Call to order

1. Approval of the minutes of the Regular HRA Meeting of August 15, 2016
2. HRA approval of the agenda
3. Consideration of an amendment to a Deferred Loan Agreement and Mortgage for 7408 10th Avenue
   Staff Report No. 28
4. Consideration of the Richfield Housing and Redevelopment Authority Tax Increment District Status Update
   Staff Report No. 29
5. HRA discussion items
6. Executive Director report
7. Claims and payroll

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 Chair Supple at 7:00 p.m.

ATTENDANCE

HRA Members Present: Mary Supple, Chair; David Gepner; Pat Elliott; Debbie Goettel and Doris Rubenstein.

Staff Present: Steve Devich, Executive Director; Karen Barton, Assistant Community Development Director, Chris Regis, Finance Manager, Kate Aitchison, Housing Specialist/Acting City Clerk.

Item #1 APPROVAL OF THE MINUTES OF THE REGULAR HRA MEETING OF JULY 18, 2016

M/Elliott, S/Goettel to approve the minutes.

Motion carried 5-0.

Item #2 HRA APPROVAL OF THE AGENDA

M/Goettel, S/Gepner to approve the agenda.

Motion carried 5-0.

Item #3 HRA APPROVAL OF THE CONSENT CALENDAR

A. Consideration of the approval of a resolution authorizing an amendment to a Richfield Rediscovered Contract for Private Development for 7333 Emerson Avenue

HRA RESOLUTION NO. 1236
RESOLUTION APPROVING FIRST AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT WITH ENDRES CUSTOM HOMES, INC.
This resolution appears as HRA Resolution No. 1236.

B. Consideration of the approval of a resolution authorizing an amendment to a Richfield Rediscovered Contract for Private Development for 7533 Dupont Avenue
HRA RESOLUTION NO. 1237
RESOLUTION APPROVING FIRST AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT WITH ENDRES CUSTOM HOMES, INC.
This resolution appears as HRA Resolution No. 1237.

M/Goettel, S/Rubenstein to approve the Consent Calendar.
Motion carried 5-0.

Item #4
CONSIDERATION OF A RESOLUTION APPROVING THE ISSUANCE OF THE HRA’S TAX INCREMENT LIMITED REVENUE NOTE TO MESABA CAPITAL DEVELOPMENT, LLC.

Assistant Community Development Director Barton presented Staff Report No. 26.

Commissioner Elliot asked what the qualify measures are for TIF. Ms. Barton responded that 1) a financial need must be identified by the developer, and 2) qualified costs must be identified.

Commissioner Goettel stated she’s happy to see the developer paying the full amount for the purchase of the land.

M/Rubenstein, S/Goettel that the following resolution be approved:

HRA RESOLUTION NO. 1233
RESOLUTION APPROVING THE ISSUANCE OF, AND PROVIDING THE FORM, TERMS, COVENANTS AND DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT LIMITED REVENUE NOTE, SERIES 2016 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $2,176,055

Motion carried 5-0. This resolution appears as HRA Resolution No. 1233.

Item #5
CONSIDERATION OF THE RESOLUTIONS APPROVING THE 2017 PROPOSED HRA BUDGET AND TAX LEEVY AND 2016 REVISED HRA BUDGET

Assistant Community Development Director Barton presented a powerpoint presentation highlighting the 2016/2017 HRA budget.

Executive Director Devich commented on the financial challenges of administering the local Section 8 program and the need for more federal funding to maintain the program. Commissioner Goettel agreed that the problem needs to be addressed.

Commissioner Rubenstein stated that taxpayers need to be better informed about how their tax levy dollars are being used to leverage the positive feelings people have regarding the city and its efforts.

Executive Director Devich commented that we’re collecting fewer dollars in the levy now than in 2010 and 2011.
Commissioner Goettel questioned whether staffing will need to be increased due to the potential increase in development from the 77th Underpass project. Executive Director Devich responded that staffing may need to increase.

Finance Manager Chris Regis presented Staff Report No. 27.

M/Goettel, S/Elliott that the following resolution be approved:

HRA RESOLUTION NO. 1234
RESOLUTION APPROVING PROPOSED 2017 HOUSING AND REDEVELOPMENT AUTHORITY BUDGET AND CERTIFYING THE 2017 TAX LEVY
And
This resolution appears as HRA Resolution No. 1234

HRA RESOLUTION NO. 1235
RESOLUTION AUTHORIZING REVISION OF THE 2016 BUDGET OF THE HOUSING AND REDEVELOPMENT AUTHORITY OF RICHFIELD
This resolution appears as HRA Resolution No. 1235

Motion carried 5-0.

Item #5 HRA DISCUSSION ITEMS

HRA Commissioner Goettel asked for an update on the Lyndale Gardens project as well as Cedar Point II and Cedar Point South.

Ms. Barton responded that Lyndale Gardens is undertaking shoreline improvements and making site improvements as well. She stated that for the Cedar Point II project the developer is still working on financing, but hopes to begin construction Spring 2017. The Cedar Point South project is also moving forward, but is awaiting a pending grant application for Richfield Parkway. They also hope to begin construction Spring 2017.

HRA Chair Supple asked when the Mesaba project will begin construction. Ms. Barton responded that they will hopefully break ground in October.

Item #6 EXECUTIVE DIRECTOR REPORT

Executive Director Devich reported that the city has received comments back from Minnesota Department of Transportation regarding the 77th Street Underpass plan, and that it will not take too long before the next set of approvals is received. The city can begin pursuing acquisitions once those approvals are received.

Executive Director Devich also gave an update on the Cedar Ave Liquor Store. Improvements will be made to the entrance, parking and interior of the store. The store will close mid-September, and be open again mid-November.

Item #7 CLAIMS AND PAYROLL

M/Rubenstein, S/Goettel that the following claims and payroll be approved:

<table>
<thead>
<tr>
<th>U.S. BANK</th>
<th>8/15/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 8 Checks: 127913 - 127995</td>
<td>$159,941.00</td>
</tr>
<tr>
<td>HRA Checks: 32790 - 32818</td>
<td>$31,909.60</td>
</tr>
</tbody>
</table>
TOTAL

$191,850.60

Motion carried 5-0.

ADJOURNMENT

The meeting was adjourned by unanimous consent at 7:35 p.m.

Date Approved: September 19, 2016

Mary B. Supple
HRA Chair

Kate Aitchison
Acting City Clerk

Steve Devich
Executive Director
ITEM FOR HRA CONSIDERATION:
Consideration of an amendment to a Deferred Loan Agreement and Mortgage for 7408 10th Avenue.

I. RECOMMENDED ACTION:
By Motion: Approve the amendment to the Deferred Loan Agreement and Mortgage for 7408 10th Avenue.

II. EXECUTIVE SUMMARY
Amy Blom (Homeowner) received a Deferred Loan in 1995 and again in 2003 to make improvements to her property at 7408 10th Avenue. Her father and mother, Harold and Jane Blom (Parents) were joint owners of the property at the time and therefore, are also party to the agreements.

The Homeowner passed away on June 20th of this year, and the Parents, who are still living, do not reside at the property. Under the terms of the Deferred Loan Agreement, loan recipients must reside at the property as their principal
place of residence, and loans are due and payable within 30 days of the date of death.

The Parents are asking that the loans be amended to allow them to rent the property to the Homeowner’s adult children for a period of time. The property would eventually either be sold to one of the children or to another party. Upon sale, the loans would be required to be repaid, unless one of the children purchases the property and is deemed to be income-eligible. The Deferred Loan Program allows for heirs to purchase the property and assume the loans if the heirs income-qualify for the program. At present, none of the adult children are financially able to purchase the home.

The amendment would recognize this exception to the typical terms of the Deferred Loan Program and allow the Parents to defer repayment of the loans as long as the children continue to live in the house. The children would also sign the amendment, enabling the Housing and Redevelopment Authority (HRA) to enforce the loan in the event the Parents are no longer living.

### III. BASIS OF RECOMMENDATION

#### A. BACKGROUND
- Deferred Loans were issued to the Homeowner in 1995 and 2003.
- The Homeowner passed away in June. Her grown children currently occupy the house.
- The Homeowner’s parents are party to the loan, although they do not live at the house.
- The Homeowner’s family does not plan to sell the house at this time. The Parents will take title to the property and wish to continue allowing the Homeowner’s children to live in the property.

#### B. POLICY
- Since 1984, the HRA has offered the Deferred Loan to Richfield Homeowners to make health, safety and maintenance improvements to their homes. The program provides a no-interest, no-payment loan that is forgivable after 30 years.
- The loan is due and payable upon sale of the property, upon the death of the Borrower, and if the property is no longer the Borrower’s main place of residence.

#### C. CRITICAL TIMING ISSUES
- The Loans are due and payable.
- The first Loan has a maturity date of January 18, 2025, and the second Loan has a maturity date of June 4, 2033.
D. Financial
- The Deferred Loan Program is funded with federal Community Development Block Grant (CDBG) funds. There is no CDBG requirement that the loans be repaid.
- Any repaid loan funds are placed back into the Deferred Loan Program.

E. Legal
- The HRA Attorney prepared the amendment.

IV. Alternative Recommendation(s)
- Deny the amendment to the Agreement and require immediate repayment.

V. Attachments
- Letter from Randy Blom (brother of Homeowner)
- Deferred Loan Agreement Amendment

VI. Principal Parties Expected at Meeting
- Randy Blom, brother of the Homeowner and Personal Representative for the Estate
Dear City of Richfield,

My sister Amy Blom of 7408 10th Ave So Richfield, Mn passed away on June 20, 2016. She had two home improvements loans thru the City of Richfield that would not need to be paid back if she lived there 30 years. Unfortunately, she passed away and will not be living there 30 years. She has four children ages 21 to 30 and one grandchild still living in the house. It was Amy's wishes that after she passed that her grandchild and children would be able to have a stable home and be able to live in the house for 2 to 3 years upon her passing. The two loans of approximately $20,000 are consigned by Amy's father Harold Blom. It is our request to you that you allow us to delay repayment of the two loans until the time of sale of home which we anticipate to be 2 to 3 years from now. Harold Blom, father of Amy has agreed to sign new documents stating that he will pay back the loans at the time of sale of the home in 2 to 3 years.

Thanks,

Randy Blom (brother of Amy Blom)
This Amendment to Richfield Deferred Loan Repayment Agreements, dated _________, 2016 (the “Amendment”), amends that certain (i) Richfield Deferred Loan Repayment Agreement, dated January 18, 1995 (the “1995 Agreement”), by and between Amy E. Blom, Donald A. Blom, and Harold R. Blom, and the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Lender”), which was not recorded against property owned by the Bloms; and (ii) Richfield Deferred Loan Repayment Agreement, dated June 4, 2003 (the “2003 Agreement”), by and between Amy E. Blom and Harold R. Blom and Jane C. Blom, husband and wife, and the Lender, recorded in the Office of County Recorder of Hennepin County, Minnesota as Document No. A8309128. The 1995 Agreement and the 2003 Agreement describe the repayment terms of deferred loans obtained from the Lender and related to the property legally described in Exhibit A (the “Property”). Amy E. Blom is deceased.

The 1995 Agreement relates to a loan in the amount of $7,845.00 from the Lender which will be forgiven after 30 years if no events triggering a repayment obligation of the Borrowers (as defined below) occur, as more fully described in the 1995 Agreement set forth in Exhibit B. The 2003 Agreement relates to a loan in the amount of $14,181.00 from the Lender which will be forgiven after 30 years if no events triggering a repayment obligation of the Borrowers occur, as more fully described in the 2003 Agreement set forth in Exhibit C.

Pursuant to both the 1995 Agreement and the 2003 Agreement, the conveyance of the Property from a Borrower to another person, the death of a Borrower, the failure to maintain the Property as a Borrower’s main place of residence, among other things, trigger an obligation by the Borrower to repay loans provided by the Lender.

The Borrowers have requested that the Lender amend the 1995 Agreement and the 2003 Agreement to reflect that the Property is now owned by Harold R. Blom and Jane C. Blom, who will not live at the residence, and further provide that Amy E. Blom’s children shall be Borrowers under the 1995 Agreement and the 2003 Agreement.

IT IS HEREBY AGREED, by and between the parties, as follows:

1. The Lender has made a loan to the Borrowers in the original principal amount of $7,845.00 (the “1995 Loan”), evidenced by the 1995 Agreement. The Loan does not accrue interest.
2. The Lender has made a second loan to the Borrowers in the original principal amount of $14,181.00 (the “2003 Loan”), evidenced by the 2003 Agreement. The Loan does not accrue interest.

3. The Lender and the Borrowers agree to amend the 1995 Agreement and the 2003 Agreement as follows:

   A. Harold R. Blom and Jane C. Blom now own the Property;

   B. Harold R. Blom, Jane C. Blom, Christopher M. Blom, Lukas J. Blom, Amanda J. Blom, and Emily E. Blom are the Borrowers for the 1995 Loan under the 1995 Agreement and the Borrowers for the 2003 Loan under the 2003 Agreement;

   C. Harold R. Blom and Jane C. Blom will not be required to reside at the Property; and

   D. So long as one or more of the Borrowers reside at the Property, such residence will be treated as the Borrowers’ main place of residence is the Property.

4. This Amendment shall not be deemed a waiver of any other terms or covenants of the 1995 Agreement or the 2003 Agreement. Any forbearance by the Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy under the 1995 Agreement and the 2003 Agreement, as amended by this Agreement.

5. The 1995 Agreement and the 2003 Agreement shall otherwise continue in full force and effect, in accordance with their terms.

(The remainder of this page is intentionally left blank.)
IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the _____ day of ____________, 2016.

BORROWERS:

____________________________
Harold B. Blom

____________________________
Jane C. Blom

____________________________
Christopher M. Blom

____________________________
Lukas J. Blom

____________________________
Amanda J. Blom

____________________________
Emily E. Blom

STATE OF MINNESOTA  )
) COUNTY OF HENNEPIN  )

The foregoing instrument was acknowledged before me this _____ day of ____________, 2016, by Harold R. Blom and Jane C. Blom, husband and wife.

____________________________
Notary Public
The foregoing instrument was acknowledged before me this _____ day of __________, 2016, by Christopher M. Blom, a single individual.

_____________________________
Notary Public

The foregoing instrument was acknowledged before me this _____ day of __________, 2016, by Lukas J. Blom, a single individual.

_____________________________
Notary Public

The foregoing instrument was acknowledged before me this _____ day of __________, 2016, by Amanda J. Blom, a single individual.

_____________________________
Notary Public

The foregoing instrument was acknowledged before me this _____ day of __________, 2016, by Emily E. Blom, a single individual.

_____________________________
Notary Public
MORTGAGEE:

HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD

By: _______________________________
    Mary B. Supple
    Its: Chairperson

By: _______________________________
    Steven L. Devich
    Its: Executive Director

STATE OF MINNESOTA    )
 )
COUNTY OF HENNEPIN     )

The foregoing was acknowledged before me this ___ day of ______, 2016, by Mary B. Supple, the Chairperson of the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of Minnesota, on behalf of the corporation, Mortgagee.

______________________________________
Notary Public

STATE OF MINNESOTA    )
 )
COUNTY OF HENNEPIN     )

The foregoing was acknowledged before me this ___ day of ______, 2016, by Steven L. Devich, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of Minnesota, on behalf of the corporation, Mortgagee.

______________________________________
Notary Public

This Instrument Drafted By:
Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
EXHIBIT A

LEGAL DESCRIPTION

Lot 2, Block 2, Sunnyside Acres, Hennepin County Minnesota
EXHIBIT B

1995 RICHFIELD DEFERRED LOAN REPAYMENT AGREEMENT
RICHFIELD DEFERRED LOAN
REPAYMENT AGREEMENT

THIS AGREEMENT, made and entered into this 18th day of January 1995, by and between Amy E. Blom and Donald A. Blom, husband and wife, and Harold R. Blom (hereinafter referred to as "Borrower"), and THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, a body corporate and politic of the State of Minnesota, having its office at 6700 Portland Avenue South, Richfield, Minnesota (referred to in this agreement as "Lender").

Amount and Purpose of Loan

Lender will pay to Borrower the amount of Seven thousand eight hundred forty-five and 00/10 Dollars ($7,845.00) for the purpose of rehabilitating the property located at 7408 Tenth Avenue South, Richfield, and legally described as follows:

Lot 2, Block 2
Sunny Acres Addition

This Loan is a Richfield Home Rehabilitation Deferred Loan (referred to in this Agreement as "Loan").

Source of Loan Funds

The City of Richfield is a participant in the Urban Hennepin County Community Development Block Grant Program. Under this program, the City of Richfield has received funds for supporting the Richfield Home Rehabilitation Deferred Loan Program, through which this Loan is made available.

Lien on Property

To ensure that the Loan will be repaid (if required by the Agreement), the Borrower (and Owner of the property, if different) agree that this loan is a lien on the real estate mentioned above. The amount of the lien is $7,845.00. The lien gives the Lender the opportunity to require the sale of the property to repay the Loan if the Borrower does something that is not allowed by this Agreement. This opportunity is called foreclosure.

Borrower’s Obligation to Repay Loan

1. Sale or Transfer of Property. If Borrower or Owner sells, conveys, assigns, leases or otherwise transfers all or any part of its interest in the property, Borrower or Borrower’s estate must repay the full amount of the Loan within 30 days of the sale, conveyance, assignment, lease or transfer.
a. Under this Agreement, the terms "sells", "conveys", "assigns", "leases", and "otherwise transfers" mean that Borrower must repay the Loan if any of the following events occur:

i. Borrower or Owner signs a Contract for Deed for the property, or Borrower sells his or her interest in a Contract for Deed for the property;

ii. Borrower dies (the date of death shall be considered the date of transfer and estate must repay loan);

iii. There is a mortgage foreclosure on the property (if there is a mortgage on the property) or a tax forfeiture because Borrower or Owner has not paid taxes due on the property;

iv. Borrower or Owner sells the property by any means other than a Contract for Deed even if Borrower keeps living at the property;

v. The property is condemned;

vi. Borrower does not make payments on his or her Contract for Deed or otherwise does not comply with the Contract for Deed, and Owner has not forgiven the nonpayment under the Contract for Deed (if there is a Contract for Deed on the property); or

vii. The property is no longer Borrower's main place of residence.

b. Under this Agreement, the terms "sells", "conveys", "assigns", "leases", or "otherwise transfers", do not include the following events:

i. If Borrower or Owner holds the property as a joint tenant with another person, Borrower or Owner may transfer this interest to that person without violating this Agreement.

ii. If Borrower or Owner wants to hold the property with someone else as joint tenants, he or she may sign documents to do that so long as Borrower or Owner remains one of the owners;

iii. If Borrower receives a deed because Borrower has paid off his or her Contract for Deed, Loan does not have to be repaid at that time; or

iv. If Borrower dies and leaves the property to his or her heirs, Lender may permit the heirs to live at the property without having to repay the Loan. Lender may do this if Lender believes the heirs do not have money to repay the Loan at that time. If heirs continue to live in the property, Lender may make the heirs sign a new Agreement. This is determined by guidelines established by the Richfield Home Rehabilitation Deferred Loan Procedural Guides.
c. If any of the events occur which are mentioned above under Section (1) (a) (i) - (vii), Borrower promises to immediately notify Lender in writing.

d. If any of the events occur which are mentioned above under Section (1) (a) (i) - (vii), Borrower promises to pay Lender interest on the unpaid amount of the Loan starting 30 days from the day the event occurs. The interest rate shall be one percent over the prime rate, as published in the Wall Street Journal on the first working day after 30 days since the sale or transfer. Borrower may contact Lender to find out the current interest rate.

2. If Borrower does not repay the Loan as required under Section (1) (a) (i) - (vii) or Section (2), Lender may use any and all legal proceedings to collect the Loan, including foreclosure of the lien. Lender may hire an attorney to collect the money or to foreclose the lien, and may charge Borrower for the attorney's fees and any other costs in collecting the money or foreclosing the lien.

Forgiveness of Loan

Unless Borrower must repay the Loan earlier, the Loan shall be forgiven in full 30 years from the date of this Agreement. After that time, Borrower will have no obligation to repay the Loan.

Satisfaction of Lien

The lien created by this Agreement shall cease to be valid and operative and shall thereafter be wholly disregarded in the event Lender has not within 30 years after the date of this Agreement: (i) commenced an action to foreclose the same, and (ii) filed for record a notice of said action, or a lis pendens referring to the same, in the Office of the Hennepin County Recorder or Hennepin County Registrar of Titles. Lender may extend said termination date of such lien by filing for record, on or before the termination date, an agreement with Owner and Borrower or their heirs, executors, assigns or representatives evidencing such extension.

Lien Stays With Land

This Agreement shall be for the benefit of and as obligation to the Borrower, Owner and Lender and shall bind their heirs, executors, representatives and assigns. This Agreement shall remain a lien on the property, regardless of who owns the property, until it is fully satisfied or terminated as provided in the preceding paragraph. If the Owner takes back equitable title to the property by a cancellation proceeding or otherwise, the lien and the opportunity of Lender to foreclose the lien shall survive.

Owner/Borrower

Donald O. Bloom

Owner/Borrower

Herald G. Bloom

Owner/Borrower

Owner/Borrower

Owner/Borrower
HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHLAND

By: Daryl Johnson
Its Executive Director
By: Alan Way
Its Board Chairperson

STATE OF MINNESOTA
COUNTY OF HENNEPIN

On this 18th day of January 1995, before me, a Notary Public within and for said County, personally appeared Amy E. Blom and Donald A. Blom, Husband and Wife, known to be the person(s) described herein who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

Pamela J. Rohne
Notary Public

STATE OF MINNESOTA
COUNTY OF HENNEPIN

The foregoing instrument was acknowledged before me this 22nd day of May 1995,
by James D. Presser
and Thomas E. Harms,
the Executive Director and Board Chairperson of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a body corporate and politic of the State of Minnesota, on behalf of the Authority.

Pamela J. Rohne
Notary Public

This instrument drafted by:

Housing and Redevelopment Authority
in and for the City of Richfield
6700 Portland Avenue
Richfield, MN 55423

This instrument is exempt for registration under Section 287.06 of Minnesota Statutes and is exempt from recording fees under Section 3386.77 of said Statutes.
STATE OF MINNESOTA 
COUNTY OF HENNEPIN 

On this 20th day of January, 1975, before me, a Notary Public within and for said County, personally appeared Harold R. Blom known to me to be the person(s) described herein and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

Pamela J. Robins
Notary Public

[Notary Seal]
EXHIBIT C

2003 RICHFIELD DEFERRED LOAN REPAYMENT AGREEMENT
RICHFIELD DEFERRED LOAN
REPAYMENT AGREEMENT

THIS AGREEMENT, made and entered into this 5th day of June, 2003 by and between Amy E. Blom, single and Harold R. Blom and Jane C. Blom, married to each other (hereinafter referred to as "Borrower"), and THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, a body corporate and politic of the State of Minnesota, having its office at 6700 Portland Avenue South, Richfield, Minnesota (referred to in this agreement as "Lender").

Amount and Purpose of Loan

Lender will pay to Borrower the amount of Fourteen Thousand One Hundred Eighty One and 00/00 Dollars ($14,181.00) for the purpose of rehabilitating the property located at 7408 – 10th Avenue South, Richfield, Minnesota 55423 and legally described as follows:

Lot 2, Block 2, Susansea Acres

This Loan is a Richfield Home Rehabilitation Deferred Loan (referred to in this Agreement as "Loan").

Source of Loan Funds

The City of Richfield is a participant in the Urban Hennepin County Community Development Block Grant Program. Under this program, the City of Richfield has received funds for supporting the Richfield Home Rehabilitation Deferred Loan Program, though which this Loan is made available.

Lien on Property

To ensure that the Loan will be repaid (if required by the Agreement), the Borrower (and Owner of the property, if different) agree that this Loan is a lien on the real estate mentioned above. The amount of the lien is $14,181.00. The Lien gives the Lender the opportunity to require the sale of the property to repay the Loan if the Borrower does something that is not allowed by this Agreement.
Borrower's Obligation to Repay Loan

1. Sale or Transfer of Property. If Borrower or Owner sells, conveys, assigns, leases or otherwise transfers all or any part of its interest in the property, Borrower or Borrower's estate must repay the full amount of the Loan within 30 days of the sale, conveyance, assignment, lease or transfer. The full amount of the Loan to be repaid shall be its principal amount of $14,181.00, but no interest shall be charged.

   a. Under this Agreement, the terms "sells", "conveys", "assigns", "leases", and "otherwise transfers" mean that Borrower must repay the Loan if any of the following events occur:

      i. Borrower or Owner signs a Contract for Deed for the property, or Borrower sells his or her interest in a Contract for Deed for the property;

      ii. Borrower dies (the date of death shall be considered the date of transfer and estate must repay loan);

      iii. There is a mortgage foreclosure on the property (if there is a mortgage on the property) or a tax forfeiture because Borrower or Owner has not paid taxes due on the property;

      iv. Borrower or Owner sells the property by any means other than a Contract for Deed even if Borrower keeps living at the property;

      v. The property is condemned;

      vi. Borrower does not make payments on his or her Contract for Deed or otherwise does not comply with the Contract for Deed, and Owner has not forgiven the nonpayment under the Contract for Deed (if there is a Contract for Deed on the property);

      vii. The property is no longer Borrower's main place of residence.

   b. Under this Agreement, the terms "sells", "conveys", "assigns", "leases", or "otherwise transfers", do not include the following events:

      i. If Borrower or Owner holds the property as a joint tenant with another person, Borrower or Owner may transfer this interest to that person without violating this Agreement;

      ii. If Borrower or Owner wants to hold the property with someone else as joint tenants, he or she may sign documents to do that so long as Borrower or Owner remains one of the owners;

      iii. If Borrower receives a deed because Borrower has paid off his or her Contract for Deed, Loan does not have to be repaid at that time; or

      iv. If Borrower dies and leaves the property to his or her heirs, Lender may permit the heirs to live at the property without having to repay the Loan. Lender may
time. If heirs continue to live in the property, Lender may make the heirs sign a new Agreement. This is determined by guidelines established by the Richfield Home Rehabilitation Deferred Loan Procedural Guides.

c. If any of the events occur which are mentioned above under Section (1) (a) (i-vii), Borrower promises to immediately notify Lender in writing.

d. If any of the events occur which are mentioned above under Section (1) (a) (i-vii), Borrower promises to pay Lender interest on the unpaid amount of the Loan starting 30 days from the day the event occurs. The interest rate shall be one percent over the prime rate, as published in the Wall Street Journal on the first working day after 30 days since the sale or transfer. Lender may contact Borrower to find out the current interest rate.

2. If Borrower does not repay the Loan as required under Section (1) (a) (i-vii) or Section (2), Lender may use any and all legal proceedings to collect the Loan, including foreclosure of the lien. Lender may hire an attorney to collect the money or to foreclose the lien, and may charge Borrower for the attorney's fees and any other costs in collecting the money or foreclosing the lien.

Forgiveness of Loan

Unless Borrower must repay the Loan earlier, the Loan shall be forgiven in full 30 years from the date of this Agreement. After that time, Borrower will have no obligation to repay the Loan.

Satisfaction of Lien

The lien created by this Agreement shall cease to be valid and operative and shall thereafter be wholly disregarded in the event Lender has not within 30 years after the date of this Agreement: (i) commenced an action to foreclose the same, and (ii) filed for record a notice of said action, or a lis pendens referring to the same, in the Office of the Hennepin County Recorder or Hennepin County Registrar of Titles. Lender may extend said termination date of such lien by filing for record, on or before the termination date, an agreement with Owner and Borrower or their heirs, executors, assigns or representatives evidencing such extension.

Lien Stays With Land

This Agreement shall be for the benefit of and an obligation to the Borrower, Owner and Lender and shall bind their heirs, executors, representatives and assigns. This Agreement shall remain a lien on the property, regardless of who owns the property, until it is fully satisfied or terminated as provided in the preceding paragraph. If the Owner takes back equitable title to the property by a cancellation proceeding or otherwise, the lien and the opportunity of Lender to foreclose the lien shall survive.

Owner/Borrower

Owner/Borrower

Owner/Borrower

Owner/Borrower
HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHLAND
By

Its Executive Director

By

Its Board Chairperson

STATE OF MINNESOTA

COUNTY OF HENNEPIN

On this 12th day of February 2003 before me, a Notary Public within and for said County, personally appeared Amy E. Blom, single to me known to be the person(s) described herein and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

MICHIELLE J. LEWIS
Notary Public

STATE OF MINNESOTA

COUNTY OF HENNEPIN

The foregoing instrument was acknowledged before me this 7th day of August, 2003 by Sondrahna Orduno and Thomas E. Harms, the Executive Director and Board Chairperson of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a body corporate and politic of the State of Minnesota, on behalf of the Authority.

PAMELA J. BORKENT
Notary Public

This instrument drafted by:
Housing and Redevelopment Authority
in and for the City of Richfield
6700 Portland Avenue
Richfield, MN 55423

This instrument is exempt for registration under Section 287.06 of Minnesota Statutes and is exempt from recording fees under Section 3386.77 of said Statutes.
STATE OF MINNESOTA  )
COUNTY OF HENNEPIN  )

On this 24th day of March, 2003, before me, a Notary Public within and for said County, personally appeared Harold R. Blom, married to Jane C. Blom, to me known to be the person(s) described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

[Signature]
Notary Public

---

STATE OF MINNESOTA  )
COUNTY OF HENNEPIN  )

On this 18th day of April, 2003, before me, a Notary Public within and for said County, personally appeared Jane C. Blom, married to Harold R. Blom, to me known to be the person(s) described in and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

[Signature]
Notary Public
ITEM FOR HRA CONSIDERATION:
Consideration of the Richfield Housing and Redevelopment Authority Tax Increment District Status Update.

I. RECOMMENDED ACTION:
By Motion: Accept the Richfield Housing and Redevelopment Authority Annual Tax increment District Status Update.

II. EXECUTIVE SUMMARY
The Tax Increment District Status Update (TIF Status Update) is presented to the Richfield Housing and Redevelopment Authority (HRA) annually for review. There are currently 10 active TIF Districts. This year, the TIF Status Update shows that the HRA is able to meet all of its Pay-As-You-Go Note and General Obligation Tax Increment Bond obligations.

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

<table>
<thead>
<tr>
<th>A. <strong>Background</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The annual TIF Status Update is provided to the HRA to summarize tax increment financial activity and comment on the status of the HRA’s ability to meet its tax increment obligations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. <strong>Policy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• The TIF Status Update is presented annually to keep the HRA informed of the ability to meet outstanding obligations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. <strong>Critical Timing Issues</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. <strong>Financial</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• See detailed TIF Status Update attached.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. <strong>Legal</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• N/A</td>
</tr>
</tbody>
</table>

IV. **Alternative Recommendation(s)**

| • Reject the conclusions made in the TIF Status Update. |

V. **Attachments**

| • Tax Increment District Status Update |
| • Map |

VI. **Principal Parties Expected at Meeting**

| • Rebecca Kurtz, Ehlers & Associates |
Tax Increment District
Status Update

Richfield Housing and Redevelopment Authority

September 19, 2016
**Tax Increment Financing District Summary**

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

**Project Area and TIF Districts**

The HRA has 10 active TIF districts:

- Interchange (Dick’s Sporting Goods)
- Urban Village (Oaks on Pleasant and Houlihan’s)
- Gramercy (Gramercy Park Senior Housing)
- Interchange West/Lyndale Gateway (Best Buy and Main Street Village)
- City Bella (City Bella Housing Cooperative)
- Lyndale Gateway West (Kensington Park)
- Cedar Corridor (along Cedar Ave.)
- 2010 – 1 Housing (Lyndale Plaza / Woodlake Housing)
- Lyndale Gardens (LakeWinds Co-op and former Lyndale Gardens site)
- 2014-1 TIF District (former City garage site)

All of the Districts are located within the Richfield Redevelopment Project area. In 2005, the boundaries of the Project Area were expanded to be coterminous with the City boundaries. This expansion provides a greater area of tax increment spending authority and provide the HRA an opportunity to expand housing program service areas.

**Obligations**

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

1. **Pay-As-You-Go TIF Revenue Note.** Pay-As-You-Go Notes pledges to the note holder a certain percent of the available tax increment from the specific district or specific parcels. With this type of obligation, the developer pays for the expenses and is reimbursed with tax increment over the term of the TIF district. Less tax increment revenue results in lower pay-as-you-go note payments, and the obligation may not be paid in full at the time of decertification of the TIF district. To the extent that the increment is not available to make a payment, the HRA is not obligated to make up any shortfalls. This type of obligation provides the lowest risk to the City and HRA.

2. **General Obligation Tax Increment Bond.** General Obligation ("G.O.") Bonds are intended to be paid with tax increment revenue; however, they are general obligations of the City and pledge the City’s full faith and credit. If on an annual basis there is not enough tax increment to pay the debt service payment, the City agrees to levy a property tax to pay the shortfall. This type of obligation provides the most risk to the City and tax payers.

3. **Interfund Loan.** Interfund Loans are issued when the City or HRA provides up-front money from various sources to assist with projects. Most interfund loans have a maximum amount and are used to reimburse the HRA for administration and preliminary expenses. The outstanding loan may be less than the maximum set forth in the resolution, and the outstanding balance may increase or decrease over time, depending on the status of the project.
An interfund loan resolution must be adopted prior to the expenditure in order to use tax increment to reimburse for the expenditure. The loans are normally repaid from tax increment or land sale revenue. This type of obligation provides some risk to the City and HRA that the loan may not be repaid in full. It is not a general obligation, so taxes do not need to be levied to pay the loan, and the City and HRA have the option to write-off the loan or unpaid balances.

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

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

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

Currently, pooling funds are being used to fund the Housing and Redevelopment Fund.

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

The Interchange District is a redevelopment project comprised of the Dick’s Sporting Goods store located along I-494 and I-35W.

- TIF District Adopted: 10/28/1996
- Certification Date: 4/3/1997
- First Year of Increment: 1998
- Required Decertification: 2019 after obligation is paid. (The district is required to decertify in 2023.)
- Pooling: No

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,323,309 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
</tbody>
</table>

In August 2011, the HRA adopted a Spending Plan, as authorized by the 2010 Jobs Bill and extended by the Legislature in 2011. A portion of the cash balance from the Interchange TIF District was included in the Spending Plan.

Conclusions

The HRA will be able to meet its Pay-As-You-Go obligation. The District is required to be decertified after the earlier of the obligation being paid in full or 2023. The Development Agreement states a final payment date of February 1, 2019. After this payment, the District may be decertified, and the project will be on the tax roll at full value.

Due to changes in the property tax class rates and market values, the annual amount of tax increment decreased. As a result, the Pay-As-You-Go Note in this district will never be paid in full; however, the HRA is not required to pay the shortfall.
Urban Village TIF District

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

- Certification Date: 7/15/1999
- First Year of Increment: 2000
- Decertification: 2025
- Pooling: Maximum of 15%

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500,000 Tax Exempt Pay-As-You-Go Note, Series 2001A</td>
<td>Developer / TIF</td>
</tr>
<tr>
<td>$7,000,000 Taxable Pay-As-You-Go Note, Series 2001B</td>
<td>Developer / TIF</td>
</tr>
</tbody>
</table>

Conclusions

The HRA will be able to meet all of its Pay-As-You-Go obligations. Due to changes in the property tax class rates and market values, the annual amount of tax increment decreased. As a result, the Pay-As-You-Go Notes in this district may not be paid in full; however, the HRA is not required to pay the shortfall.
Gramercy TIF District

The Gramercy TIF District is a redevelopment project that includes the Gramercy Park Senior Housing Cooperative. Tax increment revenue is pledged to the project to assist with property acquisition expenses.

- Certification Date: 4/22/1999
- First Year of Increment: 2000
- Decertification: 2025
- Pooling: Maximum of 15%

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,977,000 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
</tbody>
</table>

Conclusions
The HRA will be able to meet its Pay-As-You-Go obligation.

The developer only submitted qualified costs of $1,300,000 for the land acquisition. Since the amount of TIF paid on the Pay-As-You-Go Note cannot exceed the documented qualified costs, the maximum amount eligible to be paid is $1,300,000. It is anticipated that the Note will be paid December 2017, and the District could be decertified and placed on the tax roll at full market value.
Interchange West / Lyndale Gateway TIF District

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

- TIF District Adopted: 6/14/1999
- Certification Date: 7/29/1999
- First Year of Increment: 2000 (Full increment for Lyndale Gateway – 2002; Full increment for Best Buy -- 2004)
- Decertification: 2025
- Pooling: Maximum of 15%

Interchange West Component

The Interchange West component is comprised of the Best Buy Corporate Headquarters located on the intersection of I-494 and Penn Ave. Tax increments are pledged to the Best Buy project to assist with site assembly activities. The HRA retains 25% of the annual tax increment for administration (up to 10% maximum) and for the Housing and Redevelopment Fund for use on TIF eligible, redevelopment expenses.

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,355,000 Tax Exempt General Obligation Tax</td>
<td>Bonds of 2001A / TIF</td>
</tr>
<tr>
<td>Increment Refunding Bonds, Series 2010B*</td>
<td></td>
</tr>
<tr>
<td>$48,073,127 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
</tbody>
</table>

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

Conclusions

The HRA will be able to meet all obligations related to the Interchange West component. Due to changes in the property tax class rates and market values, the annual amount of tax increment is lower than projections at the time the district was established. The Development Agreement with Best Buy includes an Assessment Agreement, and it is projected that the minimum market value stated in the Agreement is sufficient to generate increment in excess of that required for the Bond payments.

As a result of the decreased tax increment, the Pay-As-You-Go Note will never be paid in full; however, the HRA is not required to pay the shortfall.

There were tax petitions filed by Best Buy for 2015 and 2016. Hennepin County has not yet settled those petitions. If successful, however, the petitions would reduce Best Buy’s property taxes and, in turn, reduce the amount of tax increment generated for those years. The HRA has adopted a policy to retain any tax increment that would otherwise go to service Pay-As-You-Go Notes in cases where that tax increment is generated by taxes which are subject to a pending property tax petition. Instead, this tax increment, generated by taxes over and above the petition amount, will be reserved until the petition has been settled and then distributed accordingly.

Based on prior TIF calculations (which have since been revised), the HRA has collected an excess amount of TIF for administration and pooling. The HRA will need to continue to monitor these expenses for this District to ensure that it meets statutory limits within the life of the TIF District. Based on both the allocation of TIF stated in the Contract for Private Development and the projected collection of
increment over the life of the District, it is anticipated that the HRA will not be able to annually collect the full 25% allowed for administration and pooling through the term of the District.

**Lyndale Gateway Component**

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

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,155,944 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
</tbody>
</table>

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

**Conclusions**

The HRA will be able to meet its Pay-As-You-Go obligation. Due to changes in the property tax class rates and market values, the annual amount of tax increment decreased. As a result, the Pay-As-You-Go Note in this district will never be paid in full; however, the HRA is not required to pay the shortfall.
City Bella TIF District

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

- Certification Date: 5/8/2003
- First Year of Increment: 2005
- Decertification: 2030
- Pooling: Maximum of 15%

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,473,460 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
<tr>
<td>$450,000 Interfund Loan for land acquisition</td>
<td>HRA Development Fund / Repaid with 15% from TIF</td>
</tr>
</tbody>
</table>

The Pay-As-You-Go Note was sold to a third party, and for HRA purposes, the Note is a Pay-As-You-Go Note. The City and HRA made no representation that the increment collected would be sufficient to amortize the debt and gave no opinion to the structuring of the sale of the Note.

The interfund loan is being paid with 15% of the annual tax increment. It is anticipated that the loan will be paid in full in December 2016. After the loan is paid in full, 15% of the annual tax increment will be contributed to the Housing and Redevelopment Fund for use on TIF eligible redevelopment and housing expenses.

Conclusions

The HRA will be able to meet its Pay-As-You-Go obligation. Due to changes in the property tax class rates and market values, the annual amount of tax increment decreased. As a result, the Pay-As-You-Go Note in this district will never be paid in full; however, the HRA is not required to pay the shortfall.
**Lyndale Gateway West TIF District**

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

- **TIF District Adopted**: 12/10/2002
- **Certification Date**: 5/8/2003
- **First Year of Increment**: 2004 (full increment in 2006)
- **Decertification**: 2029
- **Pooling**: No

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,970,000 Taxable G.O. Tax Increment Refunding</td>
<td>Bond of 2003C / TIF</td>
</tr>
<tr>
<td>Bonds, Series 2012B*</td>
<td></td>
</tr>
<tr>
<td>$1,100,000 Interfund Loan</td>
<td>Bond of 1996 / TIF</td>
</tr>
</tbody>
</table>

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

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

Fifteen percent (15%) of the tax increment from the Casteel Place town home project in the Lyndale Gateway District is being used to pay debt service on the General Obligation Bonds related to the Kensington project. An annual calculation must be completed to insure that the City is not in violation of the pooling rules.

**Conclusions**

Under the current circumstances, the HRA will be able to meet its debt obligation for the Series 2012B bonds by the time the District is decertified after 2029. As in past years’ projections, ultimately, there will be money to pay the Bonds solely from TIF. However, starting in 2016, projections estimate 12 years where the annual increment will not be sufficient to cover the debt payments.

The cumulative deficit is estimated to be approximately $568,500 in 2025, which is the year the Bonds mature. This estimate is likely to change – either increase or decrease – depending on future tax increment. Revenues from another funding source will be needed in the next years to pay the debt service. The HRA may establish an interfund loan from an existing funding source, and it is projected that the loan could be paid off from the increment after the Bonds mature in 2025 until the District is decertified after 2029. These Bonds are general obligations of the City, so the City also has the option to levy taxes for the shortfall.

In addition, it is projected that there will not be sufficient tax increment to pay the Interfund Loan in its entirety (principal and interest). To the extent that market values increase or increment is pooled from other TIF districts, the shortfall could be reduced. The HRA is not required to repay itself for the loan and interest.
Cedar Corridor TIF District

The Cedar Corridor TIF District is a redevelopment district comprised of the commercial/retail redevelopment in the Airport Noise Impact Area. This area is located along Cedar Avenue and 66th Street. This District was established in 2006 using Special Legislation from the Laws of Minnesota 2005, Chapter 152, Article 2, Section 25.

- TIF District Adopted: 9/26/2006
- Certification Date: May 21, 2007
- First Year of Increment: 2008
- Decertification: 2033
- Pooling: Maximum of 15%

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000 maximum Interfund Loan for administration and qualified costs</td>
<td>HRA General Fund / TIF Administration (anticipated)</td>
</tr>
<tr>
<td>$550,000 maximum Interfund Loan for land acquisition</td>
<td>Development Fund / Land sale proceeds (anticipated)</td>
</tr>
<tr>
<td>$780,000 Interfund Loan for HRA assessments related to Richfield Parkway</td>
<td>City PIR Fund / Land sale proceeds or TIF (anticipated)</td>
</tr>
</tbody>
</table>

Conclusions
The District currently does not have any financial obligations with a third party. Development and increment will be needed to repay the interfund loans. It is intended that the Loan from the PIR Fund will be paid at the time the land is sold; however, the first payment is scheduled for 2017.
2010-1 Housing TIF District

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

- TIF District Adopted: 2002
- Certification Date: March 29, 2012
- First Year of Increment: 2014
- Decertification: 2039
- Pooling: No

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$85,000 HRA Property Reimbursement Note for land acquisition</td>
<td>HRA General Fund / TIF</td>
</tr>
<tr>
<td>$822,000 Pay-As-You-Go Note A</td>
<td>Developer / TIF</td>
</tr>
<tr>
<td>$500,000 Pay-As-You-Go Note B</td>
<td>Developer / TIF</td>
</tr>
<tr>
<td>$200,000 maximum Interfund Loan for administration and qualified costs</td>
<td>HRA General Fund / TIF Administration</td>
</tr>
</tbody>
</table>

Conclusions

The HRA will be able to meet its debt obligations. Tax increment is first pledged to the set semi-annual payment on the HRA Note. Second priority is the set semi-annual payment for the Pay-As-You-Go Note A. Any remaining increment is pledged to the Pay-As-You-Go Note B.

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

The Lyndale Gardens TIF District is a redevelopment district comprised of the former Lyndale Gardens site, located at 6400 Lyndale Avenue South. To date the development includes the LakeWinds Food Co-op. Additional development is proposed to include 156 units of market-rate rental housing. The development is also anticipated to include public space and trail connections in a quasi-public setting.

- TIF District Adopted: 8/9/2011
- Certification Date: March 29, 2013
- First Year of Increment: 2014
- Decertification: 2039
- Pooling: No

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000 maximum Interfund Loan for administration and qualified expenses</td>
<td>Development Fund / TIF from LakeWinds Co-op</td>
</tr>
</tbody>
</table>

Conclusions

The District currently does not have any financial obligations with a third party. The past agreement expired due to lack of activity.

The Five Year Rule deadline for the District is March 29, 2018. By the date one of the following activates must occur: (1) Revenues are paid to a third party; (2) Bonds are issued and sold to a third party; (3) Contracts with a third party are entered into and the revenues are spent under the contractual obligation; or (4) Costs with respect to the activity are paid and the revenues are spent to reimburse for payment of the costs, including interest on unreimbursed costs.
2014-1 TIF District

The 2014-1 TIF District is a redevelopment district located on the former City garage site and adjacent parcels between 76th and 77th Streets and Pleasant and Pillsbury Avenues. The HRA has entered into an Agreement with Mesaba Capital Development for the development of 60 assisted living units and 28 memory care units. Construction is anticipated to begin by September 1 and be completed by December 2017.

- TIF District Adopted: March 18, 2014
- Certification Date: March 28, 2016
- First Year of Increment: est. 2018
- Decertification: est. 2043
- Pooling: Maximum of 15%

<table>
<thead>
<tr>
<th>Obligations</th>
<th>Funding Source / Repayment Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000 maximum Interfund Loan for demolition and qualified costs</td>
<td>Capital Improvement Reserve Fund / Land sale proceeds</td>
</tr>
<tr>
<td>$2,176,055 Pay-As-You-Go Note</td>
<td>Developer / TIF</td>
</tr>
<tr>
<td>$244,000 Loan for Land Reimbursement to the HRA</td>
<td>HRA / TIF</td>
</tr>
</tbody>
</table>

The interfund loan for demolition is anticipated to be paid at the end of September 2016. The HRA loan will be paid after the Pay-As-You-Go Note is the developer is paid in full.

Conclusions

It is anticipated that the first year of tax increment will be 2018 and full increment will be generated starting in 2019.
Conclusion

Based on current estimates and projections, the HRA will be able to meet all of its Pay-As-You-Go Note obligations. It is also projected that the HRA will be able to meet the bond obligation for the Interchange West (Best Buy) district.

It is projected that the HRA will be able to meet its bond obligation for Lyndale Gateway West (Kensington Park) bonds by the time the District is decertified after 2029. However, starting in 2016, projections estimate 12 years where the annual increment will not be sufficient to cover the debt payments. Revenues from another funding source will be needed during those years to pay the debt service.

Current projections show that the HRA will be able to meet all except one of its interfund loan obligations on districts that are currently generating increment. It is projected that there will not be sufficient tax increment to pay the Interfund Loan in the Lyndale Gateway West (Kensington Park) District in its entirety. The HRA is not required to repay itself for the loan and interest.

The ability to pay-off loans on the Cedar Corridor and 2014-1 TIF District (former garage site) will be dependent on development and the generation of tax increment.
Decertified Tax Increment Financing Districts

The HRA has decertified six TIF Districts.

<table>
<thead>
<tr>
<th>District</th>
<th>Type</th>
<th>Decertified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate-Lyndale-Nicollet (ILN)</td>
<td>Redevelopment</td>
<td>12/31/2012</td>
</tr>
<tr>
<td>Pre-1999 Richfield Rediscovered</td>
<td>Scattered Site Redevelopment</td>
<td>12/31/2010</td>
</tr>
<tr>
<td>Post-1999 Richfield Rediscovered</td>
<td>Scattered Site Redevelopment</td>
<td>12/31/2010</td>
</tr>
<tr>
<td>Lyndale-Hub-Nicollet (LHN)</td>
<td>Redevelopment</td>
<td>12/31/2002</td>
</tr>
<tr>
<td>Cedar Avenue Business Area (CABA)*</td>
<td>Economic Development</td>
<td>12/31/1996</td>
</tr>
<tr>
<td>Penn Avenue and Sixty-Sixth Street (PASSS)**</td>
<td>Redevelopment</td>
<td>1996</td>
</tr>
</tbody>
</table>

*Accounting transactions to close the District were completed by December 31, 2000.
**District was established in 1989 and terminated in 1996 due to a lack of feasible redevelopment opportunities.
Housing and Redevelopment Fund

The Housing and Redevelopment Fund (the “Fund”) is a revenue source comprised of tax increment from the Gramercy, Urban Village, Interchange West/Lyndale Gateway, and City Bella TIF Districts. The purpose of the Fund is to fund a variety of housing needs for the community, including but not limited to, new construction of single-family homes and town homes; single-family home renovation and rehabilitation; and apartment rehabilitation.

These funds are tax increment from redevelopment TIF districts, therefore, funds must be spent on eligible, redevelopment tax increment expenses.

Currently, a portion of the tax increment revenue from these Districts is being transferred to the Fund to support the Richfield Rediscovered Loan Program. A breakdown of the cash balances as of December 31, 2015, follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gramercy</td>
<td>$ 187,621</td>
</tr>
<tr>
<td>Interchange West</td>
<td>1,507,929</td>
</tr>
<tr>
<td>Urban Village</td>
<td>483,741</td>
</tr>
<tr>
<td><strong>Total Housing and Redevelopment Fund:</strong></td>
<td><strong>$ 2,179,291</strong></td>
</tr>
</tbody>
</table>