndale Gateway	2,208,408	2025
City Bella	253,635	2030
Cedar Corridor	0	2043
Lyndale Gardens	0	2039
2014-1 Tax Increment Financing District	0	2042

The cash balances in each component of the Housing and Redevelopment Fund must be expended on qualified costs prior to decertification of the associated TIF District. Otherwise, those funds need to be returned to Hennepin county for redistribution to all taxing jurisdictions.

Assumptions

All projections are based on the most conservative assumptions. The calculations do not include inflation on property market values or interest on invested cash.

Urban Village TIF District

The Urban Village TIF District is a mixed-use redevelopment project located on the **southeast corner of Lyndale and 66th Street**. Development includes **Houlihan's, the Oaks on Pleasant apartments, and BMO Bank**. Tax increment revenue is pledged to assist with property acquisition and excess site development expenses.

- TIF District Adopted: 11/23/1998
- Certification Date: 7/15/1999
- First Year of Increment: 2000
- Decertification: 2025
- Administration and Pooling: Maximum of 25%

Obligations	Funding Source / Repayment Source
\$2,500,000 Tax Exempt Pay-As-You-Go Note, Series 2001A	Developer / TIF
\$7,000,000 Taxable Pay-As-You-Go Note, Series 2001B	Developer / TIF

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

Interchange West / Lyndale Gateway TIF District

The Interchange West / Lyndale Gateway TIF District has two components: (1) Interchange West; and (2) Lyndale Gateway.

- TIF District Adopted: 6/14/1999
- Certification Date: 7/29/1999
- First Year of Increment: 2000
- Decertification: 2025
- Administration and Pooling: Maximum of 25%

Interchange West Component

The Interchange West component is comprised of the **Best Buy Corporate Headquarters** located on the intersection of I-494 and Penn Ave. The first year of full increment was 2004. Tax increments are pledged to the Best Buy project to assist with site assembly activities. The HRA retains 25% of the annual tax increment for administration (up to 10% maximum) and pooling.

Obligations	Funding Source / Repayment Source
\$6,355,000 Tax Exempt General Obligation Tax Increment Refunding Bonds, Series 2010B*	Bonds of 2001A / TIF
\$48,073,127 Pay-As-You-Go Note	Developer / TIF

**Refunded the \$8,350,000 Tax Exempt General Obligation Tax Increment Bond, Series 2001A*

Lyndale Gateway Component

The Lyndale Gateway component is comprised of the Richfield Senior Housing project (**Main Street Village**) and the Minnstar Builders, Inc. project (**Casteel Place Townhouses**). The first year of full increment was 2002. Tax increment revenue is pledged to the project to assist with site assembly expenses.

Obligations	Funding Source / Repayment Source
\$4,155,944 Pay-As-You-Go Note	Developer / TIF

The Contract for Private Redevelopment for the Casteel Place Townhomes included a “look back” provision that required a review of the developer’s costs. To the extent that certain costs would go up or down under the estimate, the associated Pay-As-You-Go Note would be reduced by a like amount. The “look back” provision analysis was completed in 2002, which called for a reduction in the Pay-As-You-Go Note from \$100,000 to \$19,985.23, and the obligation was paid in 2005. The cost savings of this tax increment is being used as additional gap funding for the Cornerstone/ Kensington Park redevelopment project in the Lyndale Gateway West District.

Conclusions

The HRA will be able to meet all General Obligation Bond payments and Pay-As-You-Go obligations. The Development Agreement with Best Buy includes an Assessment Agreement with a minimum market value of \$118,500,000. It is projected that the minimum market value is sufficient to generate increment in excess of that required for the Bond payments.

It is anticipated that the Pay-As-You-Go Notes will not be paid in full. The Notes are not general obligations of the City, so if the increment is not sufficient to pay the Notes in full, the HRA is not required to pay the shortfall.

The HRA will continue to monitor the pooling expenses for this District to ensure that it meets statutory limits within the life of the TIF District.

City Bella TIF District

The **City Bella** project is a redevelopment district consisting of a housing project with a retail component located on Lyndale Ave. and 66th Street. Tax increment revenue is pledged to the project to assist with property acquisition and site improvement expenses.

- TIF District Adopted: 6/11/2002
- Certification Date: 5/8/2003
- First Year of Increment: 2005
- Decertification: 2030
- Administration and Pooling: Maximum of 25%

Obligations	Funding Source / Repayment Source
\$8,473,460 Pay-As-You-Go Note	Developer / TIF

The Pay-As-You-Go Note was sold to a third party. The HRA continues to make tax increment payments based on the available increment per the original Development Agreement. The City and HRA made no representation that the increment collected would be sufficient to amortize the debt and gave no opinion to the structuring of the sale of the Note.

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

Lyndale Gateway West TIF District

The Lyndale Gateway West TIF District is comprised of the Cornerstone / **Kensington Park** mixed-use redevelopment project located on Lyndale Avenue. Development in this District includes **condominiums and townhomes along with Chipotle, Noodles & Company, Starbuck's, and Potbelly**. Tax increment revenue is pledged to the project to assist with site assembly expenses.

- TIF District Adopted: 12/10/2002
- Certification Date: 5/8/2003
- First Year of Increment: 2004 (full increment in 2006)
- Decertification: 2029
- Administration: 10%

Obligations	Funding Source / Repayment Source
\$2,970,000 Taxable G.O. Tax Increment Refunding Bonds, Series 2012B*	Bond of 2003C / TIF
\$1,100,000 Interfund Loan	Bonds of 1996 / TIF
\$650,000 Interfund Loan	HRA General Fund/ TIF

** Refunded the 3,470,000 Taxable General Obligation Tax Increment Bonds, Series 2003C*

The \$1,100,000 Interfund Loan was originally two loans. It was anticipated that \$500,000 of the Loan would be paid by the developer in 2012 or at the time of refinancing; however, the project went into bankruptcy in 2012. The balance of \$600,000 of the Loan was to be paid from excess tax increment after the Bond payments. The interest on the entire Loan was to be paid from tax increment.

Fifteen percent (15%) of the tax increment from the Casteel Place town home project in the Lyndale Gateway District is being used to pay debt service on the General Obligation Bonds related to the Kennsington project.

Conclusions

The HRA will be able to meet its debt obligation solely with tax increment funds for the Series 2012B bonds by the time the District is decertified. In past years the tax increment has not been sufficient to make the entire payment, so the HRA adopted an Interfund Loan Resolution to allow reimbursement of the shortfalls through future tax increments.

Beginning in 2020 the projected increment is sufficient to make the debt service payments and make payments on the Interfund Loan for the shortfalls. It is projected that by August 2022, the Interfund Loan for the shortfalls will be paid, and the increment will be sufficient to pay the debt service on the Bonds until they mature in February 2025.

Projections continue to show there will not be sufficient tax increment to pay the entire principal and interest on the \$1,100,000 Interfund Loan. However, it is projected there will be funds to pay the principal in full and a portion of the interest. Future market values will impact the amount of interest that will be paid. The HRA is not required to repay the Loan in full.

Cedar Corridor TIF District

The Cedar Corridor TIF District is a redevelopment district comprised of the commercial/retail redevelopment in the Airport Noise Impact Area. This area is located **along Cedar Avenue** and 66th Street. This District was established in 2006 using Special Legislation from the *Laws of Minnesota 2005, Chapter 152, Article 2, Section 25*. The District was modified in 2018 in response to the proposed development of 218 market rate apartment units for the Cedar Point II Development. Development has not started, and the HRA is currently negotiating an Amendment to the Development Agreement.

The term of the District was extended by 10 years through Special Legislation in 2017.

- TIF District Adopted: 9/26/2006
- Certification Date: May 21, 2007
- First Year of Increment: 2008
- Decertification: 2043 (extended from 2033)
- Administration and Pooling: Maximum of 25%

Obligations	Funding Source / Repayment Source
\$200,000 maximum Interfund Loan for administration and qualified costs	HRA General Fund / TIF Administration
\$780,000 Obligation for HRA assessments related to Richfield Parkway*	City PIR Fund / Land sale proceeds
\$565,000 Interfund Loan for land acquisition	Development Account / TIF
\$3,960,000 (est.) Pay-As-You-Go (Anticipated)	Developer / TIF

**This obligation is in the HRA General Fund – versus assigned to a TIF District – because it is anticipated to be paid upfront with sale proceeds. At the time the repayment source is finalized the obligation will be paid in full or be part of the obligations in the TIF District. Currently the obligation is being paid by the HRA General Fund.*

Conclusions

The Note will not be issued until the developer submits qualified costs.

Development and increment will be needed to repay the interfund loans. It is intended that the Loan from the PIR Fund will be paid at the time the land is sold; however, the first payment for the assessments was in 2017.

2010-1 Housing TIF District

The 2010-1 Housing TIF District is a housing district comprised of the **Lyndale Plaza / Woodlake Housing** development at the site of the former Woodlake Plaza Shopping Center site. The apartment complex contains 94 units of rental housing, including 19 units that are affordable to families at or below 50% of the area median income for Hennepin County, as determined annually by the Minnesota Housing Finance Agency. These units will remain affordable for the term of the Pay-As-You-Go Note.

- TIF District Adopted: 2002
- Certification Date: March 29, 2012
- First Year of Increment: 2014
- Decertification: 2039
- Administration: 10%

Obligations	Funding Source / Repayment Source
\$85,000 HRA Property Reimbursement Note for land acquisition (matures 2/1/2023)	HRA General Fund / TIF
\$822,000 Pay-As-You-Go Note A (matures 8/1/2031)	Developer / TIF
\$500,000 Pay-As-You-Go Note B	Developer / TIF
\$200,000 maximum Interfund Loan for administration and qualified costs	HRA General Fund / TIF Administration

Conclusions

The HRA will be able to meet its debt obligations. Tax increment is first pledged to the set semi-annual payment on the HRA Note. Second priority is the set semi-annual payment for the Pay-As-You-Go Note A. Any remaining increment is pledged to the Pay-As-You-Go Note B. Based on current projections, the obligations are on track to be paid in full prior to the required decertification date; full payment could be as early as 2026.

The HRA will continue to annually collect and monitor information on residents' income for compliance with the requirement that 20% of the units be available for persons at or below 50% of Area Median Income (AMI), per TIF Statutes and the Development Agreement.

Lyndale Gardens TIF District

The Lyndale Gardens TIF District is a redevelopment district comprised of the **former Lyndale Gardens site**, located at 6400 Lyndale Avenue South. Development includes the **Lakewinds Food Co-op, 30 owner occupied townhomes, the Henley apartment complex and 7 rental townhomes**. Additional development is proposed to include 6,000 square feet of retail space. The development is also anticipated to include public space and trail connections in a quasi-public setting.

- TIF District Adopted: 8/9/2011
- Certification Date: March 29, 2013
- First Year of Increment: 2014
- Decertification: 2039
- Administration and Pooling: Maximum of 20%

Obligations	Funding Source / Repayment Source
\$2,742,400 Master Developer TIF Note	Developer / TIF
\$1,491,077 Secondary Developer TIF Note	Developer / TIF

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

2014-1 TIF District: RM Senior Living Richfield LLC

The 2014-1 TIF District is a redevelopment district located on the **former City garage site** and adjacent parcels between 76th and 77th Streets and Pleasant and Pillsbury Avenues. The HRA has entered into an Agreement with Mesaba Capital Development for the development of 60 assisted living units and 28 memory care units.

- TIF District Adopted: March 18, 2014
- Certification Date: March 28, 2016
- First Year of Increment: 2018
- Decertification: 2042
- Administration and Pooling: Maximum of 25%

Obligations	Funding Source / Repayment Source
\$2,400,000 Pay-As-You-Go Note	Developer / TIF
\$300,000 Interfund Loan for Administrative/Qualified Costs	HRA General Fund / TIF

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

2017-1 TIF District: Chamberlain

The 2017-1 TIF District is a housing district located south of 66th Street near Cedar Avenue and includes the Chamberlain Apartments. The HRA has entered into an Agreement with Inland Development Partners for the rehabilitation of 33 units of affordable, rental housing and 283 units of mixed income rental housing. Construction began in July 2018 and is anticipated to be substantially complete by December 2019, which is a year ahead of the planned completion.

- TIF District Adopted: November 28, 2017
- Certification Date: June 29, 2018
- First Year of Increment: 2020
- Decertification: 2045
- Administration: 10%

Obligations	Funding Source / Repayment Source
\$8,492,000 Pay-as-you-go Note	Developer / TIF
\$1,411,445 Developer Surplus Cash Note	HRA / TIF or Kraus-Anderson
\$200,000 maximum Interfund Loan for Administrative/Qualified Costs	HRA General Fund / TIF

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

The HRA will continue to annually collect and monitor information on residents' income for compliance with the requirement that 20% of the units be available for persons at or below 50% of Area Median Income (AMI), per TIF Statutes and the Development Agreement.

2018-1 TIF District: RF64

The 2018-1 TIF District is a housing district located **north of 66th Street near Cedar Avenue**. The HRA entered into an Agreement with NHH Development for the construction of 80 owner-occupied townhomes; current plans anticipate the development of 64 townhomes. Ninety-five percent of the units must be occupied by persons meeting State low- to moderate income requirements. Construction began in the Fall 2019.

- TIF District Adopted: August 21, 2018
- Certification Date: TBD
- First Year of Increment: est. 2021
- Decertification: est. 2046
- Administration: 10%

ANTICIPATED Obligations	Funding Source / Repayment Source
\$900,000 Pay-as-you-go Note issued after construction of 32 townhomes is commenced	Developer / TIF
\$900,000 Pay-as-you-go Note issued after construction of an additional 32 townhomes is commenced	Developer / TIF
\$730,000 maximum Interfund Loan for property acquisition (\$630,000 + \$100,000)	Development Fund / TIF and Developer sale proceeds
\$100,000 maximum Interfund Loan for Administrative costs	HRA General Fund / TIF
\$359,000 Interfund Loan for property acquisition (transferred from Cedar TIF District)	Development Fund / TBD. Loan will be paid with TIF if funds are available.

Conclusions

The Notes will not be issued until the developer submits documentation that the homes were sold to person at or below 100% area median income (AMI) for a family of one to two persons or 115% of AMI for a family of three or four persons and the development submits documentation of qualified costs.

2020-1 TIF District: Henley II

The 2020-1 TIF District is a housing district located in the **at 6345 Lyndale Avenue South**. The HRA has entered into an Agreement with 6345 Partners, LLC, for the construction of 82 units of rental housing and rehabilitation of 22 units of existing rental housing. At least 20% of the units will be available to persons at or below 50% of area median income. Construction began in 2020 and is anticipated to be completed by December 2021.

- TIF District Adopted: September 22, 2020
- Certification Date: TBD
- First Year of Increment: est. 2022
- Decertification: est. 2047
- Administration: 10%

ANTICIPATED Obligations	Funding Source / Repayment Source
\$100,000 maximum Interfund Loan for Administrative costs	HRA General Fund / TIF
\$2,025,987 Pay-as-you-go Note	Developer / TIF

Conclusions

The Notes will not be issued until the developer submits documentation of qualified costs.

The HRA will continue to annually collect and monitor information on residents' income for compliance with the requirement that 20% of the units be available for persons at or below 50% of Area Median Income (AMI), per TIF Statutes and the Development Agreement.

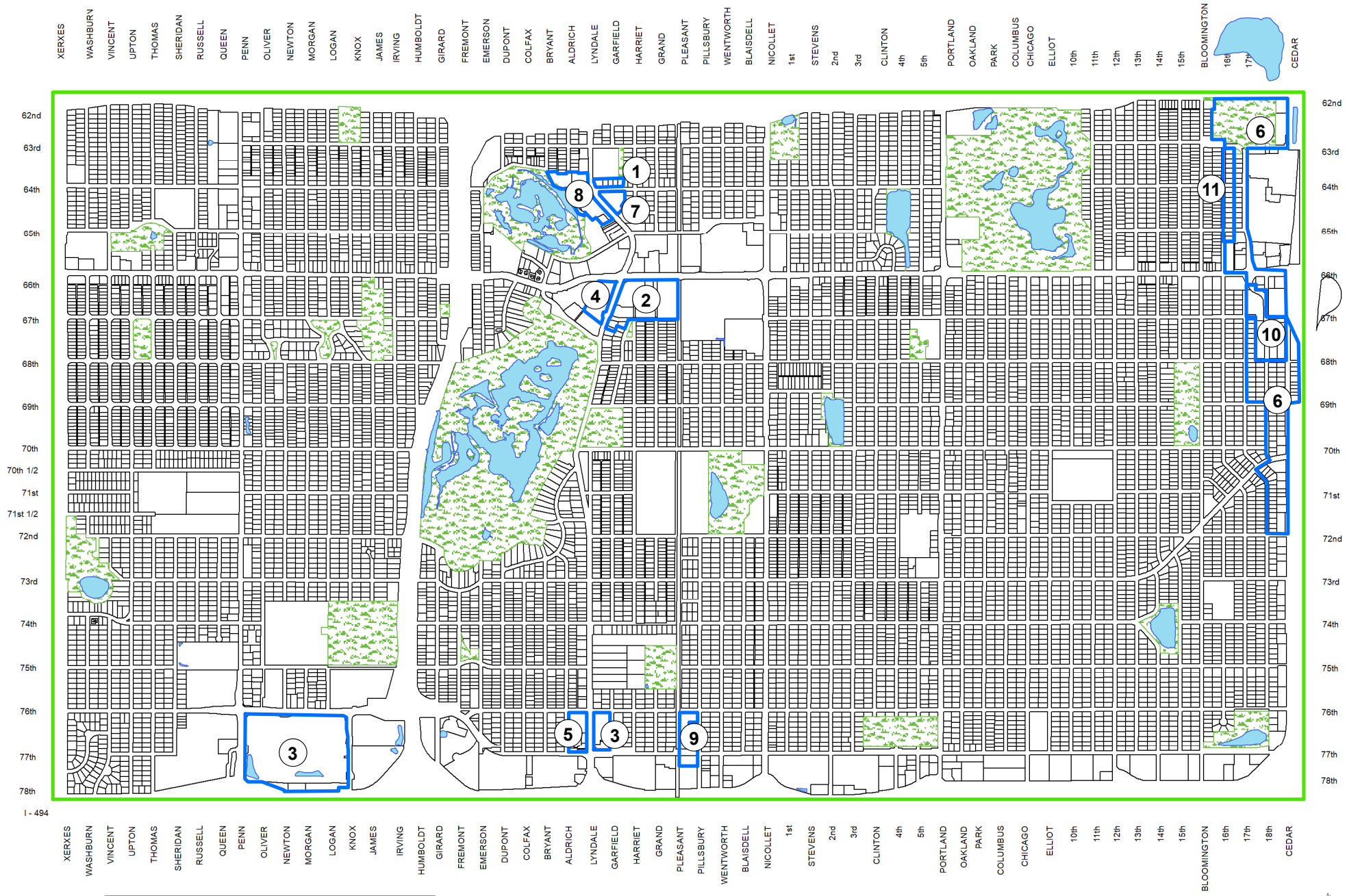
Decertified Tax Increment Financing Districts

The HRA has decertified eight TIF Districts.

District	Type	Decertified
Interchange	Redevelopment	12/31/2019
Gramercy	Redevelopment	12/31/2019
Interstate-Lyndale-Nicollet (ILN)	Redevelopment	12/31/2012
Pre-1999 Richfield Rediscovered	Scattered Site Redevelopment	12/31/2010
Post-1999 Richfield Rediscovered	Scattered Site Redevelopment	12/31/2010
Lyndale-Hub-Nicollet (LHN)	Redevelopment	12/31/2002
Cedar Avenue Business Area (CABA)* <i>*Accounting transactions to close the District were completed by December 31, 2000.</i>	Economic Development	12/31/1996
Penn Avenue and Sixty-Sixth Street (PASSS)** <i>** District was established in 1989 and terminated in 1996 due to a lack of feasible redevelopment opportunities</i>	Redevelopment	1996

Map of Richfield Redevelopment Project Area and TIF Districts

RICHFIELD REDEVELOPMENT PROJECT AREA BOUNDARY



Legend

- Richfield Redevelopment Project Area Boundary
- TIF Districts

TIF DISTRICTS:

- 1 - 2020-1 Henley II
- 2 - Urban Village
- 3 - Interchange West/Lyndale Gateway
- 4 - City Bella
- 5 - Lyndale Gateway West

- 6 - Cedar Corridor
- 7 - Housing District 2010-1 (Lyndale Plaza)
- 8 - Lyndale Garden
- 9 - 2014-1 (former City Garage/Mortuary)
- 10 - 2017-1 Chamberlain
- 11 - 2018-1 NHH Properties LLC



What is Tax Increment Financing?

Governed by Minnesota Statutes 469.174-469.1794

Tax Increment Financing (TIF) is the ability to capture and use most of the **increase** in local property tax revenues from **new development** within a defined geographic area for a defined period of time **without** approval of the other taxing jurisdictions.

Prior to the establishment of a TIF district, properties have a “**base value**,” and tax revenues are distributed to the local units of governments. After the establishment of a TIF district, the “base value” continues to be disbursed to the City, County and School District for the term of the TIF district.

A portion of the increase is available to assist development and redevelopment projects.

Total Tax Capacity = 31,907



Original Tax Capacity = 1,729



New development increases Total Tax Capacity. **Increase in taxes is the tax increment available to assist development / redevelopment.**

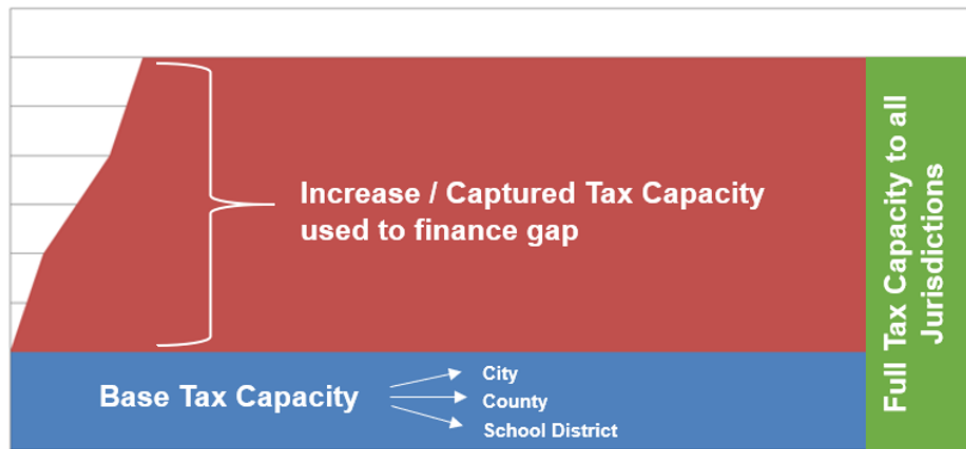


Original tax revenues distributed to local taxing jurisdictions

During the term of the TIF district, property taxes are paid based on the current, assessed market value. A portion of the taxes – the annual gross TIF – is used to pay the HRA, City and/or developer obligations.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	567,517
less State-wide Taxes	(11,557)
less Fiscal Disp. Adj.	(15,655)
less Market Value Taxes	(43,173)
less Base Value Taxes	(53,184)
Annual Gross TIF	443,948

After the obligations of the TIF District have been paid, or at the end of the term of the TIF district, the taxing jurisdictions receive the full tax benefit of the property and development.





STAFF REPORT NO. 35
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
10/19/2020

REPORT PREPARED BY: Julie Urban, Housing & Redevelopment Manager
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
10/14/2020

ITEM FOR COUNCIL CONSIDERATION:

Consider a resolution approving an amendment to the Contract for Private Development with CPII Development LLC for the Cedar Point II apartment development project.

EXECUTIVE SUMMARY:

The Housing and Redevelopment Authority (HRA) approved a Contract for Private Development (Contract) with NHH Companies, LLC, now doing business as CPII Development LLC (Developer), on September 17, 2018. The Contract calls for the construction of 218 market-rate apartments on HRA-owned property, located on Richfield Parkway between 63rd and 65th Streets. The overall project consists of two components, the second of which is construction of 64 townhomes on property located to the west of the apartments.

On September 29, 2020, the HRA approved a Memorandum of Understanding (MOU) with the Developer that laid out several proposed changes to the Contract. As agreed to in the MOU, the proposed Amendment to the Contract (Amendment) makes the following changes:

- The number of apartment units is increasing from 218 to 237.
- The minimum market value increases from \$32,737,700 to \$42,304,500.
- The Developer will provide the HRA with \$780,000 at the closing of the construction loan to be used to pay for the assessment against the property.
- The Pay as You Go Note is increasing from \$3,960,000 to \$4,305,200.
- A second Note in the amount of \$590,800 is being provided.
- Construction will begin no later than June 1, 2021, and be completed by December 31, 2022.
- The closing date on the apartment property is extended to October 31, 2020.
- The Tax Increment Finance (TIF) schedule will provide a 10% contribution to the Housing & Redevelopment Fund (HRF) throughout the life of the TIF District. Under the current Contract, the HRF contribution is delayed until year 9. An estimated \$651,938 would be generated for the HRF.
- The Contract and its terms will be assigned to Schafer Richardson or an affiliate entity.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving an amendment to the Contract for Private Development with CPII Development LLC for the Cedar Point II apartment development project.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA approved a Contract with NHH Companies, LLC for the Cedar Point Housing area on September 17, 2018, for the development of 218 market-rate apartments. The Contract provides

the following terms:

- A TIF Note, distributed as a Pay As You Go Note, from the HRA of approximately \$3.96 million to the Developer.
- 10% of the TIF for administrative purposes.
- Beginning in year 9, 10% of the increment would be distributed to the Housing & Redevelopment Fund. In years 21-23 of the District, 90% of the increment would be distributed to the fund for an estimated total present value of \$486,000.
- Payment of \$1.11 million for the apartment property (its appraised value as of 2018).
- The HRA approved an Assignment and Assumption of the Contract from NHH Companies, LLC on January 15, 2019 to CPII Development LLC.
- The HRA approved an extension to the Contract property closing deadline on September 16, 2019. Additional extensions were granted to the closing deadline due to COVID-19 pandemic-related delays.
- The HRA approved a Memorandum of Understanding on September 29, 2020, that extended the closing deadline to October 31 and laid out the general terms for the Amendment.
- At its meeting on September 29, 2020, the HRA authorized submission of a planning application by the Developer for the increase in units from 218 to 237.
- The original unit mix included 50 studio, 86 one bedroom, 74 two bedroom, and eight three bedroom units. The proposed unit mix increases the number of studio units to 73, increases the number of one bedroom units to 88, and decreases the number of two bedroom units to 68.

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

The Cedar Point II housing area has been identified for redevelopment as multi-family housing since 2004 with the adoption of the Cedar Corridor Master Plan.

C. CRITICAL TIMING ISSUES:

- Construction plans are in process of being drafted and can be finalized once the increase in number of units has been approved. Construction is expected to begin in early 2021.
- The deadline for closing on the apartment property is September 30 and under the Amendment would be extended until October 31, 2020.
- In order to continue construction of the townhomes, the Developer needs to close on the apartment property. Utility work relating to both project components is ready to proceed.
- The apartment project is located in the Cedar Point Redevelopment TIF District. The District was created through special legislation in 2004. The District's 26-year "clock" began that year but was later extended in 2018. Because the "clock" on the District has already begun, delays in the project start date has reduced the available years to generate increment. This loss of time has a greater impact on the housing fund contribution because of the current TIF schedule. The proposed changes to the TIF schedule will lessen that impact.

D. FINANCIAL IMPACT:

- The increase in unit count increases the project value, which makes the project more financially viable and able to meet tax increment obligations.
- The Developer will provide the HRA with an additional \$780,000 at closing of the construction loan to pay the special assessments levied against the property.
- In exchange for providing cash up front and assuming the risk of the TIF, the HRA will provide the Developer TIF in the amount of \$780,000, plus a "debt coverage" amount of 20% for a total of \$936,000. The additional increment will be divided between the original note (\$345,200) and a second note in the amount of \$590,800.
- The \$1.11 million in acquisition funds will be available to repay debt incurred on the townhome side of the project in the event insufficient increment is generated due to the reduction in number of units.
- An estimated contribution of \$651,938 will be made to the Housing & Redevelopment Fund.

E. LEGAL CONSIDERATION:

- The HRA Attorney drafted the Contract amendment based on the terms put forth in the Memorandum of Understanding.

- All other Contract terms remain the same.

ALTERNATIVE RECOMMENDATION(S):

Decide not to approve the Amendment to the Contract.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative of the Developer.

ATTACHMENTS:

Description	Type
☐ Resolution	Resolution Letter
☐ Second Amendment to CPD	Contract/Agreement
☐ Memorandum of Understanding	Backup Material

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

RESOLUTION NO. _____

**RESOLUTION APPROVING SECOND AMENDMENT TO CONTRACT FOR PRIVATE
DEVELOPMENT WITH CPH DEVELOPMENT LLC**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") entered into a Contract for Private Development, dated September 17, 2018 (the "Original Agreement"), with NHH Companies, L.L.C. ("NHH"), as assigned by NHH to CPH Development LLC, a Minnesota limited liability company (the "Developer"), pursuant to an Assignment of Contract for Private Development, dated January 15, 2019, and as amended by the First Amendment to Contract for Private Development, dated September 16, 2019 (the "First Amendment," and together with the Original Agreement, the "Amended Agreement"), between the Authority and the Developer; and

WHEREAS, pursuant to the Amended Agreement, the Developer agreed to acquire property within the Cedar Avenue Tax Increment Financing District (the "TIF District"), a redevelopment district within the Richfield Redevelopment Project, from the Authority (the "Development Property") and construct a development which will include (i) multifamily housing with approximately 218 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities (the "Minimum Improvements"); and

WHEREAS, in order to achieve the objectives of the Redevelopment Plan for the Richfield Redevelopment Project and make the Minimum Improvements economically feasible for the Developer to construct, the Authority is prepared to convey the 14 parcels that make up the Development Property to the Developer and reimburse the Developer for a portion of the land acquisition costs and certain site improvement costs related to the Minimum Improvements; and

WHEREAS, due to business disruptions caused by COVID-19, the Authority agreed to extend the closing date set forth in Section 3.2(g) of the Amended Agreement (the "Closing Date") to July 3, 2020, or such other date as mutually agreed upon by the Authority and the Developer; and

WHEREAS, at the request of the Developer, the Board of Commissioners of the Authority (the "Board") approved a resolution on September 29, 2020 further extending the Closing Date; and

WHEREAS, the Authority and the Developer entered into a Memorandum of Understanding, dated September 29, 2020 (the "Memorandum of Understanding"), setting forth additional amendments proposed to be made to the Amended Agreement, with the understanding that the Authority and the Developer would later execute a binding amendment to the Amended Agreement; and

WHEREAS, there has been presented before this Board of Commissioners of the Authority a Second Amendment to Contract for Private Development (the "Second Amendment to Agreement") between the Authority and the Developer, which sets forth the binding modifications to the Amended Agreement; and

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

1. The Second Amendment to 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

Second Amendment to 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.

2. 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 Second Amendment to Agreement.

3. If the Developer is unable to close on the Development Property by October 31, 2020, the Executive Director is authorized to provide an extension of the closing date of up to 30 days.

4. The Authority hereby consents to the future assignment and assumption of all or a portion of the Amended Agreement, as amended by the Second Amendment to Agreement, to Schafer Richardson, or an affiliate entity, upon approval by the Executive Director and counsel to the Authority of a form of assignment agreement that satisfies Section 8.2 of the Amended Agreement, as amended by the Second Amendment to Agreement.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 19th day of October, 2020.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

RC125-366 (JAE)
679110v1

SECOND AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT

THIS SECOND AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT (the “Second Amendment”), made as of the ____ day of October, 2020, 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 CPII DEVELOPMENT LLC, a Minnesota limited liability company (the “Developer”).

WITNESSETH:

WHEREAS, the Authority has established the Cedar Avenue Tax Increment Financing District (the “TIF District”), a redevelopment district within the Richfield Redevelopment Project (the “Redevelopment District”) in the City of Richfield, Minnesota, pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended, and Laws of Minnesota 2005, Chapter 152, Article 2, Section 25, as amended by Laws of Minnesota 2017, 1st Special Session, Chapter 1, Article 6, Section 18, 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 Authority entered into a Contract for Private Development, dated September 17, 2018 (the “Original Agreement”), with NHH Companies, L.L.C. (“NHH”), as assigned by NHH to the Developer pursuant to an Assignment of Contract for Private Development, dated January 15, 2019, and as amended by the First Amendment to Contract for Private Development, dated September 16, 2019 (the “First Amendment,” and together with the Original Agreement, the “Amended Agreement”), between the Authority and the Developer; and

WHEREAS, pursuant to the Amended Agreement, the Developer agreed to acquire property within the TIF District from the Authority (the “Development Property”), which is legally described in Exhibit A to the Original Agreement, and construct a development which will include (i) multifamily housing with approximately 218 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities (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 convey the 14 parcels that make up the Development Property to the Developer and reimburse the Developer for a portion of the land acquisition costs and certain site improvement costs related to the Minimum Improvements; and

WHEREAS, due to business disruptions caused by COVID-19, the Authority agreed to extend the closing date set forth in Section 3.2(g) of the Amended Agreement (the “Closing Date”) to July 15, 2020, or such other date as mutually agreed upon by the Authority and the Developer; and

WHEREAS, at the request of the Developer, the Board of Commissioners of the Authority approved a resolution on September 29, 2020 further extending the Closing Date; and

WHEREAS, the Developer has proposed to increase the number of units within the Minimum Improvements from 218 to 237; and

WHEREAS, the Authority and Cedar Point Investments LLC, a Minnesota limited liability company (the "Townhomes Developer"), entered into an agreement to develop the Townhomes Project (as defined in the Amended Agreement) on property adjacent to the Development Property (the "Townhomes Property"); and

WHEREAS, on the date of closing of the construction financing for the Minimum Improvements, the Developer intends to pay the Authority \$780,000 for special assessments related to the Development Property and the Townhomes Property; and

WHEREAS, in connection the Developer's payment of the special assessments, the Authority intends to issue a separate tax increment revenue note in the principal amount of \$590,800 to compensate the Developer for the payment of special assessments and additional Public Redevelopment Costs of the Developer; and

WHEREAS, the Authority and the Developer entered into a Memorandum of Understanding, dated September 29, 2020 (the "Memorandum of Understanding"), setting forth additional amendments proposed to be made to the Amended Agreement, with the understanding that the Authority and the Developer would later execute a binding amendment to the Amended Agreement; and

WHEREAS, the Authority and the Developer are entering into this Second Amendment to make the amendments contemplated by the Memorandum of Understanding binding on the Authority and the Developer; and

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

Amendments

Section 1.1. Amendments to Section 1.1 of the Amended Agreement. The following definitions set forth in Section 1.1 of the Amended Agreement are hereby amended as follows (deleted language is stricken, and new language is underlined):

"Available Tax Increment" means, on each Payment Date, the Tax Increment attributable to the Development Property ~~located in the TIF District~~ and paid to the Authority by the County in the six months preceding the Payment Date after first deducting therefrom ~~a percentage~~ ten percent (10%) of the Tax Increment to be used to reimburse the Authority for administrative expenses and further deducting ten percent (10%) of the Tax Increment to promote the promotion of redevelopment activities and the development of affordable housing. 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. ~~The percentage of Tax Increment to be provided to the Authority varies as follows:~~

Years in which Tax Increment Received	Tax Increment to Developer	Tax Increment to Authority
Year 1-8	90%	10%
Year 9-21	80%	20%

Year 22-23	0%	100%
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“Minimum Improvements” means the development on the Development Property of (i) multifamily housing with approximately ~~248~~ 237 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities, as required by the Planned Unit Development.

“Minimum Market Value” means a minimum market value of ~~\$32,732,700~~ \$42,304,500 for the Minimum Improvements (~~\$150,150~~ \$178,500 per apartment unit).

“Public Redevelopment Costs TIF Note” means the Tax Increment Limited Revenue Note, substantially in the form contained in EXHIBIT B, to be delivered by the Authority to the Developer in the maximum principal amount of \$4,305,200 pursuant to Section 3.3(b)(a) hereof and payable from Available Tax Increment received from the TIF District.

“Special Assessments Costs TIF Note” means the Tax Increment Limited Revenue Note, substantially in the form contained in EXHIBIT B, to be delivered by the Authority to the Developer in the maximum principal amount of \$590,800 pursuant to Section 3.3(b) hereof and payable from Available Tax Increment received from the TIF District.

“TIF Note” means, together, the Public Redevelopment Costs TIF Note and the Special Assessments Costs TIF Note.

“Townhomes Property” means the property on which the Townhomes Project will be constructed.

Section 1.2. Amendment to Section 3.2(e) of the Amended Agreement. Section 3.2(e) of the Amended Agreement is hereby amended as follows (deleted language is stricken, and new language is underlined):

(e) The Developer acknowledges that the Authority will be conveying the Development Property to the Developer for a purchase price of \$1,110,000. ~~The Authority shall pay all outstanding special assessments on the Development Property in the amount of \$780,000. On the date of closing of the construction financing for the Minimum Improvements, the Developer shall pay the Authority the amount of the special assessments related to the Development Property and the Townhomes Property in the amount of \$780,000. The Authority understands and acknowledges that the financing for the acquisition of the Development Property will include some financing for site improvements but shall not be considered the “construction financing.”~~

Section 1.3. Amendment to Section 3.2(g) of the Amended Agreement. Section 3.2(g) of the Amended Agreement is hereby amended as follows (deleted language is stricken, and new language is underlined):

(g) In the event that the Closing has not taken place by ~~March 31, 2020~~ October 31, 2020, and unless extended by mutual agreement of the parties, this Agreement shall terminate and be of no further force and effect, and the parties will be relieved of any further obligations hereunder. ~~If the Developer applies for a building permit prior to March 31, 2020, the Executive Director of the Authority may extend the Closing by three months.~~

Section 1.4. Amendment to Section 3.3 of the Amended Agreement. Section 3.3 of the Amended Agreement is hereby amended as follows (deleted language is stricken, and new language is underlined):

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

(a) To reimburse the Developer for certain Public Redevelopment Costs incurred within the TIF District, the Authority shall issue and deliver and the Developer shall purchase the Public Redevelopment Costs TIF Note in the principal amount of ~~\$3,960,000~~ \$4,305,200 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 Public Redevelopment Costs TIF Note shall consist of the Developer's payment of the Public Redevelopment Costs in at least the principal amount of the Public Redevelopment Costs TIF Note.

The Authority shall deliver the Public Redevelopment Costs TIF Note upon delivery by the Developer of an investment letter in substantially the form attached to this Agreement 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 Public Redevelopment Costs TIF Note. The principal of and interest on the Public Redevelopment Costs TIF Note shall be payable each Payment Date solely from Available Tax Increment derived from the TIF District.

(b) To reimburse the Developer for special assessments and other capital costs, the Authority shall issue and deliver and the Developer shall purchase the Special Assessments Costs TIF Note in the principal amount of \$590,800 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 Special Assessments Costs TIF Note shall consist of the Developer's payment of the special assessments related to the Development Property and the Townhomes Property and other capital costs in at least the principal amount of the Special Assessments Costs TIF Note.

The Authority shall deliver the Special Assessments TIF Note only upon the payment of the special assessments in the amount of \$780,000 and upon delivery by the Developer of an investment letter in substantially the form attached to this Agreement as EXHIBIT C. The principal of and interest on the Special Assessments Costs TIF Note shall be payable each Payment Date solely from Available Tax Increment derived from the TIF District.

(c) The Public Redevelopment Costs TIF Note and the Special Assessments Costs TIF Note shall be paid with Available Tax Increment on a pro rata basis based on the principal amount of the Public Redevelopment Costs TIF Note and the principal amount of the Special Assessments Costs TIF Note on the day prior to the applicable Payment Date.

~~(b)~~(d) 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~~ either TIF Note will be sufficient to pay the principal of and interest on the respective TIF Note. Any estimates of Tax Increment prepared by the Authority or its financial 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.

~~(e)~~(e) The Authority acknowledges that the Developer may assign ~~the~~ either TIF Note to one or more lenders that provide part of the financing for the acquisition of the Development Property or the construction of the Minimum Improvements. Pursuant to the terms of ~~the~~ each TIF Note, ~~the~~ such TIF Note may be assigned if the assignee executes an investment letter in the form set forth in EXHIBIT C.

Section 1.5. Amendment to Section 4.3 of the Amended Agreement. Section 4.3 of the Amended Agreement is hereby amended as follows (deleted language is stricken, and new language is underlined):

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer will commence construction of the Minimum Improvements on or before ~~June 30, 2020~~ June 1, 2021 and be substantially complete with the construction of the Minimum Improvements on or before ~~June 30, 2022~~ December 31, 2022.

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 1.6. Assignment of Agreement. Subsequent to the execution and delivery of this Second Amendment, all or a portion of the Agreement may be assigned to Schafer Richardson, or an affiliate entity.

ARTICLE II

Miscellaneous

Section 2.1. Definitions. Any capitalized terms used herein but not otherwise defined shall have the meanings assigned to such terms in the Amended Agreement. Any references to the "Agreement" or "this Agreement" in the Amended Agreement shall refer to the Original Agreement, as amended and supplemented by the First Amendment and this Second Amendment, and as may be further amended and supplemented.

Section 2.2. Effective Date. The amendments and supplements made to the Amended Agreement by this Second Amendment shall be effective as of October 19, 2020.

Section 2.3. Confirmation of Amended Agreement. Except as specifically amended by this Second Amendment, the Amended Agreement is hereby ratified and confirmed and remains in full force and effect.

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

IN WITNESS WHEREOF, the Authority has caused this Second Amendment to Contract for Private Development to be duly executed in its name and behalf and the Developer has caused this Second Amendment to 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 _____, 2020, by Mary Supple, the Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____, 2020, by John Stark, 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 INSTRUMENT DRAFTED BY:
Kennedy & Graven, Chartered (JAE)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402-1299

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

CPII DEVELOPMENT LLC

By _____
Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____, 2020, by _____, the _____ of CPII Development LLC, a Minnesota limited liability company, on behalf of the Developer.

Notary Public

RC125-366 (JAE)
675181v4

MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING, entered into as of September 29, 2020 (the "Memorandum of Understanding"), 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 CPII DEVELOPMENT LLC, a Minnesota limited liability company (the "Developer").

RECITALS

WHEREAS, the Authority has established the Cedar Avenue Tax Increment Financing District (the "TIF District"), a redevelopment district within the Richfield Redevelopment Project (the "Redevelopment District") in the City of Richfield, Minnesota (the "City"), pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended, and Laws of Minnesota 2005, Chapter 152, Article 2, Section 25, as amended by Laws of Minnesota 2017, 1st Special Session, Chapter 1, Article 6, Section 18, 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 Authority entered into a Contract for Private Development, dated September 17, 2018 (the "Original Agreement"), with NHH Companies, L.L.C. ("NHH"), as assigned by NHH to the Developer pursuant to an Assignment of Contract for Private Development, dated January 15, 2019, and as amended by the First Amendment to Contract for Private Development, dated September 16, 2019 (the "First Amendment," and together with the Original Agreement, the "Amended Agreement"), between the Authority and the Developer; and

WHEREAS, pursuant to the Amended Agreement, the Developer agreed to acquire property within the TIF District from the Authority (the "Development Property"), which is legally described in Exhibit A to the Original Agreement, and construct a development which will include (i) multifamily housing with approximately 218 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities (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 convey the 14 parcels that make up the Development Property to the Developer and reimburse the Developer for a portion of the land acquisition costs and certain site improvement costs related to the Minimum Improvements; and

WHEREAS, the Authority and the Developer intend to amend the Amended Agreement and are in the process of negotiating the final terms of such amendments but desire to enter into this Memorandum of Understanding to provide the basic outline of such amendments; and

NOW, THEREFORE, in consideration of the mutual obligations hereunder, the parties agree as follows:

1. The closing date set forth in Section 3.2(g) of the Amended Agreement shall be extended to October 31, 2020.
2. The definition of "Minimum Improvements" in the Amended Agreement shall be revised to increase the housing units to be constructed on the Development Property from 218 units to 237 units.

3. On the date of the closing on the construction financing for the Minimum Improvements, the Developer shall pay \$780,000 to the Authority to pay for the special assessments related to the Development Property and the adjacent properties upon which townhomes will be constructed.

4. The Authority agrees to increase the amount of the Developer's Tax Increment Note to be issued pursuant to Section 3.3 of the Amended Agreement in the amount of \$345,200 and issue a separate Tax Increment Note in the amount of \$590,800 to compensate the Developer for the payment of the special assessments and other capital costs of the Developer. The Tax Increment Note in the amount of \$590,800 will not be issued until the Developer pays the Authority \$780,000 for the special assessments related to the Development Property.

5. The definition of Available Tax Increment in the Amended Agreement shall be revised as follows:

"Available Tax Increment" means, on each February 1 and August 1, the Tax Increment attributable to the Development Property and paid to the Authority by the County in the six (6) months preceding each February 1 and August 1 after deducting therefrom ten percent (10%) of the Tax Increment to be used to reimburse the Authority for administrative expenses and further deducting ten percent (10%) of the Tax Increment to promote redevelopment activities and the development of affordable housing.

[This provision will be further discussed between the Authority and the Developer to provide for the Authority receiving up to 25% of Tax Increment if such increase does not negatively impact the Developer's receipt of Available Tax Increment, subject to mutual agreement between the Authority and the Developer.]

6. Section 4.3 of the Amended Agreement shall be revised to provide for the commencement of construction of the Minimum Improvements on or before June 1, 2021 and be substantially complete with the construction of the Minimum Improvements on or before December 31, 2022.

7. The definition of Minimum Market Value in the Amended Agreement shall be revised to \$42,304,500.

8. The Authority shall remove the Mount Calvary parcels from Tax Increment District 2018-1 (the Townhomes TIF District).

9. The Authority and Cedar Point Investments LLC (owner of the townhome property adjacent to the Development Property) will work cooperatively to record the right of purchase and right of first refusal agreement against the portion of the townhome property for which construction has not commenced or planned to commence within the next 6 months.

10. The Authority shall approve the assignment and assumption of all or a portion of the Amended Agreement by Schafer Richardson, or affiliate entity.

11. The Authority shall agree to provide two Tax Increment Notes under the Amended Agreement, as amended by the terms set forth in this Memorandum of Understanding, in the aggregate principal amount of \$4,896,000.

12. The terms set forth in this Memorandum of Understanding shall be incorporated into a Second Amendment to the Amended Agreement and executed by the Authority and the Developer.

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

IN WITNESS WHEREOF, the Authority has caused this Memorandum of Understanding to be duly executed in its name and behalf and the Developer has caused this Memorandum of Understanding 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

THIS INSTRUMENT DRAFTED BY:
Kennedy & Graven, Chartered (JAE)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402-1299

Execution page of the Developer to the Memorandum of Understanding, dated as of the date and year first written above.

CPII DEVELOPMENT LLC

By 

Its Chief Manager

Section 8 and Section 9 of this Memorandum of Understanding are hereby accepted by Cedar Point Investments LLC.

CEDAR POINT INVESTMENTS LLC

By 

Its Secretary