



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
VIRTUAL MEETING VIA WEBEX
DECEMBER 20, 2021
7:00 PM**

Call to Order

Attendance Roll Call

Open Forum: To participate in the open forum to address the HRA on items not on the current agenda dial 612-861-0651.

Approval of the minutes of the regular Housing and Redevelopment Authority meeting of November 15, 2021.

AGENDA APPROVAL

1. Approval of the Agenda
2. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consider a resolution designating buildings located at 6501-13 Penn Avenue South as structurally substandard within the Richfield Redevelopment Project Area and authorizing their demolition.
Staff Report No. 41
 - B. Consider the approval of a resolution accepting donations to the Affordable Housing Trust Fund via the Just Deeds Project.
Staff Report No. 42
3. Consideration of items, if any, removed from Consent Calendar

RESOLUTIONS

4. Consider a resolution approving the execution and delivery of a Donation Agreement with Metro Campus 1, LLC to accept the donation of the office building and property at 1600 78th Street East.
Staff Report No. 43
5. Consideration of a Contract for Private Development with MWF Properties to develop 55 units of multi-family housing at 7700 Pillsbury Avenue South.
Staff Report No. 44

OTHER BUSINESS

6. Consideration of the designation of Melissa Poehlman as Interim Executive Director of the Housing and

HRA DISCUSSION ITEMS

7. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

8. Executive Director's Report

CLAIMS

9. Claims
10. Adjournment

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



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

November 15, 2021

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; Maria Regan Gonzalez; Sue Sandahl; and Erin Vrieze Daniels

HRA Members Absent: Lee Ohnesorge (excused)

Staff Present: Melissa Poehlman, Assistant Community Development Director/Acting Executive Director; Julie Urban, Housing Manager; Kate Aitchison, Housing Specialist; and Kari Sinning, City Clerk.

Others Present: Christopher Willette, ESG

OPEN FORUM

No callers.

APPROVAL OF THE MINUTES

M/Regan Gonzalez, S/Sandahl to approve the minutes of 1) the joint City Council, Housing and Redevelopment Authority and Planning Commission work session of October 18, 2021; and 2) the regular Housing and Redevelopment Authority meeting of October 18, 2021.

Motion carried 4-0

ITEM #1

APPROVAL OF THE AGENDA

M/Regan Gonzalez, S/Sandahl to approve the agenda.

Motion carried 4-0

ITEM #2	CONSIDER A RESOLUTION APPROVING AN AMENDMENT TO THE CONTRACT FOR PRIVATE DEVELOPMENT WITH LYNK 65, LLC. (STAFF REPORT NO. 38)
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Acting Executive Director Poehlman presented Staff Report No. 38.

M/Regan Gonzalez, S/Sandahl to approve a resolution approving a First Amendment to the Contract for Private Development with Lynk 65, LLC.

HRA RESOLUTION NO. 1412

RESOLUTION APPROVING FIRST AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT WITH LYNK 65, LLC

Commissioner Regan Gonzalez thanked staff for the contribution for this development as it is important to the community.

Motion carried 4-0

ITEM #3	CONSIDERATION OF A RESOLUTION AUTHORIZING THE TRANSFER OF FUNDS FROM THE HOUSING AND REDEVELOPMENT AUTHORITY'S GENERAL FUND TO THE AFFORDABLE HOUSING TRUST FUND. (STAFF REPORT NO. 39)
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Housing Manager Urban presented Staff Report No. 39.

M/Sandahl, S/Vrieze Daniels to adopt a resolution authorizing the transfer of acquisition sales proceeds to the Affordable Housing Trust Fund for affordable homeownership activities.

HRA RESOLUTION NO. 1413

RESOLUTION AUTHORIZING THE TRANSFER OF SALES PROCEEDS TO THE AFFORDABLE HOUSING TRUST FUND

Commissioner Sandahl gave accolades for the new sites for Woodland Terrace.

Chair Supple showed support for those wanting to purchase manufactured homes with down payment assistance just like any other buyer.

Motion carried 4-0

ITEM #4	CONSIDERATION OF THE ADOPTION OF A RESOLUTION AUTHORIZING THE PURCHASE OF 6326 14TH AVENUE SOUTH FOR FUTURE DEVELOPMENT AS A SINGLE-FAMILY HOME UNDER THE RICHFIELD REDISCOVERED PROGRAM. (STAFF REPORT NO. 40)
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Housing Specialist Aitchison presented Staff Report No. 40

Commissioner Vrieze Daniels questioned why the house would be sold to the HRA instead of the owner continuing to build on their home.

Commissioner Sandahl commented on the Richfield Rediscovered Program.

Commissioner Regan Gonzalez asked about the subsidy for the sale. Housing Specialist Aitchison CRG asked about the sale of the home and the lot. Housing Specialist Aitchison stated that the lot size allows for more opportunities to build.

M/Sandahl, S/Regan Gonzalez to adopt the resolution authorizing the purchase of 6326 14th Avenue South for new construction of a single-family home under the Richfield Rediscovered Program.

HRA RESOLUTION NO. 1414

RESOLUTION AUTHORIZING PURCHASE OF REAL PROPERTY LOCATED AT 6326 14TH AVENUE SOUTH

Commissioner Vrieze Daniels appreciated the explanation of the lot sizes and showed excitement.

Motion carried 4-0

ITEM #5	HRA DISCUSSION ITEMS
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Commissioner asked if there was a December meeting of which Assistant Community Development Director Poehlman stated that there will be a couple items.

ITEM #6	EXECUTIVE DIRECTOR'S REPORT
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Poehlman mentioned the visual preference survey regarding missing middle that will be

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

U.S. BANK	11/15/2021
Section 8 Checks: 133274 - 133330	\$ 184,667.32
HRA Checks: 34098 - 34111	\$ 45,422.71
TOTAL	\$ 230,090.03

Motion carried 4-0

ITEM #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:23 p.m.

Date Approved: December 20, 2021

Mary B. Supple
HRA Chair

Kari Sinning
City Clerk

Melissa Poehlman
Interim Executive Director



STAFF REPORT NO. 41
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
12/20/2021

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

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
12/14/2021

ITEM FOR COUNCIL CONSIDERATION:

Consider a resolution designating buildings located at 6501-13 Penn Avenue South as structurally substandard within the Richfield Redevelopment Project Area and authorizing their demolition.

EXECUTIVE SUMMARY:

The Housing and Redevelopment Authority (HRA) owns the property located at 6501-13 Penn Avenue South. There are two buildings on the property, and one of the two buildings was determined to be unsafe by the City's Building Official.

The HRA has been working with a development team to redevelop the property with multi-family housing. The project is currently waiting to hear if it has been awarded tax credit financing. If the project receives funding, construction could begin at the end of 2022. Ideally, demolition would be undertaken by the developer in conjunction with the beginning of construction; however, given the safety issues at the site and the length of time before construction would begin, demolition should take place now.

The current development proposal will also require local public financing through the form of tax increment. While a Housing Tax Increment Financing (TIF) District is the mostly likely tool for providing financial assistance, a Redevelopment TIF District is a possible option. In order for the site to qualify as a Redevelopment TIF District, the property within the proposed District boundaries must be found to be blighted and structurally substandard under the requirements established by Minnesota State Statutes. The architecture firm LHB, Inc. has conducted an extensive evaluation of the site and issued the attached report which concludes that the site and the buildings it contains meet the requirements necessary to qualify as a Redevelopment TIF District.

The attached resolution would make findings accepting the results of the LHB, Inc. report and designating the buildings to be substandard, as defined in Minnesota State Statutes. The resolution would also approve the demolition of the structures within the proposed TIF District boundaries in advance of the creation of the TIF District.

Funding for the demolition would come from the HRA's Housing and Redevelopment Fund. A contract for demolition will likely come before the HRA in January or February of 2022.

RECOMMENDED ACTION:

By motion: Adopt a resolution designating the buildings located at 6501-13 Penn Avenue South as structurally substandard within the Richfield Redevelopment Project Area and authorizing their demolition.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA purchased the property in 2018 and signed a pre-development agreement with Boisclair Corporation and NHH Properties in 2020 to redevelop the site with multi-family housing. If tax credit financing is secured, construction on the property could begin at the end of 2022.
- Maintaining the property has been challenging given the configuration of the buildings and the fact that many entrances and site areas are not visible from the street. The buildings have been broken into multiple times, items have been illegally dumped on the site, and graffiti and other vandalism has occurred.
- On December 14, 2021, the City Council adopted a resolution designating the buildings as structurally substandard.

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

- In order to establish a Redevelopment TIF District, the property within the proposed District boundaries must be found to be blighted and structurally substandard under the requirements established by Minnesota State Statutes.

C. CRITICAL TIMING ISSUES:

- Demolition and grading specifications are being prepared by Kimley Horn, one of the City's engineering consultants. Once the specifications are complete and the buildings designated as substandard, staff will begin the process of procuring bids for the demolition and conducting the demolition as quickly as possible.

D. FINANCIAL IMPACT:

- The HRA will pay for the cost of the demolition. Although the demolition is not currently in the HRA budget for 2022, sufficient funding exists in the HRA's Housing and Redevelopment Fund to cover the costs, and the 2022 budget will be revised accordingly. If a Redevelopment TIF District is created, the HRA would also have the option of reimbursing itself with future tax increment.

E. LEGAL CONSIDERATION:

- The HRA's Attorney has prepared the attached resolution.
- If the demolition contract exceeds \$50,000, the contract will be brought before the HRA at a future meeting.

ALTERNATIVE RECOMMENDATION(S):

- Decide not to authorize demolition at this time.

PRINCIPAL PARTIES EXPECTED AT MEETING:

NA

ATTACHMENTS:

Description	Type
□ Resolution	Resolution Letter
□ Substandard Evaluation	Backup Material

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

RESOLUTION NO. _____

**RESOLUTION DESIGNATING BUILDINGS AS STRUCTURALLY SUBSTANDARD WITHIN
THE RICHFIELD REDEVELOPMENT PROJECT**

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, under Minnesota Statutes, Section 469.174, subdivision 10(d), the Authority is authorized to deem parcels as occupied by structurally substandard buildings before the demolition or removal of the buildings, subject to certain terms and conditions as described in this resolution; and

WHEREAS, the Authority intends to cause demolition of the buildings located on the property described in EXHIBIT A attached hereto (the "Designated Property"), and may in the future include the Designated Property in a redevelopment tax increment financing district as defined in Minnesota Statutes, Sections 469.174, subdivision 10, within the Richfield Redevelopment Project; 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 Authority finds that the buildings on the Designated Property are structurally substandard to a degree requiring substantial renovation or clearance, based upon the analysis of such buildings by LHB, Inc., dated November 30, 2018 and on file in City Hall. In addition, the buildings located at 6501 and 6513 Penn Avenue South have been declared unsafe buildings by the City's Chief Building Official pursuant to Minn. Stat. Rule 1300-0180 for unsafe electrical wiring and unsafe fence/guardrail at the upper parking lot. 6513 Penn Avenue South is also structurally unsafe because of deteriorated concrete masonry bearing walls and water damage to the precast concrete ceiling..

2. After the date of approval of this resolution, the buildings on the Designated Property may be demolished or removed by the Authority, or such demolition or removal may be financed by the Authority, or may be undertaken by a developer under a development agreement with the Authority.

3. The Authority intends to include the Designated Property in a redevelopment tax increment financing district, and to file the request for certification of such district with the Taxpayer Services Division Manager of Hennepin County, Minnesota, as the county auditor (the "County Auditor"), within three (3) years after the date of demolition of the buildings on the Designated Property.

4. Upon filing the request for certification of the new tax increment financing district, the Authority will notify the County Auditor that the original tax capacity of the Designated Property must be adjusted to reflect the greater of (a) the current net tax capacity of the parcel, or (b) the

estimated market value of the parcel for the year in which the buildings were demolished or removed, but applying class rates for the current year, all in accordance with Minnesota Statutes, Section 469.174, subdivision 10(d).

5. Authority staff and consultants are authorized to take any actions necessary to carry out the intent of this resolution.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of December, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

EXHIBIT A

LEGAL DESCRIPTION OF DESIGNATED PROPERTY

Par. 1: The West $\frac{1}{2}$ of the South 109.6 feet of the North 767.2 feet of the North $\frac{3}{4}$ of the West $\frac{1}{4}$ of the Southwest Quarter of the Northwest Quarter except the North 30 feet thereof;

Par. 2: The West $\frac{1}{2}$ of the South 109.6 feet of the North 876.8 feet of the North $\frac{3}{4}$ of the West $\frac{1}{4}$ of the Southwest Quarter of the Northwest Quarter;

All in Section 28, Township 28, Range 24, in the Village of Richfield, Hennepin County, Minnesota.

Report of Inspection Procedures and Results for
Determining Qualifications of a
Tax Increment Financing District as a Redevelopment District

Richfield Penn Avenue Redevelopment TIF District Richfield, Minnesota



November 30, 2018

Prepared For the

City of Richfield

Prepared by:



LHB, Inc.
701 Washington Avenue North, Suite 200
Minneapolis, Minnesota 55401

LHB Project No. 180891

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APPENDIX C	Building Replacement Cost Reports Code Deficiency Cost Reports Photographs

PART 1 – EXECUTIVE SUMMARY

PURPOSE OF EVALUATION

LHB was hired by the City of Richfield to inspect and evaluate the properties within a Tax Increment Financing Redevelopment District (“TIF District”) proposed to be established by the City. The proposed TIF District is located at the southeast corner of West 65th Street and Penn Avenue South (Diagram 1). The purpose of LHB’s work is to determine whether the proposed TIF District meets the statutory requirements for coverage, and whether two (2) buildings on one (1) parcel, located within the proposed TIF District, meet the qualifications required for a Redevelopment District.



Diagram 1 – Proposed TIF District

SCOPE OF WORK

The proposed TIF District consists of one (1) parcel with two (2) buildings. Two (2) buildings were inspected on November 9, 2018. Building Code and Condition Deficiency Reports for the buildings that were inspected are located in Appendix B.

CONCLUSION

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are reasonably distributed.

The remainder of this report describes our process and findings in detail.

PART 2 – MINNESOTA STATUTE 469.174, SUBDIVISION 10 REQUIREMENTS

The properties were inspected in accordance with the following requirements under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, which states:

INTERIOR INSPECTION

“The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property...”

EXTERIOR INSPECTION AND OTHER MEANS

“An interior inspection of the property is not required, if the municipality finds that

- (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and
- (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard.”

DOCUMENTATION

“Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3(1).”

QUALIFICATION REQUIREMENTS

Minnesota Statutes, Section 469.174, Subdivision 10 (a) (1) requires three tests for occupied parcels:

A. COVERAGE TEST

...“parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or paved or gravel parking lots...”

The coverage required by the parcel to be considered occupied is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which states: “For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.”

B. CONDITION OF BUILDINGS TEST

Minnesota Statutes, Section 469.174, Subdivision 10(a) states, “...and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;”

1. Structurally substandard is defined under *Minnesota Statutes, Section 469.174, Subdivision 10(b)*, which states: “For purposes of this subdivision, ‘structurally substandard’ shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”
 - a. We do not count energy code deficiencies toward the thresholds required by *Minnesota Statutes, Section 469.174, Subdivision 10(b)* defined as “structurally substandard”, due to concerns expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.
2. Buildings are not eligible to be considered structurally substandard unless they meet certain additional criteria, as set forth in Subdivision 10(c) which states:

“A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence.”

“Items of evidence that support such a conclusion [that the building is not disqualified] include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.”

LHB counts energy code deficiencies toward the 15 percent code threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(c)* for the following reasons:

- The Minnesota energy code is one of ten building code areas highlighted by the Minnesota Department of Labor and Industry website where minimum construction standards are required by law.
- Chapter 13 of the 2015 *Minnesota Building Code* states, “Buildings shall be designed and constructed in accordance with the *International Energy Conservation Code*.” Furthermore, Minnesota Rules, Chapter 1305.0021 Subpart 9 states, “References

to the *International Energy Conservation Code* in this code mean the *Minnesota Energy Code*...”

- The Senior Building Code Representative for the Construction Codes and Licensing Division of the Minnesota Department of Labor and Industry confirmed that the Minnesota Energy Code is being enforced throughout the State of Minnesota.
- In a January 2002 report to the Minnesota Legislature, the Management Analysis Division of the Minnesota Department of Administration confirmed that the construction cost of new buildings complying with the Minnesota Energy Code is higher than buildings built prior to the enactment of the code.
- Proper TIF analysis requires a comparison between the replacement value of a new building built under current code standards with the repairs that would be necessary to bring the existing building up to current code standards. In order for an equal comparison to be made, all applicable code chapters should be applied to both scenarios. Since current construction estimating software automatically applies the construction cost of complying with the Minnesota Energy Code, energy code deficiencies should also be identified in the existing structures.

C. DISTRIBUTION OF SUBSTANDARD BUILDINGS

Minnesota Statutes, Section 469.174, Subdivision 10, defines a Redevelopment District and requires one or more of the following conditions, “reasonably distributed throughout the district.”

- (1) “Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;
- (2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way;
- (3) tank facilities, or property whose immediately previous use was for tank facilities...”

Our interpretation of the distribution requirement is that the substandard buildings must be reasonably distributed throughout the district as compared to the location of all buildings in the district. For example, if all of the buildings in a district are located on one half of the area of the district, with the other half occupied by parking lots (meeting the required 70 percent coverage for the district), we would evaluate the distribution of the substandard buildings compared with only the half of the district where the buildings are located. If all of the buildings in a district are located evenly throughout the entire area of the district, the substandard buildings must be reasonably distributed throughout the entire area of the district. We believe this is consistent with the opinion expressed by the State of Minnesota Court of Appeals in the *Walser Auto Sales, Inc. vs. City of Richfield* case filed November 13, 2001.

PART 3 – PROCEDURES FOLLOWED

LHB inspected two (2) of the two (2) buildings during the day of November 9, 2018.

PART 4 – FINDINGS

A. COVERAGE TEST

1. The total square foot area of the parcel in the proposed TIF District was obtained from City records, GIS mapping and site verification.
2. The total square foot area of buildings and site improvements on the parcels in the proposed TIF District was obtained from City records, GIS mapping and site verification.
3. The percentage of coverage for each parcel in the proposed TIF District was computed to determine if the 15 percent minimum requirement was met. The total square footage of parcels meeting the 15 percent requirement was divided into the total square footage of the entire district to determine if the 70 percent requirement was met.

FINDING:

The proposed TIF District met the coverage test under *Minnesota Statutes, Section 469.174, Subdivision 10(e)*, which resulted in parcels consisting of 100 percent of the area of the proposed TIF District being occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures (Diagram 2). This exceeds the 70 percent area coverage requirement for the proposed TIF District under *Minnesota Statutes, Section 469.174, Subdivision (a) (1)*.



Diagram 2 – Coverage Diagram

Shaded area depicts a parcel more than 15 percent occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures

B. CONDITION OF BUILDING TEST

1. BUILDING INSPECTION

The first step in the evaluation process is the building inspection. After an initial walk-thru, the inspector makes a judgment whether or not a building “appears” to have enough defects or deficiencies of sufficient total significance to justify substantial renovation or clearance. If it does, the inspector documents with notes and photographs code and non-code deficiencies in the building.

2. REPLACEMENT COST

The second step in evaluating a building to determine if it is substandard to a degree requiring substantial renovation or clearance is to determine its replacement cost. This is the cost of constructing a new structure of the same square footage and type on site.

Replacement costs were researched using R.S. Means Cost Works square foot models for 2018.

A replacement cost was calculated by first establishing building use (office, retail, residential, etc.), building construction type (wood, concrete, masonry, etc.), and building size to obtain the appropriate median replacement cost, which factors in the costs of construction in Richfield, Minnesota.

Replacement cost includes labor, materials, and the contractor's overhead and profit. Replacement costs do not include architectural fees, legal fees or other "soft" costs not directly related to construction activities. Replacement cost for each building is tabulated in Appendix A.

3. CODE DEFICIENCIES

The next step in evaluating a building is to determine what code deficiencies exist with respect to such building. Code deficiencies are those conditions for a building which are not in compliance with current building codes applicable to new buildings in the State of Minnesota.

Minnesota Statutes, Section 469.174, Subdivision 10(c), specifically provides that a building cannot be considered structurally substandard if its code deficiencies are not at least 15 percent of the replacement cost of the building. As a result, it was necessary to determine the extent of code deficiencies for each building in the proposed TIF District.

The evaluation was made by reviewing all available information with respect to such buildings contained in City Building Inspection records and making interior and exterior inspections of the buildings. LHB utilizes the current Minnesota State Building Code as the official code for our evaluations. The Minnesota State Building Code is actually a series of provisional codes written specifically for Minnesota only requirements, adoption of several international codes, and amendments to the adopted international codes.

After identifying the code deficiencies in each building, we used R.S. Means Cost Works 2018; Unit and Assembly Costs to determine the cost of correcting the identified deficiencies. We were then able to compare the correction costs with the replacement cost of each building to determine if the costs for correcting code deficiencies meet the required 15 percent threshold.

FINDING:

Two (2) out of two (2) buildings (100 percent) in the proposed TIF District contained code deficiencies exceeding the 15 percent threshold required by *Minnesota Statutes, Section 469.174, Subdivision 10(c)*. Building Code, Condition Deficiency and Context Analysis reports for the buildings in the proposed TIF District can be found in Appendix B of this report.

4. SYSTEM CONDITION DEFICIENCIES

If a building meets the minimum code deficiency threshold under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, then in order for such building to be “structurally substandard” under *Minnesota Statutes, Section 469.174, Subdivision 10(b)*, the building’s defects or deficiencies should be of sufficient total significance to justify “substantial renovation or clearance.” Based on this definition, LHB re-evaluated each of the buildings that met the code deficiency threshold under *Minnesota Statutes, Section 469.174, Subdivision 10(c)*, to determine if the total deficiencies warranted “substantial renovation or clearance” based on the criteria we outlined above.

System condition deficiencies are a measurement of defects or substantial deterioration in site elements, structure, exterior envelope, mechanical and electrical components, fire protection and emergency systems, interior partitions, ceilings, floors and doors.

The evaluation of system condition deficiencies was made by reviewing all available information contained in City records, and making interior and exterior inspections of the buildings. LHB only identified system condition deficiencies that were visible upon our inspection of the building or contained in City records. We did not consider the amount of “service life” used up for a particular component unless it was an obvious part of that component’s deficiencies.

After identifying the system condition deficiencies in each building, we used our professional judgment to determine if the list of defects or deficiencies is of sufficient total significance to justify “substantial renovation or clearance.”

FINDING:

In our professional opinion, two (2) out of two (2) buildings (100 percent) in the proposed TIF District are structurally substandard to a degree requiring substantial renovation or clearance, because of defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. This exceeds the 50 percent requirement of Subdivision 10a(1).

C. DISTRIBUTION OF SUBSTANDARD STRUCTURES

Much of this report has focused on the condition of individual buildings as they relate to requirements identified by *Minnesota Statutes, Section 469.174, Subdivision 10*. It is also important to look at the distribution of substandard buildings throughout the geographic area of the proposed TIF District (Diagram 3).

FINDING:

The parcels with substandard buildings are reasonably distributed compared to all parcels that contain buildings.



Diagram 3 – Substandard Buildings

Shaded green area depicts parcels with buildings.

Shaded orange area depicts substandard buildings.

PART 5 - TEAM CREDENTIALS

Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst

Michael has 30 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

Michael completed a two-year Bush Fellowship, studying at MIT and Harvard in 1999, earning Masters degrees in City Planning and Real Estate Development from MIT. He has served on more than 50 committees, boards and community task forces, including a term as a City Council President and as Chair of a Metropolitan Planning Organization. Most recently, he served as Chair of the Edina, Minnesota planning commission and is currently a member of the Edina city council. Michael has also managed and designed several award-winning architectural projects, and was one of four architects in the Country to receive the AIA Young Architects Citation in 1997.

Philip Waugh – Project Manager/TIF Analyst

Philip is a project manager with 13 years of experience in historic preservation, building investigations, material research, and construction methods. He previously worked as a historic preservationist and also served as the preservation specialist at the St. Paul Heritage Preservation Commission. Currently, Phil sits on the Board of Directors for the Preservation Alliance of Minnesota. His current responsibilities include project management of historic preservation projects, performing building condition surveys and analysis, TIF analysis, writing preservation specifications, historic design reviews, writing Historic Preservation Tax Credit applications, preservation planning, and grant writing.

Phil Fisher – Inspector

For 35 years, Phil Fisher worked in the field of Building Operations in Minnesota including White Bear Lake Area Schools. At the University of Minnesota he earned his Bachelor of Science in Industrial Technology. He is a Certified Playground Safety Inspector, Certified Plant Engineer, and is trained in Minnesota Enterprise Real Properties (MERP) Facility Condition Assessment (FCA). His FCA training was recently applied to the Minnesota Department of Natural Resources Facilities Condition Assessment project involving over 2,000 buildings.

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APPENDICES

APPENDIX A	Property Condition Assessment Summary Sheet
APPENDIX B	Building Code and Condition Deficiencies Reports
APPENDIX C	Building Replacement Cost Reports Code Deficiency Cost Reports Photographs

APPENDIX A

Property Condition Assessment Summary Sheet

TIF Map No.	PID #	Property Address / Building Name	Improved or Vacant	Survey Method Used	Site Area (S.F.)	Coverage Area of Improvements (S.F.)	Coverage Percent of Improvements	Coverage Quantity (S.F.)	No. of Buildings	Building Replacement Cost	15% of Replacement Cost	Building Code Deficiencies	No. of Buildings Exceeding 15% Criteria	No. of buildings determined substandard
A	2802824230023	6501 Penn Avenue	Improved		24,675	24,675	100.0%	24,675	2					
B1	Bumper to Bumper Auto Parts			Interior/Exterior						\$518,502	\$77,775	\$95,902	1	1
B2		Garage		Interior/Exterior						\$240,320	\$36,048	\$112,002	1	1
TOTALS					24,675	Total Coverage Percent:			24,675	2			2	2
					100.0%				Percent of buildings exceeding 15 percent code deficiency threshold:				100.0%	100.0%
					Percent of buildings determined substandard:									

O:\18Proj\180891\400 Design\406 Reports\Final Report\[180891 Richfield Penn Avenue Redevelopment TIF Summary Spreadsheet.xlsx]Property Info

Percent of buildings determined substandard:100.0%

APPENDIX B

Building Code, Condition Deficiency and Context Analysis Reports

Richfield Penn Avenue Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel No. & Building Name: Parcel A Building 1: Bumper to Bumper Auto Parts
Address: 6501 Penn Ave S Richfield, MN 55423
Parcel ID: 28-028-24-23-0023
Inspection Date(s) & Time(s): November 9, 2018 12:30 PM
Inspection Type: Interior and Exterior
Summary of Deficiencies: It is our professional opinion that this building is Substandard because:

- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost: \$518,502
Estimated Cost to Correct Building Code Deficiencies: \$95,902
Percentage of Replacement Cost for Building Code Deficiencies: 18.5%

Defects in Structural Elements

1. None observed.

Combination of Deficiencies

1. Essential Utilities and Facilities
 - a. There is no code-required accessible route into the building.
 - b. There is no code-required accessible restroom in the building.
 - c. There is no code-required drinking fountain in the building.
 - d. Door hardware does not comply with code.
 - e. Thresholds are not code-compliant for maximum height.
2. Light and Ventilation
 - a. HVAC system is not code-compliant.
 - b. Lighting in the basement does not comply with code.
3. Fire Protection/Adequate Egress
 - a. Sidewalks are cracked/damaged creating an impediment for emergency egress, contrary to code.
 - b. Glass doors do not have code-required 10-inch kick plates.
 - c. Vinyl composition floor tile is damaged, creating an impediment for emergency egress, which is contrary to code.
 - d. There is no code-required fire notification system in the building.
 - e. There is no code-required emergency lighting in the building.
 - f. There are no code-required smoke detectors in the building.
 - g. There is no code-required building sprinkler system in the building.
 - h. Basement stairway does not comply with code.
 - i. Exposed wood joists do not have code-required fire proofing material installed.

- j. Electrical circuit panels do not have code-required 36-inch clear space in front of them.
 - k. There is a confined space hazardous material waste trap that is not code-compliant.
4. Layout and Condition of Interior Partitions/Materials
 - a. Interior walls should be repainted.
 - b. Ceiling tiles are water stained from roof leaks and should be replaced.
 - c. The air compressor is not guarded and therefore not code-compliant.
 - d. The ceiling in the repair shop is damaged and should be repaired.
 5. Exterior Construction
 - a. Stucco is missing and should be replaced.
 - b. Stucco had graffiti painted over and the entire exterior stucco should be repainted to match.
 - c. Windows are failing, allowing for water intrusion, contrary to code.
 - d. Wood fascia is rotting and should be replaced.
 - e. Roofing materials are failing, allowing for water intrusion, contrary to code.

Description of Code Deficiencies

1. A code-required accessible route into the building should be created.
2. A code-required accessible restroom should be installed.
3. A code-required drinking fountain should be installed.
4. Code-compliant door hardware should be installed.
5. Thresholds should be modified to comply with code for maximum height.
6. The HVAC system does not comply with code and should be replaced.
7. Basement lighting should be improved to comply with code.
8. Sidewalks should be repaired to comply with code for unimpeded emergency egress.
9. Glass doors should have code-required 10-inch kick plates installed.
10. Vinyl composition floor tile should be repaired replaced to comply with code for unimpeded emergency egress.
11. Code-required smoke detectors should be installed.
12. A code-required emergency notification system should be installed.
13. Code-required emergency lighting should be installed.
14. Code-required building sprinkler system should be installed.
15. Basement stairway should have code-required second handrailing installed.
16. Exposed wood joists should have code-required fire proofing applied.
17. A code-required 36-inch clear space should be created in front of all circuit panels.
18. The confined space hazardous material waste trap should be properly identified and an entry permitting process should be created to comply with code.
19. The air compressor pully system should be guarded per code.
20. Failing windows should be replaced to prevent water intrusion per code.
21. Failed roofing material should be removed and replaced to prevent water intrusion per code.

Overview of Deficiencies

This retail building needs exterior stucco repairs and repainting. The building is not code-compliant for accessibility. The interior should be repainted, and stained ceiling tiles replaced. Damaged floor tiles should be replaced. Code-required emergency systems are not present in the building. Windows and roofing material are failing allowing for water intrusion which is contrary to code. Fire proofing on exposed wood joists should be applied to comply with code. Basement lighting does not comply with code. The HVAC system does not comply with code.

Richfield Penn Avenue Redevelopment TIF District

Building Code, Condition Deficiency and Context Analysis Report

Parcel No. & Building Name: Parcel A Building 2 Garage
Address: 6501 Penn Ave S Richfield, MN 55423
Parcel ID: 28-028-24-23-0023
Inspection Date(s) & Time(s): November 9, 2018 12:50 PM
Inspection Type: Interior and Exterior
Summary of Deficiencies: It is our professional opinion that this building is Substandard because:
- Substantial renovation is required to correct Conditions found.
- Building Code deficiencies total more than 15% of replacement cost, NOT including energy code deficiencies.

Estimated Replacement Cost: \$240,320
Estimated Cost to Correct Building Code Deficiencies: \$112,002
Percentage of Replacement Cost for Building Code Deficiencies: 46.61%

Defects in Structural Elements

1. Steel lintels over glass block windows have failed and should be replaced.
2. Concrete block walls are failing and should be replaced.

Combination of Deficiencies

1. Essential Utilities and Facilities
 - a. There is no code-required accessible route into the building.
 - b. There is no code-required accessible restroom in the building.
 - c. There is no code-required drinking fountain in the building.
 - d. Door hardware does not comply with code.
 - e. Thresholds are not code-compliant for maximum height.
2. Light and Ventilation
 - a. The HVAC system is not code-compliant.
 - b. Lighting is not code-compliant
3. Fire Protection/Adequate Egress
 - a. There is no code-required fire notification system in the building.
 - b. There is no code-required emergency lighting in the building.
 - c. There are no code-required smoke detectors in the building.
 - d. There is no code-required building sprinkler system in the building.
 - e. Electrical junction boxes are not protected per code.
4. Layout and Condition of Interior Partitions/Materials
 - a. The air compressor is not guarded and therefore not code-compliant.

5. Exterior Construction
 - a. Retaining wall is failing and should be repaired.
 - b. Roof material has failed, allowing for water intrusion, contrary to code.
 - c. Exterior block walls are failing, allowing for water intrusion, contrary to code.
 - d. Exterior walls should be repainted.
 - e. Steel lintels have failed, and are rusting, and should be protected/replaced per code.
 - f. Overhead garage doors are damaged and should be repaired/replaced.
 - g. Glass block windows are damaged, allowing for water intrusion, contrary to code.

Description of Code Deficiencies

1. A code-required accessible route should be created to enter the building.
2. A code-required restroom should be installed.
3. A code-required drinking fountain should be installed.
4. Code-compliant door hardware should be installed.
5. Thresholds should be modified to comply with code for maximum height.
6. A code-compliant HVAC system should be installed.
7. Code-compliant lighting should be installed.
8. Code-required smoke detectors should be installed.
9. A code-required emergency notification system should be installed.
10. Code-required emergency lighting should be installed.
11. Code-required building sprinkler system should be installed.
12. Electrical junction boxes should be properly protected per code.
13. The air compressor pulley system should be guarded per code.
14. Remove/replace failed roofing material to prevent water intrusion per code.
15. Repair block walls to prevent water intrusion per code.
16. Replace failed steel lintels and protect rusting lintels per code.
17. Replace damaged glass block windows to prevent water intrusion per code.

Overview of Deficiencies

This service garage is no longer functional and has not been used for several years. There is no code-compliant accessible route into the building. There is no code-required accessible restroom. There is no code-required drinking fountain. Failed exterior block work should be replaced per code to prevent water intrusion. The exterior and interior walls should be repainted. The roof is leaking, causing water intrusion, contrary to code. There are no code-required life safety systems in the building. Glass block windows have been vandalized and should be replaced to prevent water intrusion, per code.

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APPENDIX C

Building Replacement Cost Reports
Code Deficiency Cost Reports
Photographs

Richfield Penn Avenue Redevelopment TIF District

Replacement Cost Report

RSMeans data
from **BORGAN**

Square Foot Cost Estimate Report

Date:

11/9/2018

Estimate Name: **Parcel A Building 1: Bumper to Bumper Auto Parts**
6501 Penn Ave South , Richfield , Minnesota , 55423

Building Type: **Store, Retail with Stucco / Reinforced Concrete**

Location: **RICHFIELD, MN**

Story Count: **1**

Story Height (L.F.): **14**

Floor Area (S.F.): **1900**

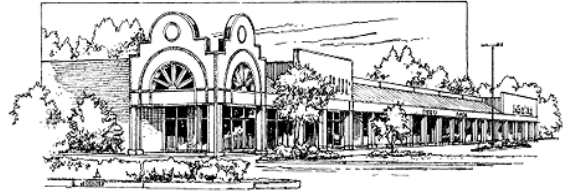
Labor Type: **OPN**

Basement Included: **Yes**

Data Release: **Year 2018 Quarter 2**

Cost Per Square Foot: **\$272.90**

Building Cost: **\$518,502.49**



Costs are derived from a building model with basic components.

Scope differences and market conditions can cause costs to vary significantly.

		% of Total	Cost Per S.F.	Cost
A Substructure		17.18%	42.62	80,995.69
A1010	Standard Foundations		7.65	14,537.94
	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6			
	KSF, 12" deep x 24" wide		4.06	7,718.14
	Spread footings, 3000 PSI concrete, load 100K, soil bearing capacity 6 KSF,			
	4' - 6" square x 15" deep		3.59	6,819.80
A1030	Slab on Grade		5.79	11,005.16
	Slab on grade, 4" thick, non industrial, reinforced		5.79	11,005.16
A2010	Basement Excavation		3.89	7,395.47
	Excavate and fill, 10,000 SF, 8' deep, sand, gravel, or common earth, on site			
	storage		3.89	7,395.47
A2020	Basement Walls		25.29	48,057.12
	Foundation wall, CIP, 12' wall height, pumped, .444 CY/LF, 21.59 PLF, 12"			
	thick		25.29	48,057.12
B Shell		52.34%	129.87	246,734.73
B1010	Floor Construction		81.14	154,158.24
	Cast-in-place concrete column, 12" square, tied, 200K load, 12' story height,			
	142 lbs/LF, 4000PSI		8.15	15,483.25
	Cast-in-place concrete column, 12", square, tied, minimum reinforcing,			
	150K load, 10'-14' story height, 135 lbs/LF, 4000PSI		6.29	11,945.86
	Concrete I beam, precast, 18" x 36", 790 PLF, 25' span, 6.44 KLF			
	superimposed load		35.33	67,132.92
	Flat slab, concrete, with drop panels, 6" slab/2.5" panel, 12" column,			
	15'x15' bay, 75 PSF superimposed load, 153 PSF total load		14.37	27,301.86
	Precast concrete double T beam, 2" topping, 24" deep x 8' wide, 50' span,			
	75 PSF superimposed load, 165 PSF total load		17.00	32,294.34
B2010	Exterior Walls		31.29	59,446.11
	Stucco, 3 coat, self furring metal lath 3.4 Lb/SY, on regular CMU, 12" x 8" x			
	16"		31.29	59,446.11

B2020	Exterior Windows	5.05	9,589.52
	intermediate horizontals	0.38	729.24
	Glazing panel, insulating, 1/2" thick, 2 lites 1/8" float glass, clear	4.66	8,860.28
B2030	Exterior Doors	1.73	3,283.89
	Door, aluminum & glass, without transom, bronze finish, hardware, 3'-0" x 7'-0" opening	1.37	2,593.71
	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening	0.36	690.18
B3010	Roof Coverings	10.03	19,058.22
	Roofing, single ply membrane, EPDM, 60 mils, loosely laid, stone ballast	1.73	3,283.54
	Insulation, rigid, roof deck, extruded polystyrene, 40 PSI compressive strength, 4" thick, R20	4.36	8,282.73
	Roof edges, aluminum, duranodic, .050" thick, 6" face	2.76	5,239.95
	Gravel stop, aluminum, extruded, 4", mill finish, .050" thick	1.19	2,251.99
B3020	Roof Openings	0.63	1,198.75
	Roof hatch, with curb, 1" fiberglass insulation, 2'-6" x 3'-0", galvanized steel, 165 lbs	0.63	1,198.75
C Interiors		7.01%	17.40
C1010	Partitions	2.72	5,161.00
	Metal partition, 5/8" fire rated gypsum board face, no base, 3'-5/8" @ 24" OC framing, same opposite face, no insulation	0.76	1,438.79
	Gypsum board, 1 face only, exterior sheathing, fire resistant, 5/8"	1.19	2,257.70
	Add for the following: taping and finishing	0.77	1,464.51
C1020	Interior Doors	2.09	3,970.62
	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	2.09	3,970.62
C1030	Fittings	0.20	379.97
	Toilet partitions, cubicles, ceiling hung, stainless steel	0.20	379.97
C3010	Wall Finishes	1.59	3,012.09
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats	0.27	516.02
	Painting, interior on plaster and drywall, walls & ceilings, roller work, primer & 2 coats	1.04	1,982.24
	Ceramic tile, thin set, 4-1/4" x 4-1/4"	0.27	513.82
C3020	Floor Finishes	3.12	5,926.77
	Vinyl, composition tile, maximum	3.12	5,926.77
C3030	Ceiling Finishes	7.68	14,583.36
	Acoustic ceilings, 3/4" mineral fiber, 12" x 12" tile, concealed 2" bar & channel grid, suspended support	7.68	14,583.36
D Services		23.46%	58.20
D2010	Plumbing Fixtures	2.67	5,080.57
	Water closet, vitreous china, tank type, 2 piece close coupled	0.37	697.49
	Urinal, vitreous china, wall hung	0.72	1,372.16
	Lavatory w/trim, vanity top, PE on CI, 20" x 18"	0.32	615.27
	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"	0.95	1,801.02
	Water cooler, electric, wall hung, dual height, 14.3 GPH	0.31	594.64
D2020	Domestic Water Distribution	14.81	28,148.35
	Gas fired water heater, commercial, 100< F rise, 500 MBH input, 480 GPH	14.81	28,148.35

D2040	Rain Water Drainage	1.59	3,024.01
	Roof drain, CI, soil, single hub, 4" diam, 10' high	1.44	2,735.64
	Roof drain, CI, soil, single hub, 4" diam, for each additional foot add	0.15	288.37
D3050	Terminal & Package Units	8.48	16,103.13
	Rooftop, single zone, air conditioner, department stores, 10,000 SF, 29.17 ton	8.48	16,103.13
D4010	Sprinklers	4.62	8,785.03
	Wet pipe sprinkler systems, steel, ordinary hazard, 1 floor, 10,000 SF	4.62	8,785.03
D4020	Standpipes	1.15	2,181.62
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	1.15	2,181.62
D5010	Electrical Service/Distribution	12.15	23,082.90
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 400 A	3.11	5,905.68
	Feeder installation 600 V, including RGS conduit and XHHW wire, 400 A	2.53	4,809.13
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 400 A	6.51	12,368.10
D5020	Lighting and Branch Wiring	10.95	20,814.02
	Receptacles incl plate, box, conduit, wire, 8 per 1000 SF, .9 watts per SF	2.85	5,410.84
	Miscellaneous power, 1.5 watts	0.40	759.22
	Central air conditioning power, 4 watts	0.81	1,542.34
	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC, 10 fixtures @32watt per 1000 SF	6.90	13,101.62
D5030	Communications and Security	1.78	3,382.04
	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, boxes, conduit and wire	0.97	1,849.35
	Fire alarm command center, addressable without voice, excl. wire & conduit	0.81	1,532.69
E Equipment & Furnishings		0%	0
E1090	Other Equipment	0	0
F Special Construction		0%	0
G Building Sitework		0%	0
SubTotal		100%	\$248.09
Contractor Fees (General Conditions, Overhead, Profit)		10.00%	\$24.81
Architectural Fees		0.00%	\$0.00
User Fees		0.00%	\$0.00
Total Building Cost			\$272.90
			\$518,502.49

Richfield Penn Avenue Redevelopment TIF District

Code Deficiency Cost Report

Parcel A - 6501 Penn Ave South Richfield, Minnesota 55423 - PID 28-028-24-23-0023

Building 1: Bumper to Bumper Auto Parts

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Accessible Route					
Create a code required accessible route into building	\$ 3,500.00	Lump	1	\$	3,500.00
Restroom					
Create a code required accessible restroom	\$ 2.36	SF	1900	\$	4,484.00
Drinking Fountain					
Install a code required accessible drinking fountain	\$ 0.31	SF	1900	\$	589.00
Door Hardware					
Install code compliant door hardware	\$ 250.00	EA	7	\$	1,750.00

Structural Elements

\$ -

Exiting

Sidewalks					
Repair/replace damaged sidewalks to create a code required unimpeded means of egress	\$ 2,500.00	Lump	1	\$	2,500.00
Glass Doors					
Install code required 10-inch kick plates on glass doors	\$ 100.00	EA	4	\$	400.00
Vinyl Composition Tile					
Repair/replace damaged floor tile to create a code required unimpeded means of egress	\$ 3.12	SF	1900	\$	5,928.00
Basement Stairway					
Install code required second stair railing	\$ 250.00	EA	1	\$	250.00
Thresholds					
Modify thresholds to comply with code for maximum height	\$ 250.00	EA	5	\$	1,250.00

Fire Protection

Smoke Detectors					
Install code required smoke detectors	\$ 0.97	SF	1900	\$	1,843.00
Emergency Lighting					
Install code required emergency lighting	\$ 1.10	SF	1900	\$	2,090.00
Emergency Notification System					
Install code required emergency notification system	\$ 0.81	SF	1900	\$	1,539.00
Building Sprinkler System					
Install code required building sprinkler system	\$ 5.77	SF	1900	\$	10,963.00
Fire Proofing					
Apply code required fire proofing to exposed wood joists	\$ 2.25	SF	1900	\$	4,275.00

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
	Electrical Circuit Panels				
	Establish code required 36-inch clear space in front of circuit panels	\$ 50.00	Lump	1	\$ 50.00
	Hazardous Waste Trap				
	Inspect, certify, and create code required management plan for confined space hazardous waste trap	\$ 500.00	Lump	1	\$ 500.00
Exterior Construction					
	Windows				
	Install code compliant windows to prevent water intrusion	\$ 5.05	SF	1900	\$ 9,595.00
Roof Construction					
	Roofing Material				
	Remove failed roofing material	\$ 0.75	SF	1900	\$ 1,425.00
	Install new roofing material to prevent water intrusion per code	\$ 10.66	SF	1900	\$ 20,254.00
Mechanical- Electrical					
	Mechanical				
	Install code compliant HVAC system	\$ 8.48	SF	1900	\$ 16,112.00
	Install code required guard around exposed pully on air compressor	\$ 50.00	Lump	1	\$ 50.00
	Electrical				
	Install code compliant lighting in basement	\$ 6.90	SF	950	\$ 6,555.00
Total Code Improvements					\$ 95,902

Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 1 - 6501 Penn Avenue South - Bumper to Bumper Auto Parts



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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 1 - 6501 Penn Avenue South - Bumper to Bumper Auto Parts



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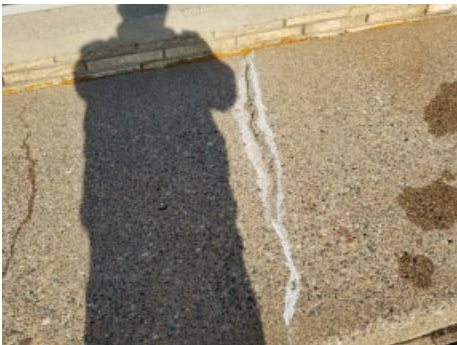
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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 1 - 6501 Penn Avenue South - Bumper to Bumper Auto Parts



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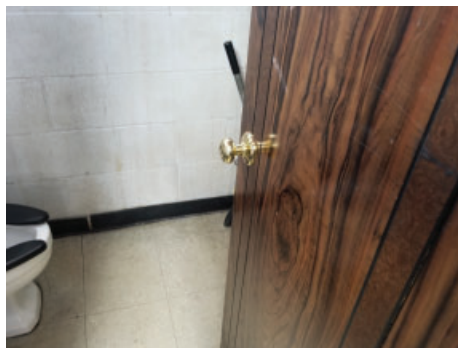
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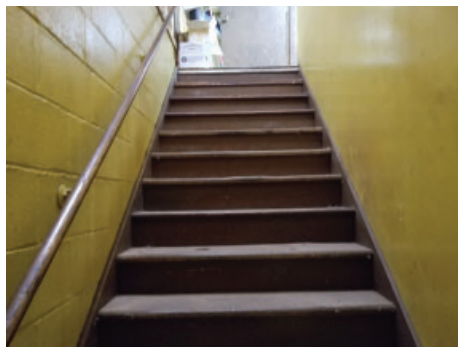
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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 1 - 6501 Penn Avenue South - Bumper to Bumper Auto Parts



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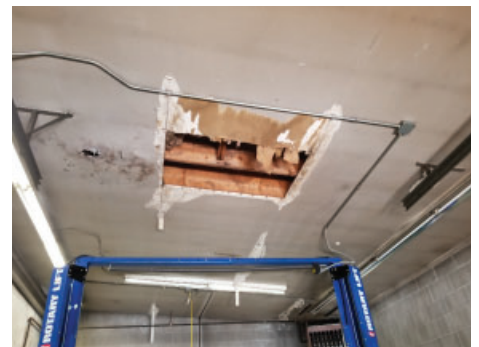
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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 1 - 6501 Penn Avenue South - Bumper to Bumper Auto Parts



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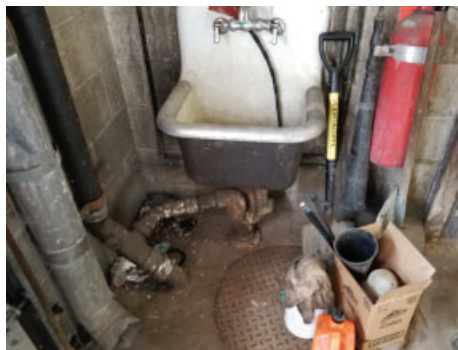
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Richfield Penn Avenue Redevelopment TIF District

Replacement Cost Report

RSMeans data
from BORDIAN

Square Foot Cost Estimate Report

Date: 11/9/2018

Estimate Name:	Parcel A Building 2, Garage City of Richfield 6501 Penn Ave South , Richfield , Minnesota , 55423	
Building Type:	Garage, Repair with Concrete Block / Steel Joists	
Location:	RICHFIELD, MN	 <p>Costs are derived from a building model with basic components. Scope differences and market conditions can cause costs to vary significantly.</p>
Story Count:	1	
Story Height (L.F.):	10	
Floor Area (S.F.):	2100	
Labor Type:	OPN	
Basement Included:	No	
Data Release:	Year 2018 Quarter 2	
Cost Per Square Foot:	\$114.43	
Building Cost:	\$240,320.67	

		% of Total	Cost Per S.F.	Cost
A Substructure		20.65%	21.57	45,301.15
A1010	Standard Foundations		13.03	27,365.85
	Foundation wall, CIP, 4' wall height, direct chute, .148 CY/LF, 7.2 PLF, 12" thick		8.42	17,676.23
	Strip footing, concrete, reinforced, load 11.1 KLF, soil bearing capacity 6 KSF, 12" deep x 24" wide		4.61	9,689.62
A1030	Slab on Grade		8.22	17,256.16
	Slab on grade, 6" thick, light industrial, reinforced		8.22	17,256.16
A2010	Basement Excavation		0.32	679.14
	Excavate and fill, 10,000 SF, 4' deep, sand, gravel, or common earth, on site storage		0.32	679.14
B Shell		30.82%	32.19	67,595.84
B2010	Exterior Walls		11.54	24,232.91
	Concrete block (CMU) wall, regular weight, 75% solid, 8 x 8 x 16, 4500 PSI, reinforced, vertical #5@32", grouted		11.54	24,232.91
B2030	Exterior Doors		3.54	7,431.93
	Door, steel 18 gauge, hollow metal, 1 door with frame, no label, 3'-0" x 7'-0" opening		0.87	1,830.78
	Door, steel 24 gauge, overhead, sectional, manual operation, 12'-0" x 12'-0" opening		2.67	5,601.15
B3010	Roof Coverings		17.11	35,931.00
	Precast concrete plank, 2" topping, 12" total thickness, 35' span, 40 PSF superimposed load, 135 PSF total load		17.11	35,931.00
C Interiors		11.55%	12.07	25,338.78
C1010	Partitions		4.96	10,418.70
	Lightweight block 4" thick		1.76	3,698.18
	Concrete block (CMU) partition, light weight, hollow, 8" thick, no finish		3.20	6,720.52

C1020	Interior Doors	0.42	877.72
	Door, single leaf, kd steel frame, hollow metal, commercial quality, flush, 3'-0" x 7'-0" x 1-3/8"	0.42	877.72
C1030	Fittings	0.76	1,599.88
	Toilet partitions, cubicles, ceiling hung, stainless steel	0.76	1,599.88
C3010	Wall Finishes	4.20	8,813.20
	2 coats paint on masonry with block filler	2.80	5,875.46
	Painting, masonry or concrete, latex, brushwork, primer & 2 coats	0.79	1,655.98
	Painting, masonry or concrete, latex, brushwork, addition for block filler	0.61	1,281.76
C3020	Floor Finishes	1.29	2,699.67
	Concrete topping, hardeners, metallic additive, minimum	1.04	2,177.19
	Vinyl, composition tile, minimum	0.25	522.48
C3030	Ceiling Finishes	0.44	929.61
	Acoustic ceilings, 5/8" fiberglass board, 24" x 48" tile, tee grid, suspended support	0.44	929.61
D Services		36.98%	38.20
			80,237.57
D2010	Plumbing Fixtures	2.93	6,179.03
	Water closet, vitreous china, bowl only with flush valve, wall hung	1.14	2,397.83
	Urinal, vitreous china, wall hung	0.23	489.86
	Lavatory w/trim, wall hung, PE on CI, 19" x 17"	0.59	1,242.16
	Service sink w/trim, PE on CI, wall hung w/rim guard, 24" x 20"	0.64	1,353.61
	Water cooler, electric, wall hung, wheelchair type, 7.5 GPH	0.33	695.57
D2020	Domestic Water Distribution	0.69	1,449.72
	Gas fired water heater, residential, 100< F rise, 30 gal tank, 32 GPH	0.69	1,449.72
D2040	Rain Water Drainage	4.59	9,635.51
	Roof drain, steel galv sch 40 threaded, 4" diam piping, 10' high	1.71	3,596.45
	Roof drain, steel galv sch 40 threaded, 4" diam piping, for each additional foot add	2.88	6,039.06
D3050	Terminal & Package Units	9.68	20,318.84
	Rooftop, single zone, air conditioner, factories, 10,000 SF, 33.33 ton	9.68	20,318.84
D4010	Sprinklers	4.62	9,709.77
	Wet pipe sprinkler systems, steel, ordinary hazard, 1 floor, 10,000 SF	4.62	9,709.77
D4020	Standpipes	1.00	2,104.18
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, 1 floor	0.92	1,929.01
	Wet standpipe risers, class III, steel, black, sch 40, 4" diam pipe, additional floors	0.08	175.17
D5010	Electrical Service/Distribution	2.25	4,728.08
	Overhead service installation, includes breakers, metering, 20' conduit & wire, 3 phase, 4 wire, 120/208 V, 200 A	1.41	2,967.40
	Feeder installation 600 V, including RGS conduit and XHHW wire, 200 A	0.69	1,451.48
	Switchgear installation, incl switchboard, panels & circuit breaker, 120/208 V, 3 phase, 400 A	0.15	309.20
D5020	Lighting and Branch Wiring	8.62	18,104.13
	Receptacles incl plate, box, conduit, wire, 4 per 1000 SF, .5 watts per SF	2.21	4,631.78
	Miscellaneous power, 1 watt	0.30	623.24
	Central air conditioning power, 3 watts	0.60	1,264.52
	Fluorescent fixtures recess mounted in ceiling, 1.6 watt per SF, 40 FC, 10 fixtures @32watt per 1000 SF	5.52	11,584.59

D5030	Communications and Security		3.72	7,802.49
	Communication and alarm systems, fire detection, addressable, 25 detectors, includes outlets, boxes, conduit and wire		2.16	4,542.27
	Fire alarm command center, addressable with voice, excl. wire & conduit		1.30	2,735.36
	Internet wiring, 4 data/voice outlets per 1000 S.F.		0.25	524.86
D5090	Other Electrical Systems		0.10	205.82
	Generator sets, w/battery, charger, muffler and transfer switch, gas/gasoline operated, 3 phase, 4 wire, 277/480 V, 15 kW		0.10	205.82
E Equipment & Furnishings		0%	0	0
E1090	Other Equipment		0	0
F Special Construction		0%	0	0
G Building Sitework		0%	0	0

SubTotal	100%	\$104.03	\$218,473.34
Contractor Fees (General Conditions,Overhead,Profit)	10.00%	\$10.40	\$21,847.33
Architectural Fees	0.00%	\$0.00	\$0.00
User Fees	0.00%	\$0.00	\$0.00
Total Building Cost		\$114.43	\$240,320.67

Richfield Penn Avenue Redevelopment TIF District

Code Deficiency Cost Report

Parcel A - 6501 Penn Ave South Richfield, Minnesota 55423 - PID 28-028-24-23-0023

Building 2: Garage

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
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Accessibility Items

Accessible Route

A code required accessible route into the building should be created

\$ 1,500.00 Lump 1 \$ 1,500.00

Restroom

A code required accessible restroom should be installed

\$ 2.60 SF 2100 \$ 5,460.00

Drinking Fountain

A code required drinking fountain should be installed

\$ 0.33 SF 2100 \$ 693.00

Door Hardware

Code compliant door hardware should be installed

\$ 250.00 EA 5 \$ 1,250.00

Structural Elements

Block Walls

Repair/replace damaged block walls to prevent water intrusion per code

\$ 5.00 SF 2100 \$ 10,500.00

Steel Lintels

Replace/Protect failed steel lintel per code

\$ 750.00 EA 1 \$ 750.00

Protect rusting steel lintels per code

\$ 100.00 EA 3 \$ 300.00

Exiting

Thresholds

Thresholds should be modified to comply with code for maximum height

\$ 250.00 EA 3 \$ 750.00

Fire Protection

Smoke Detectors

Install code required smoke detectors

\$ 2.16 SF 2100 \$ 4,536.00

Emergency Notification System

Install code required emergency notification system

\$ 1.30 SF 2100 \$ 2,730.00

Emergency Lighting

Install code required emergency lighting system

\$ 0.81 SF 2100 \$ 1,701.00

Building Sprinkler System

Install code required building sprinkler system

\$ 5.62 SF 2100 \$ 11,802.00

Exterior Construction

Glass Block Windows

Replace vandalized glass block windows to prevent water intrusion per code

\$ 1,500.00 Lump 1 \$ 1,500.00

Code	Related Cost Items	Unit Cost	Units	Unit Quantity	Total
Roof Construction					
	Roofing Material				
	Remove failed roofing material	\$ 3.00	SF	2100	\$ 6,300.00
	Install new roofing material to prevent water intrusion per code	\$ 17.11	SF	2100	\$ 35,931.00
Mechanical- Electrical					
	Mechanical				
	The HVAC system should be replaced to comply with code	\$ 9.68	SF	2100	\$ 20,328.00
	The air compressor should have a code required guard around the pully	\$ 50.00	EA	1	\$ 50.00
	Electrical				
	Code compliant lighting should be installed	\$ 2.76	SF	2100	\$ 5,796.00
	Electrical junction boxes should be protected per code	\$ 125.00	EA	1	\$ 125.00
Total Code Improvements					\$ 112,002

Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 2 - 6501 Penn Avenue South - Garage



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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 2 - 6501 Penn Avenue South - Garage



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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 2 - 6501 Penn Avenue South - Garage



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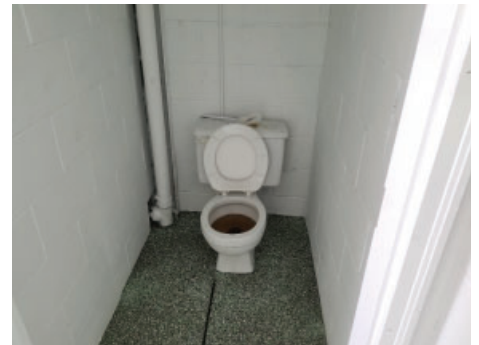
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Richfield Penn Avenue Redevelopment TIF District

Photos: Parcel A Building 2 - 6501 Penn Avenue South - Garage



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STAFF REPORT NO. 42
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
12/20/2021

REPORT PREPARED BY: Kate Aitchison, Housing Specialist
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
12/15/2021

ITEM FOR COUNCIL CONSIDERATION:

Consider the approval of a resolution accepting donations to the Affordable Housing Trust Fund via the Just Deeds Project.

EXECUTIVE SUMMARY:

In April 2021, the City of Richfield joined the Just Deeds project to address the numerous discriminatory covenants that were once in effect on Richfield properties. As part of the project, yard signs were created to promote the program and celebrate the renunciation of these discriminatory covenants.

The yard signs are being distributed to homeowners who have their covenants discharged through the City's program. Additionally, yard signs are available for sale at community events and at the Richfield Municipal Center. The suggested donation is \$10 per sign.

All proceeds from the yard sign sale are going directly to the Affordable Housing Trust Fund and the Richfield First Time Homebuyer program. To date, \$100 has been donated towards this cause.

RECOMMENDED ACTION:

By motion: Approve a resolution allowing the acceptance of monetary donations to the Affordable Housing Trust Fund.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The Just Deeds project was initiated in the spring of 2021.
- To date, 39 discriminatory covenants have been discharged or are being processed for renunciation under the program.
- Eight yard signs have been sold for voluntary donations to the Affordable Housing Trust Fund and \$100 in donations have been collected.

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

- Advancing equity is a core value and goal of the City.
 - The Just Deeds project seeks to acknowledge, educate, and work to address systemic racism in housing in Minnesota. As part of this project, Richfield can provide free help to homeowners to find and discharge discriminatory covenants from property titles.
 - There are 3,714 parcels in the City that contain some form of racial covenant on the property deed
- The Affordable Housing Trust Fund and the Richfield First Time Homebuyer program seek to

promote equitable housing solutions that aid all people in finding secure and stable housing.

C. **CRITICAL TIMING ISSUES:**

- A resolution accepting the donations needs to be passed before the end of the calendar year.

D. **FINANCIAL IMPACT:**

- To date, \$100 has been donated towards yard signs and the Affordable Housing Trust Fund.

E. **LEGAL CONSIDERATION:**

- Minnesota Statute 465.03 requires that every acceptance of a grant or devise of real or personal property on terms prescribed by the donor be made by resolution.

ALTERNATIVE RECOMMENDATION(S):

- Direct staff to return the donations to the donors.

PRINCIPAL PARTIES EXPECTED AT MEETING:

None.

ATTACHMENTS:

Description		Type
<input type="checkbox"/>	Resolution	Resolution Letter
<input type="checkbox"/>	Just Deeds yard sign	Backup Material

RESOLUTION NO.

**RESOLUTION AUTHORIZING RICHFIELD HOUSING AND REDEVELOPMENT
AUTHORITY TO ACCEPT DONATIONS TO THE AFFORDABLE HOUSING TRUST
FUND**

WHEREAS, the Housing and Redevelopment Authority received checks and cash from several individuals in the amount of \$100.00 to the Affordable Housing Trust Fund; and,

WHEREAS, Minnesota Statute requires every acceptance of a grant or devise of real or personal property on terms prescribed by the donor be made by resolution; and,

WHEREAS, the donated funds will be deposited in the Affordable Housing Trust Fund and used to promote affordable homeownership.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director will accept and distribute the donations as specified.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of December, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

EVICT RACISM!

DISCHARGE YOUR HOME'S RACIAL COVENANT

Learn more at: www.Richfieldmn.gov/JustDeeds





STAFF REPORT NO. 43
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
12/20/2021

REPORT PREPARED BY: Melissa Poehlman, Asst. Community Development Director
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
12/14/2021

ITEM FOR COUNCIL CONSIDERATION:

Consider a resolution approving the execution and delivery of a Donation Agreement with Metro Campus 1, LLC to accept the donation of the office building and property at 1600 78th Street East.

EXECUTIVE SUMMARY:

Over the past ten to fifteen years, Housing and Redevelopment Authority (HRA) staff and the ownership and management of Metro Sales, Inc. have developed and maintained an excellent working relationship. Recently a representative of owner Jerry Mathwig (acting as a Power of Attorney) approached staff about the possibility of donating a part of their property (owned under Metro Campus 1, LLC) located at 1600 78th Street East to the HRA. The office building on this site was the former home of EcoSmart, a water filtration company, and has been in a state of perpetual construction for more than 10 years. The current owner purchased the property from EcoSmart in 2019 with the intent of completing construction and using the office space to consolidate employees that were scattered in several locations throughout the metro. These plans have changed and the owner is interested in donating the property to the HRA for future redevelopment. The property is located near the future 77th Street underpass and could provide the HRA with additional influence over redevelopment in this important area.

On September 20, 2021, the HRA approved a Preliminary Donation Agreement (Preliminary Agreement) directing staff to contract for the review of property title work, inspection and appraisal of the property, and completion of a Phase I Environmental Site Assessment. The Preliminary Agreement also stipulated that if the HRA concluded that it would like to accept the property, the HRA would take possession of the property before December 31, 2021 and agree to reimburse the owner for the second half 2021 taxes (\$40,486.60).

Staff and the HRA and City Attorneys have completed this review and no unforeseen concerns have arisen. Staff recommends that the HRA approve the attached Donation Agreement (Agreement) for the property.

RECOMMENDED ACTION:

By motion: Approve the attached resolution approving the execution and delivery of a Donation Agreement with Metro Campus 1 LLC.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The City currently owns property at 1710 78th Street East.
- Ownership of 1600 78th Street East would strengthen the City/HRA's position in influencing

redevelopment in the area immediately adjacent to the 77th Street underpass.

- The properties in this area are guided for Regional Commercial Use by the 2040 Comprehensive Plan.

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

- The HRA Attorney has concluded that the HRA is eligible to receive a land donation such as the one contemplated.

C. CRITICAL TIMING ISSUES:

- The owner would prefer for the HRA to accept the donated property in 2021 for tax purposes. The Preliminary Agreement committed the HRA to accept the property prior to December 31, 2021.

D. FINANCIAL IMPACT:

- Hennepin County's current estimated market value of the property is approximately \$2.3 million. A Broker's Opinion of Value from October values the property between \$2.4 and \$2.6 million.
- Second half 2021 property taxes for the property are \$40,486.60. The HRA would agree to reimburse the owner for these second half taxes.
- Following closing, the HRA would apply to Hennepin County for tax exempt status for the property. Given the timing of this acceptance, it is likely the HRA will have to pay first half 2022 property taxes in approximately the same amount.

E. LEGAL CONSIDERATION:

- HRA Attorney Julie Eddington has been consulted and prepared the attached Resolution and Agreement.

ALTERNATIVE RECOMMENDATION(S):

- Decline the offer of the property donation.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Tim Pabst, for Metro Campus 1, LLC

ATTACHMENTS:

Description	Type
☐ Resolution	Resolution Letter
☐ Agreement	Contract/Agreement
☐ Property Map	Exhibit

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

RESOLUTION NO. _____

**RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A DONATION
AGREEMENT WITH METRO CAMPUS 1 LLC**

WHEREAS, Metro Campus 1 LLC, a Minnesota limited liability company (the "Owner"), is the fee simple owner of property located at 1600 78th Street East, Richfield, Minnesota (the "Property"); and

WHEREAS, the Owner has proposed to donate the Property, including the office building on the Property, to the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority"); and

WHEREAS, the Authority and the Owner entered into a Preliminary Donation Agreement, dated October 1, 2021, which set forth the terms under which the Authority was allowed to conduct due diligence on the Property to determine the Property's suitability and feasibility for redevelopment; and

WHEREAS, following its completion of the due diligence, the Authority has determined to move forward with accepting the donation of the Property by the Owner; and

WHEREAS, the Board of Commissioners of the Authority has been presented with a form of a Donation Agreement (the "Agreement") between the Authority and the Owner, which sets forth the terms of the donation of the Property to the Authority; 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 Agreement presented to the Authority and on file with the Executive Director is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the Chair and Executive Director; provided that execution of such document by such officials shall be conclusive evidence of approval.

2. The Chair and Executive Director are hereby authorized to execute the Agreement on behalf of the Authority and to carry out on the Authority's obligations thereunder.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of December, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

DONATION AGREEMENT

THIS DONATION AGREEMENT (the "Agreement") is made and entered into this ____ day of _____, 2021 (the "Effective Date"), between the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a Minnesota public body corporate and politic (the "HRA"), and Metro Campus 1 LLC, a Minnesota limited liability company (the "Owner").

1. OWNER'S PROPERTY. The Owner is the owner in fee simple of real estate located at 1600 78th Street East in the City of Richfield, Hennepin County, Minnesota, consisting of land identified by Tax Parcel Identification Number 35-028-24-44-0034 which is legally described in EXHIBIT A attached hereto (the "Donated Property").

2. OFFER/ACCEPTANCE. In consideration of the mutual agreements between the Owner and the HRA contained herein, the Owner agrees to donate the Property to the HRA, and the HRA agrees to accept the Donated Property from the Owner.

3. VALUE OF DONATED PROPERTY. The parties agree that for taxation purposes the value of the Donated Property is Two Million Five Hundred Thousand Dollars (\$2,500,000.00) based on a Broker Opinion of Value provided by IAG Commercial, dated October 28, 2021.

4. CONTINGENCIES. This Donation Agreement is contingent upon the satisfaction of the following condition:

- A. Condition of title being satisfactory to the HRA following the HRA's examination of title as provided for in Section 9 of this Donation Agreement.
- B. Owner will work cooperatively with the HRA to create a separate parcel for the easement created by the Grant of Perpetual Easements and Declaration of Restrictions in favor of Clear Channel Outdoor, Inc., dated December 7, 2001 and filed on December 13, 2001, in the Office of Registrar of Titles of Hennepin County, Minnesota, as Document No. T3472192 and to require the Clear Channel Outdoor, Inc. pay its own taxes directly to Hennepin County.

The parties shall have until the Closing Date, as herein defined, of the donation of the Donated Property ("Closing") to satisfy the foregoing contingency. If the contingency is duly satisfied or waived in writing by the HRA, then the HRA and the Owner shall proceed to close the transaction as contemplated herein. If, however, the contingency is not timely satisfied and is not waived in writing by the HRA, then this Donation Agreement shall thereupon be void, at the option of the HRA. If this Donation Agreement is voided, then the HRA and the Owner shall execute and deliver to each other a termination of this Donation Agreement.

5. PERSONAL PROPERTY INCLUDED IN DONATION. The following items of personal property and fixtures owned by the Owner and currently located on the Donated Property are included in this donation: None. The Owner will remove all personal property from the Donated Property.

6. CLOSING DATE. The Closing shall take place on or before _____, 202_ (the "Closing Date"), unless otherwise mutually agreed upon by the Owner and the HRA. The Closing shall take place at _____, or such other location as mutually agreed upon by the Owner and the HRA.

7. DOCUMENTS TO BE DELIVERED AT CLOSING. The Owner agrees to deliver the following documents to the HRA at Closing:

- A. A duly recordable limited warranty deed conveying marketable fee simple title to the Donated Property to the HRA, free and clear of any mortgages, liens or encumbrances other than matters created by or acceptable to the HRA;
- B. An affidavit from the Owner sufficient to remove any exception in the HRA's policy of title insurance for mechanics' and materialmen's liens and rights of parties in possession;
- C. Affidavit of the Owner confirming that the Owner is not a foreign person within the meaning of Section 1445 of the Internal Revenue Code;
- D. A completed Minnesota Well Disclosure Certificate;
- E. Any notices, certificates, and affidavits regarding any private sewage systems, underground storage tanks, and environmental conditions as may be required by Minnesota statutes, rules or ordinances; and
- F. Customary affidavits, certificates and such other documents as the HRA may request to carry out this transaction.
- G. Contact information for Clear Channel Outdoor, Inc. or its successor under the Grant of Perpetual Easements and Declaration of Restrictive Covenants, dated December 7, 2001 (the "Billboard Easement").

8. REAL ESTATE TAXES AND SPECIAL ASSESSMENTS.

- A. The Owner shall pay at or before Closing all special assessments levied or pending against the Property as of the date of Closing.
- B. The HRA shall pay the Owner for the property taxes the Owner paid on October 15, 2021.
- C. The HRA shall be responsible for all taxes and special assessments for the Donated Property for all years after Closing.

9. EXAMINATION OF TITLE; CURING TITLE DEFECTS. The Owner will provide to the HRA any available title records in its possession. The HRA will obtain a commitment for title insurance ("**Commitment**") for the Donated Property, and the HRA shall have 20 business days after receipt thereof to examine the same and to deliver written objections to title, if any, to the Owner, or the HRA's right to do so shall be deemed waived. The Owner shall have until Closing to make title marketable at the Owner's cost. In the event that title to the Donated Property cannot be made marketable or is not made marketable by the Owner by Closing, then this Donation Agreement may be terminated at the option of the HRA.

10. CLOSING COSTS AND RELATED ITEMS. The Owner shall be responsible for the following closing costs and related items: all charges relating to the filing of any instrument required to make title marketable and its own legal fees associated with this transaction. The HRA shall be responsible for the following costs and related items: premiums required for issuance of the HRA's title insurance policy, if

purchased by the HRA; any costs of preparation of a title commitment, including any abstracting fees and fees for standard searches with respect to the Owner and the Donated Property; any state deed tax and conservation fee with respect to the limited warranty deed; its own legal fees associated with this transaction; all other recording fees; fees of any soil tests, environmental assessments, inspection reports, appraisals, or other tests or reports ordered by the HRA in connection with its acquisition of the Donated Property; and closing fees charged by the title company or closer.

11. POSSESSION/CONDITION OF PROPERTY. The Owner shall deliver possession of the Donated Property to the HRA at Closing in the same condition as the Donated Property existed on the date of execution of this Donation Agreement.

12. DONOR'S WARRANTIES. The Owner has good, indefeasible and marketable fee simple title to the Donated Property. The Owner has the legal capacity and is authorized to enter into this Donation Agreement. The Owner warrants that there has been no labor or material furnished to the Property for which payment has not been made. The Owner agrees not to place any liens or encumbrances on the Donated Property after the date of execution of this Donation Agreement. The Owner warrants that there are not any tenants, or third parties entitled to possession of all or any portion of the Property (except for the Billboard Easement) and there are no leases, oral or written, affecting all or any portion of the Property. The Owner warrants that it has no knowledge of any "Hazardous Substance," "pollutant" or "contaminant" ever being released from any "facility" or "vessel" located on or used in connection with the Donated Property and has not taken any action in "response" to a "release" in connection with the Donated Property (the terms set forth in quotation marks shall have the meanings given to them in the federal Comprehensive Environmental Compensation and Liability Act). The Owner warrants that as of Closing, there will be no obligations or liabilities of any kind or nature whatsoever, including, but not limited to, any tax liabilities, contract liabilities, or tort liabilities for which or in which the HRA or the Donated Property will be liable or subject except for non-delinquent real estate tax obligations. To the best of the Owner's knowledge, there are no septic systems on the Donated Property. Owner has not filed, voluntarily, or involuntarily for bankruptcy relief within the last year under the United States Bankruptcy Code or has any petition for bankruptcy or receivership been filed against the Owner within the last year. The Owner warrants that the Owner has not received any notice from any governmental authority regarding a violation of any regulation, ordinance, or law related to the Donated Property. If the Donated Property is subject to any restrictive covenants, then the Owner warrants that the Owner has not received any notice from any person or authority concerning a breach of those covenants. The Owner shall provide any notices which the Owner receives concerning a breach of those covenants to the HRA immediately. These representations shall survive closing for a period of 12 months.

13. EASEMENTS. The Owner represents and warrants that there are no easements, or claims of easements, other than the easements of public record on the Donated Property.

14. BROKER COMMISSIONS. The Owner and the HRA represent and warrant to each other that there is no real estate agent or broker involved in this transaction with whom either has negotiated, or to whom either has agreed to pay any agent or broker commission or fees. Each party agrees to defend, indemnify, and hold harmless the other for any and all claims for any agent or brokerage commissions or fees in connection with negotiations for conveyance of the Property arising out of any alleged agreement or commitment or negotiation by the indemnifying party.

15. NO MERGER OF REPRESENTATIONS, WARRANTIES. The representations and warranties contained in this Donation Agreement will not be merged into any instrument or conveyance delivered at the Closing, and the parties shall be bound accordingly.

16. ENTIRE AGREEMENT; AMENDMENTS. This Donation Agreement constitutes the entire agreement between the parties and no other agreement prior to this Donation Agreement or contemporaneous herewith shall be effective except as expressly set forth or incorporated herein. Any purported amendment hereto shall not be effective unless it shall be set forth in writing and executed by both parties or their respective successors or assigns.

17. BINDING EFFECT; ASSIGNMENT. This Donation Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

18. NOTICE. Any notice, demand, request or other communication which may or shall be given or served by the parties shall be deemed to have been given or served on the date the same is deposited in the United States Mail, registered or certified, postage prepaid and addressed as follows:

To the HRA: Richfield Housing and Redevelopment Authority
6700 Portland Avenue South
Richfield, MN 55422
Attn: Melissa Poehlman, Acting Executive Director

To the Owner: Metro Campus 1, LLC
c/o Timothy J. Pabst
Stinson LLP
50 South Sixth Street, Suite 2600
Minneapolis, MN 55402

or such other address as either party may give to another party in accordance with this Section 18.

19. DEFAULT; REMEDIES; SPECIFIC PERFORMANCE. If either party defaults in any of its obligations under this Donation Agreement, then the other party may terminate this Donation Agreement by written notice delivered pursuant to Section 18 hereof. If this Donation Agreement is not so terminated, then the HRA or the Owner may seek specific performance of this Donation Agreement, provided that any action for specific enforcement of this Donation Agreement must be brought within six months after the date the party receives actual notice of the alleged breach.

20. COUNTERPARTS. This Donation Agreement may be executed in any number of counterparts, each of which will, for all purposes, be deemed to be an original, and all of which are identical. This Donation Agreement may further be evidenced by facsimile and email scanned signature pages.

21. FURTHER ASSURANCES. Each party agrees that it will, without further consideration, execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Donation Agreement.

22. SEVERABILITY. In case any one or more of the provisions contained in this Donation Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such

invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Donation Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

23. WAIVER. The waiver by any party of a breach of any provision of this Donation Agreement shall not be deemed a continuing waiver or a waiver of any subsequent breach whether of the same or another provision of this Donation Agreement.

24. INDEPENDENT REVIEW. The Owner warrants to the HRA that it has undertaken an independent review of the transaction contemplated herein, and has, to the extent necessary, engaged the services of professional advisors to determine the availability of any tax benefits which may be realized upon completion of this transaction. The HRA makes no warranties about any tax benefit which may be received, and the Owner hereby waives any claims against the HRA related to any such benefits which may or may not be realized upon completion of this transaction.

25. USE OF DONATED PROPERTY. The parties hereto agree that the underlying purpose of this Donation Agreement is to provide the Donated Property to the HRA for redevelopment. The HRA shall exercise its discretion in determining what activities to allow on the Property. Nothing herein shall be construed as constituting a deed restriction.

IN WITNESS WHEREOF, the parties have executed this Preliminary Donation Agreement effective on the date and year first written above.

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

By Mary B. Supple
Its Chair

By Melissa Poehlman
Its Interim Executive Director

Execution page of the Owner to the Preliminary Agreement, dated the date and year first written above.

METRO CAMPUS 1, LLC, a Minnesota
limited liability company

By _____
Timothy J. Pabst, as attorney-in-fact for
Jerry E. Mathwig, the sole member of
Owner

Olin 1, LLC, an affiliate of the Owner owns a parcel adjacent to the Donated Property with a street address of 1620 78th Street East, in the City of Richfield, Hennepin County, Minnesota, consisting of land identified by Tax Parcel Identification Number 35-028-24-44-0033 (“Adjacent Parcel”). Olin 1, LLC may consider donating its parcel to the HRA. If it does not decide to donate the Adjacent Parcel, Olin 1, LLC agrees to provide the HRA with sixty (60) days’ notice of its intent to sell the Adjacent Parcel in order for the HRA to have sufficient time to provide an offer to purchase the Adjacent Property.

OLIN 1, LLC, a Minnesota limited liability company

By _____
Timothy J. Pabst, as attorney-in-fact for
Jerry E. Mathwig, the sole member of
Owner

EXHIBIT A

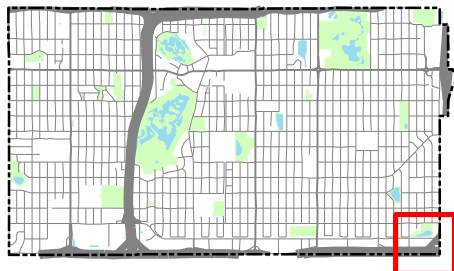
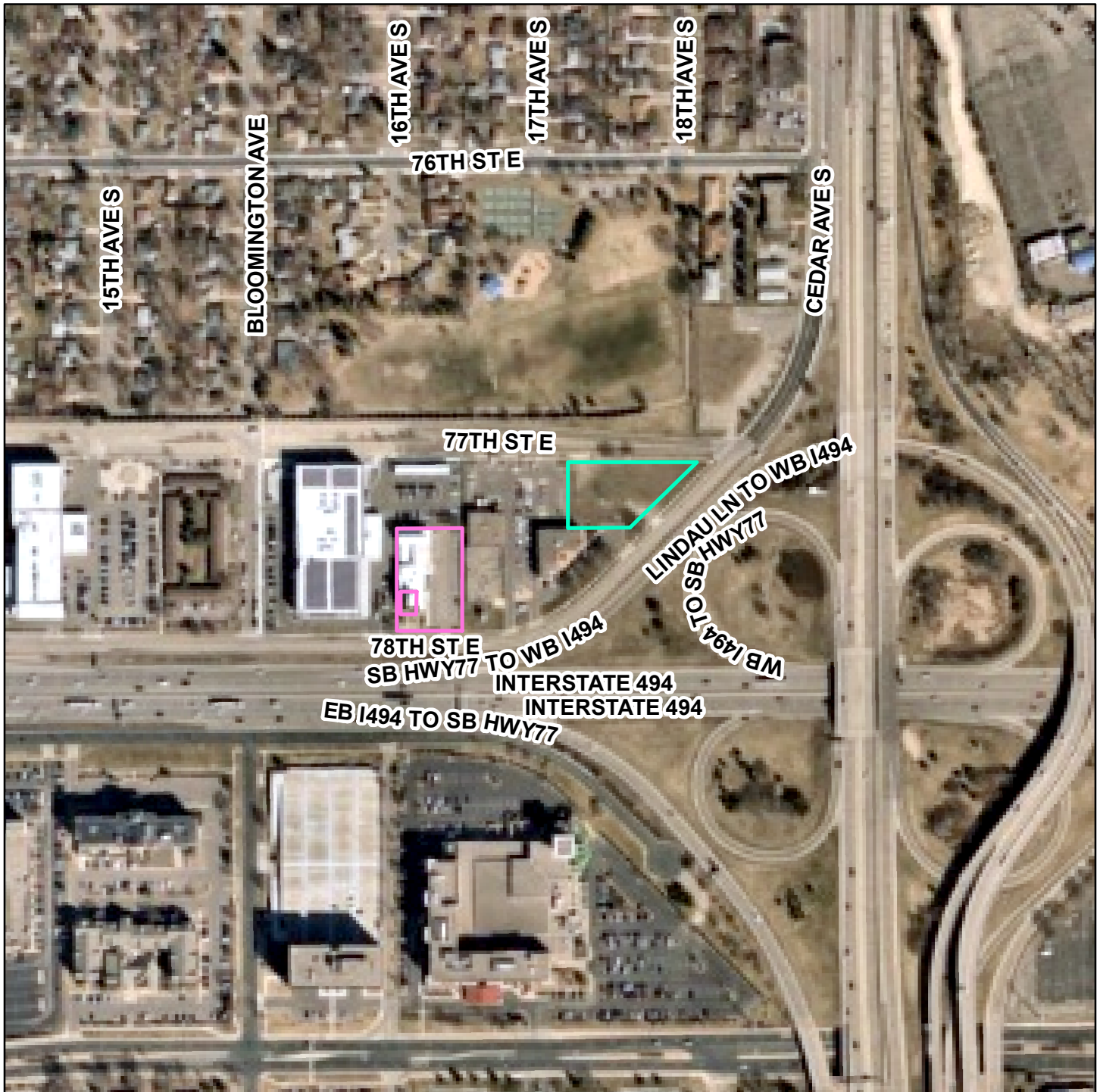
PROPERTY



That part of the East 150 feet of the West 480 feet of the South 1/2 of the Southeast Quarter of the Southeast Quarter of Section 35, Township 28, Range 24, lying South of the North 180.26 feet thereof.

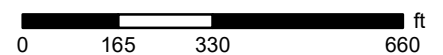
RC125-383(JAE)
760856v.1



HRA Property Donation



-  City Parcel
-  Donation Property





STAFF REPORT NO. 44
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
12/20/2021

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

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
12/14/2021

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a Contract for Private Development with MWF Properties to develop 55 units of multi-family housing at 7700 Pillsbury Avenue South.

EXECUTIVE SUMMARY:

MWF Properties (the Developer) is proposing to construct 55 units of multi-family housing on Housing and Redevelopment Authority (HRA)-owned property located at 7700 Pillsbury Avenue South. The Developer is seeking bonds and four percent tax credits from the State of Minnesota, along with Tax Increment Financing (TIF) from the HRA, to finance the project.

The project would provide apartment units affordable at 30, 50 and 60 percent of the Area Median Income (AMI) in a mix of bedroom sizes, for a period of 30 years. The proposed mix of sizes and affordability is as follows:

- 2 one-bedroom units affordable at 30% AMI (with supportive services)
- 5 two-bedroom units affordable at 50% AMI
- 11 one-bedroom units affordable at 60% AMI
- 22 two-bedroom units affordable at 60% AMI
- 15 three-bedroom units affordable at 60% AMI

Consistent with the City's Inclusionary Housing Policy, the Developer will provide either two units that are ADA-accessible or three Type A units (accessible-ready) with roll-in showers.

The Developer is seeking TIF in the amount of \$881,848 over the full length of the district (26 years) in the form of a PayGo Note, along with a write-down of the land to \$70,000.

A decision on the bond financing, which is a competitive process, is expected in February. If the Project is not awarded funding, the Developer has the option of applying for any leftover bonds offered later in the year. The Developer has requested a September 1 Contract deadline for securing financing, which would allow for the possibility of applying for bonds in the second round, if needed.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving a Contract for Private Development with MWF Properties for

the development of 55 units of multi-family housing at 7700 Pillsbury Avenue South and; adopt a resolution authorizing an internal loan to advance certain costs associated with the proposed development.

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.

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 two units affordable at 30 percent of the AMI for people with disabilities, which meets two goals of the City to increase accessible housing options and to offer more deeply affordable units. In addition, five two-bedroom units affordable at 50 percent of the AMI will be provided, which also meets goals to provide units affordable at a mix of prices and mix of sizes.

C. CRITICAL TIMING ISSUES:

- The application for four percent tax credits is due in January of 2022. The Developer is asking for a commitment from the HRA to sell the property to them before applying for bonds.
- If bonds are awarded, the Developer will have 180 days to close on the bonds. Within that time period, the Developer will submit for entitlements on the property and plan to begin construction following the bond closing.

D. FINANCIAL IMPACT:

- Approval of the interfund resolution will enable the HRA to reimburse itself with TIF for administrative costs incurred to establish the TIF District.
- TIF in the amount of \$881,848 and in the form of a Pay Go Note would be issued for the project. It would take the entire life of the District to meet this obligation.
- The property has been tax exempt for many years (its prior use was as the City Garage). Upon approval of the TIF District, a base value of the vacant land will be established and that amount of taxes collected on that value will be paid to all taxing jurisdictions.
- The Developer would pay \$70,000 for the land. Under the terms of an agreement reached years ago, those sales proceeds would be transferred to the City to be used to buy down the bonds that were sold to pay for the construction of the City's Public Works facility.

E. LEGAL CONSIDERATION:

- A public hearing was held on May 20, 2019, regarding the sale of property to the Developer.
- A Housing TIF District would need to be established to provide tax increment to the project. The property is currently within a Redevelopment TIF District; however, the project would not meet the requirement to begin construction within five years of the District's establishment.

ALTERNATIVE RECOMMENDATION(S):

- Decide not to approve a Contract for Private Development with MWF Properties.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Ryan Schwickert, MWF Properties

ATTACHMENTS:

Description

Type

- ▣ Resolution
- ▣ Internal Loan Resolution
- ▣ Contract for Private Development
- ▣ Site Plan

Resolution Letter
Resolution Letter
Contract/Agreement
Backup Material

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

RESOLUTION NO. _____

**RESOLUTION APPROVING 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, 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 Development Agreement, the Authority proposes to convey property to the Developer with a land write-down of \$700,000, which land write-down can be repaid with available sources, including pooled tax increment; and

WHEREAS, in order to make the Minimum Improvements economically feasible for the Developer to construct, the Authority plans 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

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 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.

Section 3. This resolution shall be effective upon full execution of the Development Agreement.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of December, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

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

RESOLUTION NO. _____

**RESOLUTION AUTHORIZING INTERNAL LOAN FOR ADVANCE OF CERTAIN COSTS IN
CONNECTION WITH A MULTIFAMILY HOUSING DEVELOPMENT PROPOSED BY MWF
PROPERTIES, LLC**

WHEREAS, the City of Richfield, Minnesota (the "City") and the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") have established, and the Authority administers, the Richfield Redevelopment Project (the "Redevelopment Project") located within the City and have approved a Redevelopment Plan (the "Redevelopment Plan") therefor, pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended; 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 Authority proposes to convey property to the Developer with a land write-down of \$700,000, which land write-down can be repaid with available sources, including pooled tax increment; and

WHEREAS, in order to make the Minimum Improvements economically feasible for the Developer to construct, the Authority plans 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 Redevelopment Project pursuant to Minnesota Statutes, Section 469.174 through 469.1794, as amended (the "TIF Act"); or (ii) drawing funds from the City's Affordable Housing Trust Fund; and

WHEREAS, on the date hereof, the Board of Commissioners of the Authority is considering a resolution approving the execution and delivery of a Contract for Private Development (the "Development Agreement") with the Developer; and

WHEREAS, the Authority may incur certain costs related to a tax increment financing district, which costs may be financed on a temporary basis from available Authority funds; and

WHEREAS, under Section 469.178, subdivision 7 of the TIF Act, the Authority is authorized to advance or loan money from any fund from which such advances may be legally made in order to finance expenditures that are eligible to be paid with tax increments under the TIF Act; and

WHEREAS, if the Authority moves forward with creating the TIF District, the Authority may pay for certain administrative costs related to the proposed TIF District (the "Qualified Costs"), which costs may be financed on a temporary basis from Authority funds available for such purposes, and the Authority may reimburse itself for the Qualified Costs from tax increments derived from the property within the TIF District or from any other available source (the "Interfund Loan") in accordance with the terms of this resolution; 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 that:

1. The Authority shall reimburse itself for the Qualified Costs in the amount of up to \$50,000 from the Development Account or any other fund designated by the Authority, together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 and Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 4.0% and will not fluctuate.

2. Principal and interest (the "Payments") on the Interfund Loan shall be paid semiannually on each February 1 and August 1 (each a "Payment Date"), commencing on the first Payment Date on which the Authority has Available Tax Increment (defined below), or on any other dates determined by the Executive Director of the Authority, through the date of last receipt of tax increment from the TIF District.

3. Subject to Section 6 hereof, payments on this Interfund Loan are payable solely from "Available Tax Increment," which shall mean, on each Payment Date, tax increment available after other obligations have been paid, or as determined by the Executive Director of the Authority, generated in the preceding six (6) months with respect to the property within the TIF District and remitted to the Authority by Hennepin County, Minnesota, all in accordance with the TIF Act. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds or notes issued by the Authority and secured in whole or in part with Available Tax Increment. The Interfund Loan shall be paid prior to any pay-as-you-go notes or contracts secured in whole or in part with Available Tax Increment, and any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

4. The principal sum and all accrued interest payable under this Interfund Loan are 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 Interfund Loan.

5. This Interfund Loan is evidence of an internal borrowing by the Authority in accordance with Section 469.178, subdivision 7 of the TIF Act, and, subject to Section 6 hereof, is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan 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 Interfund Loan or other costs incident hereto except out of Available Tax Increment, subject to Section 6 hereof, 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 Interfund Loan or other costs incident hereto. The Authority shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

6. In the event that the City and the Authority do not create the TIF District, the Interfund Loan shall be repayable from any available source or funds.

7. The Authority may at any time make a determination to forgive the outstanding principal amount and accrued interest on the Interfund Loan to the extent permissible under law.

8. The Authority may from time to time amend the terms of this resolution to the extent permitted by law, including without limitation amendment to the payment schedule and the interest rate; provided, however, that the interest rate may not be increased above the maximum specified in Section 469.178, subdivision 7 of the TIF Act.

9. This resolution is effective on the date hereof.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of December, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

DRAFT
December 16, 2021

CONTRACT
FOR
PRIVATE DEVELOPMENT

between

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

and

MWF PROPERTIES, LLC

Dated: December __, 2021

THIS INSTRUMENT DRAFTED BY:
Kennedy & Graven, Chartered (JAE)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300

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CONTRACT FOR PRIVATE DEVELOPMENT

THIS CONTRACT FOR PRIVATE DEVELOPMENT (the “Agreement”) is made as of the ____ day of December, 2021, 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 MWF PROPERTIES, 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 (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 acquire real property, or interests therein, and to undertake certain activities to facilitate the redevelopment of real property by private enterprise and promote the development of housing within the City; and

WHEREAS, the Developer proposes to acquire certain property from the Authority located in the TIF District (the “Development Property”) and construct thereon approximately fifty-five (55) units of workforce housing, including two (2) one bedroom units of housing reserved 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 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”), which project is expected to receive federal low income tax credits; 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 plans to either (i) establish 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) draw funds from the City’s Affordable Housing Trust Fund; and

WHEREAS, in addition, the Authority is prepared to write-down the cost of the Development Property to the Developer and proposes to convey the Development Property to the Developer for a purchase price of \$70,000 (representing a write-down of approximately \$700,000); 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 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:

“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 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 first deducting therefrom ten percent (10%) of the Tax Increment to be used to reimburse the Authority for administrative expenses and the promotion of redevelopment and housing.

“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 B attached hereto.

“City” means the City of Richfield, Minnesota.

“Closing” has the meaning given such term in Section 3.2 hereof.

“Code” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

“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” means Declaration of Restrictive Covenants substantially in the form set forth in EXHIBIT C.

“Developer” means MWF Properties, LLC, a Minnesota limited liability company, or its permitted successors and assigns.

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

“Development Property Purchase Price” means \$770,000, as adjusted pursuant to the terms of this Agreement.

“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 adversely affects generation of tax increment or changes the number of units of rental housing.

“Metro Area” means the Minneapolis-St. Paul metropolitan statistical area.

“Minimum Improvements” means the construction of a multifamily housing development with approximately fifty-five (55) units of workforce housing, including two (2) one bedroom units of housing reserved 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 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, on the Development Property.

“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.

“Project Area” means the real property located within the boundaries of the Redevelopment Project.

“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 the costs of land acquisition, public infrastructure and constructing affordable housing.

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

“Redevelopment Project” means the Richfield Redevelopment Project.

“Rental Housing Units” means the workforce rental housing units constructed as part of the Minimum Improvements.

“State” means the State of Minnesota.

“Tax Credit Law” means Section 42 of the Code.

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

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

“Tax Increment District” or “TIF District” means a housing district established within the Redevelopment Project.

“Tax Increment Plan” or “TIF Plan” means the Tax Increment Financing District Plan, as it may be amended and supplemented.

“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.

“Termination Date” means the date the Declaration expires.

“TIF Note” means the Tax Increment Limited Revenue Note, substantially in the form attached hereto as EXHIBIT D, to be delivered by the Authority to the Developer pursuant to Section 3.5 hereof if a TIF District is created.

“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.

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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 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 activities of the Authority are being undertaken 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 activities of the Authority undertaken pursuant to this Agreement are necessary to foster the redevelopment of certain real property which for a variety of reasons is presently underutilized, to eliminate current blighting factors and prevent the emergence of further blight at a critical location in the City, to promote affordable housing in the City, and to stimulate further development of the TIF District and Redevelopment Project as a whole.

(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 of the Authority 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 the 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 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, Redevelopment Plan and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code 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 Authority currently owns fee absolute title to the Development Property and shall convey the Development Property to the Developer pursuant to the provisions of Section 3.2 hereof.

Section 3.2. Conveyance of Development Property.

(a) The Authority will convey the Development Property to the Developer via a quit claim deed. The conveyance of the Development Property to the Developer is contingent on the Board of the Authority holding a public hearing and approving the sale of the Development Property. The Authority held a public hearing and approved the sale of the Development Property on May 20, 2019. The Development Property will be conveyed “as-is” and “where-is.” Within sixty (60) days following execution of this Agreement, the Developer will obtain a commitment for title insurance from a title insurance company (the “Title Company”) acceptable to Developer. The Developer shall pay for the cost of obtaining a policy of title insurance.

(b) Within sixty (60) days after the Developer’s receipt of the title commitment, the Developer may give the Authority written notice of any alleged defect(s) in the marketability of the Authority’s actual and/or record title to the Development Property, or any portion thereof (the “Objections”) and request that the Authority make the Authority’s title marketable or conforming. The Developer’s failure to object to defects in the marketability of Authority’s title to the Property, in writing, within the time period set forth above or at any time prior to Closing, shall be deemed a waiver of the Developer’s right to require the Authority to cure such defects. If the Developer notifies the Authority of Objections within the time period set forth above, the Authority shall use good faith efforts to make the Authority’s actual and record title to the Property marketable. The Authority shall have up to forty-five (45) days from the Authority’s receipt of the Developer’s Objections to use good faith efforts to make the Authority’s actual and record title to the Property marketable. In no event will the Authority be required to expend more than \$1,000 in its good faith efforts to make the Authority’s actual and record title to the Property marketable. If the Authority makes the Authority’s title marketable within the forty-five (45) day period, the Authority shall notify the Developer, in writing, and the parties shall close pursuant to the terms of this Agreement. If the Authority is unable to make title marketable within the forty-five (45) day period, the Developer may either: (i) terminate this Agreement by delivering written notice of termination to the Authority; or (ii) notify the Authority that the Developer waives the Developer’s Objections. If the Developer waives the Developer’s Objections, the matters giving rise to such Objections shall be deemed a permitted encumbrance and the parties shall otherwise perform their obligations under this Agreement. The Authority shall have no obligation to take any action to clear defects in the title to the Property other than the good faith efforts described above.

(c) Without limitation, the Developer is responsible for satisfying itself as to matters such as contamination, soils conditions and soil stability, and survey. The Authority shall have no obligation to cure any defect or other matter regarding contamination, soils conditions and soil stability, and survey, but agrees to cooperate, at no cost or expense to it, in any efforts by Developer to achieve such a cure.

(d) On the date the Development Property is conveyed to the Developer (the “Closing”), the Developer shall provide the Authority with an executed Declaration and the Authority will execute and deliver to the Developer the following, in form and content reasonably acceptable to the Developer:

- (i) A quit claim deed conveying the Development Property to the Developer;

(ii) A non-foreign affidavit, properly executed, containing such information as is required by Internal Revenue Code Section 1445(b)(2) and its regulations;

(iii) A standard form Seller's Affidavit;

(iv) A well certificate in the form required by law;

(v) Any affidavit and disclosures required by law pertaining to private sewage treatment systems; and

(vi) Any affidavits, certificates, or other documents that may be required under applicable law and/or that are reasonably determined by Developer or the Title Company to be necessary to transfer the Development Property to Developer and to evidence that the Authority has duly authorized the transactions contemplated hereby.

(e) The Developer acknowledges that the Authority will be conveying the Development Property to the Developer for the fair market value of the Development Property, which is \$770,000 (the "Development Property Purchase Price"). The Developer will provide the Authority with \$70,000 of the Development Property Purchase Price at Closing. To make the Minimum Improvements economically feasible, the Authority has agreed to provide the Developer with a subsidy of \$700,000 by writing-down the remainder of the Development Property Purchase Price.

(f) If the Developer receives housing allocation in 2022, the Developer shall obtain all of the land use approvals required for the Minimum Improvements on or prior to 180 days after receiving housing allocation but in no event later than December 31, 2022. If the Developer receives housing allocation on or prior to January 15, 2023, the Developer shall obtain all of the land use approvals required for the Minimum Improvements on or prior to 180 days after receiving housing allocation.

(g) Notwithstanding the foregoing, the Closing will not take place until the Developer has received housing allocation from Minnesota Management and Budget and obtained all necessary land use approvals from the City. In the event that the Developer has not obtained housing allocation on or prior to January 15, 2023, and unless extended by mutual agreement of the parties, this Agreement will terminate and be of no further force and effect, and the parties will be relieved of any further obligations hereunder.

Section 3.3. Land Write-Down; Reimbursement for Development Property Purchase Price. The parties acknowledge that the Development Property Purchase Price is \$770,000 and the Authority will convey the Development Property to the Developer for an amount less than the fair market value of the Development Property pursuant to Section 3.2(e) hereof. The Authority may reimburse itself for the land write-down in the amount of \$700,000 (the "Land Write-Down") from available sources, with an interest at a rate of three percent (3%) per annum.

Section 3.4. Reimbursement of Public Redevelopment Costs. To reimburse the Developer for certain Public Redevelopment Costs, the Authority shall provide the Developer with \$881,848. The Authority shall provide such funds to the Developer by either (i) creating a housing TIF District and making payments of Available Tax Increment to the Developer on a semi-annual basis; or (ii) drawing funds from the City's Affordable Housing Trust Fund, which may be paid in a lump sum or paid semi-annually.

Section 3.5. Creation of TIF District.

(a) If a TIF District is created to reimburse the Developer for its Public Redevelopment Costs, the Authority shall issue and deliver and the Developer shall purchase the TIF Note in the principal amount of

\$881,848 in substantially the form set forth in EXHIBIT D. 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.

(b) If a TIF District is created, the Authority shall deliver the TIF Note upon delivery by the Developer of an investment letter in substantially the form attached hereto as EXHIBIT E, 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.

(c) 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.

(d) If a TIF Note is issued, 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 E.

(e) At any time following payment in full of the principal of and interest on 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. Draw on Affordable Housing Trust Fund.

(a) If the Authority chooses to draw on the City's Affordable Housing Trust Fund to reimburse the Developer for its Public Redevelopment Costs, the Developer may choose to have one lump sum payment or semi-annual payments over time. No interest shall accrue if the Developer chooses semi-annual payments over time. Prior to any payments to the Developer, the Developer must provide the Authority with evidence reasonably satisfactory to the Authority that the Developer has paid the Public Redevelopment Costs in at least the principal amount of \$881,848.

Section 3.7. Payment of Administrative Costs. Prior to the date of execution of this Agreement, the Developer deposited with the Authority \$3,500 and shall cause to be deposited with the Authority an additional \$5,000 (for a total deposit of \$8,500). The Authority will use such deposit to pay "Administrative Costs," which term means out of pocket costs incurred by the Authority, together with staff costs up to \$2,000 and consultant costs of the Authority, all attributable to or incurred in connection with the negotiation, preparation or modification of this Agreement and other documents and agreements in connection with the development of the Development Property, and not previously paid by the Developer. In addition, if a TIF District is created, the Developer will deposit an additional \$17,500 with the Authority to cover the costs of establishing a Housing TIF District. 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 \$8,500 within thirty (30) days after receipt of written notice thereof from the HRA. 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 fifteen (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 3.8. 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 Available Tax Increment.

Section 3.9. Purpose of Assistance. The parties agree and understand that the purpose of the Authority's financial assistance to the Developer is to facilitate development of housing, and is not a "business subsidy" within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

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ARTICLE IV

Construction of Minimum Improvements

Section 4.1. Construction of Improvements. Following the conveyance of the Development Property to the Developer, 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 Termination Date, 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 \$11,550,000 (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 thirty (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 thirty (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 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 thirty (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, if the Developer receives housing allocation from Minnesota Management and Budget in 2022, the Developer will commence the construction of the Minimum Improvements within 180 days of receipt of the housing allocation, and will substantially complete construction of the Minimum Improvements by December 31, 2023. Subject to Unavoidable Delays, if the Developer receives housing allocation from Minnesota Management and Budget in January 2023, the Developer will commence the construction of the Minimum Improvements within 180 days of receipt of the housing allocation, and will 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. If the Closing is postponed pursuant to Section 3.2(g) hereof, the Developer shall commence construction of the Minimum Improvements within sixty (60) days of the Closing.

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 substantial completion of the Minimum Improvements in accordance with those provisions of the 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 as EXHIBIT B attached hereto. Notwithstanding anything to the contrary contained herein, the Authority shall issue the Certificate of Completion upon the City's issuance of a certificate of occupancy that allows tenants to occupy the Minimum Improvements. The Certificate of Completion will be a conclusive determination of the satisfaction and termination of the agreements and covenants in Articles III and IV of this Agreement and in the deed conveying the Development Property to the Developer with respect to the obligations of the Developer and its successors and assigns to construct the Minimum Improvements.

(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 thirty (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 the 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. The Developer agrees that the Minimum Improvements are subject to the following affordability covenants:

(a) Recent Federal legislation has introduced an income averaging option for the low-income housing tax credit program. This legislation allows projects to accept residents with higher average median incomes as long as the overall average of the income of tenants in the project does not exceed sixty percent

(60%) of the Metro Area median income, which provides LIHTC projects the ability to serve tenants with a greater range of incomes (“Income Averaging”). The Minnesota Housing Finance Agency allows Income Averaging for the low-income housing tax credit program to be used for the Minimum Improvements. This Agreement requires the Developer to cause one hundred percent (100%) of the Rental Housing Units in the Minimum Improvements to be affordable to families at various levels using Income Averaging, if applicable; provided, however, the overall average of the income of tenants of the Minimum Improvements shall not exceed sixty percent (60%) of the Metro Area median income.

(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 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.

(d) During the term of the Declaration, the Developer shall not adopt any policies specifically prohibiting or excluding 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.

(e) 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.

(f) The Developer shall include the following mix of Rental Housing Units within the Minimum Improvements:

<u>Unit Type</u>	<u>Number of Units</u>
One Bedroom	13
Two Bedroom	27
Three Bedroom	15

(g) The Developer shall reserve five (5) two bedroom Rental Housing Units within the Minimum Improvements for persons or families whose income does not exceed fifty percent (50%) of the Metro Area median income.

(h) The Developer shall reserve two (2) Rental Housing Units within the Minimum Improvements 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 income.

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 for the Minimum Improvements, 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. If such reports are not provided, the Authority may withhold tax increment payments until the reports are provided.

Section 4.7. Records. The Authority, the City, the legislative auditor, and the State auditor's office, through any authorized representatives, shall have the right after reasonable notice to inspect, examine and copy all books and records of the Developer relating to the construction of the Minimum Improvements. The Developer shall maintain such records and provide such rights of inspection for a period of six (6) years after issuance of the Certificate of Completion for 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 Termination 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/or 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/or 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 additional insured.

(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 thirty (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 \$100,000 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) 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.

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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 the Land Write-Down. 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 attorney fees.

Section 6.2. Reduction of Taxes. The Developer agrees that after the date of certification of the Tax Increment 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, if any, required to construct 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 Termination 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 described in Section 4.2(a)(vi) hereof.

The Developer may, at any time following the issuance of the Certificate of Completion, seek through petition or other means to have the Assessors 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. Notwithstanding the foregoing, the Authority acknowledges that the Developer intends for the Minimum Improvements to qualify as Class 4d low income rental housing, as defined in Minn. Stat. Section 273.13, subd. 25(e) for purposes of the property taxes imposed against the Minimum Improvements.

Section 6.3. Qualifications. Notwithstanding anything herein to the contrary, the parties acknowledge and agree that upon 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 the date of the Closing, the Developer shall submit to the Authority evidence of receipt of a reservation of low income tax credits under the Tax Credit Law from the Minnesota Housing Finance Agency. 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 and the low income tax credits, 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 paragraph (a) 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 twenty (20) 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 twenty (20) 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 Article VII hereof, 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, to the extent permitted by the Holder of any Mortgage, 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. In the event there is an Event of Default under this Agreement, the Authority will transmit to the Holder of any Mortgage and any tax credit investor of the Developer a copy of any notice of an Event of Default given by the Authority pursuant to Article IX hereof if the Developer provides the names and contact information necessary to deliver such notices.

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 of the Authority.

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.

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 the 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 constructing 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 the 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, a license, easement or similar arrangement entered into in the ordinary course of business, or transfers of partnership interests in the Developer, or its successors or assigns, pursuant to the Developer's (or its successors and assigns') organization documents (including an amended and restated agreement of limited partnership)), 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) 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.

Notwithstanding anything to the contrary contained herein, the Developer may assign the rights and obligations under this Agreement to an affiliate of the Developer without the written consent of the Authority.

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 board 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 board 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 other 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.

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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 sixty (60) days’ written notice to the defaulting party of the event, but only if the event has not been cured within said sixty (60) days or, if the event is by its nature incurable within sixty (60) days, the defaulting party does not, within the sixty (60) 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) The 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;

(b) 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 as 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 sixty (60) 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 sixty (60) days or, if the Event of Default is by its nature incurable within sixty (60) 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 the Agreement until it receives assurances that the defaulting party will cure its default and continue its performance under the Agreement.

(b) Cancel and rescind or terminate the Agreement.

(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/or terminate this Agreement;

(c) 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. [Reserved].

Section 9.4. Revesting Title in Authority upon Happening of Event Subsequent to Conveyance to Developer. In the event that subsequent to conveyance of the Development Property to the Developer and prior to Developer satisfying the conditions for receipt by the Developer of the Certificate of Completion for the Minimum Improvements, the Developer, subject to Unavoidable Delays, fails to commence or complete construction of the Minimum Improvements by the dates specified in Section 4.3 hereof, and such failure to commence or complete is not cured within ninety (90) days (or such longer amount of time agreed to by the Authority) after written notice from the Authority to the Developer to do so; then the Authority shall have the right to re-enter and take possession of the Development Property and to terminate and revest in the Authority the Development Property, it being the intent of this provision, together with other provisions of the Agreement, that the conveyance of the Development Property to the Developer shall be made upon, and that the deeds shall contain a condition subsequent to the effect that in the event of any default on the part of the Developer in performance of the obligations specified in this Section 9.4 and failure on the part of the Developer to remedy, end, or abrogate such default within the period and in the manner stated in this Section, the Authority at its option may declare a termination in favor of the Authority of the title, and of all the rights and interests in and to the Development Property and that such title and all rights and interests of the Developer, and any assigns or successors in interest to and in the Development Property, shall revert to the Authority, as applicable, but only if the events stated in this Section have not been cured within the time periods provided above. Any agreement to subordinate this Agreement to the Holder of any Mortgage pursuant to Section 7.3 shall also subordinate the Authority's rights granted in this Section 9.4.

Section 9.5. Resale of Reacquired Property; Disposition of Proceeds. Upon the revesting in the Authority of title to and/or possession of the Development Property, the Authority shall, pursuant to their responsibilities under law, use their best efforts to sell the Development Property and in such manner as the Authority to a qualified and responsible party or parties (as determined by the Authority) who will assume the obligation of making or completing the Minimum Improvements or such other improvements in their stead as shall be satisfactory to the Authority in accordance with the uses specified for the Development Property in this Agreement. During any time while the Authority has title to and/or possession of a parcel of property obtained by reverter, the Authority will not disturb the rights of any tenants under any leases encumbering such parcel. Upon resale of the Development Property, the proceeds thereof shall be applied:

(a) First, to reimburse the Authority for all costs and expenses incurred by them, including but not limited to salaries of personnel, in connection with the recapture, management, and resale of the Development Property (but less any income derived by the Authority from the property or part thereof in connection with such management); all taxes, assessments, and water and sewer charges with respect to the Development Property or part thereof (or, in the event the Development Property is exempt from taxation or assessment or such charge during the period of ownership thereof by the Authority, an amount, if paid, equal to such taxes, assessments, or charges (as determined by the Authority assessing official) as would have been payable if the Development Property were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Development Property, or part thereof at the time of revesting of title thereto in the Authority, or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults or acts of the Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the subject improvements or any part thereof on the Development Property; and any amounts otherwise owing the Authority by the Developer and its successor or transferee; and

(b) Second, to reimburse the Developer, its successor or transferee, up to the amount equal to the portion of the Development Property Purchase Price paid by the Developer under Section 3.2 hereof and the amount actually invested by it in making any of the subject improvements on the Development Property or part thereof, less any gains or income withdrawn or made by it from the Agreement or the Development Property.

Any balance remaining after such reimbursements shall be retained by the Authority as its property.

Section 9.6. 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 Section 9.2 hereof.

Section 9.7. 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 9.8. Attorney 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 ten 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.

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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 the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his 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 the 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 the 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 Termination Date, the Developer, and such successors and assigns, shall use the Development Property solely for the development of multifamily housing in accordance with the terms of this Agreement, 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 the 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 the 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 7645 Lyndale Avenue South, Minneapolis, MN 55423, Attn: Christopher J. Stokka with a copy to Winthrop & Weinstine, P.A., 225 South Sixth Street, Suite 3500, Minneapolis, MN 55402, Attn: Shawn Alexander;

(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 County Recorder or the Registrar of Titles, as the case may be, of the County. The Developer shall pay all costs for recording.

Section 10.9. Amendment. This Agreement may be amended only by written agreement approved by the Authority and the Developer. The Authority and the Developer agree to amend this Agreement upon terms acceptable to both parties, as may be required by the Developer's tax credit investor and lenders in connection with the construction of the Minimum Improvements.

Section 10.10. Termination. This Agreement terminates on the Termination Date, except that such termination does not terminate, limit, or affect the rights of any party that arise before the Termination Date.

(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 _____, 20__, by Mary B. 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 _____, 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

MWF PROPERTIES, LLC

By Christopher J. Stokka
Its Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____, 20__, by Christopher J. Stokka, the Vice President of MWF Properties, LLC, a Minnesota limited liability company, on behalf of the Developer.

Notary Public

EXHIBIT A

DEVELOPMENT PROPERTY

Lot 6, Block 4, "R.C. Soens Addition," according to the recorded plat thereof, Hennepin County, Minnesota.

EXHIBIT B

CERTIFICATE OF COMPLETION

The undersigned hereby certifies that MWF Properties, 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 _____, 20__ (the "Agreement"), between the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota and the Developer, a memorandum of which was recorded in the Office of [County Recorder] [Registrar of Titles] of Hennepin County, Minnesota on _____, 20__, as Document No. _____, 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 _____
Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____, 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

EXHIBIT C

FORM OF DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS (this “Declaration”) dated _____, 20__, by MWF PROPERTIES, LLC, a Minnesota limited liability company (the “Developer”), is given to 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 Authority entered into that certain Contract for Private Development, dated _____, 20__, filed _____, 20__ in the Office of the [County Recorder] [Registrar of Titles] of Hennepin County as Document No. _____ (the “Contract”), between the Authority and the Developer; and

WHEREAS, pursuant to the Contract, the Developer is obligated to cause construction of fifty-five (55) units of workforce rental housing, including two (2) units of housing reserved for people with disabilities, accompanied by supportive services persons or families whose income is thirty percent (30%) or less of the Metro Area’s median 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 on the property described in EXHIBIT A attached hereto (the “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 shall be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for such term, 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 Restrictions. The term of the Occupancy Restrictions set forth in Section 3 hereof shall commence at the end of the first taxable year of the credit period for the Property under the Tax Credit Law for all rental units on the Property. The period from commencement to termination is the “Qualified Project Period.”

(b) Termination of Declaration. This Declaration shall terminate upon the date that is thirty (30) years after the commencement of the Qualified Project Period.

(c) Removal from Real Estate Records. Upon termination of this Declaration, the Authority shall, upon request by the Developer or its assigns, file 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 units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) shall 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 shall 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 shall be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) The Developer shall 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. Recent Federal legislation has introduced an income-averaging option for the low-income housing tax credit program. This legislation allows projects to accept residents with higher average median incomes as long as the overall average of the income of tenants in the project does not exceed sixty percent (60%) of the Metro Area median income, which provides LIHTC projects the ability to serve tenants with a greater range of incomes ("Income Averaging"). The Minnesota Housing Finance Agency allows Income Averaging for the low-income housing tax credit program to be used for the Minimum Improvements (as defined in the Contract). From the commencement of the Qualified Project Period, one hundred percent (100%) of the Rental Housing Units shall be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. Qualifying Tenants shall mean those persons and families who shall be 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, or such other income level in connection with any Income Averaging so long as the overall average of the income of tenants of the Rental Housing Units shall not exceed sixty percent (60%) of the Metro Area median income. For purposes of this definition, the occupants of a Rental Housing Unit shall 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 shall 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. The annual recertification and Next Available Unit Rule requirements of this paragraph 3(a)(i) shall not apply to a given year if, during such year, no residential unit in the Project is occupied by a new resident whose income exceeds the applicable income limit for Low Income Tenants.

(ii) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant shall be required annually to sign and deliver to the Developer a form entitled "Tenant Income Certification" from the Minnesota Housing Finance Agency (MHFA HTC Form 14), or if unavailable, any similar form (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to qualifying as low or moderate income. In addition, such person shall 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 such tenant continues to be a Qualifying Tenant within the meaning of Section 3(a)(i) 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 units in the Project to any person who is intended to be a Qualifying Tenant shall provide for termination of the lease and consent by such person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by such 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 the Eligibility Certification.

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

(b) Reserved Rental Housing Units. During the term of this Declaration, the Developer agrees to reserve (i) two (2) 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 income; and (ii) five (5) two bedroom units for persons or families whose income is fifty percent (50%) or less of the Metro Area's median gross income.

(c) Section 8 Housing. During the term of this Declaration, the Developer shall not adopt any policies specifically prohibiting or excluding 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.

4. Reserved.

5. Transfer Restrictions. The Developer covenants and agrees that the Developer will cause or require as a condition precedent to any 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 5, in the event of a subsequent transfer by the transferee prior to expiration of the Occupancy Restrictions provided herein (the “Assumption Agreement”). The Developer shall deliver the Assumption Agreement to the Authority prior to the transfer.

6. 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 ninety (90) days’ notice of any sale of the Minimum Improvements.

7. Enforcement.

(a) The Developer shall 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 shall submit any other information, documents or certifications requested by the Authority which the Authority deems reasonably necessary to substantial 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 Minimum Improvements (as defined in the Contract) on the Property, hereby agrees and consents that the Authority shall be entitled, upon any breach of the provisions of this Declaration and the Developer’s failure to cure such breach within the cure periods described in Section 9.1 of the Contract, 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.

8. Indemnification. The Developer hereby indemnifies, and agrees to defend and hold harmless, the Authority from and against all liabilities, losses, damages, costs, expenses (including reasonable 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.

9. Agent of the Authority. Upon any default hereunder, after first providing the Developer with a reasonable amount of time to cure such default, the Authority shall have the right to appoint an agent to carry out any of its duties and obligations hereunder, and shall inform the Developer of any such agency appointment by written notice.

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

11. Notices. All notices to be given pursuant to this Declaration shall be in writing and shall 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 such 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 shall be 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
 6700 Portland Avenue
 Richfield, MN 55423
 Attention: Community Development Director

To the Developer: MWF Properties, LLC
 7645 Lyndale Avenue South
 Minneapolis, MN 55423
 Attn: Christopher J. Stokka

with a copy to: Winthrop & Weinstine, P.A.
 225 South Sixth Street, Suite 3500
 Minneapolis, MN 55402
 Attn: Shawn Alexander

12. Governing Law. This Declaration shall be governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

13. 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 such action.

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

15. Relationship to Tax Credit Law Requirements. Notwithstanding anything to the contrary, during any period while at least fifty-five (55) units in the Property are subject to income and rent limitations under the Tax Credit Law, evidence of compliance with such Tax Credit Law requirements filed with the Authority at least annually will satisfy any requirements otherwise imposed under this Declaration.

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

MWF PROPERTIES, LLC

By Christopher J. Stokka
Its Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____, 20__, by Christopher J. Stokka, the Vice President of MWF Properties, 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, MN 55402

This Declaration 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 _____, 20__, by Mary B. 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 _____, 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

EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS

LEGAL DESCRIPTION

Lot 6, Block 4, "R.C. Soens Addition," according to the recorded plat thereof, Hennepin County, Minnesota.

EXHIBIT D

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 MWF Properties, LLC, a Minnesota limited liability company, or registered assigns (the "Owner"), the principal sum of \$_____ 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 December __, 2021 (the "Agreement"), between the Authority and the Owner.

1. Payments. Principal and interest (the "Payments") shall be paid on _____ 1, 20__, and each February 1 and August 1 thereafter (each a "Payment Date") to and including _____ 1, 20__, 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 thirty (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," which will mean, on each Payment Date, ninety percent (90%) of 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. The principal of and interest on this Note shall be payable each Payment Date solely from Available Tax Increment. 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 December 20, 2021, 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 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 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 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 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 E 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.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Executive Director</u>
<hr/>	MWF Properties, LLC Federal ID # <hr/>	<hr/>

EXHIBIT E

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”) issued pursuant to a resolution adopted by the Board of Commissioners of the Authority on December 20, 2021 (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 December ___, 2021 (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.

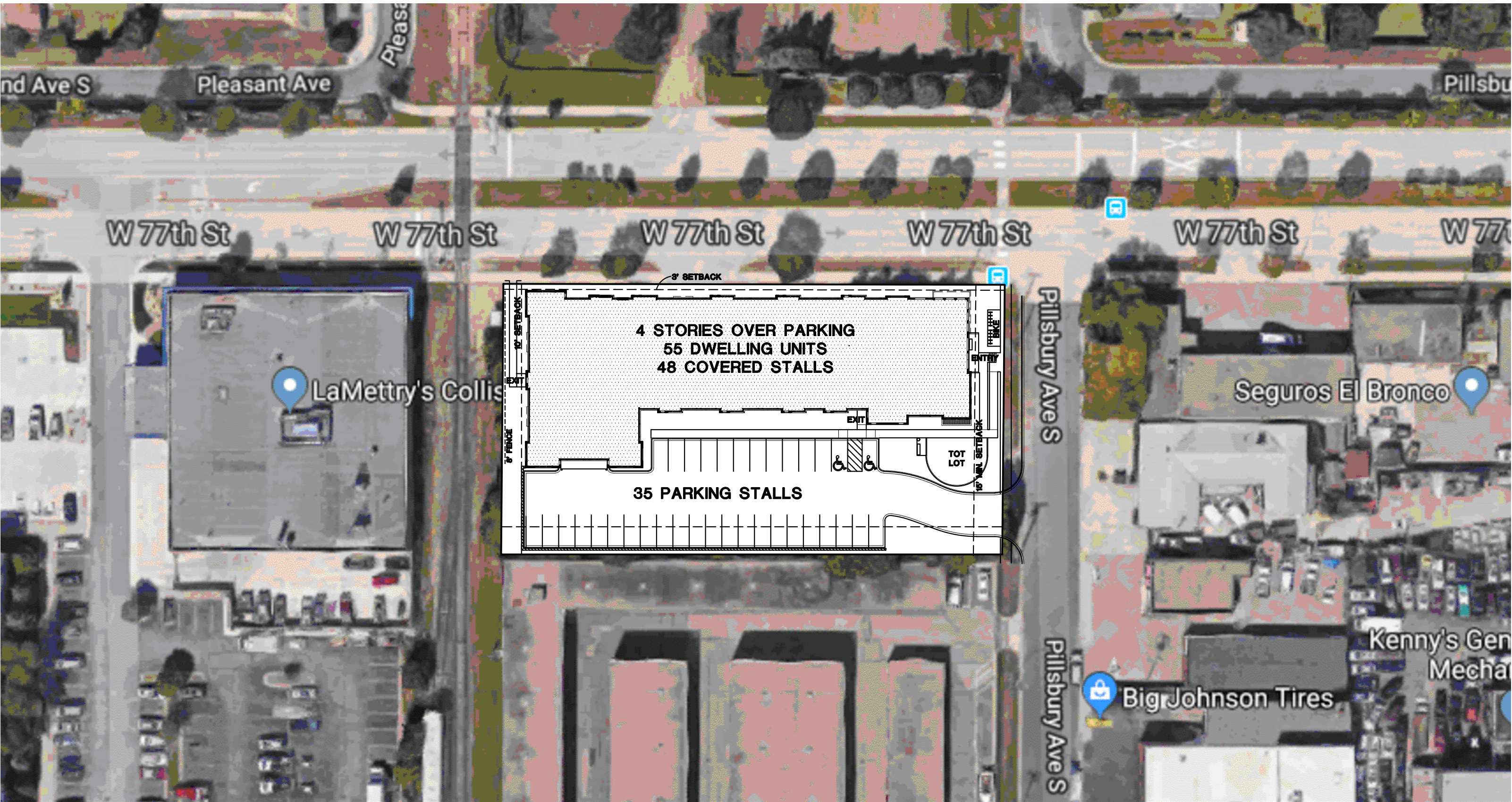
11. The Owner's federal tax identification number is _____.

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

MWF PROPERTIES, LLC

By _____
Its _____

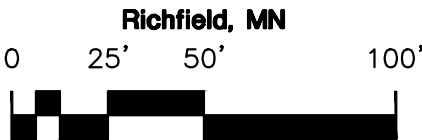
Dated: _____, 20____



MWF PROPERTIES
7645 Lyndale Ave. S.
Minneapolis, MN 55423

MILLER HANSON ARCHITECTS
218 Washington Avenue North
Suite 230
Minneapolis, Minnesota 55401

7700 Pillsbury Ave. S.



SITE PLAN



- 55 DWELLING UNITS:**
- 13 1BR Units
 - 27 2BR Units
 - 15 3BR Units
 - 48 Parking Stalls in Garage
 - 35 Parking Stalls on grade



STAFF REPORT NO. 45
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
12/20/2021

REPORT PREPARED BY: Melissa Poehlman, Asst. Community Development Director

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
12/14/2021

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the designation of Melissa Poehlman as Interim Executive Director of the Housing and Redevelopment Authority.

EXECUTIVE SUMMARY:

Community Development Director John Stark has served as the Housing and Redevelopment Authority's (HRA) Executive Director since 2018. Director Stark has accepted the City Manager position with the City of North St. Paul and his last day with the City of Richfield will be December 17, 2021. Melissa Poehlman has been designated Interim Community Development Director by the City Manager and it is recommended that she be appointed as Interim Executive Director of the HRA as well.

The Bylaws of the HRA state that the Executive Director "shall have such term as the Authority fixes." In this case, it is recommended that Ms. Poehlman serve as the Interim Executive Director for a period of time that is coterminous with her appointment as the Interim Community Development Director, but not to exceed six months.

RECOMMENDED ACTION:

By motion: Designate Melissa Poehlman as the Interim Executive Director of the Housing and Redevelopment Authority coterminous with her appointment as the Interim Community Development Director, but not to exceed six months.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- Past practice has been for the HRA to designate an Interim Executive Director for times of staff transition.

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

- Typically, designation of an Executive Director is made at the first meeting in January of each year; however, given timing of Executive Director Stark's departure, staff recommends an alternative schedule.

C. CRITICAL TIMING ISSUES:

- It is necessary to designate a person to serve as Interim Executive Director to ensure continuation of HRA operations.

D. FINANCIAL IMPACT:

- There are financial obligations of the HRA that require an Interim Executive Director.

E. **LEGAL CONSIDERATION:**

- An Executive Director is required to continue with normal business of the HRA.

ALTERNATIVE RECOMMENDATION(S):

- Appoint someone else as Executive Director, Interim or otherwise.
- Consider a different term of appointment.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A