Call to Order

Approval of the minutes of the regular Housing and Redevelopment Authority meeting of January 15, 2019.

PRESENTATIONS

1. 2018 HRA/EDA Year in Review

AGENDA APPROVAL

2. Approval of the Agenda

3. Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.

   A. Consideration of the adoption of a resolution approving an Assumption Agreement that assigns certain rights and responsibilities related to the construction of 30 for-sale condominiums at the former Lyndale Garden Center site to Lakeside at Lyndale Gardens LLC.

      Staff Report No. 11

   B. Consideration of the adoption of a resolution approving an Assignment and Assumption Agreement (Amended and Restated Contract for Private Redevelopment) to Woodlake Centre MOB, LLC, a Delaware limited liability company and authorize the Executive Director to execute an updated Estoppel Certificate.

      Staff Report No. 12

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

OTHER BUSINESS

5. Consideration of allocation of the HRA-owned property at 6412 Bloomington Avenue S to either the affordable New Home Program or the market-rate Richfield Rediscovered Program.

     Staff Report No. 13

HRA DISCUSSION ITEMS

6. HRA Discussion Items
EXECUTIVE DIRECTOR REPORT

7. Executive Director's Report

CLAIMS AND PAYROLLS

8. Claims and Payrolls

9. Adjournment

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

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

HRA Members

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

Staff Present:

John Stark, Executive Director; Chris Regis, Finance Director; Julie Urban, Housing Manager; Elizabeth VanHoose, City Clerk; Kate Aitchison, Housing Specialist.

OATH OF OFFICE OF RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY COMMISSIONER, PAT ELLIOTT

OATH OF OFFICE OF RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY COMMISSIONER, MARY SUPPLE

OATH OF OFFICE OF RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY COMMISSIONER, MARIA REGAN GONZALEZ

City Clerk VanHoose administered the oath of office to Commissioners Elliott, Supple, and Regan Gonzalez.

CONSIDERATION OF THE ELECTION OF OFFICERS AND DESIGNATION OF ASSISTANT TO THE SECRETARY FOR THE RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY FOR 2019. (S.R. NO. 1)

Chair Supple opened nominations.

M/Sandahl, S/Elliott to elect Mary Supple to serve as Chairperson.

Motion carried 5-0.

M/Supple, S/Vrieze Daniels to elect Pat Elliott to serve as Vice Chairperson.

Motion carried 5-0.

M/Supple, S/Elliott to elect Erin Vrieze Daniels to serve as Secretary.
Motion carried 5-0.

M/Supple, S/Vrieze Daniels to elect Kate Aitchison to serve as assistant to the Secretary.

Motion carried 5-0.

APPROVAL OF THE MINUTES OF THE: (1) SPECIAL CONCURRENT CITY COUNCIL, HOUSING AND REDEVELOPMENT AUTHORITY, AND PLANNING COMMISSION WORK SESSION OF NOVEMBER 13, 2018; AND (2) REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING OF NOVEMBER 19, 2018.

M/Elliott, S/Sandahl to approve the minutes of the: (1) Special concurrent City Council, Housing and Redevelopment Authority, and Planning Commission work session of November 13, 2018; and (2) Regular Housing and Redevelopment Authority meeting of November 19, 2018.

Motion carried 5-0.

<table>
<thead>
<tr>
<th>Item #1</th>
<th>APPROVAL OF THE AGENDA</th>
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M/Vrieze Daniels, S/Sandahl to approve the agenda.

Motion carried 5-0.

<table>
<thead>
<tr>
<th>Item #2</th>
<th>CONSENT CALENDAR</th>
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Executive Director Stark presented the Consent Calendar:

A. Consideration of the adoption of resolutions designating official depositories for the Housing and Redevelopment Authority for 2019, including the approval of collateral. (S.R. No. 2)

RESOLUTION NO. 1318
RESOLUTION DESIGNATING U.S. BANK A DEPOSITORY OF FUNDS OF THE HRA OF RICHFIELD FOR THE YEAR 2019

RESOLUTION NO. 1319
RESOLUTION DESIGNATING CERTAIN SAVING AND LOAN ASSOCIATIONS, BANKS AND CREDIT UNIONS AS DEPOSITORIES FOR THE INVESTMENT OF HOUSING AND REDEVELOPMENT AUTHORITY OF RICHFIELD FUNDS IN 2019

RESOLUTION NO. 1320
RESOLUTION DESIGNATING CERTAIN FINANCIAL INSTITUTIONS AS DEPOSITORIES FOR THE INVESTMENT OF HOUSING AND REDEVELOPMENT AUTHORITY OF RICHFIELD FUNDS IN 2019
B. Consideration of the approval of an amended Contract with the Center for Energy and Environment to provide loan and remodeling advising services to Richfield homeowners for 2019. (S.R. No. 3)

C. Consideration of the adoption of a resolution approving the Assignment and Assumption of Contract between NHH Companies, LLC, CPII Development, LLC, and the Housing and Redevelopment Authority. (S.R. No. 4)

RESOLUTION NO. 1321
RESOLUTION APPROVING ASSIGNMENT OF CONTRACT FOR PRIVATE DEVELOPMENT

D. Consideration of the adoption of a resolution approving execution of a Right of Entry Agreement with Cedar Point Investments, LLC, for the Cedar Point II properties owned by the Housing and Redevelopment Authority. (S.R. No. 5)

RESOLUTION NO. 1322
RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A RIGHT OF ENTRY AGREEMENT WITH CEDAR POINT INVESTMENTS LLC

E. Consideration of the adoption of a resolution approving collateral assignment of the Secondary Developer Tax Increment Financing Note to be issued by the Richfield Housing and Redevelopment Authority for the benefit of the Secondary Developer. (S.R. No. 6)

RESOLUTION NO. 1323
RESOLUTION APPROVING COLLATERAL ASSIGNMENT OF SECONDARY DEVELOPER TIF NOTE

M/Regan Gonzalez, S/Elliott to approve the consent calendar.

Motion carried 5-0.

<table>
<thead>
<tr>
<th>Item #3</th>
<th>CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM CONSENT CALENDAR</th>
</tr>
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<tbody>
<tr>
<td>None.</td>
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</table>

| Item #4 | CONSIDERATION OF THE ADOPTION OF A RESOLUTION AUTHORIZING ACCEPTANCE OF A DONATION OF $100,000 TO THE HOUSING AND REDEVELOPMENT AUTHORITY FROM AFFORDABLE SUBURBAN HOUSING AND APPROVAL OF PROGRAM GUIDELINES FOR DISTRIBUTING THE FUNDS THROUGH AN AFFORDABLE APARTMENT IMPROVEMENT GRANT PROGRAM. (S.R. NO. 7) |

Housing Manager Julie Urban presented Staff Report 7, and provided some background information regarding the organization, Affordable Suburban Housing (ASH), offering the funding.

Commissioner Elliott asked about the amount of funding per unit and how the grant money and match funds will be used. Housing Manager Urban responded. Commissioner Elliott asked about the number of buildings that may be eligible for use of these funds and how the program will
be marketed to landlords. Housing Manager Urban estimated that there are approximately 50 buildings in the community that may be eligible and that information will be sent out to eligible landlords with eligible tenants. Commissioner Elliott stated his support for this program and suggested this may be something the HRA may consider continuing in the future.

Commissioner Regan Gonzalez expressed her support for the program and gratitude for the grant from ASH.

M/Sandahl, S/Vrieze Daniels to adopt a resolution authorizing acceptance of a donation of $100,000 to the Housing and Redevelopment Authority from Affordable Suburban Housing for funding of an Affordable Apartment Improvement Grant Program and approve guidelines for the Affordable Apartment Improvement Grant Program, with guidelines amended to reduce the requirement for eligibility from ten years to five years tenancy, with priority given to renters who have lived in their unit for ten years or more.

RESOLUTION NO. 1324
RESOLUTION AUTHORIZING ACCEPTANCE OF A DONATION RECEIVED BY THE HOUSING AND REDEVELOPMENT AUTHORITY (HRA) AND TO AUTHORIZE THE HRA TO ADMINISTER THE FUNDS IN ACCORDANCE WITH AFFORDABLE APARTMENT IMPROVEMENT GRANTS PROGRAM GUIDELINES

Motion carried 5-0.

<table>
<thead>
<tr>
<th>Item #5</th>
<th>CONSIDERATION OF THE ADOPTION OF A RESOLUTION AUTHORIZING THE PURCHASE OF 6412 BLOOMINGTON AVENUE S. FOR FUTURE DEVELOPMENT AS A SINGLE-FAMILY HOME. (S.R. NO. 8)</th>
</tr>
</thead>
</table>

Housing Specialist Kate Aitchison presented Staff Report 8.

Commissioner Elliott stated that the home’s exterior looks well-preserved.

Commissioner Vrieze Daniels stated that she is typically conflicted about these situations and removing these lower-cost houses, and appreciates the answers from staff regarding this situation, and that she looks forward to the conversation next month.

M/Regan Gonzalez, S/Sandahl to adopt a resolution authorizing the purchase of 6412 Bloomington Avenue S for future development as a single-family home.

RESOLUTION NO. 1325
RESOLUTION AUTHORIZING PURCHASE OF REAL PROPERTY LOCATED AT 6412 BLOOMINGTON AVENUE

Commissioner Sandahl reflected that this is a very small home and that it will be a good to see it redeveloped.

Motion carried 5-0.

<table>
<thead>
<tr>
<th>Item #6</th>
<th>CONSIDERATION OF THE ADOPTION OF A RESOLUTION AMENDING THE BYLAWS OF THE RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY TO REFLECT THE COMPOSITION OF MEMBERSHIP AS AUTHORIZED BY THE</th>
</tr>
</thead>
</table>
Executive Director John Stark presented Staff Report 9.

In addition to the changes outlined in the staff report, it is also recommended that the language around the voting of the HRA members in Section 6 Manner of Voting shall be amended from:

The voting on all questions coming before the Authority shall be by roll call and the yeas and nays shall be entered upon the minutes of such meeting,

to now read:

The voting on all questions coming before the Authority shall be by roll call made verbally and the yeas and nays shall be entered upon the minutes of such meeting.

M/Vrieze Daniels, S/Sandahl to adopt a resolution amending the Bylaws of the Richfield Housing and Redevelopment Authority to reflect the composition of membership as authorized by the Mayor and City Council of the City of Richfield, with the amended Section 6 Manner of Voting to state: “The voting on all questions coming before the Authority shall be made verbally and the yeas and nays shall be entered upon the minutes of such meeting”.

RESOLUTION NO. 1326
RESOLUTION AMENDING THE BYLAWS OF THE HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF RICHFIELD, MINNESOTA

Motion carried 5-0.

Executive Director John Stark presented Staff Report 10.

Commissioner Vrieze Daniels expressed her support for this action. Chair Supple expressed her agreement for the good of the tenants.

Commissioner Regan Gonzalez asked about how voucher-holders will receive communications. Housing Manager Urban stated that letters will go out to voucher-holders and landlords in the next few days to provide an update.

M/Sandahl, S/Regan Gonzalez to approve the use of up to $180,000 from the Housing and Redevelopment Authority’s Capital Improvements Fund to advance payments for the Housing Choice Voucher Program for the month of March, if necessary.

Motion carried 5-0.
Item #8  HRA DISCUSSION ITEMS

None.

Item #5  EXECUTIVE DIRECTOR REPORT

Executive Director Stark updated the HRA on the acquisition of the property at 6501 Penn Avenue and the next steps in the redevelopment process.

Executive Director Stark also shared the Local Government Innovation Award for the work towards

Item #6  CLAIMS AND PAYROLLS

M/Sandahl, S/Vrieze Daniels that the following claims and payroll be approved:

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<td>TOTAL</td>
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<td></td>
<td>$231,985.03</td>
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Motion carried 5-0.

ADJOURNMENT

The meeting was adjourned by unanimous consent at 7:33 p.m.

Date Approved: February 19, 2019

Mary B. Supple  
HRA Chair

Kate Aitchison  
Housing Specialist

John Stark  
Executive Director
ITEM FOR COUNCIL CONSIDERATION:
Consideration of the adoption of a resolution approving an Assumption Agreement that assigns certain rights and responsibilities related to the construction of 30 for-sale condominiums at the former Lyndale Garden Center site to Lakeside at Lyndale Gardens LLC.

EXECUTIVE SUMMARY:
On July 16, 2018, the Housing and Redevelopment Authority (HRA) approved an Amended and Restated Contract for Private Development "Development Agreement") with Lyndale Gardens, LLC ("Master Developer"). Under this agreement, the Master Developer agreed to construct or cause to be constructed 30 for-sale condominiums, 8 rental townhomes, a 66-unit multifamily building (including 7 affordable residential units), and approximately 6,000 square feet of retail on the former Lyndale Garden Center property at approximately 64th Street West and Lyndale Avenue South. Section 8.2 of that Development Agreement allows the Master Developer to assign its rights and responsibilities to another entity so long as the Master Developer remains liable and bound by the Development Agreement. Lakeside at Lyndale Gardens, LLC ("Lakeside") is an affiliate of the Master Developer and will be constructing the 30 for-sale condominiums. The Assumption Agreement assigns the responsibilities related to this construction to Lakeside, but expressly states that the Master Developer shall remain liable and bound by the Development Agreement for all other obligations.

RECOMMENDED ACTION:
By motion: Adopt a resolution approving an Assumption Agreement with Lyndale Gardens, LLC and Lakeside at Lyndale Gardens, LLC.

BASIS OF RECOMMENDATION:
A. HISTORICAL CONTEXT
   - Lyndale Gardens, LLC secured land-use approvals for the redevelopment of the north half of the former Lyndale Garden Center site in June 2018.
   - The HRA approved an Amended and Restated Contract for Private Development on July 16, 2018.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):
   - Section 8.2 of the Development Agreement allows the Master Developer to assign it rights and obligations under the Development Agreement so long as the Master Developer remains liable and bound by the Development Agreement.
C. **CRITICAL TIMING ISSUES:**
   - Land use approvals will expire in June 2019 unless substantial work has been completed.
     Lakeside at Lyndale Gardens, LLC has been selected to construct the 30 for-sale condominiums.

D. **FINANCIAL IMPACT:**
   - There will be no financial impact to the HRA as a result of this agreement.

E. **LEGAL CONSIDERATION:**
   - The Assumption Agreement was prepared by the HRA Attorney.

**ALTERNATIVE RECOMMENDATION(S):**
- None

**PRINCIPAL PARTIES EXPECTED AT MEETING:**
Representative(s) of Lyndale Gardens, LLC

**ATTACHMENTS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Type</th>
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<tbody>
<tr>
<td>Resolution</td>
<td>Resolution Letter</td>
</tr>
<tr>
<td>Assumption Agreement</td>
<td>Contract/Agreement</td>
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</table>
RESOLUTION NO. ______

RESOLUTION APPROVING ASSUMPTION AGREEMENT WITH LYNDALE GARDENS, LLC AND LAKESIDE AT LYNDALE GARDENS LLC

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”) has entered into an Amended and Restated Contract for Private Development, dated July 16, 2018 (the “Development Agreement”), between the Authority and Lyndale Gardens, LLC, a Minnesota limited liability company (the “Master Developer”), pursuant to which the Master Developer agreed to construct or cause to be constructed 30 for-sale condominiums (the “Condominiums”), 8 rental townhomes, a 66-unit multifamily apartment building (including 7 affordable residential units), and approximately 6,000 square feet of retail on property located within the City of Richfield, Minnesota; and

WHEREAS, pursuant to Section 8.2 of the Development Agreement, the Master Developer is allowed to assign its rights and duties under the Development Agreement so long as the Master Developer remains liable and bound by the Development Agreement; and

WHEREAS, Lakeside at Lyndale Gardens LLC, a Minnesota limited liability company (“Lakeside”), is an affiliate of the Master Developer and has agreed to construct the Condominiums; and

WHEREAS, there has been presented before this Board of Commissioners of the Authority (the “Board”) a form of Assumption Agreement (the “Assumption Agreement”) proposed to be entered into between the Authority, the Master Developer, and Lakeside pursuant to which Lakeside will agree to be responsible for the construction of the Condominiums and assume all obligations related to the Condominiums under the Development Agreement, and the Master Developer will agree to remain liable and bound for all obligations under the Development Agreement, including those related to the Condominiums; 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 Board hereby consents to the assumption by Lakeside of the obligations related to the Condominiums under the Development Agreement.

2. The Assumption 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 Assumption Agreement for and on behalf of the Authority in substantially the form now on file with the Community Development Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

3. The Chair and the Executive Director are hereby authorized to execute and deliver any and all documents deemed necessary to carry out the intentions of this resolution.
Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 19th day of February, 2019.

Mary B. Supple, Chair
ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT, made as of ________, 2019 (the “Agreement”), is by and between LYNDALE GARDENS, LLC, a Minnesota limited liability company (the “Master Developer”), LAKESIDE AT LYNDALE GARDENS LLC, a Minnesota limited liability company (“Lakeside”), and the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a public body corporate and politic of the State of Minnesota (the “Authority”).

RECITALS

The Master Developer and the Authority are parties to that certain Amended and Restated Contract for Private Development, dated July 16, 2018 (the “Contract”), recorded on October 29, 2018 in the Office of the Registrar of Titles, Hennepin County, as Document No. T05571096, pursuant to which the Master Developer proposed to construct or cause to be constructed 30 for-sale condominiums, 8 rental townhomes, a 66-unit multifamily apartment building (including 7 affordable residential units), and approximately 6,000 square feet of retail.

Lakeside is an affiliate of the Master Developer and has agreed to construct the 30 for-sale condominium units (the “Condominiums”) as required by the Contract.

Lakeside agrees to be responsible for the construction of the Condominiums and assumes all obligations related to the Condominiums under the Contract.

The Master Developer shall remain liable for all obligations under the Contract.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Definitions.** All capitalized terms not defined herein shall have the meanings given such terms in the Contract.

2. **Assignment and Assumption of Contract.** Section 8.2 of the Contract allows the Master Developer to assign its rights and duties under the Contract to another entity without prior written approval of the Authority so long as the Master Developer remains liable and bound by the Contract. The Contract further allows the Master Developer to contract with a third party to construct the Condominiums. The Master Developer and Lakeside hereby agree that Lakeside will assume all obligations related to the Condominiums under the Contract. The Master Developer will remain liable and bound by the Contract. The Authority acknowledges and consents to the assumption of obligations related to the Condominiums under the Contract by Lakeside.

3. **Covenants of Lakeside.** Lakeside expressly assumes all of the obligations of the Master Developer under the Contract with respect to the Condominiums and agrees to be subject to all the conditions and restrictions to which the Master Developer is subject to under the Contract.

4. **Not a Release.** This Agreement does not release and discharge the Master Developer from any obligations of the “Master Developer” under the Contract, even though a portion of those obligations have been assumed by Lakeside.
5. **Lakeside Address.** For purposes of notice under the Contract, Lakeside’s address is:

Lakeside at Lyndale Gardens LLC  
2213 W. 54th Street  
Minneapolis, MN 55419  
Attn: Colleen M. Carey

6. **Governing Law.** It is agreed that this Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Minnesota.

7. **Entirety of Agreement.** This Agreement shall constitute the entire agreement between the parties and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either party except to the extent incorporated in this Agreement.

8. **Modification.** Any modification of this Agreement or additional obligation assumed by either party in connection with this Agreement shall be binding only if placed in writing and signed by each party or an authorized representative of each party.

9. **Execution in Counterparts.** This Agreement may be executed, acknowledged and delivered in any number of counterparts and each of such counterparts shall constitute an original but all of which together shall constitute one agreement.

(The remainder of this page is intentionally left blank.)
IN WITNESS WHEREOF, the Master Developer, Lakeside, and the Authority have caused this Assumption Agreement to be executed as of the date and year first written above.

MASTER DEVELOPER:

LYNDALE GARDENS, LLC, a Minnesota limited liability company

By: ________________________________
Name: Colleen M. Carey
Its: Chief Manager

STATE OF MINNESOTA )
 ) SS
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this ____ day of ______, 2019, by Colleen M. Carey, the Chief Manager of Lyndale Gardens, LLC, a Minnesota limited liability company, on behalf of the Master Developer.

________________________________________
Notary Public

This instrument drafted by:

Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN  55402
612-337-9300
Execution page of Lakeside to the Assumption Agreement, dated as of the date and year first written above.

**LAKESIDE:**

**LAKESIDE AT LYNDALE GARDENS LLC,** a Minnesota limited liability company

By: ____________________________________________
Name: Colleen M. Carey
Its: Chief Manager

STATE OF MINNESOTA )
) SS
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this ___ day of ____, 2019, by Colleen M. Carey, the Chief Manager of Lakeside at Lyndale Gardens LLC, on behalf of Lakeside.

________________________________________
Notary Public
Execution page of the Authority to the Assumption Agreement, dated as of the date and year first written above.

**AUTHORITY:**

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

By Mary B. Supple  
Its Chair

By John Stark  
Its Executive Director

The foregoing instrument was acknowledged before me this _____ day of ________, 2019, 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

The foregoing instrument was acknowledged before me this _____ day of ________, 2019, by John Stark, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

Notary Public
EXHIBIT A

LEGAL DESCRIPTION

Lot 1, Block 1, Lyndale Gardens 2nd Addition.
ITEM FOR COUNCIL CONSIDERATION:
Consideration of the adoption of a resolution approving an Assignment and Assumption Agreement (Amended and Restated Contract for Private Redevelopment) to Woodlake Centre MOB, LLC, a Delaware limited liability company and authorize the Executive Director to execute an updated Estoppel Certificate.

EXECUTIVE SUMMARY:
The Urban Village Tax Increment Financing District was established in July 1999. It is a Redevelopment District that includes BMO Harris Bank, McDonald’s, The Oaks on Pleasant, The Pines and other office/retail space.

In 2001, the Housing and Redevelopment Authority (HRA) entered into a Contract for Private Development and agreed to provide tax increment assistance to the property and issue tax increment revenue notes to reimburse development costs.

Woodlake Centre MOB, LLC is proposing to purchase a portion of the property and assume the Taxable Tax Increment Financing Note Series 2001B.

The buyer of the property has also requested that the HRA also execute an estoppel certificate similar to those that the HRA has provided with respect to this development in the past. The HRA attorney will review any proposed estoppel certificate before it is executed by the Executive Director.

RECOMMENDED ACTION:
By motion: Adopt a resolution approving an Assignment and Assumption Agreement (Amended and Restated Contract for Private Redevelopment) to Woodlake Centre MOB, LLC, a Delaware limited liability company and authorize the Executive Director to execute an updated Estoppel Certificate.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT
   - The Urban Village Tax Increment District was established in July 1999.
   - On May, 21, 2001 the HRA entered into an Amended and Restated Contract for Private Development with Richfield State Agency, Inc.
   - Two Pay-Go Notes were issued in 2001 and mature in 2026.
   - The Contract was amended in 2005 by the First Amendment to the Amended and Restated Contract for Private Development, dated January 25, 2005, between the HRA and M&I, as
successor by merger to the Richfield Agency, Inc.

- In 2005 a portion of the property subject to the Contract (the Woodlake Centre located at 6601-6625 Lyndale Avenue) was purchased by Woodlake-VEF IV, LLC.
- In January 2014 the HRA approved an Assignment and Assumption of Amended and Restated Contract for Private Redevelopment, dated January 31, 2014 from Woodlake-VEF IV, LLC to Woodlake Partners, LLC.
- On January 31, 2014 Woodlake-VEF IV, LLC sold the Woodlake Centre to Woodlake Partners, LLC.
- In March 2018, the HRA approved an Assignment and Second Amendment to Amended and Restated Contract, dated March 19, 2018 between BMO Harris Bank N.A., McDonald's USA, LLC, the HRA and Woodlake Partners, LLC.
- In March 2018 BMO Harris sold its property to McDonald's.
- Woodlake Centre MOB, LLC is proposing to purchase Woodlake Centre and assume the Tax Increment Financing Note Series 2001B.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):
- The HRA is required to approve Assignment and Assumption Agreements and transfers of Pay-As-You-Go Notes.

C. CRITICAL TIMING ISSUES:
- Woodlake Centre MOB, LLC plans to close on this transaction by the end of February 2019.

D. FINANCIAL IMPACT:
- Woodlake Centre MOB, LLC will receive the Pay-Go tax increment on Tax Increment Financing Note Series 2001B per the Assignment and Assumption Agreement.
- The HRA will continue to receive a portion of the tax increment to pay administrative costs associated with the district.

E. LEGAL CONSIDERATION:
- HRA legal counsel drafted the resolution and Assignment and Assumption Agreement.

ALTERNATIVE RECOMMENDATION(S):
- Do not approve the Assignment and Assumption Agreement.

PRINCIPAL PARTIES EXPECTED AT MEETING:
None

ATTACHMENTS:

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<th>Type</th>
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<td>Contract/Agreement</td>
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<td>Investment Letter</td>
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RESOLUTION NO. ______

RESOLUTION APPROVING ASSIGNMENT AND ASSUMPTION AGREEMENT (AMENDED AND RESTATED CONTRACT FOR PRIVATE REDEVELOPMENT)

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”) has entered into an Amended and Restated Contract for Private Redevelopment, dated May 21, 2001, as heretofore amended and assigned (the “Contract”), with Woodlake Partners, LLC, a Delaware limited liability company, as the final successor in interest to Richfield State Agency (the “Assignor”), related to the development of certain real property located in the City of Richfield, Minnesota (the “City”); and

WHEREAS, the Assignor owns a portion of the real property legally described in the Contract (the “VEF Property”) and the Minimum Improvements (as defined in the Contract”) constructed thereon commonly known as Woodlake Centre, located at 66th Street and Lyndale Avenue in the City; and

WHEREAS, the Assignor has proposed to convey its fee simple interest in the VEF Property to Woodlake Centre MOB, LLC, a Delaware limited liability company (the “Assignee”), and the Assignee has agreed to acquire fee simple title to the VEF Property and assume the rights and benefits and certain of the obligations and liabilities of the Assignor (as the Redeveloper) under the Contract which relate to the VEF Property; and

WHEREAS, there has been presented before this Board of Commissioners of the Authority (the “Board”) a form of Assignment and Assumption Agreement (Amended and Restated Contract for Private Redevelopment) (the “Assignment and Assumption Agreement”) proposed to be entered into between the Authority, the Assignor, and the Assignee, pursuant to which the Assignor will transfer and assign to the Assignee all of the right, title, and interest, if any, under the Contract and to the acceptance by the Assignee of certain of the Assignor’s obligations and liabilities under the Contract, as described therein;

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 Board hereby consents to the assignment to and assumption by the Assignee of the Assignor’s right, title, and interest, if any, under the Contract and to the acceptance by the Assignee of certain of the Assignor’s obligations and liabilities under the Contract.

2. The Board approves of the designation of the Assignee as a “Qualified Transferee” under the terms of the Contract.

3. The Assignment and Assumption 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 Assignment and Assumption Agreement for and on behalf of the Authority in substantially the form now on file with the Community Development 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.
4. The Chair and the Executive Director are hereby authorized to execute and deliver any and all documents deemed necessary to carry out the intentions of this resolution.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 19th day of February, 2019.

Mary B. Supple, Chair
ASSIGNMENT AND ASSUMPTION AGREEMENT (AMENDED AND RESTATED CONTRACT FOR PRIVATE REDEVELOPMENT)

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Agreement") is made as of this ______ day of _____________, 2019, by and between WOODLAKE PARTNERS, LLC, a Delaware limited liability company ("Assignor"), Woodlake Centre MOB, LLC, a Delaware limited liability company ("Assignee"), and THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a Minnesota public body corporate and politic ("HRA").

WITNESSETH:

A. Th e HRA and Richfield State Agency, Inc., a Minnesota corporation ("RSA") entered into that certain Amended and Restated Contract for Private Development dated May 21, 2001 (the "Amended and Restated Contract") which Amended and Restated Contract affects certain property referred to in the Amended and Restated Contract as the "Redevelopment Property" and legally described in Exhibit A attached hereto and made a part hereof. The Amended and Restated Contract was recorded on November 30, 2001 in the office of the County Recorder for Hennepin County, Minnesota, as Document No. 7593401 and was filed on January 26, 2005 in the office of the Registrar of Titles as Document No. 4070502. The Amended and Restated Contract was further amended by that certain First Amendment to Amended and Restated Contract for Private Redevelopment by and between HRA and M&I, as successor in interest to RSA, dated January 25, 2005 and recorded May 4, 2005 in the office of the County Recorder as Document No. 8576021 and filed January 26, 2005 in the office of the Registrar of Titles as Document No. 4070504. The Amended and Restated Contract, as amended, was further amended by the Assignment and Assumption of Amended and Restated Contract for Private Redevelopment, dated January 25, 2005, from Marshall & Ilsley Corporation to Woodlake-VEF IV, LLC ("VEF"), as further amended by the Assignment and Assumption of Amended and Restated Contract for Private Redevelopment, dated January 31, 2014, from VEF to Woodlake Partners, LLC, and further amended by the Assignment and Second Amendment to Amended and Restated Contract, dated March 19, 2018, between BMO Harris Bank N.A., McDonald’s USA, LLC, the HRA, and Woodlake Partners, LLC, and recorded August 22, 2018, in the office of the County Recorder as Document No. _______ and filed August 22, 2018, in the office of the Registrar of Titles as Document No. T05554637. The Amended and Restated Contract, as amended as described herein is referred to herein as the “Contract.”

B. Capitalized terms used herein, to the extent not otherwise defined herein, shall have the meaning ascribed to such terms in the Contract.

C. Assignor desires to convey fee simple title to the portion of the Redevelopment Property legally described in Exhibit A attached hereto and made a part hereof and the Minimum Improvements constructed thereon commonly known as "Woodlake Centre", and located at 66th Street and Lyndale Avenue in Richfield, Minnesota (collectively, the "VEF Property") to Assignee and Assignee desires to acquire fee simple title to the VEF Property.

D. As of the date of this Agreement, Assignor will own no real property that is part of the Redevelopment Property.
E. Assignee desires to assume the rights and benefits, and certain of the obligations and liabilities, of Assignor under the Contract, which relate to the VEF Property and which arise and accrue from and after the date hereof, as set forth in this Agreement.

F. BMO Harris Bank N.A., as successor in interest to M&I is the owner and holder of the Tax Exempt Note and accordingly is the Tax Exempt Note Holder under the Contract.

G. Assignor, with the consent of the Tax Exempt Note Holder and HRA, wishes to be released from the Contract as of the date of this Agreement.

H. On the date hereof, the Assignor intends to assign the Housing and Redevelopment Authority in and for the City of Richfield Taxable Tax Increment Revenue Note Series 2001B (the “Taxable Note”), currently outstanding in the principal amount of $_______________ to the Assignee.

H. Under the terms and conditions of the purchase and sale agreement pursuant to which the VEF Property was purchased, it was contemplated that Assignor and Assignee would enter into this Agreement.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto do hereby agree as follows:

1. Assignment. Assignor hereby transfers and assigns to Assignee all right, title and interest of Assignor in and to the Contract. TO HAVE AND TO HOLD all of the foregoing unto the Assignee, its successors and assigns, from and after the date hereof, subject to the terms, covenants, conditions and provisions contained herein.

2. Acceptance and Assumption. Assignee hereby accepts the assignment of all of Assignor's right, title and interest arising under the Contract with respect to the VEF Property. As of the date of this Agreement, subject to the limitations contained herein, Assignee also accepts certain of the Assignor's obligations and liabilities under the Contract, but only as such obligations and liabilities (a) relate to the VEF Property and (b) arise or accrue on or after the date of this Agreement.

3. Qualified Transferee; Consent to Assignment; Release.

(a) Pursuant to Section 7(c) of the First Amendment, the Assignee represents that it may be deemed to meet the qualifications required by Section 9.2(b)(i) of the Amended and Restated Contract and Section 7(c) of the First Amendment to be a Qualified Transferee because:

(i) the Assignee (or a property manager with which the transferee contracts) has within the last five (5) years owned or managed property of similar size to the VEF Property (but not necessarily the same use) in the greater Minneapolis/St. Paul area, or in metropolitan areas similar in size;

(ii) the Assignee (or its parent or ownership constituents, in the aggregate) has a tangible net worth of at least $5,000,000 computed in accordance with sound business accounting principles (including the transferee's equity in the VEF Property and goodwill as assets); and
(iii) within the last three years, the Assignee (or any owner of such transferee owning more than 30% of the voting equity securities of the Assignee) has not been subject to a lien of a judgment for an amount in excess of $500,000 arising out of: (A) the failure to repay amounts borrowed by such entity or (B) obligations relating to the ownership or management of real property.

(b) The Tax Exempt Note Holder, in reliance upon the representations of Assignee set forth in Section 3(a) above, acknowledges and agrees that Assignee is a Qualified Transferee. HRA has relied on the representations from Assignee that it is a Qualified Transferee and has made no independent investigation regarding this assertion. HRA and the Tax Exempt Note Holder do hereby consent to the conveyance of fee simple title to the VEF Property by Assignor to Assignee. HRA and Tax Exempt Note Holder hereby acknowledge and confirm that in accordance with Section 7(g) of the First Amendment, as of the date of this Agreement, Assignor is released of its obligations under the Contract first arising after the date of this Agreement.

4. **Tax Petitions.** At any time Assignee determines to file a petition with Hennepin County to decrease the market value of the VEF Property, the Assignee shall provide notice to the HRA at the following address:

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

Assignee has been provided with a copy of the HRA’s Policy Statement Regarding Tax Petitions Filed within Tax Increment Districts and is aware of the HRA’s policy with respect to withholding TIF when a tax petition is filed with Hennepin County.

5. **Notice Address.** For purposes of Section 11.5 of the Contract, the addresses of the Assignee are:

**VEF Property Owner:**

c/o Ryan Companies US, Inc.
Attn: Mike Maney
533 South Third Street, Suite 100
Minneapolis, Minnesota 55415

With a copy to:

c/o Virtus Real Estate Capital
Attn: Matt Withey and Craig Davis
835 West 6th Street, Suite 1500
Austin, Texas 78703

Payment for the Series 2001B TIF Note shall be sent to:

[INSERT CONTACT INFO]
6. **Indemnification.** Assignor agrees to indemnify, defend and hold Assignee harmless from and against any claims asserted against Assignee under, or in any way relating to, the Contract or Taxable Note, and shall reimburse Assignee for any costs and expenses incurred in connection with such claims, including reasonable attorneys' fees related to such claims, to the extent such claims arise out of the failure of Assignor to comply with or to perform any obligation under the Contract or Taxable Note accruing prior to the date hereof. Assignee agrees to indemnify, defend and hold Assignor harmless from and against any claims asserted against Assignor under, or in any way relating to, the Contract or Taxable Note, and shall reimburse Assignor for any costs and expenses incurred in connection with such claims, including reasonable attorneys' fees related to such claims, to the extent such claims arise out of the failure of Assignee to comply with or to perform any obligation under the Contract or Taxable Note accruing on or after the date hereof.

7. **Successors and Assigns; Amendments.** This Agreement and the obligations of the parties hereunder shall survive delivery of this Agreement and be binding upon and inure to the benefit of the parties hereto, their respective legal representatives, successors and assigns and may not be modified or amended except by written agreement signed by both parties.

8. **Governing Law.** This Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the laws of the State of Minnesota.

9. **Execution in Counterpart.** This Agreement may be executed in counterparts, each of which shall be deemed a duplicate original.
IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption Agreement on the date and year first above written.

ASSIGNOR:

WOODLAKE PARTNERS, LLC,
a Delaware limited liability company

By: _____________________
Name: _____________________
Title: _____________________

STATE OF MINNESOTA  )
) SS.
COUNTY OF HENNEPIN  )

The foregoing instrument was acknowledged before me this _____ day of __________, 2019, by _____________________, the _________________ of Woodlake Partners, LLC, on behalf of the said entity.

___________________________
Notary Public

ASSIGNEE:

WOODLAKE CENTRE MOB, LLC,
a Delaware limited liability company

By: _____________________
Name: _____________________
Title: _____________________

STATE OF MINNESOTA  )
) SS.
COUNTY OF ____________  )

The foregoing instrument was acknowledged before me this _____ day of __________, 2019, by _____________________, the _________________ of Woodlake Centre MOB, LLC, a Delaware limited liability company, on behalf of the said entity.

___________________________
Notary Public

5
Execution page of HRA to the Assignment and Assumption Agreement, dated as of the date and year first written above.

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

By

(SEAL)

Its Chair

By

(SEAL)

Its Executive Director

STATE OF MINNESOTA )
) SS.
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this _____ day of __________, 2019, 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 _____ day of __________, 2019, by John Stark, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

Notary Public
Exhibit A

Legal Description of Real Property
CONSENT OF TAX-EXEMPT NOTE HOLDER

The Tax-Exempt Note Holder acknowledges and consents to the terms of this Assignment and Assumption Agreement.

TAX EXEMPT NOTE HOLDER:

BMO HARRIS BANK, N.A. a national banking association

By: ________________________________
Its: ________________________________

STATE OF ____________ )
) SS
COUNTY OF __________ )

The foregoing instrument was acknowledged before me this ___ day of __________, 2019 by the ______________________________of BMO Harris Bank, N.A., on behalf of the bank.

Notary Public
Housing and Redevelopment Authority of the City of Richfield  
6700 Portland Avenue So.  
Richfield, MN 55423  

Re: The Housing and Redevelopment Authority in and for the City of Richfield Tax Increment Revenue Note, Series 2001B issued in an original principal amount of $7,000,000 (the “Note”)  

Dear Ladies and Gentlemen:  

On the date hereof, Woodlake Partners, LLC has assigned its interests in the above-referenced Note to Woodlake Centre MOB, LLC. As holder of the Note, we confirm that:  

1. We are an “accredited investor” (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”)) purchasing for our own account and not as a nominee or agent, and not with a view to the resale or distribution of any part thereof.  

2. We have no present intention of selling, granting any participation in, or otherwise distributing the Note.  

3. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Note, and we are able to bear the economic risk of our investment.  

4. In making our decision to acquire the Note, we have relied upon independent investigations made by us and, to the extent we believed to be appropriate, by our representatives, including our own professional, tax and other advisors, and we have not relied upon any representation or warranty from the Issuer or any of its officers, employees, agents, affiliates or representatives, with respect to the value of the Note.  

5. The undersigned or its representatives have been given a full opportunity to examine all documents and to ask questions of, and to receive answers from, the Issuer, the Redeveloper and their representatives concerning the terms of the Note and such other information as the undersigned desires in order to evaluate the acquisition of and investment in the Note, and all such questions have been answered to the full satisfaction of the undersigned.  

6. The undersigned has evaluated the merits and risks of investment in the Note and has determined that the Note is a suitable investment for us in light of our overall financial condition and prospects.
7. We understand that the offer and sale of the Note has not been registered under the Securities Act, and that the Note may not be offered or sold except as described below. We agree and each subsequent holder of the Note by its acceptance thereof will agree, not to offer, sell or otherwise transfer the Note, except (A) in accordance with Rule 144A under the Securities Act to a “qualified institutional buyer” (as defined therein), (B) to an “accredited investor” (as defined above) that is purchasing for his own account or for the account of such an “accredited investor,” (C) pursuant to the exemptions from registration provided by Rule 144 under the Securities Act, if available, (D) pursuant to an effective registration statement under the Securities Act, or (E) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and to compliance with applicable state securities laws. We further agree to provide to any person purchasing the Note from us a notice advising such purchaser that resale of the Note is restricted as stated herein.

8. No market for this Note exists and no market for the Note is intended to be developed.

9. We understand that payments on the Note are subject to certain restrictions and conditions set forth in the Amended and Restated Contract for Private Redevelopment between the Issuer and Richfield State Agency, Inc. (“RSA”) dated May 21, 2001, as amended by a First Amendment to Amended and Restated Contract for Private Redevelopment between Issuer and Marshall & Ilsley Corporation (as successor by merger to RSA) dated as of January 25, 2005, Assignment and Assumption of Amended and Restated Contract for Private Redevelopment, dated January 25, 2005, from Marshall & Ilsley Corporation to Woodlake-VEF IV, LLC (“VEF”), as further amended by the Assignment and Assumption of Amended and Restated Contract for Private Redevelopment, dated January 31, 2014, from VEF to Woodlake Partners, LLC, as further amended by the Assignment and Second Amendment to Amended and Restated Contract for Private Redevelopment, dated March 19, 2018, between BMO Harris Bank N.A., McDonald’s USA, LLC, the HRA, and Woodlake Partners, LLC and as further amended by the Assignment and Assumption Agreement (Amended and Restated Contract for Private Redevelopment), dated ______, 2019, between Woodlake Partners, LLC, the HRA, and Woodlake Centre MOB, LLC.
You are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

WOODLAKE CENTRE MOB, LLC,
a Delaware limited liability company

By: ____________________________________________

Name: __________________________________________

Title: __________________________________________

Address: Woodlake Centre MOB, LLC
c/o Ryan Companies US, Inc.
Attn: Mike Maney
533 South Third Street, Suite 100
Minneapolis, Minnesota 55415

With a copy to:

c/o Virtus Real Estate Capital
Attn: Matt Withey and Craig Davis
835 W. 6th Street, Suite 1500
Austin, Texas 78703

Dated as of _____________, 2019
ITEM FOR COUNCIL CONSIDERATION:
Consideration of allocation of the HRA-owned property at 6412 Bloomington Avenue S to either the affordable New Home Program or the market-rate Richfield Rediscovered Program.

EXECUTIVE SUMMARY:
In January 2019, the Richfield Housing and Redevelopment Authority (HRA) approved the acquisition of the substandard property located at 6412 Bloomington Avenue S for future use in either the New Home Program or the Richfield Rediscovered Program. Redevelopment under either program is currently quite challenging due to the increasing costs of land acquisition, labor and materials.

In addition, the recently passed Inclusionary Housing Policy (Policy) adds additional considerations when pursuing development of the site. Under this Policy, "at least 20 percent of the units constructed in any three-year period must meet the proscribed affordability requirements." Moving forward, the allocation of 6412 Bloomington Avenue S for the Richfield Rediscovered program would result in 18 percent of the new units constructed in the 2018-2020 period being affordable. If allocated to the New Home Program, the percent of new units constructed under an affordable model during the same time period would rise to 27 percent.

While simple adherence to the Policy indicates the property should be used for the New Home Program, there are significant barriers to development. The costs for constructing new, affordably-priced units are high, with average subsidies ranging from $72,000 - $101,000 over the past five years. On this site, staff estimates the subsidy required for development would range from $90,000 - $145,000. Additionally, while the HRA has strong relationships with capable partners, there is no guarantee that our partners will have the capacity or funding needed to pursue this development in the near future.

Subsidies for the Richfield Rediscovered program have historically been lower ($9,500-$63,300 over the past five years), with strong demand for the program from residents and builders.

In interpreting the Inclusionary Housing Policy, the HRA may consider one or more of the following options:
1. Limit the data to new unit units constructed, and halt any activity on the Richfield Rediscovered program until another acquisition/development occurs under the New Home Program.
2. Include extensively rehabilitated housing units that include participation by qualified non-profit housing providers as part of the scattered-site affordable housing requirement.
   • These units are sold to income-qualified buyers, just as in new-construction scenarios.
   • There are long-term land mechanisms to ensure the home remains affordable for a long duration.
   • Three such units have been completed in the past five years.
   • Incorporating these completed units in the Inclusionary Housing Policy totals would bring the affordable ratio of new developments to 27 percent for the 2018-2020 time period. In addition, staff is hoping to partner with WHAHLT to develop another rehabbed unit in 2019, which would raise the
ratio to 33 percent.

3. Broaden the scope of homes accounted in the scattered-site affordable housing requirement to include homes receiving programming like Down Payment Assistance or 2nd Mortgages to qualified households.

4. Exercise the right of the HRA under the Inclusionary Housing Policy to vary the application of the Inclusionary Housing Policy in this case, based on current market conditions.

5. Adjust the Inclusionary Housing Policy’s reference to scattered-site single family housing development.

Regardless of the allocation of this property to either program, staff will continue to pursue the acquisition of substandard properties for potential use by both programs.

**RECOMMENDED ACTION:**

By motion: Allocate the HRA-owned property at 6412 Bloomington Avenue S to the New Home Program (affordable) or the Richfield Rediscovered (market rate) Program.

**BASIS OF RECOMMENDATION:**

A. **HISTORICAL CONTEXT**

- In evaluating the two programs, staff has considered the following Opportunities and Challenges:

<table>
<thead>
<tr>
<th>Richfield Rediscovered</th>
<th>New Home</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunities:</strong></td>
<td><strong>Opportunities:</strong></td>
</tr>
<tr>
<td>• High demand for program, with more than 170 people on our notification list for more information about upcoming opportunities.</td>
<td>• Need for long-term, affordability in single-family homes, especially given current housing prices.</td>
</tr>
<tr>
<td>• Need in community for additional modern, &quot;move-up&quot; housing.</td>
<td>• Strong partnerships with Twin Cities Habitat for Humanity (TCHFH) and the West Hennepin Affordable Housing Land Trust (WHAHLT).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Challengs</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High-priced market makes it harder to acquire properties within budget.</td>
<td>• Large financial gaps to make affordable, new construction very expensive</td>
</tr>
<tr>
<td>• Fewer substandard homes still available within community for acquisition.</td>
<td>• Gaps usually filled via city funds (CDBG) or other government funding given to partner organizations</td>
</tr>
<tr>
<td></td>
<td>• Ensuring long-term affordability is difficult when not working with preferred partners</td>
</tr>
<tr>
<td></td>
<td>• Partners have limited capacity and timeline for development is uncertain.</td>
</tr>
</tbody>
</table>

- In the past five years, 17 homes have been constructed under the Richfield Rediscovered Program, with three additional homes anticipated in 2019.
- In the past five years, HRA subsidies for Richfield Rediscovered properties have ranged from $9,500 - $63,300/unit.
- Low subsidies are the result of the HRA acquiring large properties and subdividing for two new homes, or purchasing very substandard and low-cost homes.
In the past five years, seven homes have been built under the New Home Program, with two additional units anticipated in 2019. In the past five years, HRA subsidies for the New Home Program have ranged from $72,000 - $101,000/unit.

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

The recently passed Inclusionary Housing Policy states: “with regards to “scattered-site single family housing development,” at least 20 percent of the units constructed in any three-year period must meet the proscribed affordability requirements.”

The table below shows the current new construction numbers under both the Richfield Rediscovered Program (market-rate) and the New Home Program (affordable).

<table>
<thead>
<tr>
<th></th>
<th>RR</th>
<th>NH</th>
<th>TOTAL</th>
<th>Affordable as % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2015</td>
<td>15</td>
<td>2</td>
<td>17</td>
<td>12%</td>
</tr>
<tr>
<td>2014-2016</td>
<td>15</td>
<td>4</td>
<td>19</td>
<td>21%</td>
</tr>
<tr>
<td>2015-2017</td>
<td>12</td>
<td>7</td>
<td>19</td>
<td>37%</td>
</tr>
<tr>
<td>2016-2018</td>
<td>14</td>
<td>5</td>
<td>19</td>
<td>26%</td>
</tr>
<tr>
<td>2017-2019</td>
<td>11</td>
<td>4</td>
<td>15</td>
<td>27%</td>
</tr>
<tr>
<td>2018-2020</td>
<td>8</td>
<td>2</td>
<td>10</td>
<td>20%</td>
</tr>
</tbody>
</table>

When allocating the property at 6412 Bloomington Avenue S for the 2018-2020 time frame:
- To the Richfield Rediscovered Program: affordable ratio drops to 18%
- To the New Home Program: affordable ratio rises to 27%

In interpreting the Inclusionary Housing Policy, the HRA may consider one or more of the following options:
1. Limit the data to new units constructed, as represented in the above table, and halt any activity on the Richfield Rediscovered program until another acquisition/development occurs under the New Home Program.
2. Include extensively rehabilitated housing units that have sold to WHAHLT as part of the New Home unit count.
   - These units are sold to income-qualified buyers, just as in new-construction scenarios.
   - There is a long-term land holding lease with the land trust for 99 years of ensured affordability (typically serving five to seven households).
   - Three units have been completed in the past five years.
   - Incorporating these completed units in the Inclusionary Housing Policy totals would bring the Affordable Ratio of new developments to 27 percent for the 2018-2020 time period. In addition, staff is hoping to partner with WHAHLT to develop another until in 2019, which would raise the ratio to 33 percent.
3. Broaden the data included under the New Home Program to include services like Down Payment Assistance or 2nd Mortgages to qualified households.
4. Exercise the right of the HRA under the Inclusionary Housing Policy to vary the application of the Inclusionary Housing Policy in this case, based on current market conditions.
5. Adjust the Inclusionary Housing Policy's reference to scattered-site single family housing development.

C. **CRITICAL TIMING ISSUES:**

- If the property is going to be used for Richfield Rediscovered, it will need to be promoted and readied for sale.
  - Due to the popularity of the program, staff will issue a Request for Proposal (RFP), allowing
builder/buyer teams to submit design plans for the property to be evaluated by staff.

- This process will typically add approximately two months to the process, prior to HRA-authorization for the sale of the lot.
- If the property will be dedicated to the New Home Program, partner organizations will need to be contacted about the property in order to establish feasibility, timeline, funding sources, etc.

D. **FINANCIAL IMPACT:**

- The property at 6412 Bloomington Avenue S was recently acquired by the HRA for $115,000.
- If sold under the Richfield Rediscovered program, staff estimates a sale price of $50,000.
- The overall subsidy would be approximately $65,000.
- If sold under the New Home Program, the sale price of the lot would vary depending on which partner was interested and able to work on the project. Each partner brings various resources and requirements to the project. The timeline for development would be based on the coordination of schedules and funding sources for the project.
  - If Twin Cities Habitat for Humanity was the partner, an anticipated sale price would be estimated at $25,000.
    - The overall subsidy would be approximately $90,000.
  - If work was undertaken with the West Hennepin Affordable Housing Land Trust (WHAHLT), the land would likely need to be sold for $1.00, with potential additional expenses also needing to be covered.
    - The overall subsidy would be at least $115,000.
  - If work was undertaken with another non-profit developer, the land would likely still need to be sold for $1.00, with additional funding sources needed to cover the gap in development (gap between the cost for construction and the established affordable sale price).
    - The overall subsidy would be approximately $145,000.

E. **LEGAL CONSIDERATION:**

- The property was deemed substandard during the acquisition process, and can be utilized under either program for redevelopment.

**ALTERNATIVE RECOMMENDATION(S):**

- Do not allocate the property at 6412 Bloomington Avenue S for a specific program at this time.

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

None