



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
JULY 17, 2017
7:00 PM**

Call to Order

Approval of the minutes of the Regular Housing and Redevelopment Authority Meeting of May 15, 2017.

AGENDA APPROVAL

1. Approval of the Agenda

PUBLIC HEARINGS

2. Public hearing and consideration of the approval of a resolution approving the conveyance of certain real property to Interstate LLC and approving a purchase agreement with respect thereto.

Staff Report No. 26

HRA DISCUSSION ITEMS

3. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

4. Executive Director's Report

CLAIMS AND PAYROLLS

5. Claims and Payrolls

6. 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

Regular Meeting

May 15, 2017

CALL TO ORDER

The meeting was called to order by Chair Supple at 7:03 p.m.

ATTENDANCE

HRA Members Present: Mary Supple, Chair; Pat Elliott; Michael Howard; Doris Rubenstein; Sue Sandahl

HRA Members Absent: None

Staff Present: Steve Devich, Executive Director
John Stark, Director of Community Development
Karen Barton, Assistant Director of Community Development
Julie Eddington, Attorney to HRA, Kennedy and Graven
Kate Aitchison, Housing Specialist/Acting City Clerk

Item #1

APPROVAL OF THE MINUTES OF THE REGULAR HRA MEETING OF APRIL 17, 2017

M/Elliott, S/Howard to approve the minutes of the regular HRA meeting of April 17, 2017.

Motion carried 5-0.

Item #2

HRA APPROVAL OF THE AGENDA

M/Howard, S/Sandahl, to approve the agenda.

Motion carried 5-0.

Item #3

HRA APPROVAL OF THE CONSENT CALENDAR

Executive Director Devich presented the consent calendar.

A. Consideration of the approval of a resolution approving a Subordination Agreement related to Richfield Urban Village (Staff Report No. 20).

B. Consideration of the approval of a resolution authorizing the HRA to affirm the monetary limits on statutory municipality tort liability (Staff Report No. 21).

C. Consideration of the approval of a resolution authorizing the purchase of 6839 Cedar Avenue (Staff Report No. 22).

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

Motion carried 5-0.

Item #4	CONSIDERATION OF THE APPROVAL OF A RESOLUTION AUTHORIZING THE RIGHT OF ENTRY AGREEMENT WITH INLAND DEVELOPMENT LLC.
----------------	--

Assistant Community Development Director Karen Barton presented Staff Report No. 23.

Commissioner Elliott asked for clarification on the need for entry to the property. Assistant Community Development Director Barton responded that the developer was simply doing their due diligence.

Commissioner Rubenstein asked about payment for the testing and the disclosure of results. Assistant Community Development Director Barton responded.

Commissioner Sandahl asked about the existing 11-unit buildings that are part of the project. Assistant Community Development Director Barton responded that they will go through extensive rehabilitation and be included in the entire development. .

Chair Supple stated she was happy to see that no residents will be displaced as part of this project.

M/Sandahl, S/Elliott, to approve the resolution authorizing the Right of entry Agreement with Inland Development LLC.

Motion carried 5-0.

Item #5	PUBLIC HEARING AND CONSIDERATION OF THE APPROVAL OF A RESOLUTION APPROVING THE CONVEYANCE OF CERTAIN REAL PROPERTY TO INTERSTATE LLC AND APPROVING A PURCHASE AGREEMENT WITH RESPECT HERETO.
----------------	---

Assistant Community Development Director Karen Barton presented Staff Report No. 24.

Commissioner Rubenstein stated that the community had been discussing this topic, and that neighbors were concerned about noise. She related her experience living near a restaurant with drive-thru window service.

Community Development Director Stark stated that staff has been working with the developer to position the speakers away from residential uses, as well as using advanced technology to minimize the noise disturbance.

Chair Supple asked for clarification on the time of day the businesses will be open and the impact on parking.

M/Sandahl, S/Elliott to open the Public Hearing

Motion carried 5-0.

Rosalee Hinrich, 6638 16th Avenue, stated that she has not seen any concrete evidence of the advanced technology or changes made to improve the project. She stated she is worried about the noise impacts of cars and crowds, as well as the increased traffic that will be on 16th Avenue throughout the day. She requested that the policy makers drive on 16th Avenue and imagine the impacts.

Chair Supple asked about the status of a liquor license for the restaurant-tenant. Community Development Director Stark responded that he assumed they will probably have one. He stated that there will be two entrances into the development and that a 'porkchop' island will help divert traffic away from 16th Avenue. He also stated that the property has been zoned for commercial use since 1968.

Christine Wiehle, speaking on behalf of 6638 17th Ave. Ms. Wiehle offered her thoughts about the traffic impacts on the neighborhood, as well as how the noise from the new development will be detrimental when added to the noise from the airport. She stated that it seems like a lot of development for the corner when added to the nearby business.

M/Sandahl, S/Elliott to close the public hearing.

Motion carried 5-0.

Commissioner Howard thanked the residents for coming and sharing their thoughts, and stated that staff will work on continuing the conversation that has begun.

Commissioner Sandahl asked to see a map. Community Development Director Stark provided a map and explained the layout of the development.

Executive Director Devich talked about the buffer that will be created via landscaping and berming between the parking lot and residential uses. Community Development Director Stark added that the developer will work with the adjacent neighbors to meet their needs.

Commissioner Howard commended the cooperation between staff, the developer and the neighborhood.

Commissioner Rubenstein stated her concerns about traffic and parking, based on her personal experience.

Executive Director Devich stated that there is adequate parking on the site. Community Development Director Stark stated that if there are problems, things can be adjusted in the future.

M/Sandahl, S/Elliott to approve a resolution approving the conveyance of certain real property to Interstate LLC and approving a purchase agreement with respect thereto.

Motion carried 5-0.

Item #6	CONSIDERATION OF THE APPROVAL OF A PETITION REQUESTING THAT THE CITY COUNCIL CONSIDER THE VACATION OF A PORTION OF 17TH AVE. THE RIGHT-OF-WAY IS ADJACENT TO THE PROPOSED PLAZA 66 DEVELOPMENT (APPROX 6600, 6608, AND 6614 17TH AVE).
---------	---

John Stark presented Staff Report No. 25.

Commissioner Sandahl asked if residents can currently exit their neighborhood easily. Community Development Director Stark responded that they could.

M/Elliott, S/Howard to approve a petition requesting that the city council consider the vacation of a portion of 17th Avenue.

Motion carried 5-0.

Item #7	HRA DISCUSSION ITEMS
----------------	-----------------------------

Chair Supple asked for an update on the grant applications that had been submitted. Assistant Community Development Director Barton stated that three grants were applied for. One grant, for \$50,000, was awarded for Penn Avenue Façade Improvement grants. The other two grants were not awarded, likely due to the early stages of the projects. Staff will have the opportunity to re-apply in the winter of 2018.

Chair Supple asked about the status of the Purchase Agreement for Seasons Park. Executive Director Devich responded that Aeon is going through their due diligence process. Chair Supple thanked everyone involved in the deal for helping keep residents from being displaced.

Chair Supple mentioned that the Comprehensive Plan Task Force is looking for input, and encouraged residents to give their feedback about the community.

Item #8	EXECUTIVE DIRECTOR REPORT
----------------	----------------------------------

Community Development Director Stark provided an update on the Cedar Point II and Cedar Point South projects.

He also provided an update to the April 24th work session on affordable housing. Staff has a plan to continue the dialog with the affordable housing partners about how cities can create policy around affordable housing. They plan to meet with various stakeholders to gather input and advice. A follow-up work session will be scheduled for June 19th.

Item #9	CLAIMS AND PAYROLL
----------------	---------------------------

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

U.S. BANK	5/17/17
Section 8 Checks: 128711 - 128797	\$ 157,933.26
HRA Checks: 33073 - 33109	\$ 152,805.05
TOTAL	\$ 310,738.31

Commissioner Rubenstein asked a question about expenses related to the Lyndale Gardens project.

Motion carried 5-0.

ADJOURNMENT

The meeting was adjourned by unanimous consent at 7:59 p.m.

Date Approved: July 17, 2017

Mary B. Supple
HRA Chair

Kate Aitchison
Housing Specialist

Steve Devich
Executive Director



STAFF REPORT NO. 26
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
7/17/2017

REPORT PREPARED BY: Karen Barton, Community Development Assistant Director

DEPARTMENT DIRECTOR REVIEW: John Stark, Community Development Director
7/11/2017

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW: Steven L. Devich, City Manager
7/12/2017

ITEM FOR COUNCIL CONSIDERATION:

Public hearing and consideration of the approval of a resolution approving the conveyance of certain real property to Interstate LLC and approving a purchase agreement with respect thereto.

EXECUTIVE SUMMARY:

On May 15, 2017, the Housing and Redevelopment Authority (HRA) approved the sale of certain real property located at 6608 17th Avenue, along with two adjacent remnant parcels and vacated right-of-way, to Interstate LLC (Developer) for the development of an approximately 10,400 square foot retail building on 66th Street E between 16th and 17th Avenues. The purchase agreement was fully executed by both parties on May 25, 2017.

In an effort to clarify the specific right-of-way to be conveyed to the Developer, the HRA is requested to approve a revised purchase agreement that more succinctly describes the property to be conveyed. The purchase agreement includes payment for the vacated right-of-way.

RECOMMENDED ACTION:

Conduct and close the public hearing and by motion: Approve a resolution approving the conveyance of certain real property to Interstate LLC and approving a purchase agreement with respect thereto.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- There are six properties located within the proposed development area, three of which are owned by the HRA, plus the right-of-way to be vacated.
- The Developer has purchase agreements for the three privately-owned properties.
- The HRA-owned property the Developer is proposing to acquire is as follows:
 - LOT 001, BLOCK 001, CEDAR SUNRISE ADDN (Remnant Parcel)
 - LOT 002, BLOCK 001, CEDAR SUNRISE ADDN (6608 17th Ave S)
 - LOT 016, BLOCK 001, CEDAR SUNRISE ADDN (Remnant Parcel)
 - Vacated right-of-way as legally described in the purchase agreement.

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

- The 2008 Richfield Comprehensive Plan guides this property for development of community

commercial.

- The Planning Commission recommended approval of the rezoning and land-use on April 24, 2017.
- The City Council approved the re-zoning and land-use applications on May 24, 2017.
- In accordance with Minnesota Statutes, Section 469.029, subdivision 2, the HRA is required to hold a duly noticed public hearing on the conveyance of the property to the Developer.
- The purchase agreement requires:
 - the Developer to construct an approximately 10,400 square foot retail building on the site;
 - construction to commence within 6 months of closing; and,
 - construction to be complete within 18 months of closing.
- The HRA has been renting the property located at 6608 17th Ave S. The tenants were given notice as required by law.
- The tenants have been advised of their rights to relocation benefits under the Uniform Relocation Act.

C. CRITICAL TIMING ISSUES:

- Closing is required to take place on or before August 15, 2017.
- Construction must commence within 6 months of closing and be completed within 18 months of closing.

D. FINANCIAL IMPACT:

- The HRA acquired the parcel located at 6608 17th Avenue S in 2004 for \$219,000.
- The two remnant parcels were acquired as part of the construction of the roundabout in 2004.
- The purchase price of the three HRA-owned parcels and vacated right-of-way is \$450,000, to be paid in full at closing.
- The Developer has submitted \$15,000 in earnest money.
- The Developer has submitted \$5,000 in escrow to reimburse the HRA for administrative costs related to the sale of the property.
- The tenants may be eligible for relocation benefits as required by law, in an amount as yet undetermined.

E. LEGAL CONSIDERATION:

- The HRA Attorney drafted the purchase agreement.
- The tenants of 6608 17th Avenue South have been notified of their rights under the Uniform Relocation Act.

ALTERNATIVE RECOMMENDATION(S):

- Do not approve the resolution.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representatives of Interstate LLC

ATTACHMENTS:

Description	Type
☐ Resolution	Resolution Letter
☐ Revised Purchase Agreement	Contract/Agreement
☐ Map	Backup Material

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

RESOLUTION NO. _____

**RESOLUTION APPROVING CONVEYANCE OF CERTAIN REAL PROPERTY TO
INTERSTATE DEVELOPMENT LLC, OR ITS ASSIGNEE, AND APPROVING A REVISED
PURCHASE AGREEMENT WITH RESPECT THERETO**

WHEREAS, on May 15, 2017, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") held a public hearing and approved by resolution a Purchase Agreement providing for the conveyance of certain real property owned by the Authority to Interstate Development LLC, a Minnesota limited liability company, or its assignee (the "Developer"), and legally described in EXHIBIT A attached hereto (the "Development Property") in the City of Richfield, Minnesota (the "City"); and

WHEREAS, the Authority and the Developer executed the Purchase Agreement related to the Development Property on May 25, 2017; and

WHEREAS, a public street is adjacent to the Development Property and the City has proposed to vacate the street as part of the Developer's proposed development; and

WHEREAS, the Authority owns the real property that abuts the street to be vacated on both sides of the street and following the vacation of the street by the City, the vacated street property will be owned by the Authority; and

WHEREAS, upon completion of the vacation process by the City, the Authority has proposed to convey the vacated street, as legally described in EXHIBIT B attached hereto (the "Additional Property"), to the Developer; and

WHEREAS, in order to promote the redevelopment of land that is underused and underutilized in the City, the Authority is considering conveying the Additional Property with the Development Property to the Developer for the proposed redevelopment thereof; 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 and the Additional Property to the Developer, in accordance with Minnesota Statutes, Section 469.029, subdivision 2; and

WHEREAS, there has been presented before this Board a revised Purchase Agreement (the "Revised Purchase Agreement") proposed to be entered into between the Authority and the Developer, pursuant to which the Authority will agree to sell the Development Property and the Additional Property to the Developer, and the Developer will agree to purchase the Development Property and the Additional Property from the Authority; and

WHEREAS, the Board has reviewed the Revised Purchase Agreement 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 Revised Purchase Agreement is hereby in all respects authorized, approved, and confirmed, and the Chairperson and the Executive Director are hereby authorized and directed to execute the Revised Purchase Agreement for and on behalf of the Authority in substantially the form now on file with the Community Development Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2. The Chairperson and the Executive Director are hereby authorized to execute and deliver to the Developer a quit claim deed and any and all other documents or certificates deemed necessary to carry out the intentions of this resolution and the Revised Purchase Agreement.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 17th day of July, 2017.

Mary Supple, Chair

ATTEST:

Doris Rubenstein, Secretary

EXHIBIT A

LEGAL DESCRIPTION OF THE DEVELOPMENT PROPERTY

Lot 1, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410005

Lot 2, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410006

Lot 16, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410020

EXHIBIT B

LEGAL DESCRIPTION OF THE ADDITIONAL PROPERTY

That portion of vacated 17th Avenue South accruing to Lots 1 and 2, Block 1, Cedar-Sunrise Addition

That portion of vacated 17th Avenue South accruing to Lots 14, 15, and 16, Block 2, Wexler's Addition

REVISED PURCHASE AGREEMENT

This Revised Purchase Agreement (“Agreement”) is made this 17th day of July, 2017 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 (“Seller”), and Interstate Development LLC, a Minnesota limited liability company, or its assignee (“Buyer”).

- 1. PROPERTY.** Seller is the owner of certain real estate located in the City of Richfield, Hennepin County, Minnesota and legally described in Exhibit A and the building and improvements constructed or located thereon (the “Property”).
- 2. OFFER/ACCEPTANCE.** In consideration of the mutual agreements herein contained, Buyer offers and agrees to purchase and Seller agrees to sell and hereby grants to Buyer the exclusive right to purchase the Property.
- 3. CONTINGENCIES.** This Agreement is subject to the following contingencies:
 - A. Approval of the conveyance of the Property by Seller’s governing body after a public hearing required by law.
 - B. Buyer having determined that it is satisfied with the result of and matters disclosed by Buyer’s investigations, surveys, soil tests, engineering inspections, hazardous substance, and environmental reviews of the Property.
 - C. Buyer having obtained all appropriate approvals and permits necessary for Buyer’s proposed use of the Property, including, but not limited to, plat approval, conditional use permits, signage permits, building permits, and site plan approvals.

If the contingencies above are satisfied in a timely manner, then Buyer and Seller shall proceed to close the transaction as contemplated herein. If, however, any of the contingencies at subparagraphs A, B or C above are not satisfied or waived by September 30, 2017, this Agreement shall thereupon be void, Seller shall return the Earnest Money to Buyer, and Buyer and Seller shall execute and deliver to each other the termination of this Agreement. The contingency set forth in subparagraph A cannot be waived. The contingency in subparagraph B can only be waived by the Buyer. The contingency in subparagraph C may only be waived by the Buyer and the Seller. As a contingent purchase agreement, the termination of this Agreement is not required pursuant to Minnesota Statutes Section 559.21, et seq.

4. PURCHASE PRICE AND TERMS.

- A. **PURCHASE PRICE.** The Property is approximately [0.053] acres. The total Purchase Price for the Property is \$450,000 (the “Purchase Price”).
- B. **TERMS.**

- (1) EARNEST MONEY. Earnest money in the amount of Fifteen Thousand Dollars (\$15,000) (the “Earnest Money”) is payable to Seller within five business days after approval of this Agreement by Seller’s governing body.
- (2) BALANCE DUE SELLER. Buyer agrees to pay by certified check or wire transfer of funds on the Closing Date (as defined in Section 7) any remaining balance due according to the terms of this Agreement.
- (3) DEED/MARKETABLE TITLE. Subject to performance by Buyer, Seller agrees to execute and deliver a Quit Claim Deed in substantially the form attached as Exhibit B (the “Deed”) conveying marketable title to the Property to Buyer, subject only to the following exceptions:
 - a. Building and zoning laws, ordinances, state and federal regulations;
 - b. Reservation of minerals or mineral rights to the State of Minnesota, if any; and
 - c. Restrictive covenant providing a right of reverter to the Seller to be exercised at Seller’s option if the Buyer fails to perform as provided in Section 12 of this Agreement, as described in the Deed.
- (4) DOCUMENTS TO BE DELIVERED AT CLOSING. In addition to the Deed, Seller shall deliver to Buyer:
 - a. Standard form Affidavit of Seller; and
 - b. Such other documents as may be reasonably required by Buyer’s title examiner or title insurance company.

5. REAL ESTATE TAXES AND SPECIAL ASSESSMENTS.

- A. General real estate taxes applicable to any of the Property due and payable in the year of closing shall be prorated between Seller and Buyer on a daily basis with Seller paying those allocable to the period prior to the Closing Date and Buyer being responsible for those allocable to the Closing Date and thereafter.
- B. Seller is not aware of any special assessments currently levied against the Property.

6. SURVEY AND TITLE MATTERS. Buyer, at its sole expense, shall obtain the title evidence determined necessary or desirable by Buyer. Buyer shall have 10 days following the receipt of same to make its objections in writing to Seller. If the title to the Property or any part

thereof, shall be found to be unmarketable, Seller agrees to cure such defects and render the title marketable by the Closing Date; provided, that nothing in this Agreement shall require Seller to exercise its power of eminent domain to make title marketable.

It is further understood and agreed that if the title to the Property or any part thereof is found to be unmarketable on the Closing Date, Buyer may, at its option: (a) waive the title defects and proceed to closing; or (b) declare this Agreement null and void, upon which the Earnest Money shall be refunded and neither Buyer nor Seller shall be liable for damages hereunder. If the title to the Property is found marketable and Buyer shall default in any of the covenants or agreements herein provided, then and in that case, Seller may at its option, deem this Agreement terminated by giving written notice thereof to Buyer, and on such termination, the Earnest Money shall be retained by Seller as liquidated damages, time being of the essence hereof. Neither party may enforce this Agreement by specific performance.

7. CLOSING DATE. The closing of the sale of the Property shall take place on a date to be mutually agreed upon by Seller and Buyer (the "Closing Date"), but no later than _____, 2017. The closing shall take place at the Richfield Municipal Center, or such other location as mutually agreed upon by the parties.

8. ADMINISTRATIVE COSTS OF SELLER. Buyer agrees and understands that it is responsible for and will pay to the Seller all out-of-pocket costs incurred by the Seller (including without limitation reasonable attorney and fiscal consultant fees) in the negotiation and preparation of this Agreement and other documents and agreements in connection with the activities contemplated hereunder (collectively, the "Administrative Costs"). Administrative Costs shall be evidenced by invoices, statements or other reasonable written evidence of the costs incurred by the Seller.

Upon execution of this Agreement, the Buyer will deliver a deposit to the Seller in the amount of \$5,000 (the "Deposit") to pay future Administrative Costs. At any time the Deposit drops below \$1,000, the Buyer shall replenish the deposit to the full \$5,000 within 30 days after receipt of written notice thereof from the Seller. The Seller shall provide invoices to the Buyer for all payments deducted from the Deposit. At any time the Deposit is insufficient to pay invoices related to the activities contemplated hereunder, the Seller will ask for additional Deposits from the Buyer. If the additional Deposit is not made within 30 days following the date of such request, the Seller may elect to either suspend its performance under this Agreement or terminate this Agreement. Such suspension or termination will be effective on the date it is given in writing, or on such later date specified in the notification. Any unexpended or unencumbered portion of the Deposit shall be returned or credited to the Buyer at closing.

9. CLOSING COSTS AND RELATED ITEMS. Seller shall be responsible for payment of recording fees related to the Deed and state deed tax. Unless otherwise provided herein, Buyer shall be responsible for the payment of the recording costs related to instruments required to establish marketable title in Buyer (other than the Deed), the title insurance premium (if any), and all closing costs and expenses not paid by Seller. Each party shall be responsible for its own attorneys' fees and costs.

10. APPROVALS. Buyer may be in need of plat approval, a conditional use permit or other approvals for its proposed use of the Property. Buyer shall be responsible for applying to the city for permits or any other government approvals needed and the costs associated with obtaining them. Seller agrees that it will cooperate with Buyer in providing any information or authorization needed in order for Buyer to apply for the governmental approvals. Buyer's failure to obtain necessary permits or government approvals shall not be considered Unavoidable Delays (as defined in Section 12 herein).

11. "AS-IS" SALE. Buyer acknowledges that it has inspected or has had the opportunity to inspect the Property and agrees to accept the Property "AS IS" with no right of set off or reduction in the purchase price. Such sale shall be without representation of warranties, express or implied, either oral or written, made by Seller or any official, employee or agent of Seller with respect to the physical condition of the Property, including but not limited to, the existence or absence of petroleum, hazardous substances, pollutants or contaminants in, on, or under, or affecting the Property or with respect to the compliance of the Property or its operation with any laws, ordinances, or regulations of any government or other body, except as stated above. Buyer acknowledges and agrees that Seller has not made and does not make any representations, warranties, or covenants of any kind or character whatsoever, whether expressed or implied, with respect to warranty of income potential, operating expenses, uses, habitability, tenant ability, or suitability for any purpose, merchantability, or fitness of the Property for a particular purpose, all of which warranties Seller hereby expressly disclaims, except as stated above.

12. RESTRICTIVE COVENANT. Buyer proposes to improve the Property by constructing a retail building of approximately 10,400 square feet (the "Improvements"). Buyer must commence construction of the Improvements within six months of the Closing Date and complete the Improvements within eighteen months of the Closing Date, barring Unavoidable Delays.

"Unavoidable Delays" means delays beyond the reasonable control of the Buyer 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 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 Seller in exercising its rights under this Agreement) which directly results in delays.

If Buyer fails to commence or complete construction of the Improvements within the time periods required by this Section, then, pursuant to the Deed, Seller shall have the right to re-enter and take possession of the Property and to terminate the estate conveyed by the Deed to Buyer, as described more fully in the Deed.

This Section 12 shall survive the Closing Date.

13. POSSESSION/CONDITION OF PROPERTY. Seller shall deliver possession of the Property to Buyer on the Closing Date, in materially the same condition as existed on the date of this Agreement.

14. DISCLOSURE; INDIVIDUAL SEWAGE TREATMENT SYSTEM. Seller discloses that there is not an individual sewage treatment system on or serving the Property.

15. WELL DISCLOSURE. Seller certifies that Seller [does not know] of any wells on the Property.

16. BROKER COMMISSIONS. Seller represents and warrants to Buyer that Seller has not involved a broker in this transaction or agreed to pay a broker commission to any broker. Buyer represents and warrants to Seller that Buyer has not involved a broker in this transaction or agreed to pay a broker commission to any broker. Each party agrees to indemnify, defend and hold each other harmless for any and all claims for brokerage commissions or finders' fees in connection with negotiations for purchase of the Property.

17. SURVEYING, ENVIRONMENTAL INSPECTION AND SOIL TESTS. Buyer and its agents shall have the right to enter upon the Property after the date of this Agreement for the purpose of surveying and inspecting the Property and conducting such environmental examination and soil tests as Buyer deems necessary. Buyer agrees to indemnify Seller against any liens, claims, losses or damage directly attributable by Buyer's exercise of its right to enter and work upon the Property. Buyer agrees to provide Seller with a copy of any report or survey prepared as a result of such surveying, inspection, examination, or testing, upon request by Seller.

18. NO MERGER OF REPRESENTATIONS, WARRANTIES. All representations and warranties contained in this Agreement shall not be merged into any instruments or conveyance delivered at closing, and the parties shall be bound accordingly.

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

20. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, administrators, successors and assigns. Buyer shall not assign its rights and interest hereunder without the consent of Seller.

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

If to Seller:	Richfield HRA Executive Director 6700 Portland Avenue South Richfield, MN 55423
---------------	--

If to Buyer: Interstate Development LLC
Lonnie Provencher
6390 Carlson Drive
Eden Prairie, MN 55346

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

23. GOVERNING LAW. The provisions of this Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

24. PARTNERSHIP OR JOINT VENTURE. Nothing in this Agreement shall be construed or interpreted as creating a partnership or joint venture between Seller and Buyer relative to the Property.

25. PRIOR AGREEMENTS. Upon execution of this Agreement by the parties, the Purchase Agreement, dated May 25, 2017 (the "Initial Purchase Agreement"), between the Seller and Buyer shall terminate. The earnest money paid pursuant to the Initial Purchase Agreement shall be held by the Authority as the Earnest Money required under Section 4(B)(1) of this Agreement.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date written above.

SELLER

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

By: _____
Its Chair

By: _____
Its Executive Director

BUYER

INTERSTATE DEVELOPMENT LLC

By: _____
Its: _____

EXHIBIT A

LEGAL DESCRIPTION

Lot 1, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410005

Lot 2, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410006

Lot 16, Block 1, Cedar-Sunrise Addition
Tax ID – 2602824410020

That portion of vacated 17th Avenue South accruing to Lots 1 and 2, Block 1, Cedar-Sunrise Addition

That portion of vacated 17th Avenue South accruing to Lots 14, 15, and 16, Block 2, Wexler's Addition

EXHIBIT B

FORM OF QUIT CLAIM DEED

eCRV number: _____

Deed Tax Due: \$ _____

Date: _____

QUIT CLAIM DEED

FOR VALUABLE CONSIDERATION, 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 “Grantor”), hereby conveys and quitclaims to Interstate Development LLC, a Minnesota limited liability company, or its assignee (the “Grantee”), the land described as follows (hereinafter referred to as the “Property”):

Lot 1, Block 1, Cedar-Sunrise Addition

Lot 2, Block 1, Cedar-Sunrise Addition

Lot 16, Block 1, Cedar-Sunrise Addition

That portion of vacated 17th Avenue South accruing to Lots 1 and 2, Block 1, Cedar-Sunrise Addition

That portion of vacated 17th Avenue South accruing to Lots 14, 15, and 16, Block 2, Wexler’s Addition

[Part or all of the land is Registered (Torrens)]

To have and to hold the same, together with all the hereditaments and appurtenances thereunto belonging subject to the following exceptions:

It is understood and agreed that this Quit Claim Deed is given pursuant to that certain Purchase Agreement between Grantor and Grantee dated as of the ___ day of _____, 2017 (the “Agreement”), and is subject to the following covenants, conditions, restrictions and provisions. The capitalized terms not defined herein shall have the meanings given them in the Agreement.

Section 1. Reverter.

All right, title and interest to and in the Property will revert in the Grantor, at the Grantor’s option, in the event that:

- (i) construction of the Improvements is not commenced within six (6) months of the date of this Deed; or,
- (ii) a Certificate of Occupancy is not issued for the Improvements within eighteen (18) months of the date of this Deed; or
- (iii) if Unavoidable Delay is experienced, after construction is so commenced, a Certificate of Occupancy is not issued for the Improvements within 18 months and the Grantor serves notice upon the Grantee that it is exercising its right of reverter.

Section 2. Termination of Grantor's Right.

Upon issuance of a Certificate of Occupancy, the Grantor will provide the Grantee with a recordable instrument releasing the Grantor's right contained in Section 1.

- The Seller certifies that the Seller does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document or has been electronically filed. (If electronically filed, insert WDC number: _____).
- I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

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

By _____
Its Chair

By _____
Its Executive Director

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing was acknowledged before me this _____ day of _____, 2017, by Mary B. Supple, the Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the public body corporate and politic.

Notary Public

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing was acknowledged before me this _____ day of _____, 2017, by Steven L. Devich, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the public body corporate and politic.

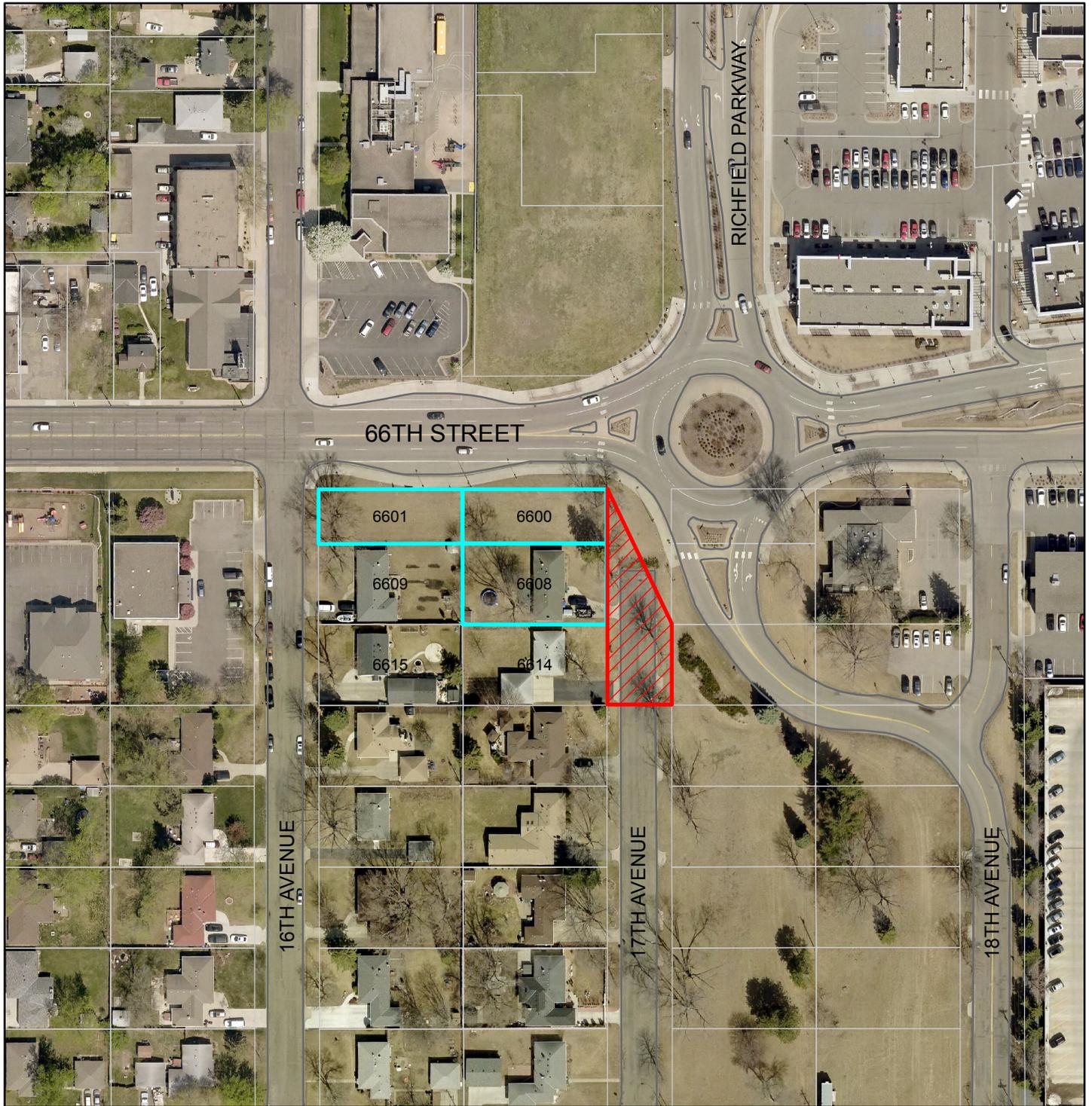
Notary Public

This instrument was drafted by:

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

Tax Statements should be sent to:

Property to be conveyed to Interstate LLC



Vacated ROW



HRA Owned Parcels

0 75 150 300 450 600 Feet





**SPECIAL JOINT CITY COUNCIL AND HOUSING AND REDEVELOPMENT
AUTHORITY WORKSESSION
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM
JULY 17, 2017
7:15 PM**

Call to order

1. Affordable Housing Strategies

Adjournment

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

CITY OF RICHFIELD, MINNESOTA
Office of City Manager

July 13, 2017

Council Memorandum No. 69

The Honorable Mayor
and
Members of the City Council

HRA Memorandum No. 20
Housing and Redevelopment
Authority Commissioners
City of Richfield

Subject: Affordable Housing Strategies

Council Members and Commissioners:

At the April 25 joint City Council and Housing & Redevelopment Authority Work Session, a representative of the Housing Justice Center (accompanied by representatives of CAP-HC and VEAP) presented a number of affordable housing “strategies and tools” for Richfield policy-makers to consider. Since that time, staff has had the opportunity to further contemplate and research these strategies. This process has included discussions with:

- The housing consultant for the Minnesota chapter of the Urban Land Institute (ULI);
- six of our peer communities (Bloomington, Edina, Minneapolis, St. Louis Park, Golden Valley, Hopkins), Hennepin County, and Minnesota Housing;
- City legal counsel and HRA legal counsel; and
- Further meetings with representatives of the Housing Justice Center, CAP-HC and VEAP.

Based on this research and examination, staff is providing further analysis of each of the proposed “strategies and tools” as well as suggesting a few additional strategies for consideration (attached).

Before implementing strategies, staff suggests that policy-makers better define the goals that such strategies are meant to accomplish. Currently, Richfield has among the highest percentage of housing affordable to “low income” households in both Hennepin County and in the Twin Cities region. According to the most recent information available from the Metropolitan Council¹, Richfield’s status at each affordability threshold is as follows:

Affordability to households earning 80% or less than the Area Median Income (AMI): 90% of Richfield’s rental housing meet this criteria. It is staff’s assertion that a certain amount of “upscale” rental housing is healthy for a community and helps provide

¹ Analysis includes only those communities with 1,000 or more rental units

the market demand for the kinds of retail and restaurants that resident's desire. As such, staff suggests that the construction of new market rate rental housing could increase the "upscale" rental housing beyond its current 10% level.

Affordability to households earning 50% or less than the Area Median Income (AMI): This is the predominant affordability level in Richfield. Currently 63% of Richfield's rental housing falls into this category. This ratio places Richfield 8th in the metro region (out of 51 communities) and 1st in Hennepin County (among 17 communities) for providing housing at this affordability level. The vast majority of this housing is "naturally occurring affordable housing", which is affordable by virtue of its poor condition or the obsolescence of its design or amenities. Much of this housing can be rehabilitated and improved. There are some buildings, however, that are structurally substandard to a degree at which renovation would be infeasible and unadvised.

Affordability to households earning 30% or less than the Area Median Income (AMI): Richfield currently provides a relatively small percentage of housing for this income level, which is described as "very low income" in affordability terms. Only 10.1% of Richfield's rental housing stock meets this level. Two of our peer communities provide a greater proportion of housing at this affordability level (Golden Valley at 18.5%, Columbia Heights at 13.9%), two are at similar proportions (Roseville at 10.6% and Edina at 10.1%), and two having a lower proportion (St. Louis Park at 8.5% and Brooklyn Park at 8.2%).

It is a generally shared belief that housing for "very low income" families ($\leq 30\%$ AMI) needs to be formally subsidized and should provide social services on site. Historically, Richfield residents have opposed housing fitting this description (based on denied proposals in 2008 and 2012).

Before implementing any particular affordability strategies, staff is recommending that the City Council and HRA establish policy statements or goals for each of the following:

- Development of new subsidized housing with social services for very low income households;
- Preservation of existing naturally occurring affordable housing (NOAH) aimed at households earning between 30%-80% of the AMI;
- A strategy for dealing with affordable housing in buildings that are unsafe and/or structurally substandard and cannot be feasibly renovated;
- Development of new upscale rental housing (for households earning more than 80% of the Area Median Income).

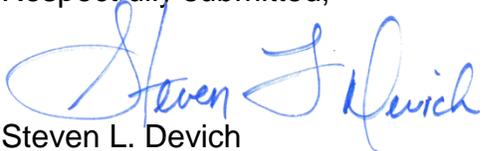
The Rental Housing Inventory and Needs Assessment prepared for the City and HRA in 2012 provides an analysis of the gaps that exist in the rental housing stock, as a whole, and can offer a resource when developing these goals.

While we are still in the data gathering phase of the Comprehensive Plan, a great deal of the feedback thus far has related to affordable housing.

A cursory review of these comments shows that about half of the respondents are generally supportive of affordable housing and/or are concerned about the inadequacy of affordable housing while the other half have a negative view of affordable housing and feel that Richfield has more than enough affordable housing.

Staff's suggestion is that the formation of policy statements/goals related to affordable housing should occur as part of the ongoing Comprehensive Plan process.

Respectfully submitted,



Steven L. Devich
City Manager

SLD:js

Email: Assistant City Manager
Department Directors

Attachments

Analysis of Affordable Housing Preservation Strategies & Tools

The following strategies and tools are suggested by the Housing Justice Center as options to help the City preserve its affordable housing stock.

Strategy/Tool: **Identification of buildings; Document the problem**

Staff Feedback: Since the inception of the City’s Rental Licensing Program in 1989, staff has maintained a list of the City’s rental housing. Staff has begun identifying NOAH (naturally occurring affordable housing) buildings and those that are the most at-risk of becoming less affordable.

Resources Required: Staff time

Places Enacted in MN: Unknown

Staff Recommendation: Staff will continue to compile and improve our listing of rental housing, paying particular attention to the identification of naturally occurring affordable housing (NOAH) complexes with 30 or more units.

Strategy/Tool: **Advanced notice period required for the sale of affordable housing**

Staff Feedback: From both a practical and legal standpoint, the most difficult aspect of this tool would be enforcement. What punitive actions would be taken to prevent this requirement from being ignored? Who would be subjected to that punitive action? The seller may no longer have any presence in Richfield, and the buyer would not have been empowered to provide such notice.

Attorney Feedback: A requirement that property owners give the City advanced notice before the sale of a building triggers enforcement concerns. Arguably, a seller could disregard the requirement with the only potential consequence being a monetary fine or penalty relating to the ordinance violation. Such a consequence may not be a significant deterrent. Also, monitoring compliance would be challenging. A notice requirement could be effective if tied to the City’s rental licensing requirements and/or made a condition for properties receiving public funding or assistance. Without a tie to licensing or public funding, a notice requirement potentially raises questions about interference with private property rights. The cities of Denver and Portland have

ordinances requiring mandatory notice, but the ordinances apply to buildings that receive public money. And even in those cases, a seller's noncompliance with the ordinance doesn't invalidate the sale. The primary purpose of this strategy would be to give the City time to approach an alternative buyer rather than to punish a seller that does not comply with the notice requirement. The City Attorney is not aware of any court opinions relating to a mandatory notice period.

Resources Required: Adoption of an ordinance and staff/attorney time for enforcing the ordinance.

Places Enacted in MN: Nobody has enacted yet. Minneapolis is expected to do so this year. St. Louis Park and Golden Valley are studying the topic but have not yet reached any firm conclusion.

Seattle has such an ordinance, but it has been reported that they do not enforce it.

Staff Recommendation: Require a 90-day notice for the sale of any affordable housing development that received any assistance from the City of Richfield and/or Richfield HRA/EDA.

Work with St. Louis Park and Golden Valley to continue researching the legality and practicalities of requiring such notice on other properties.

Strategy/Tool: **Help preservation buyers to buy at-risk buildings**

Staff Feedback: A first step in this strategy is to develop and nurture relationships with "preservation buyers." City staff is committed to continuing to improve these relationships. A better identification of such "buyers" would be helpful and that is something that housing advocacy groups could help provide.

While not stated in this recommended strategy, it is implied that the City would provide financial assistance to the prospective buyer.

Resources Required: Funding to assist in property purchases.

Places Enacted in MN: Several

Staff Recommendation: Staff will continue to meet with potential preservation buyers to make them aware of potentially available properties and of resources that may be

available to assist in rehabilitation.

Given the limited resources available to the City and HRA/EDA and given the local desire to ensure that affordable housing is maintained as “quality affordable housing,” staff would recommend that financial assistance be directed to the rehabilitation of affordable units (addressed further on another point) rather than the acquisition of NOAH units to be preserved without improvements.

Strategy/Tool:**Right of First Refusal**

Staff feedback:

As suggested, this would encompass the tenants having a collective Right of First Refusal rather than the City. It is unclear what role the City would play in establishing the legal framework to enable this or its role in managing such a process.

It is unclear how effective such a law would be on the local level and absent significant financial resources. There is a similar state law that applies to mobile home parks, giving mobile home owners the right of first refusal to buy park land. This law proved ineffective in a recent case in St. Anthony where a mobile home park was sold to a developer instead of Aeon on behalf of the home owners.

Attorney Feedback:

When the HRA or EDA convey land to a developer and the development does not commence, a right of first refusal provides the HRA or EDA with the ability to repurchase the property for the price at which it was purchased (plus any improvements made to the property). If the developer assembles land for a development and the development does not commence, the HRA or EDA could obtain a right of first refusal to buy the assembled property before the developer attempts to sell it. This type of right of first refusal would require the EDA or HRA to buy the property for fair market value. If the HRA or EDA provide a subsidy to the development, it is easier to obtain a right of first refusal from a developer. Without a subsidy, developers are reluctant to execute rights of first refusal. Developers’ main concern over these agreements is that potential buyers see these documents on the title work and don’t want to put an offer on the land because another entity has the right to step in and buy the property for whatever the potential buyer is offering or a bidding war may ensue between the potential buyer and the entity with the right of first refusal.

Resources Required:

Funding for attorney research.

Places Enacted in MN: None

Staff Recommendation: Staff recommends working with our peer cities and with the League of Minnesota Cities (and similar organizations) to draft language in State Statutes giving similar Right of First Refusal powers to apartment tenants that are currently provided to mobile home tenants.

Strategy/Tool: **Local programs offering rehab financing in return for affordability commitments**

Staff Feedback: Staff has been advocating for federal, state, and county programs of this nature (and has mentioned it at our Legislative Breakfast meeting) for several years. Lacking players at a higher level, Richfield can fund a limited program.

Urban Land Institute staff has offered to set up a meeting with Hennepin County, Minnesota Housing and interested cities to talk further about the need for resources.

Local funding will have to be diverted from other needs and the funding may ultimately be insufficient to make an appreciable difference.

Some local funding sources suggested (i.e., CDBG) are best used in the case of small buildings given the federal rules that apply with eight or more units. (Note: CDBG is a federal program, which is dependent upon Congress authorizing funds.) The City received \$244,000 in CDBG for 2017. The funds are currently directed to low income residents through the Deferred Loan Program, affordable homeownership opportunities, and several public service agencies. Redirecting the funds to apartment rehab would leave these programs unfunded.

This strategy also requires willing owners. Financing terms will need to be attractive enough to incentivize owners to participate.

Resources Required: Staff believes the cost of rehabilitating an apartment unit (with some associated improvements to the contiguous common area) to be approximately \$15,000 per unit.

Places Enacted in MN: Bloomington - \$50,000 put into NOAH fund every year (2% of \$2.1 million HRA levy).

Staff Recommendation: Staff has identified \$237,000 in the proposed 2018 EDA budget for an Affordable Rental Housing Rehab Pilot Loan/Grant Fund. This could pay half the cost to rehabilitate over 30 apartment units next year. If successful, the program would be continued in 2019.

Strategy/Tool: **4d Property Tax Program**

Staff Feedback: The state no longer administers this program or funds this program. While the statute allows for “local subsidies,” the City would need to find the resources to fund it (i.e., providing a tax reduction/credit to affordable apartment owners would mean increasing taxes on others and/or reducing services). It also may be that the tax credit would primarily serve existing affordable housing providers and not result in increasing the supply or preventing an owner from selling to a new owner who would raise rents.

Resources Required: Local funding

Places Enacted in MN: None

Staff Recommendation: Further research is needed on this concept to determine the effectiveness, costs, and benefits.

Strategy/Tool: **Prohibition of Section 8 Discrimination**

Staff Feedback: In the Minneapolis case, opposing landlords claimed that they could simply raise their rents over the Section 8 payment standard which would disqualify their units according to HUD’s policies. This would have the unintended consequence of making rental housing less affordable. Or rents may already be too high to meet payment standards.

Requires landlords to not discriminate. It doesn’t require their participation in the program. Minneapolis is considering coupling it with a Landlord Incentive Fund.

An enforcement process would need to be developed and implemented. Minneapolis will enforce through complaints filed with their Civil Rights Commission, a structure Richfield doesn’t have.

Attorney Feedback:

The Minnesota Human Rights Act makes it an unfair discriminatory practice for an owner to refuse to rent to a person because of “status with regard to public assistance.” Minn. Stat. § 363A.09, subd. 1(1). “Status with regard to public assistance’ means the condition of being a recipient of federal, state, or local assistance, including medical assistance, or of being a tenant receiving federal, state, or local subsidies, including rental assistance or rent supplements.” Minn. Stat. § 363A.09, subd. 47. In 2010, the Minnesota Court of Appeals held that, consistent with federal regulations, Minnesota law does not require property owners to participate in Section 8 programs. *Edwards v. Hopkins Plaza Ltd. Partnership*, 783 N.W.2d 171 (Minn. Ct. App. 2010) The Court, therefore, rejected a claim of discrimination by a tenant who was displaced when his landlord decided to phase out of the Section 8 program. However, the Court also said that even though Section 8 is voluntary, the federal rules were not “intended to pre-empt operation of state and local laws that prohibit discrimination against a Section 8 voucher-holder because of status as a Section 8 voucher-holder.”

Based on the Minnesota Human Rights Act and the Court’s decision in *Edwards*, the City Attorney believes that the City could adopt an ordinance prohibiting Section 8 discrimination. However, the City could not mandate or require property owners to participate in Section 8.

The City of Minneapolis passed a Section 8 anti-discrimination ordinance on March 24, 2017. It will go into effect in May 2018. The ordinance is similar to the provision in the Minnesota Human Rights Act, but it also allows property owners to claim an “undue hardship” based on financial considerations and other factors, which may exempt them from the ordinance requirements. Opponents of the ordinance have sued the city. The landlords are asking the court to declare the law invalid and order the city not to enforce it.

Resources Required:

Potential legal costs in the event of litigation.

Places Enacted in MN:

Minneapolis enacted 3/17; effective date mid-2018.

Staff Recommendation:

Staff feels that it would be prudent to mirror Minneapolis’ actions related to this with a 6-12 month delayed action in order to reduce the legal exposure and to better react to negative impacts.

Strategy/Tool:**Just Cause Eviction**

Staff Feedback:

Staff is concerned about the mechanism for determining whether “just cause” has been met.

Currently, the state of Minnesota is able to take enforcement action on any violation of the Fair Housing Act. Beyond that, Richfield staff has no ability, mechanism/structure or expertise to adjudicate whether a tenant has been asked to vacate at the end of their lease for a cause that is deemed to be “just” under the terms of the lease. City staff is simply not equipped to handle the enforcement of such an ordinance.

It has been suggested that the Minnesota Housing Courts could serve as the body to determine whether or not a landlord would be in violation of a Richfield ordinance requiring just cause. Staff suspects, however, that this court could not enforce a local ordinance.

Attorney Feedback:

Cities have broad local authority to regulate rental housing, usually via rental licensing provisions, to address public health, welfare and safety concerns. However, there is no explicit authority in Minnesota law giving cities the ability to require landlords and property owners to include specific terms in a lease agreement. Under state statute, “[a] tenancy at will may be terminated by either party by giving notice in writing.” Minn. Stat. § 504B.135. In a legal opinion provided to HOME Line, it was argued that this statute only addresses the who and how a tenancy may be terminated, but not the why a tenancy may be terminated. Therefore, the opinion was that an ordinance requiring landlords to have cause to evict would not be in conflict with the statute. This provides a somewhat narrow interpretation of the statute and leaves some doubt as to how a court might rule on the issue. The City Attorney is not aware of Minnesota court opinions relating to just cause eviction.

Under Minnesota law, owners of manufactured home park property may only “evict” mobile home owners for cause as provided in the statute. (Including nonpayment of rent, violations of law, etc.) Minn. Stat. § 327C.09. The Legislature has not enacted a similar provision relating to rental properties.

Other states and cities outside of Minnesota have implemented good cause eviction rules, many of which have been upheld by courts on constitutional grounds. Additional research would be needed to understand the applicable state laws and claims that were being made in those cases.

Resources Required:

Staffing for investigating claims and a body for hearing claims and appeals.

Places Enacted in MN: None

Staff Recommendation: Given limited staff capacity at this time, we recommend that consideration of this item be revisited at a later time.

Strategy/Tool: **Incentives to address landlord concerns about renting to certain groups of tenants**

Staff Feedback: Richfield already does this to some degree, and is recommending a number of further steps to address this concern

Minnesota Housing is developing a pilot program targeted to high-risk populations and people with barriers to housing beyond affordability. The City will participate in this program to the greatest extent possible.

Resources Required: \$3,000 - \$5,000 annually

Places Enacted in MN: Dakota County (church funds), Fargo-Moorhead; Lutheran Social Service, Minneapolis (out of funds).

Staff Recommendation: In the 2018 Revised Budget, staff would include \$3,000 for a Section 8 Security Deposit Assistance Fund and \$1,000 for a Section 8 Application Fee Assistance Fund.

Staff is also recommending an HRA/EDA policy stating that any non-age restricted multi-family housing development that receives financial assistance must set aside at least one unit and up to 2% of the units for Section 8 tenants (the average City-wide ratio is .07 Section 8 tenants per unit).

Strategy/Tool: **Inclusionary Housing**

Staff Feedback: For nearly 20 years, 100% of new publically-assisted, rental housing has adhered to Richfield's current informal policy of either providing 20% affordable housing or contributing 15% of their Tax Increment Financing to Richfield's Housing Fund.

Staff will be working on language to formalize our requirements while still providing some degree of flexibility. From a process standpoint, the update of

the City’s Comprehensive Plan would be the ideal venue to make this change.

The HRA could also add the requirement that buildings receiving financial assistance from the HRA accept Section 8.

Resources Required: Drafting of local ordinances/policies.

Places Enacted in MN: Several

Staff Recommendation: The Zoning Ordinance should be revised to require affordable housing in all new multi-family developments. An example of such language might state that any multi-family housing development of 10 units or more must include at least 20% of the units as affordable to households earning at or below 60% of the Area Median Income – if such developments are the recipients of Tax Increment Financing, then 15% of the TIF generated could be given to Richfield’s Housing and Redevelopment Fund in lieu of providing such units.

Strategy/Tool: **Increasing local government leverage through zoning**

Staff Feedback: In our meeting with the Housing Justice Center, they were unable to provide many examples of this strategy but have committed to providing further information. One example they suggested was zoning a parcel as affordable and placing restrictions on any rezoning. This is something that would require further investigation as to its legality or practical application.

Resources Required: TBD

Places Enacted in MN: TBD

Staff Recommendation: Continue a dialog with housing advocacy groups to get more concrete examples and then further research those examples.

Strategy/Tool: **Rental assistance**

Staff Feedback: This is one area where Richfield excels. There is no other community in Minnesota that provides more or better rental assistance relative to its size

than Richfield. Our Kids@Home program continues to be revolutionary and our Section 8 program is administered in a manner that is second-to-none.

Resources Required: EDA Funding.

Places Enacted in MN: Richfield has been the leader on this issue in terms of funding relative to community size.

Staff Recommendation: Utilizing EDA funding, Staff is proposing to increase Kids@Home funding by over 35% in 2018. This will allow us to assist an additional 8-12 households.

Strategy/Tool: **Comp Plan: Include strong language and solutions regarding affordable housing**

Staff Feedback: While we are still in the data gathering phase of the Comprehensive Plan, a great deal of the feedback thus far has related to affordable housing. A cursory review of these comments shows that about half of the respondents are generally supportive of affordable housing and/or are concerned about the inadequacy of affordable housing while the other half have a negative view of affordable housing and feel that Richfield has more than enough affordable housing.

Resources Required: A consultant has been hired to update the Comprehensive Plan.

Places Enacted in MN: All metro communities are required to update their Comprehensive Plans by 2018.

Staff Recommendation: The Comprehensive Plan update is underway and will address affordable housing.

OTHER RECOMMENDED ACTIONS

Strategy/Tool: **Building permit fee deferment/forgiveness: 15% of building fees deferred, with 1/3 of the deferment forgiven for every year rents are kept affordable**

Staff Feedback: This would be more of an incentive for the preservation of existing affordable housing than a punitive action for removing it. Richfield has always considered itself a better “carrot” organization than a “stick” organization.

Resources Required: This would reduce some revenues generated in building permits, but staff feels that it is a reduction that could be mitigated.

Places Enacted in MN: unknown

Staff Recommendation: Write and adopt a policy for a deferment of 15% of building fees for the rehabilitation of affordable rental housing units, with 1/3 of the deferment forgiven for every year rents are kept affordable.

HOUSING STRATEGIES & TOOLS FOR THE CITY OF RICHFIELD

Tools	Description	Opportunities	Challenges	Hennepin County Cities Considering
<i>Identification of buildings; Document the problem</i>	There should be an organized effort to track the most significant examples of this trend as well as identify buildings as soon as they come on the market (if possible before that). The City can also do a housing study that will identify the housing inventory and at-risk properties.	Richfield is at a great risk given the high percentage of naturally occurring affordable housing (NOAH). Identifying the multi-family housing in Richfield and documenting the problem gives the City more knowledge and ability to craft a strategic, outcome-oriented approach.		A number of cities have been doing housing studies and research on their housing inventory, particularly with the upcoming Comprehensive Plans.
<i>Notice Period</i>	The City must be given advanced notice prior to the sale of any building.	A Notice Period will give the City more to approach a preservation buyer to rehab the property and prevent displacement. In addition, the City can give service providers advanced notice in order to support tenants.	Developers will push back stating that it is restraining their ability to get the best price (i.e. buyers will lower the price if the market fluctuates in the 90 day time period.) Also, there could be a potential for the price to rise if there is a bidding war between a for-profit and a not for profit developer.	St. Louis Park, Golden Valley, Minneapolis, St. Paul, Bloomington
<i>Help preservation buyers to buy at risk buildings</i>	Several of our non-profit housing providers are actively competing in the market for these properties, but they are disadvantaged in competing against for-profit purchasers on price and timing with the complex financial process. The City can help notify preservation buyers when they know properties will be up for sale (e.g. Seasons Park).	Preservation buyers will keep the rents affordable while enhancing the property.	Preservation buyers often need at least a 90 day notice prior to the property being listed on the market in order to put together a competitive bid.	Many cities have relationships with preservation buyers, and there is frequent communication.

HOUSING STRATEGIES & TOOLS FOR THE CITY OF RICHFIELD

<p><i>Right of First Refusal</i></p>	<p>When owners offer their buildings for sale, they would be required to notify tenants and the designated unit of government. Tenants or the government unit would then have a defined period of time to match the essential terms of the offer (price, timeline, etc.). If they are able to do so, they have the right to purchase the building themselves.</p>	<p>Prevents tenant displacement and can help a preservation buyer be competitive.</p>	<p>It can be hard to anticipate where these purchase opportunities will materialize, making it difficult to know where to push for local ordinances. Could get complicated determining what the offer's "essential terms" are.</p>	<p>Minnesota has a ROFR for manufactured home parks.</p>
<p><i>Local programs offering rehab financing in return for affordability commitments</i></p>	<p>Many cities, like Richfield, have a supply of aging complexes that have deferred maintenance. Many managers of these complexes cite the costs of improvements as a reason to either 1) not make improvements or 2) increase the rents once improvements are made. Municipalities could offer rehab financing (low interest loans, forgivable grants) with commitments to maintain affordability over a set period of time. This could be done with CDBG dollars.</p>	<p>Preserves affordable housing units in the City as well as makes the property safe housing for residents.</p>	<p>Administration of the financing (could be done in conjunction with a local nonprofit), funds for the financing.</p>	<p>Bloomington- using their HRA levy money to put \$50,000 every year for a NOAH fund to preserve developments. It has been proposed to Brooklyn Park, in conjunction with their Rental Rehab Program.</p>
<p><i>4d Property Tax Program</i></p>	<p>This is essentially a tax credit given to housing providers who receive a government subsidy, and in exchange provide a percentage of their units at affordable levels (60%/50% AMI) for a set period of time. This is a program Richfield had when it was funded at the state level. That funding has dried up, and it seems that most people think 4D has gone away. However, the statute allows for "local subsidies."</p>	<p>Increases the number of new affordable housing units in the City.</p>	<p>Providing the pot of money for developers to tap into; the program is voluntary.</p>	<p>Suggested to Brooklyn Park</p>

HOUSING STRATEGIES & TOOLS FOR THE CITY OF RICHFIELD

<p><i>Prohibition of Section 8 Discrimination</i></p>	<p>Changes to business practices in Richfield resulted in the following properties no longer accepting Housing Choice Vouchers: -Christopherson Properties (no new) (2014) -Concierge Apartments (2015) -Woodlake Park Apartments (2016) -New Orleans Court Apartments (2016) -Winton Housing Apartments (2016) -Richland Court Apartments (2016) -Fountainhead Apartments (2016) -Seasons Park (2017) This ordinance would say that properties cannot exclude applicants simply because they use a rent subsidy.</p>	<p>Voucher holders would not lose housing every time a building changes policies and practices.</p> <p>There would also more housing options available to voucher holders.</p>	<p>Oftentimes the challenge will be for the HRA to lessen the administrative burden on landlords participating in the HCV program. However, given Richfield has its own HRA, landlords have said their experiences with the program are positive and feel the city is very responsive. Therefore, the challenge is minimal for the City.</p>	<p>St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie</p>
<p><i>Just Cause Eviction</i></p>	<p>Just Cause Eviction protects tenants from eviction for improper reason as well as prevents involuntary displacement through lease non-renewals or notices to vacate. This would allow landlords to evict a tenant only for certain reasons, such as failure to pay rent or for violation of the lease terms. As we saw at Crossroads, the new screening criteria was the reason many tenants' leases to not be renewed. Just Cause would allow these renters to continue living there until they break a condition of their new lease. It can be tied in with rental licensing.</p>	<p>Prevents involuntary displacement and protects tenants from eviction without a proper reason.</p>		<p>St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie</p>
<p><i>Incentives to address landlord concerns about renting to certain groups of tenants</i></p>	<p>Risk Mitigation Fund is oftentimes associated with the Housing Choice Voucher program. This Fund can be created as a response to the extremely low vacancy rate and the disparity between cost of living and wages. It serves as a damage fund to supplement costs the security deposit does not fulfill. It also has been offered as short-term vacancy reimbursement.</p>	<p>Incentivizes landlords to participate in voucher programs, providing voucher holders with more access to housing options.</p> <p>Provides insurance to landlords for any monetary losses from potential damage to property.</p>	<p>Funding the RMF; perpetuating stigma that voucher holders cause more damage (no evidence to support this)</p>	<p>Minneapolis HRA, Metro HRA, Dakota County CDA; many models across Minnesota.</p>

HOUSING STRATEGIES & TOOLS FOR THE CITY OF RICHFIELD

<i>Inclusionary Housing</i>	While this is in Richfield’s guidelines to develop housing with 20% affordability, a policy would ensure that this happens with every development. It also can be applied to rehabbed developments.	Increases the number of new affordable housing units in the City.	Only applies to new construction, therefore not addressing the need to preserve and maintain NOAH	St. Louis Park, Edina, Minnetonka, Golden Valley, Eden Prairie, Minneapolis and others are considering
<i>Increasing local government leverage through zoning</i>	Richfield could structure its zoning so as to prevent an owner engaging in conversion actions from doing so before obtaining the city’s zoning related approval.	Provides the City of Richfield with more leverage to intervene.		Minneapolis
<i>Rental assistance</i>	51% of Richfield households are cost burdened (ACS 2015). Rental assistance would lessen the burden by supplementing income, so housing costs are no more than 30% of income.	Residents would be able to afford housing costs without sacrificing other basic needs.	It is costly and unsustainable. As rent increases, rental assistance is insufficient and cannot serve as many households.	Hennepin County & a number of cities
<i>Comp Plan: Include strong language and solutions regarding affordable housing</i>	As Richfield completes its Comprehensive Plan, it is encouraged that the Plan has detailed solutions with strong language around the preservation of naturally occurring affordable housing. This plan will guide the City’s housing efforts in the next ten years.	Strong language can positively guide the City’s housing efforts in the next ten years.		A number of Hennepin County cities