



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
FEBRUARY 18, 2020
7:00 PM**

Call to Order

Approval of the minutes of the: (1) Concurrent City Council and Housing and Redevelopment Authority work session of January 21, 2020; and (2) Regular Housing and Redevelopment Authority meeting of January 21, 2020.

PRESENTATIONS

1. HRA/EDA Year End Review

AGENDA APPROVAL

2. Approval of the Agenda
3. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consideration of a Second Amendment to the Contract for Private Development for 6812 Emerson Lane.
Staff Report No. 8
4. Consideration of items, if any, removed from Consent Calendar

RESOLUTIONS

5. Consider the attached resolution approving a preliminary development agreement between the Housing and Redevelopment Authority and Enclave Development, LLC for redevelopment of property at 65th Street and Lyndale Avenue.
Staff Report No. 9

OTHER BUSINESS

6. Consideration of housing affordability concepts proposed by Penn Investments, LLC for the development of 6501 Penn Avenue South, and 6500 and 6504 Oliver Avenue South.
Staff Report No.10

HRA DISCUSSION ITEMS

7. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

8. Executive Director's Report

CLAIMS

9. Claims

10. 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 Housing and Redevelopment Authority Work Session

January 21, 2020

CALL TO ORDER

The work session was called to order by Chair Supple at 5:30 p.m. in the Bartholomew Room.

Council Members Present: Maria Regan Gonzalez, Mayor; Mary Supple; Simon Trautmann, and Ben Whalen.

Council Members Absent: Edwina Garcia.

HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl; and Erin Vrieze Daniels.

HRA Members Absent: Pat Elliott.

Staff Present: Katie Rodriguez, City Manager; John Stark, HRA Executive Director/Community Development Director; Julie Urban, Housing Manager; Melissa Poehlman, Assistant Community Development Director; Neil Ruhland, Communication and Engagement Manager; Kate Aitchison, Housing/Communications Specialist; and LaTonia DuBois, Administrative Assistant.

Others Present: Stephanie Ahles, HueLife; members of the community.

Item #1

FACILITATED WORKSHOP ON AFFORDABLE HOUSING GOALS

Chair Supple explained this is an interactive workshop and audio may be difficult at times.

Housing Manager Julie Urban provided background information on affordable housing and introduced Stephanie Ahles of HueLife.

Stephanie Ahles of HueLife explained the agenda and some objectives for the evening. Stephanie asked Policy Makers to introduce themselves and what type of housing they grew up in and asked them to describe what affordable housing looks like to each of them.

Housing Manager Julie Urban provided a data review on affordable housing and presented data on affordable housing in Richfield. She explained how current policy is working, discussed accessibility and how affordability is determined by the Met Council.

Stephanie explained the process for the evening and asked Policy Makers to answer several questions about what affordable housing looks like. Policy Makers discussed thoughts on the current affordable housing situation in Richfield and future goals and challenges. Policy Makers broke into groups and brainstormed and came up with similar objectives and areas of concern. Policy Makers came back together and shared their ideas and had conversations regarding housing goals and policies. Objectives were placed on a board and grouped into categories of similarity. A visual of the City Council and HRA affordable housing goals was pieced together and displayed on the board. Policy Makers discussed how to build on the goals with current policies and which objectives would have the biggest impact on the community and which of these they would consider of most significance. The themes agreed on were: preserve, protect and improve the quality of NOAH; have plenty of diverse options within affordable housing for all residents; fully integrate affordable housing into community and provide equitable access to all its amenities; and create proactive policies and tools to reach our vision for affordability and small business ownership.

Chair Supple invited members of the community to join the Housing and Redevelopment meeting.

ADJOURNMENT

The work session was adjourned by unanimous consent at 7:00 p.m.

Date Approved: February 18, 2020

Mary B. Supple
Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

January 21, 2020

CALL TO ORDER

The meeting was called to order by Chair Supple at 7:05 p.m. in the Council Chambers.

HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl; and Erin Vrieze Daniels.

HRA Members Absent: Pat Elliott

Staff Present: John Stark, Executive Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.

CONSIDERATION OF THE ELECTION OF OFFICERS AND DESIGNATION OF ASSISTANT TO THE SECRETARY FOR THE RICHFIELD HOUSING AND REDEVELOPMENT AUTHORITY FOR 2020. (S.R. NO. 1)

Chair Supple opened nominations.

M/Vrieze Daniels, S/Sandahl to elect the slate of officers as follows:

Mary Supple to serve as Chairperson,

Pat Elliott to serve as Vice Chairperson,

Maria Regan Gonzalez to serve as Secretary.

Motion carried 4-0

M/Vrieze Daniels, S/Sandahl to elect LaTonia DuBois to serve as assistant to the Secretary.

Motion carried 4-0

APPROVAL OF THE MINUTES OF THE REGULAR HRA MEETING OF DECEMBER 16, 2019.

M/Sandahl, S/Vrieze Daniels to approve the minutes of the regular Housing and Redevelopment Authority meeting of December 16, 2019.

Motion carried 4-0

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

Motion carried 4-0

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

A. Consider the adoption of a resolution amending the Bylaws of the HRA. (S.R. No. 2)

RESOLUTION NO. 1346
RESOLUTION AMENDING THE BYLAWS OF THE HOUSING AND REDEVELOPMENT
AUTHORITY OF THE CITY OF RICHFIELD, MINNESOTA

B. Consideration of resolutions designating official depositories for the HRA for 2020,
including approval of collateral. (S.R. No. 3)

RESOLUTION NO. 1347
RESOLUTION DESIGNATING CERTAIN FINANCIAL INSTITUTIONS AS DEPOSITORIES FOR
THE INVESTMENT OF HOUSING AND REDEVELOPMENT AUTHORITY OF RICHFIELD
FUNDS IN 2020

RESOLUTION NO. 1348
RESOLUTION DESIGNATING CERTAIN SAVING AND LOAN ASSOCIATIONS, BANKS AND
CREDIT UNIONS AS DEPOSITORIES FOR THE INVESTMENT OF HOUSING AND
REDEVELOPMENT AUTHORITY OF RICHFIELD FUNDS IN 2020

RESOLUTION NO. 1349
RESOLUTION DESIGNATING U.S. BANK A DEPOSITORY OF FUNDS OF THE HRA OF
RICHFIELD FOR THE YEAR 2020

C. Designation of Community Development Director Johns Stark as Executive Director of
the HRA for 2020. (S.R. No. 4)

Chair Supple explained the open forum being added to the HRA and invited audience to speak for
the open forum.

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

Motion Carried 4-0

Item #3	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM THE CONSENT CALENDAR
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None.

Item #4	CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY DEVELOPMENT AGREEMENT WITH NORTHBAY FOR THE DEVELOPMENT OF THE HENLEY II REDEVELOPMENT PROJECT (S.R. NO. 5)
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Executive Director Stark presented Staff Report 5, and provided some background from the work session held regarding the project.

Chair Supple commented on the benefit of accessing Garfield Park from the neighborhood. Commissioner Vrieze Daniels inquired about the rehabilitation of the existing building and affordability. There was further discussion regarding affordability and accessibility of the project. Commissioner Sandahl inquired about the size of the units and desirability; Executive Director Stark explained the desire to retain existing tenants and gave positive comparisons with responses to smaller units at the Henley I.

M/Sandahl, S/Vrieze Daniels to approve a resolution granting approval to the preliminary development agreement with Northbay for the development of the Henley II redevelopment project.

RESOLUTION NO. 1350
RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A PRELIMINARY
DEVELOPMENT AGREEMENT WITH [NORTHBAY ENTITY]

Motion Carried 4-0

Item #5	CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY DEVELOPMENT AND RIGHT OF ENTRY AGREEMENT WITH PENN INVESTMENT LLC FOR THE DEVELOPMENT OF 6501 PENN AVENUE SOUTH AND 6500 OLIVER AVENUE SOUTH (S.R. NO. 6)
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Housing Manager Julie Urban presented Staff Report 6.

Commissioner Vrieze Daniels inquired about the decision to go with this developer. Housing Manager Julie Urban explained the feedback received at the work session regarding the development site. Commissioner Regan Gonzales asked for further explanation regarding the process for obtaining deeper affordability, Housing Manager Julie Urban provided explanation. Executive Director Stark explained the purpose of the preliminary development agreement.

M/Vrieze Daniels, S/Sandahl to approve a resolution granting approval to a preliminary development agreement and a right of entry agreement with Penn Investments LLC for the redevelopment of 6501 Penn Avenue South and 6500 Oliver Avenue South.

RESOLUTION NO. 1351
RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF A PRELIMINARY
DEVELOPMENT AGREEMENT AND RIGHT OF ENTRY AGREEMENT WITH PENN
INVESTMENTS LLC

Motion Carried 4-0

Item #6	AUTHORIZE THE HRA EXECUTIVE DIRECTOR TO APPROVE EXPENDITURES AND APPROVE AND EXECUTE PROFESSIONAL SERVICE AGREEMENTS/CONTRACTS IN AN AMOUNT UP TO \$50,000 (S.R. NO.7)
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Executive Director Stark presented Staff Report 7.

M/Sandahl, S/Regan Gonzalez to approve a resolution to authorize HRA Executive Director to approve expenditures and approve and execute professional service agreements/contracts in an amount up to \$50,000.

RESOLUTION NO.1352
RESOLUTION DELEGATING EXECUTIVE DIRECTOR TO EXECUTE CERTAIN DOCUMENTS
AND AUTHORIZE EXPENDITURES ON BEHALF OF THE HOUSING AND REDEVELOPMENT
AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA

Motion Carried 4-0

Item #7	HRA DISCUSSION ITEMS
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Commissioner Regan Gonzalez spoke of her appreciation for the joint work session with City Council and HRA and continued effort to talk about the housing goals as a community. Chair Supple spoke of anticipation of the next meeting and action steps.

Item #8	EXECUTIVE DIRECTOR REPORT
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Executive Director Stark provided additional information regarding item #4 on the Agenda.

Item #9	CLAIMS
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M/Sandahl, S/Regan Gonzalez that the following claims be approved:

U.S. BANK	1/20/2020
Section 8 Checks: 131350-131431	\$162,958.68
HRA Checks: 33783-33797	\$15,153.27
TOTAL	\$178,111.95

Motion carried 4-0

Item #10	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:39 p.m.

Date Approved: February 18, 2020

Mary B. Supple
HRA Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



STAFF REPORT NO. 8
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
2/18/2020

REPORT PREPARED BY: Kate Aitchison, Housing Specialist
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
2/11/2020

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a Second Amendment to the Contract for Private Development for 6812 Emerson Lane.

EXECUTIVE SUMMARY:

In July 2019, the Housing and Redevelopment Authority (HRA) approved a Contract for Private Development (Contract) with Endres Custom Homes (Builder) for the construction of five single-family homes at 6812 Emerson Lane under the Richfield Rediscovered program.

At the time of the approval, the Contract contained the legal description for the full parcel, as purchased by the HRA in 2005.

In November 2019, the Richfield City Council approved a subdivision of the property to partition off the narrow strip of land on the north end of the property (Parcel 2). At the same meeting, a plat was submitted and granted approval for the remaining parcel where the five single family homes and public road will be constructed (Parcel 1).

The Contract between the HRA and the Builder needs to be amended in order to correct the legal description to remove Parcel 2 from the conveyance to the Builder.

Moving forward, Parcel 2 will remain undeveloped, as it is only 10 feet wide and abuts the back yards of nine single-family homes on the west side of Emerson Avenue. The HRA could consider conveying the property to those homeowners, but the process would require the full cooperation of all the property owners.

RECOMMENDED ACTION:

By motion: Approve the Second Amendment to the Contract for Private Development with Endres Custom Homes to correct the legal description of the property to be sold to Endres Custom Homes.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- November 2018 and April 2019: Work sessions held to discuss site potential and the Builder's proposed project for five single-family homes.
- July 2019: HRA approved original Contract for Private Development with the Builder for the construction of five single-family homes at 6812 Emerson Lane.

- October 2019: HRA discussed providing an additional subsidy and reducing the project to four homes. That change was not approved, but the closing deadline for the Builder was changed to March 31, 2020 (First Amendment to the Contract for Private Development).
- November 2019: City Council approved the subdivision and plat for the property at 6812 Emerson Lane for the construction of five single-family homes.

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

- The property to be conveyed to the Builder is identified by legal description and street address in Section 1.1 of the Contract for Private Development.

C. CRITICAL TIMING ISSUES:

- The legal description must be reviewed and approved prior to closing.
- Building plans and the storm water management plan have been submitted for review.

D. FINANCIAL IMPACT:

- Parcel 2 has no functional value to the Builder and would have no effect on the purchase price of the property.
- Liability insurance will still be kept on Parcel 2, as on other HRA-owned land.

E. LEGAL CONSIDERATION:

- The Amended Contract for Private Development will now mirror the actions taken by the City Council at the November 26, 2019 meeting.

ALTERNATIVE RECOMMENDATION(S):

Do not approve the Second Amendment to the Contract for Private Development.

PRINCIPAL PARTIES EXPECTED AT MEETING:

None

ATTACHMENTS:

Description	Type
□ Resolution	Resolution Letter
□ Contract Amendment 6812 Emerson Lane	Contract/Agreement
□ Aerial Map of 6812 Emerson Lane, Parcels 1 and 2	Backup Material

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

RESOLUTION NO. _____

**RESOLUTION APPROVING SECOND AMENDMENT TO CONTRACT FOR PRIVATE
DEVELOPMENT WITH ENDRES CUSTOM HOMES, INC.**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") entered into a Contract for Private Development, dated July 15, 2019, as amended by the First Amendment to Contract for Private Development, dated October 21, 2019 (together, the "Original Contract"), with Endres Custom Homes, Inc., a Minnesota corporation (the "Developer"), pursuant to which the Developer agreed to purchase certain real property located at 6812 Emerson Lane South (the "Property") from the Authority and construct single-family homes thereon; and

WHEREAS, the Authority and the Developer have determined a need to amend the legal description of the Property set forth in the Original Contract; and

WHEREAS, there has been presented before the Board of Commissioners of the Authority (the "Board") a form of Second Amendment to Contract for Private Development (the "Second Amendment"), which amends the legal description of the Property set forth in the Original Contract; and

WHEREAS, the Board has reviewed the Second Amendment 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 of Richfield 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 Second Amendment is hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the Second Amendment 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 Chair and the Executive Director are authorized to execute any and all additional documents deemed necessary to carry out the intentions hereof.

3. This resolution shall be in full force and effect as of the date hereof.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 18th day of February, 2020.

Mary B. Supple, Chair

Maria Regan Gonzalez, Secretary

SECOND AMENDMENT TO CONTRACT FOR PRIVATE DEVELOPMENT

This Second Amendment (the “Second Amendment”) is made as of the ____ day of February, 2020, by and between the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic under the laws of the State of Minnesota (the “HRA”), a public body corporate and politic under the laws of the State of Minnesota, and Endres Custom Homes, Inc. (the “Developer”), a Minnesota corporation. This Second Amendment amends the Contract for Private Development, dated July 15, 2019 (the “Original Contract”), as amended by the First Amendment to Contract for Private Development, dated October 21, 2019 (the “First Amendment”). The Original Contract, as amended by the First Amendment and this Second Amendment is referred to herein as the “Contract,”

WITNESSETH:

WHEREAS, pursuant to the Original Contract, the Developer agreed to purchase property from the HRA located at 6812 Emerson Lane and legally described in Exhibit A of the Original Contract, recorded in the office of the Hennepin County Recorder contemporaneously with this Second Amendment to Contract for Private Development; and

WHEREAS, the parties wish to amend the Contract as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and mutual obligations of the parties under the Agreement and this Amendment, the parties hereby agree that the Agreement is amended as follows:

1. Amendment to Exhibit A. The legal description of the Property in Exhibit A of the Original Contract, as amended by the First Amendment, is hereby deleted in its entirety and replaced with Exhibit A attached hereto.
2. Confirmation of Contract. Except as specifically amended herein, the Contract is hereby ratified and confirmed, and remains in full force and effect.

IN WITNESS WHEREOF, the parties hereto, by their authorized representatives, have hereunto set their hands as of the date and year first written above.

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

By _____
Mary B. Supple
Its Chairperson

By _____
John Stark
Its Executive Director

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of February, 2020, by Mary B. Supple, the Chairperson 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 authority.

Notary Public

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2020, by John Stark, 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 authority.

Notary Public

KENNEDY & GRAVEN, CHARTERED (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402
Telephone: (612) 337-9300

Signature Page for HRA

Signature Page for Builder

Endres Custom Homes, Inc.

By _____
Dustin Endres
Its President

STATE OF MINNESOTA)
) SS
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of February, 2020, by Dustin Endres, the President of Endres Custom Homes, Inc., a corporation organized under the laws of Minnesota, on behalf of the corporation.

Notary Public

Exhibit A

That part of Government Lot 6, Section 28, Township 28, Range 24, and that part of dried up lake bed of Wood Lake which lies south of the North 783 feet, west of "VEHE ADDITION", east of the east right of way line of Interstate Highway No. 35W and north of the southwesterly extension of the south line of Lot 7, "VEHE ADDITION", except that part described as follows:

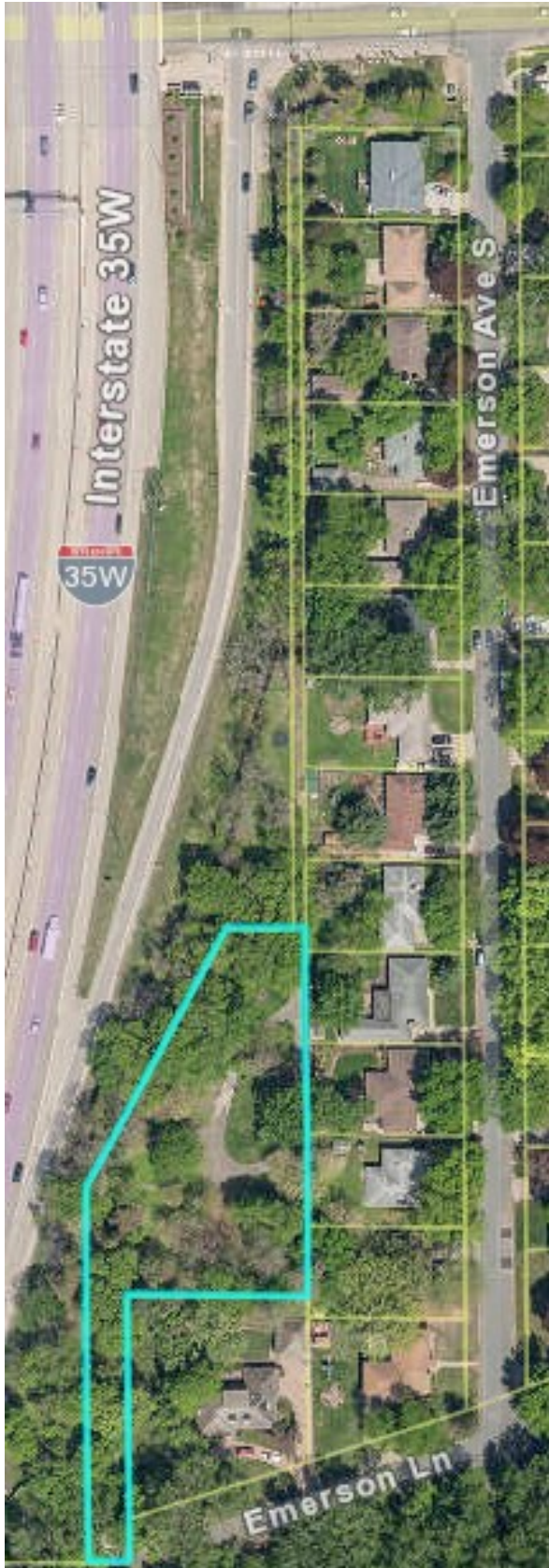
Beginning at a point on the West line of Lot 6, "VEHE ADDITION", 16 feet North of the Southwest corner thereof; thence West on a line parallel with the Northerly line of said Government Lot 6 a distance of 148.0 feet; thence South on a line parallel with the East line of the West 20 acres of said Government Lot 6 to its place of intersection with the Northerly line of West 68th Street; thence Northeasterly along the Northerly line of said West 68th Street to the Southwesterly corner of Lot 7, "VEHE ADDITION"; thence North along the West line of said Lots 6 and 7, "VEHE ADDITION", to the point of beginning.

Together with that portion of dried up lake bed of Wood Lake which lies east of the east right of way line of Interstate Highway No. 35W, south of the southwesterly extension of the south line of Lot 7, "VEHE ADDITION", north of the South 1 foot of Government Lot 6, Section 28, Township 28, Range 24 and west of a line parallel with and 21 feet east of said east right of way line of Interstate Highway No. 35W.

6812 EMERSON LANE

From Hennepin County Interactive Property Map - subdivision submitted and reflected in the images below.

PARCEL 1



PARCEL 2





STAFF REPORT NO. 9
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
2/18/2020

REPORT PREPARED BY: Melissa Poehlman, Asst. Community Development Director
OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW: John Stark, HRA Executive Director
2/11/2020

ITEM FOR COUNCIL CONSIDERATION:

Consider the attached resolution approving a preliminary development agreement between the Housing and Redevelopment Authority and Enclave Development, LLC for redevelopment of property at 65th Street and Lyndale Avenue.

EXECUTIVE SUMMARY:

On September 24, 2019, representatives of Enclave Development, LLC (Developer) presented conceptual plans for a mixed use development at the corner of 65th Street and Lyndale Avenue to the Housing and Redevelopment Authority (HRA), City Council, and Planning Commission. The Developer is proposing to construct approximately 130 apartment units above approximately 8,000 sf of commercial space.

Based on feedback received at that meeting, the Developer would like to proceed with the development of plans and further discussion of potential HRA assistance through creation of a Tax Increment Financing (TIF) District. The attached Preliminary Development Agreement (Agreement) provides for the support and cooperation of the HRA as the Developer works to develop a feasible project for the site. The Agreement provides several benchmarks that must be met, including submitting a financial proforma, applying for a sketch plan review, and acquiring the development property, or the HRA may terminate the Agreement. The Agreement requires that a Development Agreement be negotiated by July 15, 2020. If the terms are met, the HRA agrees not to solicit other proposals or enter into any agreement with a different developer in association with this site.

RECOMMENDED ACTION:

By motion:

- 1. Approve the Preliminary Development Agreement between the Housing and Redevelopment Authority and Enclave Development, LLC for the development of properties at the northeast corner of 65th Street and Lyndale Avenue ; and**
- 2. Authorize execution of the Agreement by the Housing and Redevelopment Authority Chair and Executive Director.**

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

See Executive Summary

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

- **Richfield Comprehensive Plan:** The Lakes at Lyndale area is guided for Mixed Use

Development. In the 66th & Lyndale/Nicollet area, the intent of the Mixed Use category is to create a true city center and downtown. The area is expected to include a mix of residential, shopping, recreational, and business uses. While the area at 66th Street and Lyndale Avenue has been developing for the past decade, the intent is to continue the expansion of the city center area by incorporating residential housing at 50 to 150 units per acre and providing commercial, office, and recreational opportunities.

C. CRITICAL TIMING ISSUES:

- The following benchmarks have been established to ensure that progress is made toward land use approvals and approval of a development agreement:
 - Submit for Sketch Plan Review by March 1, 2020
 - Revised proforma by June 10, 2020
 - Development Agreement approved by July 15, 2020

D. FINANCIAL IMPACT:

- The Preliminary Development Agreement provides for the reimbursement of all out-of-pocket administrative costs, including legal and financial consultant fees and nominal staff time.
- Additional financial considerations, including the issuance of any Tax Increment Financing, would be considered as part of the Development Agreement.
 - The Developer is continuing to evaluate the proposed project as preliminary returns, both with and without TIF, remain below what would allow a project to be receive financing. (Return on Investment - ROI). For analysis purposes, the ROI typically must be at least 7% in order to attract investors.
 - No TIF with 20% affordable at 60% AMI - ROI -0.31%
 - No TIF, market rate - ROI 1.28%
 - TIF with 20% affordable at 60% AMI - ROI 2.54%
 - TIF with Housing & Redevelopment Fund contribution - ROI 5.13%
 - The Preliminary Agreement will allow the Developer and the HRA to continue to explore alternatives that would bring the ROI up to a level that could receive financing.

E. LEGAL CONSIDERATION:

- The HRA Attorney drafted the Agreement.

ALTERNATIVE RECOMMENDATION(S):

1. Do not approve the Agreement.
2. Approve the Agreement with modifications.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Brian Bochman - Enclave, LLC

ATTACHMENTS:

Description	Type
□ Resolution	Resolution Letter
□ Agreement	Contract/Agreement

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

RESOLUTION NO. _____

RESOLUTION APPROVING AGREEMENT WITH ENCLAVE

WHEREAS, Enclave Development, LLC, a North Dakota limited liability company, or one of its wholly owned affiliates (the “Developer”) has proposed purchasing certain property located at 65th Street and Lyndale Avenue in Richfield, Minnesota (the “Development Property”), for the purpose of developing approximately 130 units of market rate housing and 8,000 square feet of retail space (the “Project”);

WHEREAS, the Developer and the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “HRA”), have been engaged in informal discussion regarding the project and the proposed creation of a redevelopment tax increment financing district and plan including the Development Property;

WHEREAS, the Board of the HRA has been presented with a Preliminary Development Agreement (the “Preliminary Development Agreement”) proposed to be entered into between the HRA and the Developer, which sets forth the Developer’s intentions and the conditions under which the Developer will undertake the Project; and

WHEREAS, the HRA has reviewed the Preliminary Development Agreement and finds that the execution thereof by the HRA and performance of the HRA’s obligations thereunder are in the best interest of the City of Richfield, Minnesota, and its residents; and

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

1. The Preliminary Development Agreement presented to the HRA and on file with the Executive Director are hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the Chair and Executive Director; provided that execution of such documents by such officials shall be conclusive evidence of approval.

2. The Chair and Executive Director are hereby authorized to execute the Preliminary Development Agreement on behalf of the HRA and to carry out on behalf of the HRA the HRA’s obligations thereunder.

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

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield,
Minnesota this ____ day of February, 2020.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

PRELIMINARY DEVELOPMENT AGREEMENT

THIS PRELIMINARY DEVELOPMENT AGREEMENT (the “Agreement”) is made and entered into this ____ day of _____, 2020, by and between the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a Minnesota public body corporate and politic (the “HRA”), and Enclave Development, LLC, a North Dakota limited liability company, or one of its wholly owned affiliates (the “Developer”).

RECITALS:

First: The Developer and the HRA have been engaged in informal discussions regarding the development of certain property located at 65th Street and Lyndale Avenue in Richfield, Minnesota (the “City”), that the Developer expects to acquire by purchase from a third party owner, which is legally described in EXHIBIT A (the “Development Property”);

Second: The Development Property has several blighted buildings and the Developer is proposing to redevelop the Development Property and construct approximately 130 units of market rate housing and approximately 8,000 square feet of retail space (the “Project”);

Third: In order to assist the Developer with the redevelopment of the Development Property, the HRA is considering the establishment a redevelopment tax increment financing district that includes the Development Property;

Fourth: Based on initial reviews of the proposal, it appears that the Project is potentially feasible; however, further review is needed;

Fifth: The parties wish to cooperate in further analyzing the potential and feasibility of the Project and are willing to proceed with such analysis as described in this Agreement;

Sixth: The parties acknowledge that the Developer will expend substantial time and effort, and incur substantial expense in pursuing the Project;

Seventh: The Developer is willing to undertake the activities described in this Agreement only with the reasonable assurance from the HRA that it will support and cooperate with the Developer in its efforts;

Eighth: The HRA and the Developer have executed this Agreement to document their understanding with respect to the proposed Project.

AGREEMENT

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

1. Statement of Intent.

It is the intention of the parties that during the term of this agreement the following activities will take place:

- (a) Plan Review and Refinement. The Developer will complete and provide the general development plan, including parking layout and design, to the HRA for review and comment. This submission shall be made on or before March 1, 2020 as an Application for Sketch Plan Review. This Review involves a staff review of the general development plan by HRA staff. Following the Sketch Plan Review, the Developer will undertake any additional studies or refinements to the General Development Plan for the Project that are necessary to determine that the plan (i) complies with the City's land use requirements; and (ii) provides sufficient detail to permit the reviews described in paragraph (d) below. Upon completion of the staff-level Sketch Plan Review, either party may request that the General Development Plan be brought before a work session of the City Council and/or HRA.
- (b) Financial Feasibility. The Developer will provide to the HRA a financial feasibility analysis of the Project, including a detailed sources and uses of all funding and all expenditures expected for the construction of the Project and a Project pro forma on or before June 10, 2020. The financial feasibility analysis should specify what financing will be obtained for the Project and from what sources and the amount of equity to be contributed to the Project.
- (c) Blight Study. The HRA will engage LHB to provide a blight study of the Development Property to determine whether the Development Property would qualify for a redevelopment tax increment district. The Developer shall pay the costs of such study.
- (d) HRA Analysis of Project. Following the receipt from the Developer of the information set forth in Section 1(a) and (b), the HRA's fiscal consultant will conduct a financial analysis of the Developer and the Project. The purpose of the HRA's analysis is to determine the Developer's ability to finance the proposed Project. The analysis will consider such factors as the Developer's capability to arrange for financing, the anticipated level of assistance available to the Project from the HRA or other sources, and the Developer's ability to provide equity to the Project.
- (e) Acquisition of Development Property by Developer. The Development Property is currently owned by a third party. In order for the Project to proceed, the Developer must purchase the Development Property. On or before February 3, 2021 the Developer will enter into a purchase agreement (the "Purchase Agreement"), which will provide the terms and conditions necessary for the Developer to acquire the Development Property. The Developer shall provide a copy of the Purchase Agreement to the HRA on or before January 31, 2020.
- (f) Contract Negotiation. On or before July 15, 2020, the parties will attempt in good faith to negotiate the terms of a contract for private development (the "Contract") which will provide the nature and timing of the private improvements to be constructed, the form, the amount and conditions of any economic assistance to be provided by the HRA for

the Project. The Contract will contain such additional terms as either party believes are necessary for the transaction.

- (g) Right of Entry. If a Right of Entry Agreement is needed by LHB to complete its blight study of the Development Property, the Developer will work with the owner of the Development Property to obtain the agreement. LHB and the HRA will give the Developer a minimum of fifteen (15) days' notice of its intent to enter the Development Property so that proper notice may be given to the current tenants.
- (h) Developer's Compliance with City's Inclusionary Housing Policy. Pursuant to the City's Inclusionary Housing policy, the Developer will be required to contribute \$_____ (fifteen percent (15%) of the total tax increment financing received by the Developer) to the HRA's Housing and Redevelopment Fund, unless at least twenty percent (20%) of all housing units of the Project are available at rates of sixty percent (60%) of AMI. The HRA and its consultants will review the Project's current pro forma (including construction costs and sources of funding) prior to the HRA's determination of the contribution amount.

2. Undertaking by Developer.

During the term of this Agreement, the Developer will undertake all of the activities necessary, in the Developer's discretion, to accomplish the activities described in paragraph 1 required to be performed by the Developer.

3. HRA's Undertaking and Agreement.

The HRA agrees to cooperate with the Developer in the Developer's undertakings, agrees to utilize its best efforts, subject to the Developer's performance, to accomplish the activities described in paragraph 1 above, which includes an analysis of the financial feasibility of the Project and the nature, area, and financial implications of any tax increment district which might be established.

4. Term.

This Agreement is effective from the date hereof through May 15, 2021, unless extended with approval of the HRA's Board of Commissioners, provided, in the event either party, after consultation with the other party, determines in good faith that the other party is not diligently pursuing the Project or its obligations hereunder; or the Developer determines, in good faith, that the Project is not feasible, such determining party may terminate this Agreement upon thirty (30) days written notice to the other. The HRA may also terminate this Agreement for failure of the Developer to provide additional funds pursuant to Section 5 below. The parties each waive any claim or cause of action that they may have against the other party based upon the termination of this Agreement by such other party. The parties may, by mutual written agreement, extend this Agreement for such further periods as determined to be appropriate from time to time.

5. Administrative Costs of HRA.

The Developer agrees and understands that it is responsible for and will pay to the HRA all

out-of-pocket costs incurred by the HRA (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 and the Project 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 HRA.

Upon execution of this Agreement, the Developer will deliver a deposit to the HRA in the amount of \$7,000 (the "Deposit") to pay Administrative Costs. At any time the Deposit drops below \$1,000, the Developer shall replenish the deposit to the full \$7,000 within thirty (30) days after receipt of written notice thereof from the HRA. The HRA shall provide invoices to the Developer for all payments deducted from the Deposit. At any time the Deposit is insufficient to pay invoices related to the Project, the HRA will ask for additional Deposits from the Developer. If the additional Deposit is not made within thirty (30) days following the date of such request, the HRA 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 to the Developer upon the expiration or termination of this Agreement.

In addition, the Developer shall pay the fees related to the blight study prepared by LHB within thirty (30) days of the HRA providing the invoice to the Developer.

6. Termination of Agreement.

This Agreement may be terminated upon five (5) days written notice by a party to the other party if:

- (a) in the respective good faith judgment of any party, an impasse has been reached in the negotiation or implementation of any material term or the completion or execution of any material condition of this Agreement or the contract for private development; or
- (b) a party fails to perform any of its obligations under this Agreement.

8. Miscellaneous.

- (a) This Agreement may be assigned to an affiliate of the Developer at a later date; provided, however, that the Developer or its principals will be the owner of the entity that will develop the Project.
- (b) This Agreement constitutes the entire agreement between the parties relative to the proposed Project. Unless specifically described herein, no obligation shall be inferred or construed.
- (c) Redevelopment of the Development Property will be in accordance with a contract for private development or other agreements which the parties shall, in good faith, attempt to negotiate during the term of this Agreement.
- (d) The Developer understands that further and separate action, for which no obligation is created hereunder, will be required before the HRA or the Developer is obligated to take various actions with respect to the Project. Those actions may include, without limitation:

- 1) Creation of and approval of a modification of tax increment project plan and/or tax increment district by the City Council of the City and the Board of the HRA;
 - 2) Zoning and subdivision approvals to the extent any are required;
 - 3) Construction of public improvements to serve the Project; and
 - 4) Negotiation of and approval of a contract for private development by the HRA Board.
- (e) The Developer further understands that many of the actions which the HRA or the City may be called upon to take require the reasonable discretion and in some instances the legislative judgment of the HRA or the City, such actions may be made only following established procedures; and HRA may not, by agreement, agree in advance to any specific decision in such matters.
- (f) Notice or demand or other communication between or among the Parties shall be sufficiently given if sent by certified or registered mail, postage prepaid, return receipt requested or delivered personally:

Enclave Development, LLC
1 2nd Street North
Suite 102
Fargo, ND 58102
Attn: Austin Morris, Managing Partner

Richfield Housing and Redevelopment Authority
6700 Portland Avenue South
Richfield, MN 55422
Attn: John Stark, Executive Director

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

IN WITNESS WHEREOF, the parties have executed this Agreement effective the date and year first above written.

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

ENCLAVE DEVELOPMENT, LLC,
a North Dakota limited liability company

By: _____
Mary B. Supple
Its: Chair

By: _____
Austin Morris
Its: Managing Partner

By: _____
John Stark
Its: Executive Director

EXHIBIT A
DEVELOPMENT PROPERTY

6467 Lyndale Ave. S. Richfield, MN **PID#: 270282430010**
Lot 2, Block 2 of J N Hausers Addition, Richfield MN

6439 Lyndale Ave. S. Richfield, MN **PID#: 2702824230074**
Lots 4 5 19 20 And The Sely 43 Ft Of Lot 18 Incl That Part Of Adj Vac Alley Lying Sly And Swly Of A Line
Desc As Beg At Most Nly Ne Cor Of Lot {Metes & Bounds}

415 64 ½ St. W. Richfield, MN **PID#: 270282430053**
Lot 3, Block 6 of Lyndale Oaks Addition, Richfield, MN



STAFF REPORT NO.10
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
2/18/2020

REPORT PREPARED BY: Julie Urban, Housing Manager

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
 2/12/2020

ITEM FOR COUNCIL CONSIDERATION:

Consideration of housing affordability concepts proposed by Penn Investments, LLC for the development of 6501 Penn Avenue South, and 6500 and 6504 Oliver Avenue South.

EXECUTIVE SUMMARY:

On January 21, 2020, the Housing and Redevelopment Authority (HRA) approved a Preliminary Redevelopment Agreement (Agreement) with the development team of NHH Properties, Boisclair Corporation, and Locus Architects, doing business as Penn Investments, LLC (Developer) for the development of the HRA-owned property at 6501 Penn Avenue South and 6500 Oliver Avenue South and the Developer-owned property at 6504 Oliver Avenue South.

The Developer is exploring a redevelopment concept for the property that includes the construction of a building with between 40 and 100 market-rate and affordable housing units and up to 12,000 square feet of commercial space.

Consistent with the City's Inclusionary Housing Policy and the HRA's stated goals for accessible housing and housing with deeper affordability, the Developer has considered a range of housing affordability concepts for the property. The Developer reviewed the following options, assuming a 92-unit development:

OPTION 1: One-hundred percent income-restricted housing

46 units affordable at 50% Area Median Income (AMI) with a mix of bedroom sizes

36 units affordable at 60% AMI with a mix of bedroom sizes

10 larger units affordable at 30% AMI, with supportive services and designated for families leaving shelters

46 of the units would be accessible

OPTION 2: Mixed-income housing

20% affordable at 50% AMI

Remainder of the units market-rate

Alternative: percentage of units affordable and accessible at 30% AMI with Section 811 subsidy (supportive housing for people with disabilities)

Preliminary models indicate a significant financial gap for both options, with the gap being several million dollars more for Option 2. Tax increment financing is one source of funds to help close the gap, as are competitive grants such as Met Council Livable Communities and Hennepin County Transit Oriented Development. At this time, none of those sources are likely to be sufficient to fill the gap.

Several additional financial resources are available for filling the gap of Option 1, including federal tax credits, HOME Investment Partnership Program funds, and the County's Affordable Housing Incentive Fund. These are competitive funds; however, the project concept is designed specifically to meet strategic priorities and successfully compete for these funds. The project is most competitive for 4% tax credits, which are financed through tax exempt bonds that the City would need to induce.

In Option 2, there is a possibility that some of the units could be made affordable at 30% AMI if Section 811 funding is made available through Minnesota Housing. Funds are not currently available but may be made available later this year or in 2021. Up to 25% of the units could be made affordable with the Section 811 subsidy. Whether or not this project would be competitive is unknown at this time, but the greater the number of units, the more competitive an application would likely be. Section 811 units must be accessible at the added cost of \$5,000 per unit.

The location, site constraints, and limited amenities limit the projected market-rate rents that could be obtained in Option 2. Another option for addressing the gap in this Option would be to remove the commercial space, allowing for enhanced amenities. This would increase the projected market-rate rents, which would increase revenues and decrease the financial gap.

If deeper affordability is a high priority, Option 1 offers the greatest opportunity to obtain that affordability, as well as more resources to close the financial gap. If the more modest affordability offered in Option 2 is preferred, eliminating the commercial space may be necessary to create a successful mixed-income project. As of yet unidentified additional resources and/or other changes would also be necessary to close Option 2's larger gap.

Staff and the Developer are seeking direction from the HRA on these issues before moving ahead to further refine a development proposal for the site.

RECOMMENDED ACTION:

By motion: Provide preliminary approval to one of the two affordability options and direct the Penn Investments, LLC to continue to explore the feasibility of that one option for 6501 Penn Avenue South and 6500 Oliver Avenue South.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA purchased 6501 Penn Avenue South in January 2019. The development project area may also include two adjacent parcels at 6500 Oliver Avenue South, which is owned by the HRA, and 6504 Oliver Avenue South, which is owned by the Developer.
- The HRA approved a Preliminary Development Agreement with the Developer on January 21. One of the tasks identified in the Agreement is to determine the level of affordability in the housing component.

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

- The property is zoned and guided for Mixed Use with the Penn Avenue Overlay. The goal of the Penn Avenue Corridor District is to provide for a balanced mix of commercial, office and residential uses that together create a cohesive and pedestrian-friendly area.
- The City's Comprehensive Plan and Housing Visioning statement encourage the development of a full range of housing choices.
- The City's Inclusionary Housing Policy requires the inclusion of at least 20% of units affordable at 60% of the Area Median Income for all projects receiving City financial assistance.
- In goal-setting and housing visioning sessions, the City Council and HRA have expressed a desire to provide housing with deeper affordability, to provide deeper affordability in a mix of bedroom

sizes, and to encourage the construction of physically accessible units.

C. CRITICAL TIMING ISSUES:

- The Developer needs timely feedback on the affordability concepts in order to meet deadlines established in the Agreement and deadlines for the various funding sources.

D. FINANCIAL IMPACT:

- The gap for both affordability concepts is significant, with the gap for Option 2 being several million more than Option 1.
- The location, site constraints, and limited amenities limit the likely projected market-rate rents for Option 2, which adds to the financial gap.
- Option 1 offers the greater number of resources to help fill the gap and the most competitive project for obtaining funding for deeper affordability.
- The opportunity for deeper affordability with Option 2 is more uncertain.

E. LEGAL CONSIDERATION:

- Both options involve legal considerations, which will be further explored once direction on affordability is provided by the HRA.

ALTERNATIVE RECOMMENDATION(S):

- Decide not to give preliminary approval for either concept and provide the Developer with direction as to what affordability concept the HRA wishes them to explore further, keeping in mind that continuing to explore multiple concepts may make it difficult, if not impossible, to meet 2020 funding deadlines.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representatives from the development team.