



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
SEPTEMBER 16, 2019
7:00 PM**

Call to Order

Approval of the minutes of the (1) Concurrent City Council and Housing and Redevelopment Authority Work Session of August 19, 2019 and (2) Regular Housing and Redevelopment Authority meeting of August 19, 2019.

AGENDA APPROVAL

1. Approval of the Agenda
2. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consideration of a resolution approving an Amendment to the Contract for Private Development for Cedar Point II.

Staff Report No. 30

PUBLIC HEARINGS

3. Public hearing regarding consideration of approval of the Richfield Housing and Redevelopment Authority's Five-Year Public Housing Plan.

Staff Report No. 31

OTHER BUSINESS

4. Consideration of the acceptance of the Richfield Housing and Redevelopment Authority Tax Increment Financing District Status Update.

Staff Report No. 32

5. Consideration of authorizing the Housing and Redevelopment Authority Executive Director to negotiate a settlement of a Housing and Redevelopment Authority Deferred Loan at 7005 Columbus Avenue South.

Staff Report No. 33

HRA DISCUSSION ITEMS

6. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

7. Executive Director's Report

CLAIMS AND PAYROLLS

8. Claims and Payrolls

9. Adjournment

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



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Concurrent City Council and HRA Work Session

August 19, 2019

CALL TO ORDER

The work session was called to order by Chair Supple at 5:45 p.m. in the Bartholomew Room.

ATTENDANCE

- Council Members Present: Maria Regan Gonzalez, Mayor; Mary Supple; Edwina Garcia; Ben Whalen
- Council Members Absent: Simon Trautmann
- HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Pat Elliott; Erin Vrieze Daniels
- HRA Members Absent: Sue Sandahl
- Staff Present: John Stark, Director of Community Development/HRA Executive Director; Katie Rodriguez, City Manager; Julie Urban, Housing Manager; Neil Ruhland, Communications and Engagement Manager

ITEM #1	CONSIDERATION OF RENTAL HOUSING WORK PLAN AND PRIORITIES
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Housing Manager Urban reviewed the strategies and tools the City has accomplished in the past two years to strengthen the City's rental housing. She described the items currently being worked on and presented a list of items that policymakers may choose to focus on moving forward.

Community Development Director/HRA Executive Director Stark presented some statistics on the affordability distribution of rental housing in the community compared to similar communities. He pointed out that the City's share of rental housing is primarily affordable between 30 and 80% of the area median income and that less is available at the higher and lower ends of the income spectrum. Policymakers discussed the need for more current data to see how new and planned construction as well as the increased housing market prices impacted the data.

Councilmember Whalen stated that he didn't see the value in providing resources for housing at the higher end and said that instead he thinks we should focus our resources on housing at the lower end.

Housing Manager Urban presented information on the potential use of the 4d tax classification to provide tax breaks to apartment owners in exchange for preserving and/or improving naturally occurring affordable housing.

Policymakers agreed that the 4d programs being used by other cities are not a good fit for Richfield and encouraged staff to explore how the tax break might be used to encourage deeper affordability and more improvements.

Housing Manager Urban presented information on the City's Inclusionary Housing policy and potential revisions suggested by Councilmember Whalen.

Policymakers discussed how changing from a policy to an ordinance might impact development, the need for public assistance, the amount of an in lieu fee, accessible units, and creativity through a planned unit development.

Staff was directed to prioritize creating community among residents and offering tenant supports, adding a point of sale inspection for rental housing, revising the Inclusionary Housing policy, and exploring the use of 4d to encourage greater affordability and investment in rental housing.

ADJOURNMENT

The work session was adjourned by unanimous consent at 6:55 p.m.

Date Approved: September 16, 2019

Julie Urban
Housing Manager

Mary B. Supple
HRA Chair

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

August 19, 2019

CALL TO ORDER

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

HRA Members Present: Mary B. Supple, Chair; Pat Elliott; Maria Regan Gonzalez, and Erin Vrieze Daniels.

HRA Members Absent: Sue Sandahl

Staff Present: John Stark, Executive Director; Julie Urban, Housing Manager; Katie Rodriguez, City Manager; Chris Regis, Finance Director; Neil Ruhland, Communications and Engagement Manager.

APPROVAL OF THE MINUTES

M/Elliott, S/Regan Gonzalez to approve the Regular Housing and Redevelopment Authority meeting of July 15, 2019.

Motion carried 4-0.

Item #1	APPROVAL OF THE AGENDA
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M/Regan Gonzalez, S/Elliott to approve the agenda.

Motion carried 4-0.

Item #2	CONSENT CALENDAR
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Executive Director Stark presented the Consent Calendar:

- A. Consideration of the approval of a Professional Service Agreement with People with CAPES to provide a needs assessment at Richfield Towers.

M/Regan Gonzalez, S/Elliott to approve the Consent Calendar.

Motion carried 4-0.

Item #3	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM CONSENT CALENDAR
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No items were removed from the Consent Calendar.

Item #4	CONSIDERATION OF RESOLUTIONS APPROVING PROPOSED PROPERTY TAX LEVY FOR PAYABLE 2020 FOR CERTIFICATION TO HENNEPIN COUNTY
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Finance Director Regis presented the staff report regarding the proposed HRA property tax levy for 2020. Executive Director Stark gave a presentation on the budget, reviewing HRA staffing and budget history. He covered several highlights and explained the funding sources and levy history. He explained that the levy is not the maximum levy because the levies are looked at holistically, and given the pressure on taxpayers from other tax levies, the HRA budget is based on providing funds for needed staffing and programs rather than the maximum levy amount.

Commissioner Vrieze Daniels expressed interest in maximizing the levy in order to build up a reserve fund in anticipation of losing funding in 2025 when TIF districts will expire. Commissioners determined that given the pressure on taxpayers for capital expenditures, levying to the maximum was not wise at this point but was something to discuss in future years.

M/Regan Gonzalez, S/Elliott to approve the proposed property tax levy for payable 2020 for certification to Hennepin County.

Motion carried 4-0.

Item #5	HRA DISCUSSION ITEMS
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None

Item #6	EXECUTIVE DIRECTOR REPORT
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Executive Director Stark explained that the City's Comprehensive Plan update was approved by the Metropolitan Council's Community Development Committee today and that the Committee members expressed their appreciation for the development and housing work being done in Richfield. He stated that the full Metropolitan Council would consider the Plan at the end of September.

Item #7	CLAIMS AND PAYROLLS
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M/Vrieze Daniels, S/Sandahl that the following claims and payroll be approved:

U.S. BANK	08/19/2019
Section 8 Checks: 130957 - 131039	\$166,951.11
HRA Checks: 33689 - 33705	\$29,005.64
TOTAL	\$195,956.75

Motion carried 4-0.

Item #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:26 p.m.

Date Approved: September 16, 2019

Mary B. Supple
HRA Chair

Julie Urban
Housing Manager

John Stark
Executive Director



STAFF REPORT NO. 30
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
9/16/2019

REPORT PREPARED BY: Julie Urban, Housing Manager

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW:

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a resolution approving an Amendment to the Contract for Private Development for Cedar Point II.

EXECUTIVE SUMMARY:

The Housing and Redevelopment Authority (HRA) approved a Contract for Private Development (Contract) with NHH Companies LLC, now doing business as CPII Development LLC (Developer), on September 17, 2018. The Contract calls for the construction of 218 market-rate apartments on HRA-owned property, located on Richfield Parkway between 63rd and 65th Streets.

The Contract set a deadline for closing on the HRA-owned property for September 30, 2019, a construction start date of December 31, 2019, and a completion date of December 31, 2021. The Developer is requesting a six-month extension of those deadlines. Staff recommends that the Developer be granted the extension to the Contract dates and that the Executive Director be given the discretion to extend the closing deadline an additional three months if the Developer has applied for a building permit.

RECOMMENDED ACTION:

By Motion: Adopt a resolution approving an Amendment to the Contract for Private Development with CPII Development LLC.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA approved a Contract with NHH Companies LLC for the Cedar Point Housing area on September 17, 2018, for the development of 218 market-rate apartments.
- The HRA approved an Assignment and Assumption of the Contract from NHH Companies, LLC on January 15, 2019 to CPII Development LLC.

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

- The Cedar Point II housing area has been identified for redevelopment as multi-family housing since 2004 with the adoption of the Cedar Corridor Master Plan.

C. CRITICAL TIMING ISSUES:

- The Contract requires that the Developer close on the HRA property by September 30, 2019, or the Contract is null and void. The Amendment would extend that deadline to March 31, 2020.
- The Developer is in the process of finalizing agreements with their equity partners. Upon

completion of those agreements, closing on the property could occur; however, the timing of the construction start-date is dependent on weather conditions. Granting a six-month extension allows for flexibility in the event of weather delays.

D. FINANCIAL IMPACT:

- The HRA will be paid \$1.11 million at the time of closing.

E. LEGAL CONSIDERATION:

- The HRA Attorney drafted the Amendment to the Contract.
- All other Contract terms remain the same.

ALTERNATIVE RECOMMENDATION(S):

Decide not to extend the Contract deadlines.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative of the Developer.

ATTACHMENTS:

	Description	Type
□	Resolution	Resolution Letter
□	Amendment to contract	Contract/Agreement

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

RESOLUTION NO. _____

**RESOLUTION APPROVING FIRST AMENDMENT TO CONTRACT FOR PRIVATE
DEVELOPMENT WITH CPII DEVELOPMENT LLC**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") owns certain property (the "Authority Property") located or to be located within one or more certain tax increment financing districts within the Richfield Redevelopment Project (the "Project") in the City of Richfield, Minnesota (the "City"); and

WHEREAS, the Authority and CPII Development LLC, a Minnesota limited liability company ("NHH"), entered into a Contract for Private Development (the "Original Agreement") and the Authority approved an assignment of the Original Agreement to CPII Development LLC, a Minnesota limited liability company (the "Developer") pursuant to an Assignment of Contract for Private Development, dated January 15, 2019; and

WHEREAS, pursuant to the Original Agreement, the Developer agreed to acquire the Authority Property and certain other parcels of property within the Project (collectively, the "Development Property") and construct a development which will include (i) multifamily housing with approximately 218 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities (the "Minimum Improvements"), and the Authority will reimburse the Developer for a portion of land acquisition costs and certain site improvement costs related to the Minimum Improvements; and

WHEREAS, the Authority and the Developer propose to amend certain terms of the Original Agreement, including but not limited to extending the closing date, commencement date for construction, and completion date for the Minimum Improvements; and

WHEREAS, there has been presented before this Board of Commissioners of the Authority a First Amendment to Contract for Private Development (the "First Amendment to Agreement") proposed to be entered into between the Authority and the Developer, which sets forth the modifications to the Original Agreement; 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 First Amendment to Agreement is hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the First Amendment to Agreement for and on behalf of the Authority in substantially the form now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2. The Chair and the Executive Director are hereby authorized to execute and deliver to the Developer any and all documents deemed necessary to carry out the intentions of this resolution and the First Amendment to Agreement.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota
this 16th day of September, 2019.

Mary Supple, Chair

ATTEST:

Erin Vrieze Daniels, Secretary

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

RESOLUTION NO. _____

**RESOLUTION APPROVING FIRST AMENDMENT TO CONTRACT FOR PRIVATE
DEVELOPMENT WITH NHH COMPANIES, LLC**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") owns certain property (the "Authority Property") located or to be located within one or more certain tax increment financing districts within the Richfield Redevelopment Project (the "Project") in the City of Richfield, Minnesota (the "City"); and

WHEREAS, the Authority and NHH Companies, LLC, a Minnesota limited liability company ("NHH"), entered into a Contract for Private Development (the "Original Agreement") and the Authority approved an assignment of the Original Agreement to CPII Development LLC, a Minnesota limited liability company (the "Developer") pursuant to an Assignment of Contract for Private Development, dated January 15, 2019; and

WHEREAS, pursuant to the Original Agreement, the Developer agreed to acquire the Authority Property and certain other parcels of property within the Project (collectively, the "Development Property") and construct a development which will include (i) multifamily housing with approximately 218 units; (ii) a parking ramp with approximately 188 spaces; and (iii) necessary public infrastructure, including streets and utilities (the "Minimum Improvements"), and the Authority will reimburse the Developer for a portion of land acquisition costs and certain site improvement costs related to the Minimum Improvements; and

WHEREAS, the Authority and the Developer propose to amend certain terms of the Original Agreement, including but not limited to extending the closing date, commencement date for construction, and completion date for the Minimum Improvements; and

WHEREAS, there has been presented before this Board of Commissioners of the Authority a First Amendment to Contract for Private Development (the "First Amendment to Agreement") proposed to be entered into between the Authority and the Developer, which sets forth the modifications to the Original Agreement; 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 First Amendment to Agreement is hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the First Amendment to Agreement for and on behalf of the Authority in substantially the form now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2. The Chair and the Executive Director are hereby authorized to execute and deliver to the Developer any and all documents deemed necessary to carry out the intentions of this resolution and the First Amendment to Agreement.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota
this 16th day of September, 2019.

Mary Supple, Chair

ATTEST:

Erin Vrieze Daniels, Secretary



STAFF REPORT NO. 31
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
9/16/2019

REPORT PREPARED BY: Lynnette Chambers, Multifamily Housing Coordinator
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
9/9/2019

ITEM FOR COUNCIL CONSIDERATION:

Public hearing regarding consideration of approval of the Richfield Housing and Redevelopment Authority's Five-Year Public Housing Plan.

EXECUTIVE SUMMARY:

The Department of Housing and Urban Development (HUD) requires every housing authority to develop a Five-Year Public Housing Plan (PHA Plan) within a required format. In order to remain compliant with HUD rules and regulations, after development of the PHA Plan, it is reviewed by the Resident Advisory Board (RAB), and comments and feedback are solicited from tenants. A public hearing must be held and the PHA Plan approved by the local Housing and Redevelopment Authority (HRA). Once the PHA Plan is approved by the HRA, it is submitted to HUD.

The PHA Plan includes the following information:

- The HRA's goals objectives for serving the needs of low-income, very low-income, and extremely low-income families;
- A progress report on HRA activities supporting low-income, very low-income, and extremely low-income families in the past five years, and
- The HRA's goals for serving the needs of victims of domestic violence in compliance with the Violence Against Women Act (VAWA).

RECOMMENDED ACTION:

Conduct and close the public hearing and by motion: Approve the Housing and Redevelopment Authority's Five-Year Public Housing Plan for the Section 8 Housing Assistance Program and authorize the Chair and Executive Director to execute program documents.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The Quality Housing and Work Responsibility Act of 1998 (QHWRA) was created by Congress. The QHRWA requires the HRA, as a Public Housing Agency (PHA) to have a Five-Year PHA Plan. The Five-Year PHA Plan describes the housing mission of the Agency and the Agency's long range goals and objectives for achieving its mission over the subsequent five years.
- Staff has developed a PHA Plan in the proper form and content.
- The QHWRA also requires the HRA to maintain an RAB to make comments about the PHA Plan. The RAB is comprised of program participants who volunteer to provide feedback. The RAB had no additional comments to the PHA Plan.
- HUD has designated Richfield as a high performer, signaling a high level in overall performance of

administration of the program.

- The public hearing notice of 45 days has not generated any comments or concerns.

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

The Richfield HRA operates the PHA and Section 8 program to assist in providing affordable housing for approximately 310 families in the City of Richfield. This affordability allows families the ability to live in decent and safe housing that might otherwise be out of reach financially for them.

C. CRITICAL TIMING ISSUES:

- The PHA Plan must be approved by the HRA and submitted to HUD by October 19, 2019. Failure to approve the PHA Plan will before this deadline will result in the HRA receiving a non-compliance status with HUD. "Non-compliance" violates the contracts that the HRA has with HUD and results in a loss of administrative and rent assistance funds.
- The PHA Plan will be effective from January 1, 2020, until December 31, 2024.

D. FINANCIAL IMPACT:

- The HRA has four contracts for administrative and rent assistance funds with HUD.
- Annually, the HRA receives approximately \$1,411,270 for rental assistance payments and \$175,460 for administrative payments. A current PHA Plan is a requirement of these contracts.

E. LEGAL CONSIDERATION:

- The Housing Assistance Program (HAP) contracts that the HRA has with HUD have been previously reviewed and approved by legal counsel.
- Notice was published in the Sun Current on August 1, 2019, regarding the availability of the PHA Plan for review and of the public hearing to be held concerning PHA Plan approval. The publication schedule is in compliance with HUD regulations.
- Notice was mailed to all voucher recipients on August 2, 2019.
- The HRA must formally adopt the PHA Plan following a public hearing.
- HUD requires the HRA Chair and Executive Director to execute documents.

ALTERNATIVE RECOMMENDATION(S):

None

PRINCIPAL PARTIES EXPECTED AT MEETING:

None

ATTACHMENTS:

Description	Type
☐ Five Year PHA Plan (2020)	Cover Memo

5-Year PHA Plan (for All PHAs)	U.S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB No. 2577-0226 Expires: 02/29/2016
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Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. Form HUD-50075-5Y is to be completed once every 5 PHA fiscal years by all PHAs.

A.	PHA Information.																																				
A.1	PHA Name: <u>Richfield HRA</u>		PHA Code: <u>MN 216</u>																																		
PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>01/01/2020</u> PHA Plan Submission Type: <input checked="" type="checkbox"/> 5-Year Plan Submission <input type="checkbox"/> Revised 5-Year Plan Submission																																					
<p>Availability of Information. In addition to the items listed in this form, PHAs must have the elements listed below readily available to the public. A PHA must identify the specific location(s) where the proposed PHA Plan, PHA Plan Elements, and all information relevant to the public hearing and proposed PHA Plan are available for inspection by the public. Additionally, the PHA must provide information on how the public may reasonably obtain additional information on the PHA policies contained in the standard Annual Plan, but excluded from their streamlined submissions. At a minimum, PHAs must post PHA Plans, including updates, at each Asset Management Project (AMP) and main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on their official websites. PHAs are also encouraged to provide each resident council a copy of their PHA Plans.</p>																																					
<p>The comment period begins on August 1, 2019 and ends on September 15, 2019. The five (5) year plan may be obtained at the following locations during the comment period.</p>																																					
<p>Richfield RHA 6700 Portland Avenue Richfield, MN 55423</p>																																					
<p>The HRA's website: www.RichfieldMN.gov</p>																																					
<p>The Richfield HRA's current 5-Year Plan is effective from January 1, 2015 through December 31, 2019.</p>																																					
<input type="checkbox"/> PHA Consortia: (Check box if submitting a Joint PHA Plan and complete table below)																																					
<table border="1"> <thead> <tr> <th rowspan="2">Participating PHAs</th> <th rowspan="2">PHA Code</th> <th rowspan="2">Program(s) in the Consortia</th> <th rowspan="2">Program(s) not in the Consortia</th> <th colspan="2">No. of Units in Each Program</th> </tr> <tr> <th>PH</th> <th>HCV</th> </tr> </thead> <tbody> <tr> <td>Lead PHA:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program		PH	HCV	Lead PHA:																							
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				PH	HCV																																
Lead PHA:																																					

B.	5-Year Plan. Required for <u>all</u> PHAs completing this form.
B.1	<p>Mission. State the PHA’s mission for serving the needs of low- income, very low- income, and extremely low- income families in the PHA’s jurisdiction for the next five years.</p> <p>To promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.</p>
B.2	<p>Goals and Objectives. Identify the PHA’s quantifiable goals and objectives that will enable the PHA to serve the needs of low- income, very low- income, and extremely low- income families for the next five years.</p> <ol style="list-style-type: none"> 1. Strengthen Richfield Apartment Communities by: <ol style="list-style-type: none"> a. Preserving and protecting existing affordable rental housing b. Strengthening tenant protections c. Diversifying housing choices d. Supporting renters and apartment communities 2. Support affordable homeownership opportunities by: <ol style="list-style-type: none"> a. Providing homeownership opportunities through the New Home Program b. Providing homeownership resources for low income households c. Providing resources for the care and maintenance of homes

<p>B.3</p>	<p>Progress Report. Include a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan.</p> <p>From 2015 to 2019, the Richfield Housing and Redevelopment Authority made the following progress toward its PHA Plan goals and objectives:</p> <p>2015-2019</p> <ul style="list-style-type: none"> • Constructed nine single-family homes affordable to low-income homebuyers, including one through a land trust model and four through Habitat for Humanity. • Purchased, rehabilitated and sold six single-family homes affordable to low-income buyers, including five through the land trust model. <p>2017</p> <ul style="list-style-type: none"> • Formed an Economic Development Authority to expand funding available for housing • Increased funding to the HRA’s Kids@Home rental assistance program, including funds for the supportive services component. • Provided financial assistance and approved reduced property taxes in order to enable a mission-oriented owner to purchase and preserve affordability at Seasons Park, a 422-unit Naturally Occurring Affordable Housing (NOAH) apartment complex. Also required that nine units be reserved for Section 8 voucher holders. • Began requiring that all development projects receiving HRA financial assistance not discriminate against Section 8 voucher holders. • Approved tax increment financing for the construction of 284 mixed-income apartments, 31 of which are affordable at 50% of the Area Median Income, and the rehabilitation and preservation of 33 existing NOAH apartments (50% AMI). <p>2018</p> <ul style="list-style-type: none"> • Established an apartment remodeling program targeted to NOAH properties that make improvements and maintain affordability. Issued first two loans for \$100,000, leveraging an additional \$100,000 in improvements. • Established a Downpayment Assistance Program targeted to Richfield renters. Issued first two loans. • Approved tax increment financing for the construction of 74 mixed-income apartments, 7 of which are affordable at 50% AMI, plus required an in lieu contribution of 10% of the tax increment to the HRA’s Housing & Redevelopment Fund. • Approved tax increment financing for the construction of 218 market-rate apartments, requiring an in lieu contribution of 7.5% of the tax increment to the HRA’s Housing & Redevelopment Fund. • Passed the following ordinances and policies: <ul style="list-style-type: none"> - Building Permit Fee Reduction Ordinance for affordable housing new construction and rehabilitation. - Inclusionary Housing Policy - Tenant Protection Ordinance - Local Fair Housing Policy <p>2019</p> <ul style="list-style-type: none"> • Authorized the sale of HRA-owned property at a reduced rate to a 55-unit tax credit development that includes six units of housing for people with disabilities.
<p>B.4</p>	<p>Violence Against Women Act (VAWA) Goals. Provide a statement of the PHA’s goals, activities objectives, policies, or programs that will enable the PHA to serve the needs of child and adult victims of domestic violence, dating violence, sexual assault, or stalking.</p> <p>Richfield is acting in full accordance with the Violence Against Women Act (VAWA) and we are committed to ensure the physical safety of victims of actual or threatened domestic violence, dating violence, or stalking who are assisted by Richfield HRA. We will collaborate with law enforcement authorities, victim service providers to promote the safety and well-being of victims of actual or threatened domestic violence, dating violence and stalking. Richfield HRA will not deny assistance to victims due to verifiable domestic violence, dating violence and/or stalking.</p> <p>Richfield HRA provides all participants with written information about VAWA at the time of admission and all new move-ins to our jurisdiction. When Richfield HRA is alerted that there is a VAWA issue, it is our standard operating procedure to walk a tenant through each step of the process in order to move from their unit. This allows for a smooth and easy transaction and gives the client much needed support during this crisis.</p> <p>Richfield HRA also includes information about VAWA in notices of denial of assistance or termination of assistance.</p>

<p>B.5</p>	<p>Significant Amendment or Modification. Provide a statement on the criteria used for determining a significant amendment or modification to the 5-Year Plan.</p> <p>Substantial deviation(s) or significant amendments(s) or modification(s) are defined as discretionary changes in the plans or policies of the Richfield Housing and Redvelopment Authority (HRA) that fundamentally change the mission, goals, objectives, or plans of the agency and which require formal approval of the Richfield HRA Board .</p>
<p>B.6</p>	<p>Resident Advisory Board (RAB) Comments.</p> <p>(a) Did the RAB(s) provide comments to the 5-Year PHA Plan?</p> <p>Y N <input type="checkbox"/> <input type="checkbox"/></p> <p>(b) If yes, comments must be submitted by the PHA as an attachment to the 5-Year PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations.</p>
<p>B.7</p>	<p>Certification by State or Local Officials.</p> <p>Form HUD 50077-SL, <i>Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan.</p>



STAFF REPORT NO. 32
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
9/16/2019

REPORT PREPARED BY: Myrt Link, Community Development Accountant
OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
9/10/2019

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the acceptance of the Richfield Housing and Redevelopment Authority Tax Increment Financing District Status Update.

EXECUTIVE SUMMARY:

The Tax Increment Financing (TIF) District Status Update is presented to the Richfield Housing and Redevelopment Authority (HRA) annually for review. There are currently 12 active TIF Districts. This year, the TIF Status Update shows that the HRA is able to meet all of its Pay-As-You-Go Note and General Obligation Tax Increment Bond obligations.

The HRA is planning to decertify two TIF Districts before the end of the year. The Interchange and the Gramercy Districts. The obligations have been met in both Districts. Ehlers, Inc. and staff are completing a full analysis of both Districts before decertification paperwork is submitted to Hennepin County.

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

RECOMMENDED ACTION:

By motion: Accept the Richfield Housing and Redevelopment Authority Annual Tax Increment Financing District Status Update.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The annual TIF Status Update is provided to the HRA to summarize tax increment financial activity and comment on the status of the HRA's ability to meet its tax increment obligations.

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

- The TIF Status Update is presented annually to keep the HRA informed of the ability to meet outstanding obligations.

C. CRITICAL TIMING ISSUES:

- None

D. FINANCIAL IMPACT:

- See detailed TIF Status Update document.

E. LEGAL CONSIDERATION:

- N/A

ALTERNATIVE RECOMMENDATION(S):

- None

PRINCIPAL PARTIES EXPECTED AT MEETING:

Rebecca Kurtz, Ehlers, Inc.

ATTACHMENTS:

Description	Type
□ 2019 Tax Increment Status Update	Backup Material



2019 STATUS UPDATE

Tax Increment Financing Districts

Richfield Housing & Redevelopment Authority
City of Richfield, Hennepin County, Minnesota



September 16, 2019

Tax Increment Financing District Summary

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

Project Area and TIF Districts

The HRA has 12 active TIF districts:

- Interchange (Dick's Sporting Goods)
- Urban Village (Oaks on Pleasant and Houlihan's)
- Gramercy (Gramercy Park Senior Housing)
- Interchange West/Lyndale Gateway (Best Buy and Main Street Village)
- City Bella (City Bella Housing Cooperative)
- Lyndale Gateway West (Kensington Park)
- Cedar Corridor (along Cedar Ave.)
- 2010 – 1 Housing (Lyndale Plaza / Woodlake Housing)
- Lyndale Gardens (Lakewinds Co-op and former Lyndale Gardens site)
- 2014-1 TIF District (City garage site)
- 2017-1 TIF District (Chamberlain)
- 2018-1 TIF District (Cedar Point II)

All of the Districts are located within the Richfield Redevelopment Project area. The boundaries of the Project Area are coterminous with the City boundaries, which provide the HRA a maximum area of tax increment spending authority.

Districts to be Decertified

The obligations for the Interchange TIF District and the Gramercy TIF District have been paid in full, and the Districts should be decertified by December 2019. Decertification of these Districts will result in a net increase in tax capacity of 424,649, and an estimated \$232,440 in City tax dollars. Details for the decertification are found in the individual district information following.

Obligations

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

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

the City and pledge the City's full faith and credit. If on an annual basis there is not enough tax increment to pay the debt service payment, the City agrees to levy a property tax to pay the shortfall. This type of obligation provides the most risk to the City and tax payers.

3. **Interfund Loan.** Interfund Loans are issued when the City or HRA provides up-front money from various sources to assist with projects. Most interfund loans have a maximum amount and are used to reimburse the HRA for administration and preliminary expenses. The outstanding loan may be less than the maximum set forth in the resolution and the outstanding balance may increase or decrease over time, depending on the status of the project.

An interfund loan resolution must be adopted prior to the expenditure in order to use tax increment to reimburse for the expenditure. The loans are normally repaid from tax increment or land sale revenue. This type of obligation provides some risk to the City and HRA that the loan may not be repaid in full. It is not a general obligation, so taxes do not need to be levied to pay the loan, and the City and HRA have the option to write-off the loan or unpaid balances.

Administration

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

Pooling

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

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

Currently, pooling is being used to fund the Housing and Redevelopment Fund which, in turn, is the funding source for the Richfield Rediscovered program and for occasional purchases of other substandard properties. Within the next six years, several TIF Districts that contribute to pooling will be decertified and the pooling will cease to be generated at that time. Those Districts (and their contribution to pooling in 2018) are as follows:

	Pooling in 2018	Decertification Date
Gramercy	\$ 65,360	2019 (2025)
Best Buy	\$ 896,618	2025
Urban Village	\$ 120,113	2025

As these Districts are decertified (and their pooling revenues cease), the HRA will need to seek alternate funding sources for the Housing and Redevelopment Fund or will need to reduce project expenditures commensurately.

Assumptions

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

Interchange TIF District

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

- TIF District Adopted: 10/28/1996
- Certification Date: 4/3/1997
- First Year of Increment: 1998
- Legal Decertification: 2023 or after the obligation is paid
- Anticipated Decertification: December 2019
- Pooling: No

Conclusions

The HRA has completed all of its obligations for the District including full payment of the Interfund Loan, and the District should be decertified prior to December 31, 2019. Based on 2019 market values, the City will see an increase in net tax capacity of 129,979 due to the decertification of the District. This equates to an estimated \$71,147 in City tax dollars (based on the 2019 tax rate).

Per the Development Agreement, the final payment for the Pay-As-You-Go Note was February 1, 2019.

Urban Village TIF District

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

- TIF District Adopted: 11/23/1998
- Certification Date: 7/15/1999
- First Year of Increment: 2000
- Decertification: 2025
- Pooling: Maximum of 15%

Obligations	Funding Source / Repayment Source
\$2,500,000 Tax Exempt Pay-As-You-Go Note, Series 2001A	Developer / TIF
\$7,000,000 Taxable Pay-As-You-Go Note, Series 2001B	Developer / TIF

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

Gramercy TIF District

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

- TIF District Adopted: 6/22/1998
- Certification Date: 4/22/1999
- First Year of Increment: 2000
- Decertification: 2025 or after the obligation is paid
- Anticipated Decertification: December 2019
- Pooling: Maximum of 15%

Conclusions

The HRA has completed all of its obligations for the District including full payment of the Pay-As-You-Go Note, and the District should be decertified prior to December 31, 2019. Based on 2019 market values, the City will see an increase in net tax capacity of 294,670 due to the decertification of the District. This equates to an estimated \$161,294 in City tax dollars (based on the 2019 tax rate).

Interchange West / Lyndale Gateway TIF District

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

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

Interchange West Component

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

Obligations	Funding Source / Repayment Source
\$6,355,000 Tax Exempt General Obligation Tax Increment Refunding Bonds, Series 2010B*	Bonds of 2001A / TIF
\$48,073,127 Pay-As-You-Go Note	Developer / TIF

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

Conclusions

The HRA will be able to meet all General Obligation Bonds payments related to the Interchange West component. The Development Agreement with Best Buy includes an Assessment Agreement with a minimum market value of \$118,500,000. It is projected that the minimum market value is sufficient to generate increment in excess of that required for the Bond payments.

It is anticipated that the Pay-As-You-Go Note will not be paid in full. The Note is not a general obligation of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

The HRA will need to continue to monitor the pooling expenses for this District to ensure that it meets statutory limits within the life of the TIF District. Based on both the allocation of TIF stated in the Contract for Private Development and the projected collection of increment over the life of the District, it is anticipated that the HRA will not be able to annually collect the full 25% allowed for administration and pooling through the term of the District.

Lyndale Gateway Component

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

Obligations	Funding Source / Repayment Source
\$4,155,944 Pay-As-You-Go Note	Developer / TIF

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

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

City Bella TIF District

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

- TIF District Adopted: 6/11/2002
- Certification Date: 5/8/2003
- First Year of Increment: 2005
- Decertification: 2030
- Pooling: Maximum of 15%

Obligations	Funding Source / Repayment Source
\$8,473,460 Pay-As-You-Go Note	Developer / TIF

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

Fifteen percent of the annual tax increment is being contributed to the Housing and Redevelopment Fund for use on TIF eligible redevelopment and housing expenses.

Conclusions

The HRA will be able to meet all its Pay-As-You-Go obligations. The obligations are not general obligations of the City, so if the increment is not sufficient to pay the Note in full, the HRA is not required to pay the shortfall.

Lyndale Gateway West TIF District

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

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

Obligations	Funding Source / Repayment Source
\$2,970,000 Taxable G.O. Tax Increment Refunding Bonds, Series 2012B*	Bond of 2003C / TIF
\$1,100,000 Interfund Loan	Bonds of 1996 / TIF
\$650,000 Interfund Loan	HRA General Fund/ TIF

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

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

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

Conclusions

Currently it is anticipated that the HRA will be able to meet its debt obligation solely with tax increment funds for the Series 2012B bonds *by the time the District is decertified in 2029*. As in past years' projections, ultimately, there will be money to pay the Bonds solely from TIF. However, beginning in 2016, the annual increment is not sufficient to cover debt payments.

The maximum cumulative shortfall is estimated to be \$155,262 in 2020. This estimate is likely to change – either increase or decrease – depending on future tax increment. The HRA adopted an Interfund Loan Resolution to allow reimbursement through future tax increment after the Bonds are paid in full. The Bonds mature in February 2025, and it is projected that the loan could be paid off August 2025 from the increment. These Bonds are general obligations of the City, so the City also has the option to levy taxes for the shortfall.

In addition, it is projected that there will not be sufficient tax increment to pay the \$1,100,000 Interfund Loan in its entirety (principal and interest). Currently it is projected that \$1,056,079 will be available to pay a portion of the \$1,100,000 Interfund Loan. To the extent that market values increase, or increment is pooled from other TIF districts, the shortfall could be reduced. For instance, Market Value increases in the past couple of years have resulted in increased tax increment revenues over what had previously been estimated. However, to the extent that market values decrease, the shortfall may be larger than currently estimated. The HRA is not required to repay itself for the loan and interest.

Cedar Corridor TIF District

The Cedar Corridor TIF District is a redevelopment district comprised of the commercial/retail redevelopment in the Airport Noise Impact Area. This area is located **along Cedar Avenue** and 66th Street. This District was established in 2006 using Special Legislation from the *Laws of Minnesota 2005, Chapter 152, Article 2, Section 25*. The District was modified in 2018 in response to the proposed development of two units for a total of 218 market rate apartment units for the Cedar Point II Development.

The term of the District was extended by 10 years through Special Legislation in 2017.

- TIF District Adopted: 9/26/2006
- Certification Date: May 21, 2007
- First Year of Increment: 2008
- Decertification: 2043 (extended from 2033)
- Pooling: Maximum of 15%

Obligations	Funding Source / Repayment Source
\$200,000 maximum Interfund Loan for administration and qualified costs	HRA General Fund / TIF Administration
\$780,000 Interfund Loan for HRA assessments related to Richfield Parkway*	City PIR Fund / Land sale proceeds
\$565,000 Interfund Loan for land acquisition	Development Account / TIF
\$3,960,000 (est.) Pay-As-You-Go (Anticipated)	Developer / TIF

**This obligation is in the HRA General Fund – versus assigned to a TIF District – because it is anticipated to be paid upfront with sale proceeds. At the time the repayment source is finalized the obligation will be paid in full or be part of the obligations in the TIF District. Currently the obligation is being paid by the HRA General Fund.*

Conclusions

The Notes will not be issued until the developer submits qualified costs.

Development and increment will be needed to repay the interfund loans. It is intended that the Loan from the PIR Fund will be paid at the time the land is sold; however, the first payment for the assessments was in 2017.

2010-1 Housing TIF District

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

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

Obligations	Funding Source / Repayment Source
\$85,000 HRA Property Reimbursement Note for land acquisition (matures 2/1/2023)	HRA General Fund / TIF
\$822,000 Pay-As-You-Go Note A (matures 8/1/2031)	Developer / TIF
\$500,000 Pay-As-You-Go Note B	Developer / TIF
\$200,000 maximum Interfund Loan for administration and qualified costs	HRA General Fund / TIF Administration

Conclusions

The HRA will be able to meet its debt obligations. Tax increment is first pledged to the set semi-annual payment on the HRA Note. Second priority is the set semi-annual payment for the Pay-As-You-Go Note A. Any remaining increment is pledged to the Pay-As-You-Go Note B. Based on current projections, the obligations are on track to be paid in full prior to the required decertification date; full payment could be as early as 2026.

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

Lyndale Gardens TIF District

The Lyndale Gardens TIF District is a redevelopment district comprised of the **former Lyndale Gardens site**, located at 6400 Lyndale Avenue South. To date the development includes the **Lakewinds Food Co-op**. Additional development is proposed to include 64 rental apartments, 7 rental townhomes, 30 owner occupied townhomes and 6,000 square feet of retail space. The development is also anticipated to include public space and trail connections in a quasi-public setting.

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

Obligations	Funding Source / Repayment Source
\$2,742,400 Master Developer TIF Note	Developer / TIF
\$1,491,077 (est.) Secondary Developer TIF Note (Anticipated)	Developer / TIF

Conclusions

The Master Developer Note was issued, and the first payment was made in August 2019. The Secondary Developer TIF Note will be issued after the developer submits qualified costs.

2014-1 TIF District: RM Senior Living Richfield LLC

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

- TIF District Adopted: March 18, 2014
- Certification Date: March 28, 2016
- First Year of Increment: 2018
- Decertification: 2042
- Pooling: Maximum of 15%

Obligations	Funding Source / Repayment Source
\$2,400,000 Pay-As-You-Go Note	Developer / TIF
\$300,000 Interfund Loan for Administrative/Qualified Costs	HRA General Fund / TIF

Conclusions

The first year of tax increment was 2018 and full increment is anticipated in 2020.

2017-1 TIF District: Chamberlain

The 2017-1 TIF District is a housing district located south of 66th Street near Cedar Avenue and includes the Chamberlain Apartments. The HRA has entered into an Agreement with Inland Development Partners for the rehabilitation of 33 units of affordable, rental housing and 283 units of mixed income rental housing. Construction began in July 2018 and is anticipated to be substantially complete by December 2019, which is a year ahead of the planned completion.

- TIF District Adopted: November 28, 2017
- Certification Date: June 29, 2018
- First Year of Increment: est. 2020
- Decertification: est. 2045
- Pooling: No

ANTICIPATED Obligations	Funding Source / Repayment Source
\$8,492,000 (est.) Pay-as-you-go Note	Developer / TIF
\$1,411,445 Developer Surplus Cash Note	HRA / TIF or Kraus-Anderson
\$200,000 maximum Interfund Loan for Administrative/Qualified Costs	HRA General Fund / TIF

Conclusions

The Notes will not be issued until the developer submits qualified costs.

2018-1 TIF District

The 2018-1 TIF District is a housing district located **north of 66th Street near Cedar Avenue**. The HRA has entered into an Agreement with NHH Development for the construction of 80 owner-occupied townhomes. Ninety-five percent of the units will be occupied by persons meeting State low- to moderate income requirements. Construction is anticipated to begin in Fall 2019 and is anticipated to be completed by December 2020.

- TIF District Adopted: August 21, 2018
- Certification Date: TBD
- First Year of Increment: est. 2021
- Decertification: est. 2046
- Pooling: No

ANTICIPATED Obligations	Funding Source / Repayment Source
\$4,200,000 (est.) Pay-as-you-go Note	Developer / TIF
\$814,000 maximum Interfund Loan for property acquisition (\$630,000 + \$184,000)	Development Fund / TIF and Developer sale proceeds
\$100,000 maximum Interfund Loan for Administrative costs	HRA General Fund / TIF
\$359,000 Interfund Loan for property acquisition (transferred from Cedar TIF District)	Development Fund / TBD. Loan will be paid with TIF if funds are available.

Conclusions

The Notes will not be issued until the developer submits qualified costs.

Development and increment will be needed to repay the interfund loans.

Conclusion

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

The HRA has completed all of its obligations for the Interchange and Gramercy TIF Districts, and the Districts should be decertified prior to December 31, 2019. Based on the 2019 market values, the City will see an increase in net tax capacity of \$424,649 due to the decertifications. This equates to an estimated \$232,441 in City tax dollars (based on the 2019 tax rate).

It is projected that the HRA will be able to meet its bond obligation for Lyndale Gateway West (Kensington Park) bonds by the time the District is decertified after 2029. However, until the bonds are paid in in 2025, the annual increment will not be sufficient to cover the debt payments. Revenues from another funding source will be needed during those years to pay the debt service.

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

The ability to pay-off loans on the Cedar Corridor TIF District will be dependent on development and the generation of tax increment.

Decertified Tax Increment Financing Districts

The HRA has decertified six TIF Districts.

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

*Accounting transactions to close the District were completed by December 31, 2000.

** District was established in 1989 and terminated in 1996 due to a lack of feasible redevelopment opportunities.

Housing and Redevelopment Fund

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

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

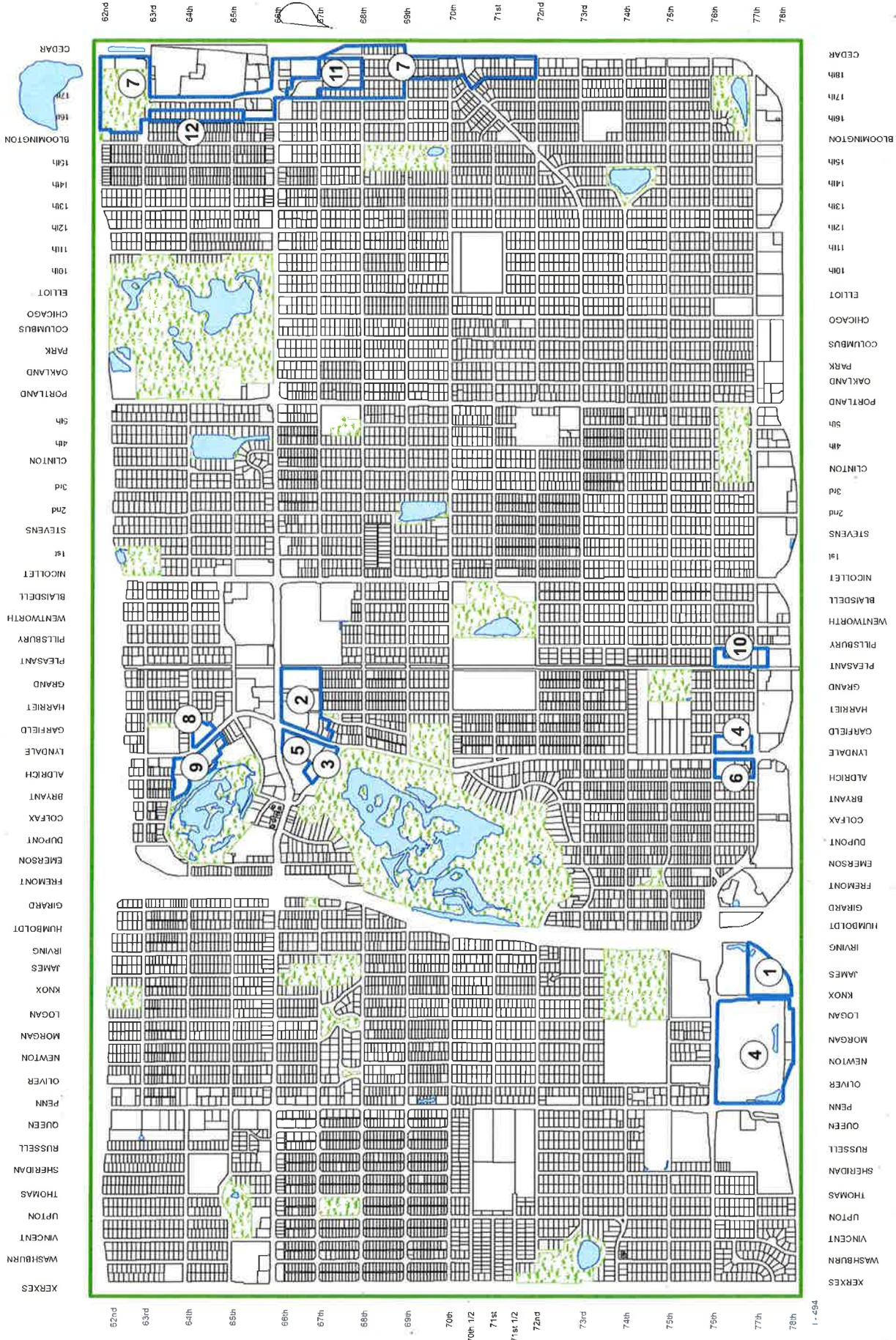
Currently, a portion of the tax increment revenue from these Districts is being transferred to the Fund to support the Richfield Rediscovered Loan Program. A breakdown of the cash balances as of December 31, 2018, follows:

Gramercy	\$ 134,638
Interchange West	1,911,743
City Bella	158,290
Urban Village	564,148
Total Housing and Redevelopment Fund:	\$2,768,819

The cash balances in each component of the Housing and Redevelopment Fund must be expended on qualified costs prior to decertification of the associated TIF District. Otherwise, those funds would need to be returned to Hennepin County for redistribution to all taxing jurisdictions.

Map of Richfield Redevelopment Project Area and TIF Districts

RICHFIELD REDEVELOPMENT PROJECT AREA BOUNDARY



Legend

- Richfield Redevelopment Project Area Boundary
- TIF Districts

- TIF DISTRICTS:**
- 1 - Interchange
 - 2 - Urban Village
 - 3 - Gramercy
 - 4 - Interchange West/Lyndale Gateway
 - 5 - City Bella
 - 6 - Lyndale Gateway West
 - 7 - Cedar Corridor
 - 8 - Housing District 2010-1 (Lyndale Plaza)
 - 9 - Lyndale Garden
 - 10 - 2014-1 (former City Garage/Mortuary)
 - 11 - 2017-1 Chamberlain
 - 12 - 2018-1 NHH Properties LLC



TIF Overview



TIF Definition

The ability to capture and use most of the **increased** local property tax revenues from **new development** within a **defined geographic area**

4/10/2016



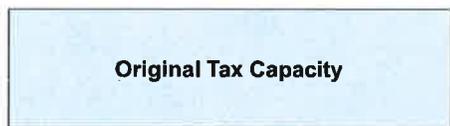
Common types of TIF districts

Goal	Type of TIF district	Maximum term
Redo substandard / obsolete buildings	Redevelopment	26
	Renovations & Renewal	16
Affordable housing	Housing	26
Job and tax base creation	Economic development	9

4/10/2016



Building Blocks of TIF



Tax revenues go to all local units of government

1/22/18



Building Blocks of TIF

Development occurs = New tax capacity

TIF = Captured tax capacity x Tax rate



New tax capacity available for TIF

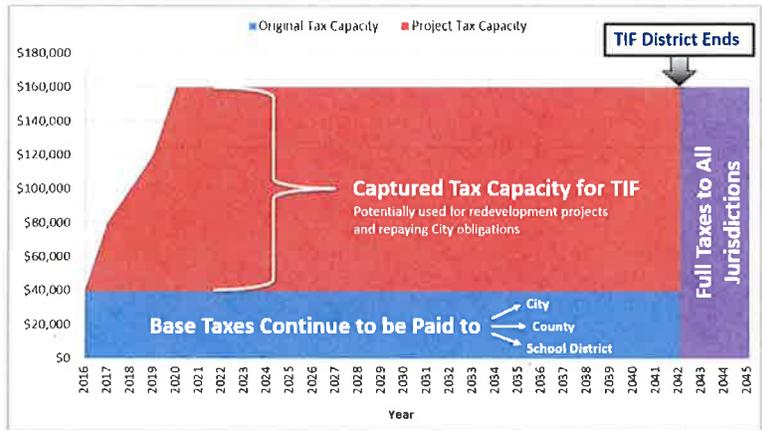


Original tax revenues continue to go to all local units of government

1/22/18



TIF Term



2016-2019



Taxes not captured in TIF

Base value taxes

State property taxes

- Tax paid by commercial users (and cabin owners), but not residential uses
- Not included in local tax capacity rate, so not applied to captured value for TIF districts

Market value taxes

- School operating referendums and other school taxes
- Not included in local tax capacity rate, so not applied to captured value for TIF districts
- Properties in TIF districts continue to pay market values taxes

2016-2019



Eligible TIF expenses

- Land acquisition and relocation
- Demolition and clearance
- Site improvements and parking
- Public utilities
- Construction of affordable housing
- Administration
- Interest on financing

4/10/2015



“But For” Test

Evidence that the project meets statutory requirements of need:

- Developer proforma or projections
- Comparable costs of land
- Risk
- Future development potential for site

4/10/2015



STAFF REPORT NO. 33
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
9/16/2019

REPORT PREPARED BY: Celeste McDermott/Kate Aitchison, Housing Specialist
OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW:

ITEM FOR COUNCIL CONSIDERATION:

Consideration of authorizing the Housing and Redevelopment Authority Executive Director to negotiate a settlement of a Housing and Redevelopment Authority Deferred Loan at 7005 Columbus Avenue South.

EXECUTIVE SUMMARY:

In 2015, Cynthia McRae-Winborn (Homeowner) received a Richfield Rehabilitation Deferred Loan in the amount of \$15,000 to make improvements to her home at 7005 Columbus Avenue South (Property). The Deferred Loan Program provides assistance with home maintenance and repairs for low-income households and is funded with federal Community Development Block Grant (CDBG) funds.

Since that time, the Homeowner has experienced financial difficulties and is now facing foreclosure. She has been attempting to sell her house since the redemption period began last Spring, and she now has a purchase agreement for \$300,000. That amount may not, however, be sufficient to pay all the debts against the Property, and the primary lender is unwilling to negotiate a settlement at this time. She is in the process of collecting payoff statements and updated title work in an attempt to close on the Property before the redemption period ends on September 23, 2019. At this time, the amount of a settlement she can offer the HRA is unknown.

While it is unknown how much the Housing and Redevelopment Authority (HRA) would be repaid, if foreclosure is completed the HRA will receive no repayment. Given the tight timing, staff recommends that the HRA authorize the Executive Director to negotiate a settlement agreement with the Homeowner in an attempt to receive at least some repayment and to avoid foreclosure. The settlement would be contingent upon receiving current information on the amount of debt that exists against the Property.

RECOMMENDED ACTION:

By motion: Authorize the Housing and Redevelopment Authority Executive Director to negotiate a settlement amount for a deferred loan at 7005 Columbus Avenue South.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- In 2015, the Homeowner qualified for a Deferred Loan for \$15,000 to make necessary repairs to her home.
- The loan is deferred with no payments or interest and is forgiven after 30 years. If the property is sold or transferred within the 30 year period, the loan becomes due and payable.

- The Homeowner has received an offer of \$300,000 and the buyers are hoping to close as soon as possible.
- After paying off the first mortgage, other debts, fees and commissions, and closing costs, the Homeowner may not be able to wholly repay the HRA's Deferred Loan.

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

- The Deferred Loan Program provides loans to homeowners earning less than 80 percent of the Twin Cities Area Median Income (AMI) to make repairs and improvements that address health, safety and/or property maintenance items. Most recipients of the Deferred Loan earn less than 50 percent of the Twin Cities AMI.
- The entire loan amount is due and payable if the property is sold within the 30-year period, regardless of the number of years remaining on the loan. The loan matures on October 18, 2045.
- The Mortgage Foreclosure Response Program Procedural Guidelines state as follows: "Staff will consider short sale offers and negotiate as high of repayment as possible. Action will be taken quickly so as to not disrupt the short sale opportunity and cause the homeowner to enter into foreclosure.
- The HRA has received six requests for a short sale settlement in the past five years. The following settlements have been reached:

YEAR	LIEN AMOUNT	AMOUNT REPAID	% RECAPTURED
2018	\$ 24,276	\$ 1,180	4.8%
2018	\$ 18,463	\$ 3,077*	16.6%
2017	\$ 10,000	\$ 2,000	20.0%
2016	\$ 10,345	\$ 1,000	9.7%
2014	\$ 8,238	\$ 500	6.1%
2014	\$ 15,892	\$ 2,384	15.0%

- * A settlement of at least \$1,800 was approved by the HRA.

C. CRITICAL TIMING ISSUES:

- The redemption period for the foreclosure ends on September 23, 2019.
- The Homeowner is attempting to close on the property before that date. Additional information may or may not be available by the time of the HRA meeting. Authorizing the Executive Director to continue to negotiate a settlement up until the date of foreclosure, offers the greatest chance for the Homeowner to meet the deadline and avoid foreclosure.
- If a settlement is not approved by the lien holders, the Property will be foreclosed upon. Foreclosure proceedings would result in the home reverting to bank ownership and could result in the house remaining vacant for an extended period of time.

D. FINANCIAL IMPACT:

- Any repaid funds will be returned to the Deferred Loan Program for future loan recipients.
- The attached letter from the Homeowner describes the financial and personal difficulties she has encountered that have led to the need to sell her home.
- The loan was funded with CDBG funds. The HRA established the requirement that the borrower must repay the loan at the sale of the Property. There is no federal requirement to repay the funds.

E. LEGAL CONSIDERATION:

- The HRA has the authority to negotiate the settlement or forgiveness of the loan.

ALTERNATIVE RECOMMENDATION(S):

- Deny the proposal for the settlement of the HRA loan at 7005 Columbus Avenue.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Cynthia McRae-Winborn, Homeowner

ATTACHMENTS:

Description

Letter of Hardship

Type

Backup Material

7005 Columbus Ave

Richfield Mn,55423

May 9, 2019

Housing Specialist

6700 Portland Ave South

Richfield Mn, 55423

Loan Settlement Request:

Dear HRA c/o Kate Aitchison or Celeste McDermott

Some years ago, my husband and myself (Cynthia McRae – Winborn) received a grant to do major home repairs or projects done to our home. We received a grant from HRA with the intentions of keeping our home. At the time we had a very successful childcare and was looking forward to expanding our business. A few years after receiving the grant not only did the business began to shift but my husband had a setback due to temporary disability from his job that enabled him to return to work. Due to the lack of income and fluctuating mortgages and most of all stress, we were unable to manage all the bills for some time now. Finally, last year around August 2018 I was continuing to lose income from my child care business so my husband was forced to resumed to part time work but was unable to manage all the bills alone. The amount of stress that we both endured during a time that we should have been enjoying was almost unbearable. During that time, I lost 4 family members who were very close and dear to me to facing mortgage foreclosure it's been too much to bear at times. We are very much in need and were asking for forgiveness of the debt that we owe to HRA. Without this forgiveness we won't be able to sale our home and at this point we would have lost a great deal and of course our credit would be more affected negatively. Again, I hope my request is worthy of consideration please accept our forgiveness of this debt. This would give us a chance to sale our home and restore our credit, not be in a homeless situation due to bad credit and then we could find a more affordable place to live. Please consider our request.

Respectfully,

Cynthia McRae- Winborn,

P.S Contact information of representative:

Kay Smith (Executive Closer)

Direct (763) 401-4258

Kay@PartnerstitleCo.com