



CITY OF RICHFIELD, MINNESOTA

TUESDAY, FEBRUARY 16, 2015

RICHFIELD MUNICIPAL CENTER
6700 PORTLAND AVENUE

REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING

COUNCIL CHAMBERS

7:00 P.M.

AGENDA

Call to order

1. Approval of the minutes of the (1) Special HRA Meeting of January 25, 2016 and Special Concurrent City Council, HRA, and Planning Commission Worksession of January 26, 2016
2. HRA 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 approval of the Release of Contract for Private Development and a resolution authorizing the repurchase of 7309 10th Avenue from Key Land Homes S.R. No. 7
 - B. Consideration of the approval of a resolution authorizing the acquisition of certain properties within the City of Richfield S.R. No. 8
4. Public hearing regarding the development of the former City public works site:
 - Resolution approving a Contract for Private Development with Mesaba Capital Development, LLC and authorizing conveyance of interest in certain land; and
 - Revised resolution for an Interfund Loan in the amount of \$544,000

Staff Report No. 9

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.



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Special HRA Meeting January 25, 2016

CALL TO ORDER

The meeting was called to order by Chair Supple at 6:00 p.m.

ATTENDANCE

HRA Members Present: Mary Supple, Chair; David Gepner (arrived 6:08 p.m.); Debbie Goettel; and Pat Elliott.

Staff Present: Steven L. Devich, Executive Director; John Stark, Community Development Director; Karen Barton, Assistant Community Development Director, and Chris Regis, Finance Manager.

Item #1	CONSIDERATION OF THE ELECTION OF THE RICHFIELD HRA OFFICERS FOR 2016 S.R. NO. 1
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M/Goettel, S/Elliott to approve Mary Supple as Chair, Pat Elliott as Vice Chair and Doris Rubenstein as Secretary of the HRA for 2016.

Motion carried 3-0.

Item #2	APPROVAL OF THE MINUTES OF THE REGULAR HRA MEETING OF NOVEMBER 16, 2015
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M/Elliott, S/Goettel to approve the minutes.

Motion carried 3-0.

Item #3	HRA APPROVAL OF THE AGENDA
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M/Goettel, S/Elliott to approve the agenda

Motion carried 3-0.

Item #4	CONSENT CALENDAR
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- A. Consideration of the approval of designating the Community Development Director as the Acting Executive Director of the HRA for 2016 in the event the Executive Director is absent from the City S.R. No. 2
- B. Consideration of the approval of the resolutions designating the official depositories for the HRA, including collateral, for 2016 S.R. No. 3

HRA RESOLUTION NO. 1216

RESOLUTION DESIGNATING U.S. BANK A DEPOSITORY OF FUNDS OF THE HRA OF RICHFIELD FOR THE YEAR 2016

This resolution appears as HRA Resolution No. 1216.

HRA RESOLUTION NO. 1217

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 2016

This resolution appears as HRA Resolution No. 1217.

HRA RESOLUTION NO. 1218

RESOLUTION DESIGNATING CERTAIN FINANCIAL INSTITUTIONS AS DEPOSITORIES FOR THE INVESTMENT OF HOUSING AND REDEVELOPMENT AUTHORITY OF RICHFIELD FUNDS IN 2016

This resolution appears as HRA Resolution No. 1218.

- C. Consideration of the approval of the annual Consultant Services Agreement with the Greater Metropolitan Housing Corporation for 2016 S.R. No. 4

M/Goettel, S/Elliott to approve the Consent Calendar.

Motion carried 3-0

Item #5	CONSIDERATION OF A RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY LOCATED AT 7333 EMERSON AVENUE THROUGH THE RICHFIELD REDISCOVERED PROGRAM S.R. NO. 5
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Assistant Community Development Director Barton reviewed Staff Report No. 5.

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

HRA RESOLUTION NO. 1219

RESOLUTION AUTHORIZING PURCHASE OF REAL PROPERTY LOCATED AT 7333 EMERSON AVENUE

Motion carried 3-0. This resolution appears as Resolution No. 1219.

Commissioner Gepner arrived.

Item #6	CONSIDERATION OF A RESOLUTION AUTHORIZING THE PURCHASE OF REAL PROPERTY LOCATED AT 6421-14TH AVENUE THROUGH THE RICHFIELD REDISCOVERED PROGRAM S.R. NO. 6
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Assistant Community Development Director Barton reviewed Staff Report No. 6.

Commissioner Elliott asked for an explanation of the substantial criteria.

Assistant Community Development Director Barton explained the criteria basis.

Community Development Director Stark explained the two tests: qualitative and quantitative.

Commissioner Goettel asked how staff finds the homes for the Richfield Rediscovered Program.

Assistant Community Development Director Barton explained the ongoing processes that are used in this program.

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

HRA RESOLUTION NO. 1220

RESOLUTION AUTHORIZING PURCHASE OF REAL PROPERTY
LOCATED AT 6421-14th AVENUE

Motion carried 4-0. This resolution appears as Resolution No. 1220.

Item #7	HRA DISCUSSION ITEMS <ul style="list-style-type: none"> • RESCHEDULE THE MONDAY, FEBRUARY 15, 2016 REGULAR HRA MEETING TO TUESDAY, FEBRUARY 16, 2016 DUE TO PRESIDENTS' DAY HOLIDAY
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M/Supple, S/Elliott to reschedule the Monday, February 15, 2016 Regular HRA Meeting to Tuesday, February 16, 2016 due to Presidents' Day holiday.

Motion carried 4-0.

Item #8	EXECUTIVE DIRECTOR REPORT
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None.

Commissioner Gepner asked for an HRA project update.

Assistant Community Development Director Barton gave an update on the status of the following projects:

- Boisclair
- Anderson
- Mesabi Capital (former City garage site)

Item #9	CLAIMS AND PAYROLL
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M/Goettel, S/Gepner that the following claims and payroll be approved:

U.S. BANK		12/21/2015
Section 8 Checks: 127263-127350	\$	162,103.31
HRA Checks: 32508-32544	\$	104,565.00
TOTAL	\$	266,668.31

U.S. BANK		01/18/2016
Section 8 Checks: 127351-127425	\$	151,983.12
HRA Checks: 32545-32577	\$	113,149.68
TOTAL	\$	265,132.80

Motion carried 4-0

ADJOURNMENT

The meeting was adjourned by unanimous consent at 6:24 p.m.

Date Approved: February 16, 2016

Mary B. Supple
HRA Chair

Steven L. Devich
Acting City Clerk

Steven L. Devich
Executive Director

HOUSING AND REDEVELOPMENT AUTHORITY MINUTES

Richfield, Minnesota



Special Concurrent City Council, Housing and Redevelopment Authority, and Planning Commission Worksession

January 26, 2016

CALL TO ORDER

The concurrent worksession was called to order by Mayor Goettel at 6:00 p.m. in the Bartholomew Room.

Council Members Present: Debbie Goettel, Mayor; Pat Elliott; Edwina Garcia; and Tom Fitzhenry.

Council Member Absent: Michael Howard.

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

Planning Commission Members Present: Rick Jabs, Chair; Sean Hayford Oleary; Susan Rosenberg; and Daniel Kitzberger.

Planning Commission Members Absent: Charles Standfuss, Gordon Vizecky and Erin Vrieze Daniels.

Staff Present: Steven L. Devich, City Manager/Executive Director; Pam Dmytrenko, Assistant City Manager/HR Manager; John Stark, Community Development Director; Kristin Asher, Public Works Director; Karen Barton, Assistant Community Development Director; and Cheryl Krumholz, Executive Coordinator.

Item #1

**DISCUSSION REGARDING CEDAR CORRIDOR MASTER PLAN UPDATE
(COUNCIL MEMO NO. 8/HRA MEMO NO. 3)**

Representatives from JLG Architects presented a preliminary draft of the updated Cedar Corridor Master Plan for review, comments and feedback. The review included the existing conditions analysis; north-18th Avenue greenway option; south-18th Avenue greenway option; north-Cedar Avenue greenway option; and south-Cedar Avenue greenway option.

Discussion among Council Members, HRA Commissioners and Planning Commissioners included transportation alignment on 18th Avenue and Cedar Avenue, highway buffers, airport noise, mandating design criteria, viable land size for redevelopment, commercial/residential, maintaining parkway and trails, and community amenities.

City Manager/Executive Director Devich stated the transportation alignment was a policy decision.

Community Development Director Stark explained the 18th Avenue alignment is preferred but will involve takings, property assembly and be a phased approach. He said the next step in the process is to conduct a public meeting and schedule another concurrent meeting for March.

The consensus was support for the 18th Avenue transportation alignment.

Kent Carlson, Anderson Companies, explained their original development project was to go along Cedar Avenue and changing to 18th Avenue would impact the project but they could work with it. He added they need to be mindful of the timeline for current contracts for acquisition.

The Concurrent Worksession was adjourned by unanimous consent at 6:53 p.m.

Date Approved: February 16, 2016.

Mary B. Supple
Chair

Cheryl Krumholz
Executive Coordinator

Steven L. Devich
Executive Director



STAFF REPORT

HOUSING AND REDEVELOPMENT AUTHORITY MEETING FEBRUARY 16, 2016

REPORT PREPARED BY:	JULIE URBAN/KATE AITCHISON, HOUSING SPECIALISTS <i>NAME, TITLE</i>
REPORT PRESENTER:	JOHN STARK, COMMUNITY DEVELOPMENT DIRECTOR <i>NAME, TITLE</i>
DEPARTMENT DIRECTOR REVIEW:	<input checked="" type="checkbox"/> <i>SIGNATURE</i>
REVIEWED BY EXECUTIVE DIRECTOR:	<input checked="" type="checkbox"/> <i>SIGNATURE</i>

ITEM FOR HRA CONSIDERATION:
Consideration of a Release of Contract for Private Development and resolution regarding the repurchase of 7309 10th Avenue from Key Land Homes.

I. RECOMMENDED ACTION:
By Motion: Approve the Release of Contract for Private Development and approve a resolution authorizing the repurchase of 7309 10th Avenue from Key Land Homes.

II. EXECUTIVE SUMMARY

In September of 2015 the Housing and Redevelopment Authority (HRA) approved the sale of 7309 10th Avenue to Key Land Homes for the construction of a new home through the Richfield Rediscovered Program.

After the sale of the lot in December, the future homebuyers determined they were unable to move forward with the construction of the house. Key Land does not want to construct the house without having a buyer under contract and would therefore like to sell the lot back to the HRA.

Key Land would sell the lot to the HRA for the original purchase price of \$60,000, minus the HRA's closing costs and the cost of the permit plan review that was conducted by the City's Inspections Division.

III. BASIS OF RECOMMENDATION

A. BACKGROUND

- On September 21, 2015 the HRA approved a Development Agreement with Key Land Homes for the construction of a new home at 7309 10th Avenue.
- Plans were submitted for a building permit and on December 7, 2015 the HRA sold the lot to Key Land Homes.
- In January the future homebuyers contacted the HRA and Key Land Homes to explain that they were unable to move forward on construction of the home.

B. POLICY

- The goal of the Richfield Rediscovered Program is to facilitate the construction of larger, market-rate, owner-occupied homes. Buying the property back from Key Land offers the HRA the best opportunity to ensure this goal is met.

C. CRITICAL TIMING ISSUES

- The closing would take place as soon as closing documents can be prepared.
- A second builder has already expressed interest in the lot and plans to submit an application once the HRA owns the lot.

D. FINANCIAL

- The lot was sold to Key Land for \$60,000. The HRA will buy it back for the same amount, minus the closing costs the HRA has incurred.
- Key Land will also pay the Inspections Division for the plan review fee.

E. LEGAL

- The HRA's Attorney has advised staff on the terms of the buy-back and prepared the Release of Contract and the resolution.

IV. ALTERNATIVE RECOMMENDATION(S)

- Decide not to buy the property back from Key Land.

V. ATTACHMENTS

- Resolution
- Release of Contract for Private Development

VI. PRINCIPAL PARTIES EXPECTED AT MEETING

- N/A

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

RESOLUTION NO. _____

**RESOLUTION APPROVING REPURCHASE OF PROPERTY AND RELEASE OF CONTRACT
FOR PRIVATE DEVELOPMENT WITH KEY LAND HOMES**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") entered into a Contract for Private Development, dated September 21, 2015 (the "Contract"), with Key Land Homes (the "Builder"), pursuant to which the Builder purchased the real property located at 7309 10th Avenue South in the City of Richfield, Minnesota (the "City") and legally described therein (the "Property") for the purpose of constructing a home thereon as part of the Richfield Rediscovered Program; and

WHEREAS, the Builder did not construct the home on the Property and now wishes to sell the Property back to the Authority; and

WHEREAS, the Builder has proposed to sell the Property back to the Authority for a price equal to the original purchase price of the Property (\$60,000), less the costs and legal fees incurred by the Authority relating to the original sale of the Property to the Builder and the subsequent proposed repurchase of the Property (currently estimated to be \$3,017); and

WHEREAS, there has been presented before the Board of Commissioners of the Authority (the "Board") a form of release of the Contract (the "Release"); and

WHEREAS, the Board has reviewed the Release and finds that the execution thereof by the Authority are in the best interest of the City and its residents; and

WHEREAS, following the repurchase of the Property, the Authority reserves the right to sell the Property to another qualified builder to fulfill the purposes of the Richfield Rediscovered Program and promote the development of land in the City by private enterprise; and

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

1. The repurchase of the Authority's right, title, and interest in the Property is hereby approved.
2. The Release is hereby in all respects authorized, approved, and confirmed, and the Chairperson and the Executive Director are hereby authorized and directed to execute the Release 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 shall constitute conclusive evidence of their approval of any and all modifications therein.
3. The Chairperson 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 and the Release.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota
this 16th day of February, 2016.

Mary Supple, Chair

ATTEST:

Doris Rubenstein, Secretary

RELEASE OF CONTRACT FOR PRIVATE REDEVELOPMENT

RECITALS

The Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of the State of Minnesota (the "Authority") and Key Land Homes, a partnership under the laws of the State of Minnesota ("Developer") entered into a Contract for Private Redevelopment dated as of September 21, 2015 filed September 29, 2015 in the office of Registrar of Titles for Hennepin County, Minnesota, as Document No. T05293293 (the "Agreement").

Under the Agreement, the Authority conveyed the property described as Lot 15, Block 4, Fallden's Third Addition, according to the recorded plat thereof, Hennepin County, Minnesota, (the "Property"), by Quit Claim Deed dated as of December 7, 2015 and filed December 18, 2015 in the office of Registrar of Titles for Hennepin County, Minnesota as Document No. T05314855 (the "Deed").

Upon conveyance of the Property by the Developer to the Authority, the Authority desires to terminate and release the Agreement.

RELEASE

Therefore, the Authority hereby:

- A. Releases and terminates all obligations of Developer, its successor and assigns, under the Deed.
- B. Releases and terminates all obligations of Developer, its successors and assigns, under the Agreement.
- C. Expressly releases the Property from any encumbrance arising from the Agreement or the Deed.

Dated: _____, 2016

Housing and Redevelopment Authority in and for
the City of Richfield

By _____
Its Chairperson

By _____
Its Executive Director

STATE OF MINNESOTA

} ss.

COUNTY OF HENNEPIN

The foregoing was acknowledged before me this ____ day of November, 2015 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, Grantor.

NOTARY STAMP

SIGNATURE OF PERSON TAKING ACKNOWLEDGMENT

STATE OF MINNESOTA

} ss.

COUNTY OF HENNEPIN

The foregoing was acknowledged before me this _____ day of November, 2015, by
Steven L. Devich, the Executive Director, of Housing and Redevelopment Authority in
and for the City of Richfield, a public body corporate and politic under the laws of the
State of Minnesota, on behalf of the corporation, Grantor.

NOTARY STAMP

SIGNATURE OF PERSON TAKING ACKNOWLEDGMENT

This instrument drafted by:

Kennedy & Graven, Chartered
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55042



STAFF REPORT

HOUSING AND REDEVELOPMENT AUTHORITY MEETING FEBRUARY 16, 2016

REPORT PREPARED BY:	JOHN STARK, COMMUNITY DEVELOPMENT DIRECTOR <small>NAME, TITLE</small>
REPORT PRESENTER:	JOHN STARK, COMMUNITY DEVELOPMENT DIRECTOR <small>NAME, TITLE</small>
DEPARTMENT DIRECTOR REVIEW:	<input checked="" type="checkbox"/> <small>SIGNATURE</small>
REVIEWED BY EXECUTIVE DIRECTOR:	<input checked="" type="checkbox"/> <small>SIGNATURE</small>

ITEM FOR HRA CONSIDERATION:
Consideration of a resolution to acquire redevelopment properties from the City of Richfield.

I. RECOMMENDED ACTION:
By Motion: Approve a resolution authorizing the acquisition of certain properties within the City of Richfield.

II. EXECUTIVE SUMMARY

City staff presented a Memorandum (City Council Memo No. 28) to the City Council on April 23, 2015 followed by a Worksession on April 28, 2015 at which it was advised that the City transfer properties held for the purpose of redevelopment to the Richfield Housing and Redevelopment Authority (HRA).

The reasons for this advice are because State Statutes have established a more streamlined process for HRAs to buy and sell land for redevelopment purposes. HRA legal counsel provided the City Council with further information on the HRA's roles and abilities related to the ownership, sale and leasing of publicly owned land.

For these reasons, and based on the advice of HRA Legal Counsel, the City Conveyed 36 properties it owned for redevelopment to the Richfield HRA in

December 2015. The HRA authorized the acquisition of these properties by resolution in November 2015.

At that time, however, two properties were inadvertently omitted. They are a 30 foot strip of easement at the former City Garage site and 6315 16th Avenue South, located in the Cedar Corridor.

The City Council held a first reading of an ordinance authorizing the conveyance of these two properties owned by the City of Richfield to the Richfield HRA on February 9, 2016. The second reading of this ordinance is scheduled for February 23, 2016.

III. BASIS OF RECOMMENDATION

A. BACKGROUND

- Staff provided City Council members with a memo (Council Memorandum No. 28) on April 23, 2015 in which this action was recommended.
- At its Worksession on April 28, 2015, City Council members discussed this topic and directed staff to draft an ordinance for formal consideration.

B. POLICY

- State Statutes prescribe a process allowing a City's HRA to purchase and sell properties for redevelopment purposes.

C. CRITICAL TIMING ISSUES

- Both of these properties are in areas where the HRA has Pre-Development Agreements and need to be conveyed as soon as possible.

D. FINANCIAL

- The conveyance of the properties would result in a one-time expenditure (in the book value of the properties) to City accounts and commensurate revenue to HRA accounts. This transaction would be reflected in the 2016 financial reports for both the City and HRA.

E. LEGAL

- HRA legal counsel has advised this action and drafted the attached resolution.

IV. ALTERNATIVE RECOMMENDATION(S)

- None

V. ATTACHMENTS

- Resolution

VI. PRINCIPAL PARTIES EXPECTED AT MEETING

- N/A

HRA RESOLUTION NO. _____

**RESOLUTION AUTHORIZING THE ACQUISITION OF CERTAIN
PROPERTY WITHIN THE CITY OF RICHFIELD**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (“the HRA”) desires to obtain certain real property as described in the attached Exhibit A (“the Property”) currently owned by the City of Richfield, pursuant to and in furtherance of its redevelopment efforts;

WHEREAS, the HRA is authorized by Minnesota Statutes Section 469.012 to acquire real property within its area of operation; and

WHEREAS, the HRA has determined that acquisition of said property is in furtherance of its redevelopment purposes.

NOW THEREFORE, BE IT RESOLVED, by the Housing and Redevelopment Authority in and for the City of Richfield:

1. The conveyance of the Property by the City to the HRA is hereby approved.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota on this ___ day of _____, 2016.

Mary B. Supple, Chair

ATTEST:

Doris Rubenstein, Secretary

EXHIBIT A

City of Richfield properties to be conveyed to Richfield HRA

Parcel 1- Abstract

Lot 3, Block 1, "Iverson's Second Addition", Hennepin County, Minnesota

Parcel 2 –Torrens Certificate of Title No. 1318697

The West 30 feet of Lot 1, Block 4, "R.C. Soens Addition", Hennepin County, Minnesota



STAFF REPORT

HOUSING AND REDEVELOPMENT AUTHORITY MEETING FEBRUARY 16, 2016

REPORT PREPARED BY:	KAREN BARTON, COMMUNITY DEVELOPMENT ASSISTANT DIRECTOR <i>NAME, TITLE</i>
REPORT PRESENTER:	JOHN STARK, COMMUNITY DEVELOPMENT DIRECTOR <i>NAME, TITLE</i>
DEPARTMENT DIRECTOR REVIEW:	<input checked="" type="checkbox"/> <i>SIGNATURE</i>
REVIEWED BY EXECUTIVE DIRECTOR:	<input checked="" type="checkbox"/> <i>SIGNATURE</i>

ITEM FOR HRA CONSIDERATION:
 Consideration of a Contract for Private Development with Mesaba Capital Development, LLC for development of the former City public works site.

I. RECOMMENDED ACTION:
Conduct and close a public hearing and by motion:
 1) Approve the resolution approving a Contract for Private Development with Mesaba Capital Development, LLC, and authorizing the conveyance of interest in certain land, and;
 2) Approve the revised resolution for an Interfund Loan in the amount of \$544,000.

II. EXECUTIVE SUMMARY

Mesaba Capital Development, LLC (Developer) is proposing to redevelop the former City public works site (211 76th Street West, 7608 Pillsbury Avenue, 7600 Pillsbury Avenue and 7644 Pillsbury Avenue) with 88 units of senior housing.

The Housing and Redevelopment Authority (HRA) staff, legal counsel and representatives of the Developer and their legal counsel have cooperatively drafted

a proposed Contract for Private Development (Agreement) for HRA consideration. The proposed Agreement provides for:

- Conveyance of the development property to the Developer for \$1,219,000, contingent upon the Developer obtaining all necessary land use approvals from the City and execution of a Declaration of Restrictive Covenants.
- Development of the property with 88 units of Senior Housing (approximately 60 units of assisted living and 28 units of memory care).
- Financial assistance in the form of Tax Increment Financing, in an amount not to exceed \$2,400,000 (this number is subject to revision of up to \$150,000 depending on updated TIF Analysis from Ehlers & Associates, Inc.), subject to verified need and eligibility.

Under the City's 2008 Comprehensive Plan, the property is guided for medium-high density (18 to 24 units per acre). The site is approximately 3.25 acres, which allows for a maximum of 78 units as guided. The Developer has stated that the project will require a minimum of 88 units in order to be financially feasible on an on-going basis. The Developer will therefore be seeking to change the designation to high-density, which allows for 24+ units per acre.

Given the surrounding land uses, staff would be supportive of the designation change provided the Developer executes a declaration of restrictive covenants that will restrict this and any future development to a maximum of 88 units, and that the Developer seek land use approvals from the City in the form of a Planned Use Development (PUD), which will further place restrictions on the development of the property limiting it to no more than 88 units.

The Developer has agreed to these requirements. The payment for the land is to take place in two stages; first a payment of \$975,000 at the time of closing, and then payment of the \$244,000 balance with any tax increment available after the TIF note to the developer has been paid. In order to accomplish the payment mechanism for the \$244,000 balance, the existing Interfund Loan Resolution must be revised and adopted by the HRA.

The Agreement specifically requires the Developer to execute the declaration and obtain all required land-use approvals prior to conveyance of the property.

A. BACKGROUND

III. BASIS OF RECOMMENDATION

- In July of this year, Mesaba approached HRA staff expressing interest in developing the former City public works property.
- Mesaba presented a preliminary concept plan for development of the property to the HRA, City Council and Planning Commission on August 11, 2015.
- Mesaba held a public neighborhood meeting on September 2, 2015 to garner feedback from residents in the area. Letters were direct-mailed to residents and information about the meeting was posted on

the City's Facebook page and Twitter. Four residents attended the open house.

- At the September 21, 2015 meeting of the HRA, the HRA approved a Preliminary Development Agreement between the HRA and the Developer.

B. POLICY

- In order for private redevelopment with public assistance to occur, a developer must have an Agreement with the HRA.
- 2008 Comprehensive Plan:
 - *Maintain a housing supply that meets changing needs while sustaining the integrity of existing neighborhoods;*
 - *Maintaining a diversity of housing types and prices ranges.*

C. CRITICAL TIMING ISSUES

- Closing date no later than August 31, 2016, unless extended by mutual agreement of the HRA and the Developer.
- Termination of the Agreement will occur on August 31, 2016, or such later date as mutually agreed to by the parties, if the closing has not taken place by said date.
- Construction must commence by November 1, 2016 and be completed by December 31, 2017.

D. FINANCIAL

- The Developer will pay the HRA \$975,000 for the property at closing and the remainder of the property's appraised value (an additional \$244,000) will be reimbursed with any tax increment available after the TIF note to the developer has been paid.
- The Agreement provides for the reimbursement of all out-of-pocket administrative costs incurred by the HRA relating to the negotiation and preparation of the Agreement and other documents and agreements in connection with the activities and the prospective development project.
- The development is in an existing Tax Increment Financing (TIF) Redevelopment District.
- Due to the estimated cost of the acquisition and redevelopment the Developer has identified a need for public assistance.
- The public assistance that is identified in this Agreement includes a tax increment financing note from the HRA in an amount not to exceed \$2,400,000 (this number is subject to revision of up to \$150,000 depending on updated TIF Analysis from Ehlers & Associates, Inc.), subject to verified need and eligibility.
- The tax increment will be distributed "pay as you go", meaning that payments will only be made subject to sufficient taxes being collected on the property to meet the payment obligations.

- Given the nature of assisted living and memory care services, there is a critical mass of number of units that are needed to support the on-going operations of the development.
- Estimated project market-value of \$13,940,000.

E. LEGAL

- The HRA attorney drafted the Contract for Private Development.
- The Developer will be required to execute a Declaration of Restrictive Covenants and obtain all required land-use approvals prior to conveyance.

IV. ALTERNATIVE RECOMMENDATION(S)

- Do not approve the Contract for Private Development
- Approve the Contract for Private Development with modifications.

V. ATTACHMENTS

- Resolution approving Contract for Private Development
- Contract for Private Development
- Resolution revising and approving Interfund Loan
- Preliminary site plan

VI. PRINCIPAL PARTIES EXPECTED AT MEETING

- Della Kolpin and Bo Nickoloff, Mesaba Capital Development, LLC
- HRA Attorney

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

RESOLUTION NO. _____

**RESOLUTION APPROVING A CONTRACT FOR PRIVATE DEVELOPMENT WITH MESABA
CAPITAL DEVELOPMENT, LLC, AND AUTHORIZING THE CONVEYANCE OF
INTEREST IN CERTAIN LAND**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”), owns certain real property legally described in EXHIBIT A attached hereto and located within Tax Increment Financing District No. 2014-1 (City District Garage Site) (the “Development Property”), which was created within the Richfield Redevelopment Project (the “Redevelopment Project”) in the City of Richfield, Minnesota; and

WHEREAS, Mesaba Capital Development, LLC, a Minnesota limited liability company (the “Developer”), has proposed to construct a multifamily housing development with approximately 88 units designed for seniors, including approximately 60 assisted living units and 28 memory care units (the “Minimum Improvements”), on the Development Property; and

WHEREAS, in order to promote the redevelopment of land that is underused and underutilized in the City, the Authority is considering conveying the Development Property to the Developer for the purpose of constructing the Minimum Improvements thereon; and

WHEREAS, on the date hereof, the Board of Commissioners of the Authority (the “Board”) conducted a duly noticed public hearing on the conveyance of the Development Property to the Developer, in accordance with Minnesota Statutes, Section 469.029, subdivision 2; and

WHEREAS, there has been presented before this Board a Contract for Private Development (the “Contract”) proposed to be entered into between the Authority and the Developer, pursuant to which the Developer will agree to purchase the Development Property and construct the Minimum Improvements and the Authority will agree to reimburse the Developer for a portion of land acquisition costs and certain site improvement costs related thereto with tax increment generated from the Development Property; and

WHEREAS, the Board has reviewed the Contract and finds that the execution thereof by the Authority and the performance of the Authority’s obligations thereunder are in the best interest of the City and its residents; and

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

1. The Contract is hereby in all respects authorized, approved, and confirmed, and the Chairperson and the Executive Directed are hereby authorized and directed to execute the Contract 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 o constitute conclusive evidence of their approval of any and all modifications therein.

2. The Board finds that the proposed conveyance of the Development Property is in accordance with the redevelopment plan approved for the Redevelopment Project.

3. The conveyance of the Authority's right, title, and interest in the Development Property to the Developer described herein is hereby approved.

4. The Chairperson and the Executive Director are hereby authorized to execute and deliver to the Developer a quit claim deed and any and all documents deemed necessary to carry out the intentions of this resolution and the Contract.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 16th day of February, 2016.

Mary Supple, Chair

ATTEST:

Doris Rubenstein, Secretary

EXHIBIT A

LEGAL DESCRIPTION OF THE DEVELOPMENT PROPERTY

Lots 1, 2, 4, and 5, Block 4, R.C. Soens Addition, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

Lot 3, Block 4, R.C. Soens Addition, except the Easterly 121.99 feet of the North 75 feet, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

**Third Draft
February 9, 2016**

**CONTRACT
FOR
PRIVATE DEVELOPMENT**

By and Between

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

and

MESABA CAPITAL DEVELOPMENT, LLC

Dated: _____, 2016

This document was drafted by:
KENNEDY & GRAVEN, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402
Telephone: 612-337-9300

TABLE OF CONTENTS

	<u>Page</u>
<p>PREAMBLE 1</p>	
<p>ARTICLE I <u>Definitions</u></p>	
Section 1.1. Definitions	2
<p>ARTICLE II <u>Representations and Warranties</u></p>	
Section 2.1. Representations by the Authority	5
Section 2.2. Representations by the Developer	5
<p>ARTICLE III <u>Property Acquisition; Financing</u></p>	
Section 3.1. Status of Development Property	7
Section 3.2. Conveyance of Development Property	7
Section 3.3. Reimbursement of Authority for Development Property Purchase Price	7
Section 3.4. Issuance of Pay-As-You-Go TIF Note	8
Section 3.5. Termination of TIF District.....	8
Section 3.6. Payment of Administrative Costs	8
Section 3.7. Records	9
Section 3.8. Purpose of Assistance	9
<p>ARTICLE IV <u>Construction of Minimum Improvements</u></p>	
Section 4.1. Construction of Improvements	10
Section 4.2. Construction Plans	10
Section 4.3. Commencement and Completion of Construction	11
Section 4.4. Certificate of Completion.....	11
<p>ARTICLE V <u>Insurance and Condemnation</u></p>	
Section 5.1. Insurance	12
Section 5.2. Subordination	13
<p>ARTICLE VI <u>Tax Increment; Taxes</u></p>	
Section 6.1. Right to Collect Delinquent Taxes.....	14
Section 6.2. Reduction of Taxes	14
Section 6.3. Qualifications	15

ARTICLE VII
Financing

Section 7.1.	Mortgage Financing	16
Section 7.2.	Authority’s Option to Cure Default in Mortgage	16
Section 7.3.	Modification; Subordination	16
Section 7.4.	Termination	16

ARTICLE VIII
Prohibitions Against Assignment and Transfer; Indemnification

Section 8.1.	Representation as to Development.....	17
Section 8.2.	Prohibition Against Developer’s Transfer of Property and Assignment of Agreement	17
Section 8.3.	Release and Indemnification Covenants	18

ARTICLE IX
Events of Default

Section 9.1.	Events of Default.....	19
Section 9.2.	Remedies on Default	19
Section 9.3.	Termination or Suspension of TIF Note	20
Section 9.4.	Revesting Title in Authority Upon Happening of Event Subsequent to Conveyance to Developer	20
Section 9.5.	Resale of Required Property; Disposition of Proceeds	20
Section 9.6.	No Remedy Exclusive.....	21
Section 9.7.	No Additional Waiver Implied by One Waiver.....	21
Section 9.8.	Attorney Fees and Costs	21

ARTICLE X
Additional Provisions

Section 10.1.	Conflict of Interests; Authority Representatives Not Individually Liable.....	22
Section 10.2.	Equal Employment Opportunity	22
Section 10.3.	Restrictions on Use	22
Section 10.4.	Provisions Not Merged With Deed.....	22
Section 10.5.	Titles of Articles and Sections	22
Section 10.6.	Notices and Demands.....	22
Section 10.7.	Counterparts	22
Section 10.8.	Recording	23
Section 10.9.	Amendment.....	23
Section 10.10.	Preliminary Development Agreement	23

TESTIMONIUM	S-1
SIGNATURES	S-1

EXHIBIT A	Development Property
EXHIBIT B	Authorizing Resolution
EXHIBIT C	Form of Investment Letter
EXHIBIT D	Certificate of Completion
EXHIBIT E	Declaration of Restrictive Covenants

CONTRACT FOR PRIVATE DEVELOPMENT

THIS AGREEMENT, made as of the ____ day of _____, 2016, by and between the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a public body corporate and politic under the laws of the State of Minnesota (the “Authority”), and MESABA CAPITAL DEVELOPMENT, LLC, a Minnesota limited liability company (the “Developer”).

WITNESSETH:

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

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

WHEREAS, pursuant to the HRA Act, the Authority is authorized to acquire real property, or interests therein, and to undertake certain activities to facilitate the redevelopment of real property by private enterprise and promote the development of affordable housing within the City; and

WHEREAS, within the Redevelopment Project, the Authority has created the Tax Increment Financing District No. 2014-1 (City District Garage Site) (“TIF District”) in order to facilitate redevelopment of certain property in the Redevelopment Project and promote the development of affordable housing within the City; and

WHEREAS, the Developer proposes to acquire certain property from the Authority (the “Development Property”) within the TIF District and construct a multifamily housing development with 88 units designed for seniors, including approximately 60 assisted living units and 28 memory care units (the “Minimum Improvements”); and

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

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

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

ARTICLE I

Definitions

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

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

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

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

“Authorizing Resolution” means the resolution of the Authority, substantially in the form of the attached EXHIBIT B to be adopted by the Board to authorize the issuance of the TIF Note.

“Available Tax Increment,” means, on each Payment Date, the Tax Increment attributable to the Development Property and paid to the Authority by Hennepin County in the six months preceding the Payment Date after first deducting therefrom twenty-five percent of the Tax Increment to be used to reimburse the Authority for administrative expenses and the promotion of redevelopment and affordable housing. Available Tax Increment shall not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under this Agreement.

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

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

“City” means the City of Richfield, Minnesota.

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

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

“County” means Hennepin County, Minnesota.

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

“Developer” means Mesaba Capital Development, LLC, a Minnesota limited liability company, or its permitted successors and assigns.

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

“Development Property Purchase Price” means \$1,219,000.

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

“Holder” means the owner of a Mortgage.

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

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

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

“Minimum Improvements” means the development on the Development Property of an approximately 114,000 square foot multifamily housing development with 88 units designed for seniors, including approximately 60 assisted living units and 28 memory care units, with underground parking.

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

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

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

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

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

“Redevelopment Project” means the Richfield Redevelopment Project.

“State” means the State of Minnesota.

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

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

“Tax Increment District” or “TIF District” means the Tax Increment District No. 2014-1 (City District Garage Site), a redevelopment district.

“Tax Increment Plan” or “TIF Plan” means the Tax Increment Financing Plan for Tax Increment Financing District No. 2014-1, as approved by the City Council on February 25, 2014, as it may be amended and supplemented.

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

“TIF Note” means the Tax Increment Limited Revenue Note, substantially in the form contained in Schedule A attached to the Authorizing Resolution, to be delivered by the Authority to the Developer pursuant to Section 3.4(a) hereof.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of strikes, other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the Authority in exercising its rights under this Agreement) which directly result in delays.

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

ARTICLE II

Representations and Warranties

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

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

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

(c) The Authority finds that the Minimum Improvements are necessary to alleviate a shortage of, and maintain existing supplies of, decent, safe, and sanitary housing for seniors.

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

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

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

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

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

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

(c) The Developer has received no notice or communication from any local, state or federal official that the activities of the Developer or the Authority in or on the Development Property may be or will be in violation of any environmental law or regulation (other than those notices or communications of which

the Authority is aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

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

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

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

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

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

ARTICLE III

Property Acquisition; Financing

Section 3.1. Status of Development Property. The Authority currently owns the Development Property and shall convey the Development Property to the Developer pursuant to the provisions of Section 3.2 hereof.

Section 3.2. Conveyance of Development Property.

(a) The Authority will convey the Development Property to the Developer via a quit claim deed. The Development Property will be conveyed “as-is” and “where-is”. Within 30 days following execution of this Agreement, the Authority will provide the Developer with a commitment for title insurance from a title insurance company acceptable to Developer. The Developer will be responsible for reimbursing the Authority for the cost of preparation of the commitment for title insurance. The Developer shall pay for the cost of obtaining a policy of title insurance. Without limitation, the Developer is responsible for satisfying itself as to matters such as contamination, soils and soil stability, title and survey. The Authority shall have no obligation to cure any defect or other matter, but agrees to cooperate, at no cost or expense to it, in any efforts by Developer to achieve such a cure.

(b) On the date the Development Property is conveyed to the Developer (the “Closing”), the Authority will execute and deliver to the Developer the following, in form and content reasonably acceptable to the Developer:

- i. A quit claim deed conveying the Development Property to the Developer.
- ii. A non-foreign affidavit, properly executed, containing such information as is required by Internal Revenue Code section 1445(b)(2) and its regulations.
- iii. A standard form Seller’s Affidavit.
- iv. A well certificate in the form required by law.
- v. Any affidavit and disclosures required by law pertaining to private sewage treatment systems.

(c) The Developer acknowledges that the Authority will be conveying the Development Property to the Developer for a purchase price of \$1,219,000 (the “Development Property Purchase Price”). On the date of Closing, the Developer shall pay the Authority \$975,000. The Authority will be reimbursed for the remaining portion of the Development Property Purchase Price (\$244,000) shall be paid with Available Tax Increment generated by the Development Property, as more fully described in Section 3.4.

(d) The Closing will not take place until the Developer has obtained all necessary land use approvals from the City, has met any requirements of the City regarding subdivision of the Development Property, and has executed the Declaration of Restrictive Covenants set forth in EXHIBIT E.

(e) In the event that the Closing has not taken place by August 31, 2016, and unless extended by mutual agreement of the parties, this Agreement will terminate and be of no further force and effect, and the parties will be relieved of any further obligations hereunder. Notwithstanding the foregoing, the deadline for the Closing may be postponed to October 31, 2016 if the Developer has completed the following actions: (i) submitted all paperwork necessary to the City to obtain all required building permits for the Minimum Improvements; and (ii) obtained a commitment from a lender to provide financing for the Minimum Improvements.

Section 3.3. Issuance of Pay-As-You-Go TIF Note. (a) To reimburse the Developer for certain Public Redevelopment Costs, the Authority shall issue and deliver and the Developer shall purchase the TIF Note in the principal amount of \$2,400,000 [AMOUNT OF TIF NOTE MAY DECREASE DEPENDING ON FINAL TIF CALCULATIONS FROM EHLERS FOLLOWING FINAL MARKET VALUE NUMBERS FROM HENNEPIN COUNTY] in substantially the form set forth in Schedule A of the Authorizing Resolution attached as EXHIBIT B. The Authority and the Developer agree that the consideration from the Developer for the purchase of the TIF Note shall consist of the Developer's payment of the Public Redevelopment Costs in at least the principal amount of the TIF Note.

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

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

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

Section 3.4. Reimbursement of Authority for Development Property Purchase Price. The amount of the Development Property Purchase Price due and owing to the Authority after Closing is \$244,000. The Authority shall be reimbursed for the remaining Development Property Purchase Price with Available Tax Increment with interest at a rate of three percent (3%) per annum following the payment in full of the TIF Note.

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

Section 3.6. Payment of Administrative Costs. Pursuant to a Preliminary Development Agreement, dated September 21, 2015, between the Authority, the City, and the Developer, the Developer has deposited with the Authority \$5,000 to pay Administrative Costs. The Authority will use such deposit to pay "Administrative Costs," which term means out of pocket costs incurred by the Authority, together with staff and consultant costs of the Authority, all attributable to or incurred in connection with the negotiation and preparation of this Agreement, the TIF Plan, and other documents and agreements in connection with the establishment of the TIF District and development of the Development Property, and not previously paid by Developer. At Developer's request, but no more often than monthly, the Authority will provide Developer with a written report including invoices, time sheets or other comparable evidence of expenditures for Administrative Costs and the outstanding balance of funds deposited. At any time the deposit drops below \$1,000, the Developer shall replenish the deposit to the full \$5,000 within 30 days after receipt of written notice thereof from the HRA. If at any time the Authority determines that the deposit is insufficient to pay Administrative Costs, the Developer is obligated to pay such shortfall within 15 days after receipt of a written notice from the Authority containing evidence of the unpaid costs. If Administrative Costs incurred, and

reasonably anticipated to be incurred are less than the deposit by the Developer, the Authority shall return to the Developer any funds not anticipated to be needed.

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

Section 3.8. Purpose of Assistance. The parties agree and understand that the purpose of the Authority's financial assistance to the Developer is to facilitate development of senior housing, and is not a "business subsidy" within the meaning of Minnesota Statutes, Sections 116J.993 to 116J.995.

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

ARTICLE IV

Construction of Minimum Improvements

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

Section 4.2. Construction Plans. (a) Before commencement of construction of the Minimum Improvements, the Developer shall submit the Construction Plans to the Authority. The Authority Representative will approve the Construction Plans in writing if: (i) the Construction Plans conform to the terms and conditions of this Agreement; (ii) the Construction Plans conform to the goals and objectives of the Modified Redevelopment Plan; (iii) the Construction Plans conform to all applicable federal, state and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; (v) the Construction Plans do not provide for expenditures in excess of the funds available to the Developer from all sources (including Developer's equity) for construction of the Minimum Improvements; (vi) the Construction Plans provide for the construction of Minimum Improvements having an estimated market value of at least \$13,940,000 (the "Minimum Market Value") [THIS NUMBER MAY CHANGE BASED ON INFORMATION FROM HENNEPIN COUNTY] and (vii) no uncured Event of Default has occurred. Approval may be based upon a review by the City's Building Official of the Construction Plans. No approval by the Authority Representative shall relieve the Developer of the obligation to comply with the terms of this Agreement or of the Redevelopment Plan, applicable federal, state and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the Authority Representative shall constitute a waiver of an Event of Default. If approval of the Construction Plans is requested by the Developer in writing at the time of submission, such Construction Plans shall be deemed approved unless rejected in writing by the Authority Representative, in whole or in part. Such rejections shall set forth in detail the reasons therefore, and shall be made within 30 days after the date of their receipt by the Authority. If the Authority Representative rejects any Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within 30 days after written notification to the Developer of the rejection. The provisions of this Section relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the Authority. The Authority Representative's approval shall not be unreasonably withheld, delayed or conditioned. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements constructed in accordance with said plans) comply to the Authority's satisfaction with the provisions of this Agreement relating thereto.

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

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer will commence the construction of the Minimum Improvements by November 1, 2016, and substantially complete construction of the Minimum Improvements by December 31, 2017. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in substantial conformity with the Construction Plans as submitted by the Developer and approved by the Authority. If the Closing is postponed pursuant to Section 3.2(e), the Developer shall commence construction of the Minimum Improvements within sixty (60) days of the Closing.

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

Section 4.4. Certificate of Completion. (a) Promptly after completion of the Minimum Improvements in accordance with those provisions of the Agreement relating solely to the obligations of the Developer to construct the Minimum Improvements (including the dates for beginning and completion thereof), the Authority Representative will furnish the Developer with a Certificate of Completion shown as EXHIBIT D.

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

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

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

ARTICLE V

Insurance

Section 5.1. Insurance. (a) The Developer will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority, furnish the Authority with proof of payment of premiums on policies covering the following:

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

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

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

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

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

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

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

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

thereof, having the coverage required herein, in which event the Developer shall deposit with the Authority a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the Authority immediately in the case of damage exceeding \$100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction and restoration, the Developer will apply the Net Proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof.

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

(e) Notwithstanding anything to the contrary contained in this Agreement, in the event of damage to the Minimum Improvements in excess of \$100,000 and the Developer fails to complete any repair, reconstruction or restoration of the Minimum Improvements within eighteen months from the date of damage, the Authority may, at its option, terminate the TIF Note as provided in Section 9.3(b) hereof. If the Authority terminates the TIF Note, such termination shall constitute the Authority's sole remedy under this Agreement as a result of the Developer's failure to repair, reconstruct or restore the Minimum Improvements. Thereafter, the Authority shall have no further obligations to make any payments under the TIF Note.

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

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

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ARTICLE VI

Tax Increment; Taxes

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

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

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

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

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

During the period that the payments are subject to suspension, the Authority may make partial payments on the TIF Note, from the amounts subject to suspension, if it determines, in its sole and absolute discretion, that the amount retained will be sufficient to cover any repayment which the County may require.

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

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

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ARTICLE VII

Financing

Section 7.1. Mortgage Financing. (a) Before commencement of construction of the Minimum Improvements, the Developer shall submit to the Authority evidence of one or more commitments for financing which, together with committed equity for such construction, is sufficient for payment of the Minimum Improvements. Such commitments may be submitted as short term financing, long term mortgage financing, a bridge loan with a long term take-out financing commitment, or any combination of the foregoing.

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

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

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

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

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

ARTICLE VIII

Prohibitions Against Assignment and Transfer; Indemnification

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

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

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

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

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

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

way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto.

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

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

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

Section 8.3. Release and Indemnification Covenants. (a) The Developer releases from and covenants and agrees that the Authority and its governing body members, officers, agents, servants and employees thereof shall not be liable for and agrees to indemnify and hold harmless the Authority and its respective governing body members, officers, agents, servants and employees thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

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

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

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

ARTICLE IX

Events of Default

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

- (a) Failure by the Developer or the Authority to observe or perform any covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement;
- (b) The Developer:
 - (i) files any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law;
 - (ii) makes an assignment for benefit of its creditors;
 - (iii) fails to pay real estate taxes on the Development Property or the Minimum Improvements as they become due;
 - (iv) admits in writing its inability to pay its debts generally as they become due; or
 - (iv) is adjudicated as bankrupt or insolvent.

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

- (a) Suspend its performance under the Agreement until it receives assurances that the defaulting party will cure its default and continue its performance under the Agreement.
- (b) Cancel and rescind or terminate the Agreement.
- (c) Upon a default by the Developer, the Authority may suspend payments under the TIF Note or terminate the TIF Note and the TIF District, subject to the provisions of Section 9.3 hereof.
- (d) Take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

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

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

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

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

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

(a) First, to reimburse the Authority for all costs and expenses incurred by them, including but not limited to salaries of personnel, in connection with the recapture, management, and resale of the Development Property (but less any income derived by the Authority from the property or part thereof in connection with such management); all taxes, assessments, and water and sewer charges with respect to the Development Property or part thereof (or, in the event the Development Property is exempt from taxation or

assessment or such charge during the period of ownership thereof by the Authority, an amount, if paid, equal to such taxes, assessments, or charges (as determined by the Authority assessing official) as would have been payable if the Development Property were not so exempt); any payments made or necessary to be made to discharge any encumbrances or liens existing on the Development Property, or part thereof at the time of reversion of title thereto in the Authority, or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults or acts of the Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the subject improvements or any part thereof on the Development Property; and any amounts otherwise owing the Authority by the Developer and its successor or transferee; and

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

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

Section 9.6. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Developer is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it, it shall not be necessary to give notice, other than the notices already required in Sections 9.2 and 9.3 hereof.

Section 9.7. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.8. Attorney Fees and Costs. Whenever any Event of Default occurs and if the Authority employs attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, and the Authority prevails in the action, the Developer agrees that it will, within ten days of written demand by the Authority, pay to the Authority the reasonable fees of the attorneys and the other expenses so incurred by the Authority.

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ARTICLE X

Additional Provisions

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

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

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

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

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

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

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at 10700 Normandale Blvd., Suite 202, Bloomington, MN 55437, Attn: Bo Nickoloff and Della Kolpin;

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

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

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

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

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

Section 10.10. Preliminary Development Agreement. On the date of this Agreement, the Preliminary Development Agreement, dated September 21, 2015, between the Authority, the City, and the Developer shall terminate.

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

IN WITNESS WHEREOF, the Authority has caused this Agreement to be duly executed in its name and behalf and its seal to be hereunto duly affixed and the Developer has caused this Agreement to be duly executed in its name and behalf as of the date first above written.

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

By _____
Its Chair

(SEAL)

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____, 2016, by _____ and _____, the Chair and Executive Director, respectively, of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

Notary Public

MESABA CAPITAL DEVELOPMENT, LLC

By _____
Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____, 2016, by
_____, the _____, on behalf of the company.

Notary Public

(Signature Page of Developer to the Contract for Private Development)

EXHIBIT A
DEVELOPMENT PROPERTY

Lots 1, 2, 4, and 5, Block 4, R.C. Soens Addition, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

Lot 3, Block 4, R.C. Soens Addition, except the Easterly 121.99 feet of the North 75 feet, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

**EXHIBIT B
AUTHORIZING RESOLUTION**

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

RESOLUTION NO. _____

**RESOLUTION APPROVING THE ISSUANCE OF, AND
PROVIDING THE FORM, TERMS, COVENANTS AND
DIRECTIONS FOR THE ISSUANCE OF ITS TAX INCREMENT
LIMITED REVENUE NOTE, SERIES _____ IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED
\$ _____**

BE IT RESOLVED BY the Board of Commissioners (“Board”) of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”), as follows:

Section 1. Authorization; Award of Sale.

1.01. Authorization. The Authority has heretofore approved the establishment of Tax Increment Financing District No. 2014-1 Tax Increment Financing District (City Garage Site) (the “TIF District”) within the Richfield Redevelopment Project (“Redevelopment Project”), and has adopted a tax increment financing plan for the purpose of financing certain improvements within the Redevelopment Project.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Redevelopment District. Such bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The Authority hereby finds and determines that it is in the best interests of the Authority that it issue and sell its Tax Increment Limited Revenue Note, Series _____ (the “TIF Note”), in the aggregate principal amount of up to \$2,400,000 [THIS AMOUNT IS SUBJECT TO CHANGE BASED ON FINAL TIF CALCULATIONS] for the purpose of financing certain public redevelopment costs of the Tax Increment Plan for the TIF District.

1.02. Agreement Approved; Issuance, Sale and Terms of the TIF Note. The Authority hereby approves the Contract for Private Development between the Authority and the Owner (the “Agreement”), and authorizes the Chair and the Executive Director to execute such Agreement in substantially the form on file with Authority, subject to modifications that do not alter the substance of the transaction and are approved by such officials, provided that execution of the Agreement by such officials is conclusive evidence of their approval. Pursuant to the Agreement, the TIF Note shall be sold to Mesaba Capital Development, LLC (the “Owner”). The TIF Note shall be dated as of the date of delivery and shall bear interest at the rate of 4.5% per annum to the earlier of maturity or prepayment. In exchange for the Authority’s issuance of the TIF Note to the Owner, the Owner shall pay certain public redevelopment costs related to the Minimum Improvements (as defined in the Agreement) pursuant to Section 3.3 of the Agreement. The TIF Note will be delivered in the principal amount of up to \$2,400,000 [THIS AMOUNT IS SUBJECT TO CHANGE BASED ON FINAL TIF CALCULATIONS] for reimbursement of public redevelopment costs in accordance with the terms of Section 3.4(a) of the Agreement.

Section 2. Form of TIF Note. The TIF Note shall be in substantially the form set forth in Schedule A attached hereto, with the blanks to be properly filled in and the principal amount and payment schedule adjusted as of the date of issue.

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The TIF Note shall be issued as a single typewritten note numbered R-1.

The TIF Note shall be issuable only in fully registered form. Principal of and interest on the TIF Note shall be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the TIF Note shall be payable by mail to the owner of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not such day is a business day.

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

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

(b) Transfer of TIF Note. Upon surrender for transfer of the TIF Note, including any assignment or exchange thereof, duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, and the payment by the Owner of any tax, fee, or governmental charge required to be paid by or to the Authority with respect to such transfer or exchange, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates. Notwithstanding the foregoing, the TIF Note shall not be transferred to any person other than an affiliate, or other related entity, of the Owner unless the Authority has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Owner or a certificate of the transferor, in a form satisfactory to the Authority, that such transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until such Payment Date.

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

The Owner may assign the TIF Note to a lender that provides all or part of the financing for the acquisition of the Development Property or the construction of the Minimum Improvements. The Authority hereby consents to such assignment, conditioned upon receipt of an investment letter from such lender in substantially the form attached in the Agreement as EXHIBIT C, or other form reasonably acceptable to the

Executive Director of the Authority. The Authority also agrees that future assignments of the TIF Note may be approved by the Executive Director of the Authority without action of the Authority's Board, upon the receipt of an investment letter in substantially the form of EXHIBIT C of the Agreement or other investment letter reasonably acceptable to the Authority from such assignees.

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

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

(e) Persons Deemed Owners. The Authority and the Registrar may treat the person in whose name a Note is at any time registered in the bond register as the absolute owner of the TIF Note, whether the TIF Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability of the Authority upon such Note to the extent of the sum or sums so paid.

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

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

3.04. Preparation and Delivery. The TIF Note shall be prepared under the direction of the Executive Director of the Authority and shall be executed on behalf of the Authority by the signatures of its Chair and its Executive Director. In case any officer whose signature shall appear on the TIF Note shall cease to be such officer before the delivery of the TIF Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. When the TIF Note has been so executed, the TIF Note shall be delivered by the Authority to the Owner following the delivery of the necessary items delineated in Section 3.3 of the Agreement.

Section 4. Security Provisions.

4.01. Pledge. The Authority hereby pledges to the payment of the principal of and interest on the TIF Note Available Tax Increment as defined in the TIF Note. Available Tax Increment shall be applied to payment of the principal of and interest on the TIF Note in accordance with Section 3.3 of the Agreement and the terms of the form of TIF Note set forth in Schedule A attached to this resolution.

4.02. Bond Fund. Until the date the TIF Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the Authority shall maintain a separate and special “Bond Fund” to be used for no purpose other than the payment of the principal of and interest on the TIF Note. The Authority irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund shall be transferred to the Authority’s account for TIF District No 2014-1 Tax Increment Financing District (City Garage Site) upon the payment of all principal and interest to be paid with respect to the TIF Note.

Section 5. Certification of Proceedings.

5.01. Certification of Proceedings. The officers of the Authority are hereby authorized and directed to prepare and furnish to the Owner of the TIF Note certified copies of all proceedings and records of the Authority, and such other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the TIF Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the Authority as to the facts recited therein.

Section 6. Effective Date. This resolution shall be effective upon full execution of the Agreement.

Adopted by the Board of Commissioner the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, this ____ day of _____, 2016.

Chair

Executive Director

Schedule A to Exhibit B

FORM OF TIF NOTE

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

No. R-1

\$ _____

TAX INCREMENT LIMITED REVENUE NOTE
SERIES _____

Rate

Date
of Original Issue

4.5%

The Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority"), for value received, certifies that it is indebted and hereby promises to pay to Mesaba Capital Development, LLC, or registered assigns (the "Owner"), the principal sum of \$_____ and to pay interest thereon at the rate of six and three quarters percent per annum, as and to the extent set forth herein.

1. Payments. Principal and interest ("Payments") shall be paid on _____, 20__, and each _____ and _____ (each a "Payment Date") and thereafter to and including _____, 20__, in the amounts and from the sources set forth in Section 3 herein. Payments shall be applied first to accrued interest, and then to unpaid principal.

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

2. Interest. Interest at the rate stated herein shall accrue on the unpaid principal, commencing on the date of original issue. Interest shall accrue on a simple basis and will not be added to principal. Interest shall be computed on the basis of a year of 360 days and charged for actual days principal is unpaid.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which will mean, on each Payment Date, seventy-five percent (75%) of the Tax Increment (as defined in the Agreement) attributable to the Development Property (as defined in the Agreement) and paid to the Authority by Hennepin County in the six months preceding the Payment Date, all as the terms are defined in the Contract for Private Development between the Authority and Owner dated as of April 20, 2015 (the "Agreement"). The principal of and interest on this Note shall be payable each Payment Date solely from Available Tax Increment. Available Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

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

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

5. Termination. At the Authority's option, this Note shall terminate and the Authority's obligation to make any payments under this Note shall be discharged upon the occurrence of an Event of Default on the part of the Developer as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 9.2 of the Agreement.

6. Nature of Obligation. This Note is issued to aid in financing certain public development costs and administrative costs of a Redevelopment Project undertaken by the Authority pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the Authority on _____, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.1799, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Note or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

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

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

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

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

Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

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

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

This Note is issued pursuant to a resolution of the Board of the Authority and is entitled to the benefits thereof, which Resolution is incorporated herein by reference.

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

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

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

Executive Director

Chair

REGISTRATION PROVISIONS

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

Date of Registration

Registered Owner

Signature of Executive Director

MESABA CAPITAL
DEVELOPMENT, LLC.

Federal ID # _____

[End of Form of TIF Note]

EXHIBIT C
INVESTMENT LETTER

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

Re: \$____ Tax Increment Limited Revenue Note, Series 201____

The undersigned, as Owner of \$____ in principal amount of the above captioned Note (the "Note") pursuant to a resolution of the Authority adopted on _____, 2016 (the "Resolution"), hereby represents to you and to Kennedy & Graven, Chartered, Minneapolis, Minnesota, development counsel, as follows:

1. We understand and acknowledge that the TIF Note is delivered to the Owner as of this date pursuant to the Resolution and the Contract for Private Development between the Authority and the Owner, dated as of _____, 2016 (the "Contract").

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

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

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

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

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

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

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

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

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

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

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

(Remainder of this page intentionally left blank)

[OWNER]

By _____

Its _____

Dated: _____, 2016

EXHIBIT E
DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS (the “Declaration”) entered into this ___ day of _____, 2016, by and between the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of the State of Minnesota (the “Authority”) and Mesaba Capital Development, LLC, a Minnesota limited liability company, or its successors or assigns (the “Developer”)

RECITALS:

WHEREAS, the Authority intends to convey the real property legally described on Exhibit A attached hereto (the “Development Property”) to the Developer under a Contract for Private Development dated _____, 2016, between the Authority and Mesaba (the “Development Agreement”); and

WHEREAS, pursuant to the Development Agreement, the Developer will construct a multifamily housing development with 88 units designed for seniors, including approximately 60 assisted living units and 28 memory care units (the “Minimum Improvements”) on the Development Property; and

WHEREAS, the Authority and the Developer desire to impose on the Development Property certain covenants, restrictions, and prohibitions, hereinafter set forth, for the benefit of the Authority and the City of Richfield (the “City”) and their successors and assigns.

NOW, THEREFORE, for good and valuable consideration, the Authority hereby agrees, covenants, and declares that the Development Property shall be owned, operated, mortgaged, conveyed, and transferred subject to the following covenants and restrictions:

1. Restrictions on Units. The Developer shall not build more than 88 housing units on the Development Property.
2. Enforceability; Successors and Assigns. The covenants and restrictions contained herein are intended to be perpetual, shall run with the land, and shall be binding upon, and inure to the benefit of, the Authority, the City, their successors, assigns, and future owners, tenants and occupants of any portion of the Development Property. Without limiting the foregoing, the restrictions and prohibitions contained herein on the Development Property (or any portion thereof) shall be enforceable by the Authority, the City, and their successors and assigns, by injunctive relief, the remedy at law being inadequate.
3. Governing Law. This agreement shall be governed by the laws of the State of Minnesota.
4. Amendment. This agreement shall not be amended or modified unless by an instrument in writing executed by the Authority, the City, and owners, at the time of the amendment or modification, of all of the Development Property.
5. No Merger. This instrument shall not merge or be extinguished by reason of common ownership, including common ownership of the Development Property and any property adjacent to the Development Property.

IN WITNESS WHEREOF, the Authority and the Developer has executed this Declaration as of the date first above written.

HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHFIELD

By _____
Its Chairperson

By _____
Its Executive Director

MESABA CAPITAL DEVELOPMENT, LLC

By _____
Its _____

STATE OF MINNESOTA }

ss.:

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, Grantor.

Notary Public

STATE OF MINNESOTA }

ss.:

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, Grantor.

Notary Public

This document drafted by:
Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza, 200 South Sixth Street
Minneapolis, MN 55402
(612) 337-9300

**EXHIBIT A TO DECLARATION OF RESTRICTIVE COVENANTS
LEGAL DESCRIPTION OF DEVELOPMENT PROPERTY**

Lots 1, 2, 4, 5, and 6, Block 4, R.C. Soens Addition, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

Lot 3, Block 4, R.C. Soens Addition, except the Easterly 121.99 feet of the North 75 feet, according to the recorded plat thereof on file or of record in the office of the Registrar of Titles, Hennepin County, Minnesota.

RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY

RESOLUTION NO. _____

RESOLUTION AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF CERTAIN COSTS IN CONNECTION WITH PROPOSED TAX INCREMENT FINANCING DISTRICT NO. 2014-1.

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Richfield Housing and Redevelopment Authority (the "Authority") of the City of Richfield, Minnesota, as follows:

WHEREAS, the Authority and the City of Richfield, Minnesota (the "City") established Tax Increment Financing District No. 2014-1 (the "TIF District") within the Richfield Redevelopment Project (the "Project") pursuant to Minnesota Statutes, Sections 469.174 to 469.1794, as amended (the "TIF Act"), and adopted a Tax Increment Financing Plan (the "TIF Plan") for the purpose of financing certain improvements within the Project.

WHEREAS, pursuant to Resolution No. _____ adopted _____, 2014 (the "Interfund Loan Resolution"), the Authority determined that it would use tax increments from the TIF District to pay for certain costs of demolition of substandard buildings within the proposed TIF District, costs of environmental remediation, and administrative costs (the "Qualified Costs"), which costs may be financed on a temporary basis from City or Authority funds available for such purposes in the amount of up to \$300,000.

WHEREAS, Mesaba Capital Development, LLC, a Minnesota limited liability company (the "Developer"), has proposed to construct a multifamily housing development with approximately 88 units designed for seniors, including approximately 60 assisted living units and 28 memory care units (the "Development"), within the TIF District and has asked for financial assistance, including a land write-down for a portion of the property to be acquired by the Developer.

WHEREAS, the Authority has determined to modify the Interfund Loan Resolution to include reimbursement to the Authority for the land write-down related to the Development in the amount of up to \$244,000.

WHEREAS, under Section 469.178, Subd. 7 of the TIF Act, the Authority is authorized to advance or loan money from the Authority's general fund or any other fund from which such advances may be legally authorized, in order to finance the Qualified Costs.

WHEREAS, the Authority intends to reimburse itself for all or a portion of the Qualified Costs from tax increments derived from the TIF District in accordance with the terms of this resolution (which terms are referred to collectively as the "Interfund Loan").

NOW THEREFORE BE IT RESOLVED by the Board as follows:

1. The Authority hereby authorizes the advance of up to \$544,000 from the Capital Improvement Reserve Fund or so much thereof as may be paid as Qualified Costs. The Authority shall reimburse itself for such advances together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 as of the date the loan or advance is authorized, unless the written

agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 4.0% and will not fluctuate.

2. Principal and interest ("Payments") on the Interfund Loan shall be paid semi-annually on each August 1 and February 1 (each a "Payment Date"), commencing on the first Payment Date on which the Authority has Available Tax Increment (defined below), or on any other dates determined by the Executive Director of the Authority, through the date of last receipt of tax increment from the TIF District.
3. Payments on this Interfund Loan are payable solely from "Available Tax Increment," which shall mean, on each Payment Date, tax increment available after other obligations have been paid, or as determined by the Executive Director of the Authority, generated in the preceding six (6) months with respect to the property within the TIF District and remitted to the City by Hennepin County, all in accordance with the TIF Act. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds or notes issued by the City or the HRA and secured in whole or in part with Available Tax Increment. The Interfund Loan shall be paid prior to any pay-as-you-go notes or contracts secured in whole or in part with Available Tax Increment, and any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.
4. The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.
5. This Interfund Loan is evidence of an internal borrowing by the Authority in accordance with Section 469.178, Subd. 7 of the TIF Act, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Interfund Loan or other costs incident hereto. The Authority shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.
6. The Authority may amend the terms of this Interfund Loan at any time by resolution of the Board, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

Approved by the Board of Commissioners of the Richfield Housing and Redevelopment Authority this 16th day of February, 2016.

Chair

ATTEST:

Secretary

