

**September 3, 2020**  
**HRA Meeting**  
**Regular Meeting Agenda**  
**8:00 p.m.**

Call to order

Roll call.

Action Items

1. Approval of expenditures
2. Approval of August 6, 2020 Meeting Minutes
3. Resolution for Approval of 2020 Tax Levy for Taxes Payable in 2021
4. Resolution Modifying Redevelopment Plan and Existing Tax Increment District, Creating TIF District #25 and Adopting a Tax Increment Financing Plan
5. Approval of Redevelopment Contract – Roers Co.
6. Public Hearing & Resolution for Approval of Land Sale – Roers Co.

Informational Items

1. Housing Loan Program Update

Adjournment



City of Fridley, MN

# Expense Approval Report By Fund

Payment Dates 8/6/2020 - 8/20/2020

Vendor Name	Payable Number	Post Date	Description (Item)	Account Number	Amount
<b>Fund: 001 - HRA - General Fund</b>					
INTERNAL REVENUE SERVICE - ...	INV0024344	08/07/2020	BI-WEEILY FEDERAL TAX WITH...	001-212100	437.10
INTERNAL REVENUE SERVICE - ...	INV0024345	08/07/2020	BI-WEEKLY MEDICARE WITHHO...	001-212130	124.40
MINNESOTA DEPT OF REVENUE ..	INV0024346	08/07/2020	BI-WEEKLY STATE INCOME TAX...	001-212110	213.22
INTERNAL REVENUE SERVICE - ...	INV0024347	08/07/2020	BI-WEEKLY SOCIAL SECURITY W...	001-212120	531.92
MONROE MOXNESS BERG PA	185178	08/12/2020	HOLLY CENTER REDEVEL	001-0000-631100	8,910.00
NELSON CHEESE FACTORY	11584	08/18/2020	BOX LUNCHES	001-0000-621130	46.25
ECM PUBLISHERS INC	789850	08/18/2020	ANNUAL TIF DISCLOSURE	001-0000-633100	450.00
EHLERS & ASSOCIATES INC	INV0024474	08/18/2020	ANNUAL TIF REPORTING	001-0000-631100	12,000.00
FRIDLEY, CITY OF	INV0024502	08/21/2020	HRA - health ins rcpt to 101-21...	001-213140	907.05
FRIDLEY, CITY OF	INV0024503	08/21/2020	HRA-emplr HSA addl rcpt to 101...	001-213150	50.00
<b>Fund 001 - HRA - General Fund Total:</b>					<b>23,669.94</b>
<b>Fund: 055 - TIF #20 - BAE Superfund site</b>					
MONROE MOXNESS BERG PA	185178	08/12/2020	BAE SITE REDEVL	055-0000-631100	1,320.00
<b>Fund 055 - TIF #20 - BAE Superfund site Total:</b>					<b>1,320.00</b>
<b>Fund: 057 - TIF #22 - Northstar</b>					
MONROE MOXNESS BERG PA	185178	08/12/2020	COMMUTER RAIL PROJ	057-0000-631100	412.50
<b>Fund 057 - TIF #22 - Northstar Total:</b>					<b>412.50</b>
<b>Fund: 058 - TIF #23 - Locke Point Park</b>					
MONROE MOXNESS BERG PA	185178	08/12/2020	LOCKE PARK POINTE-LENNAR	058-0000-631100	577.50
<b>Fund 058 - TIF #23 - Locke Point Park Total:</b>					<b>577.50</b>
<b>Grand Total:</b>					<b>25,979.94</b>

## Report Summary

## Fund Summary

Fund	Payment Amount
001 - HRA - General Fund	23,669.94
055 - TIF #20 - BAE Superfund site	1,320.00
057 - TIF #22 - Northstar	412.50
058 - TIF #23 - Locke Point Park	577.50
<b>Grand Total:</b>	<b>25,979.94</b>

## Account Summary

Account Number	Account Name	Payment Amount
001-0000-621130	HRA-Gen.Fund / Operatin...	46.25
001-0000-631100	HRA-Gen.Fund / Services-...	20,910.00
001-0000-633100	HRA-Gen.Fund / Advertisi...	450.00
001-212100	Federal Tax Withheld	437.10
001-212110	State Tax Withheld	213.22
001-212120	FICA PAYABLE	531.92
001-212130	Medicare Payable	124.40
001-213140	Health Insurance	907.05
001-213150	HRA/Veba & HSA Benefit-...	50.00
055-0000-631100	HRA 20-BAE Superfund / ...	1,320.00
057-0000-631100	HRA 22-NStar Transit / Se...	412.50
058-0000-631100	HRA 23-Locke Point Park /...	577.50
<b>Grand Total:</b>	<b>25,979.94</b>	

## Project Account Summary

Project Account Key	Payment Amount
**None**	25,979.94
<b>Grand Total:</b>	<b>25,979.94</b>

**CITY OF FRIDLEY  
HOUSING AND REDEVELOPMENT AUTHORITY COMMISSION  
August 6, 2020**

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**Chairperson Holm** called the Housing and Redevelopment Authority Meeting to order at 8:10 p.m.

**MEMBERS PRESENT:** William Holm  
Gordon Backlund  
Kyle Mulrooney  
Elizabeth Showalter  
Rachel Schwankl

**OTHERS PRESENT:** Paul Bolin, HRA Assistant Executive Director  
Scott Hickok, Community Development Director  
Shane LaFave, Roers Companies

**ACTION ITEMS**

**1. Approval of Expenditures**

**MOTION** by Commissioner Showalter to approve the expenses as submitted. Seconded by Commissioner Mulrooney.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIR HOLM DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**2. Approval of June 4, 2020 Meeting Minutes**

**MOTION** by Commissioner Showalter to approve the June 4, 2020 minutes as submitted. Seconded by Commissioner Schwankl.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIR HOLM DECLARED THE MOTION CARRIED UNANIMOUSLY.**

**3. Amendment to Sherman and Associates Agreement – Main Street NE**

**Paul Bolin**, HRA Assistant Executive Director, stated that after three years and 5-6 application rounds, Sherman and Associates was finally awarded \$10.7M in tax credits to move forward with the third and final building at the rail station sites. All 71 units will be affordable to those making 60% of area median income. The city of Fridley is at 63% of area median income so nearly one half of the households in Fridley would qualify to live in this building. Staff recommends approval of resolution number 2020-07 amending the development agreement, providing Sherman and Associates until December 31 to exercise their option to purchase the parcel.

**MOTION** by Commissioner Showalter to Amend the Sherman and Associates Agreement. Seconded by Commissioner Schwankl.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIR HOLM DECLARED THE MOTION CARRIED UNANIMOUSLY.**

### **INFORMATIONAL ITEMS**

#### **1. Roers/Holly Center Redevelopment Update**

**Paul Bolin**, HRA Assistant Executive Director, stated that the Holly Center is located at Mississippi and University and started construction in 1957 as a strip mall. In 1980's the center lost their luster and the owners sold the property to an investment group. The investment group approached HRA for conduit funding and HRA ended up with ownership of the south end of the site. Roers Companies has an agreement to purchase 6350 University Avenue. The plan is to replace the existing center with 261 housing units and 10,000 square foot daycare center. The site has been a high priority for redevelopment in the last two comprehensive plans. No action is needed tonight, at the next meeting staff will bring forward a request for a TIF district creation and development agreement will be presented for consideration.

**Shane LaFave**, representative Roers Companies, stated that they are continuing to develop the proposal and investigate and research the site. They are working with designers and architects to develop buildings that are the best use for the site. 261 units of apartment homes in the form of studios and 1-3 bedrooms, one level of underground parking and a fair amount of surface parking. There will be a lot of green space, kids' playground, grilling place, gazebo, dog park and two entrances to underground parking. Multiple outdoor patio spaces plus an amenity on the roof of the building providing many options for people to get out of their apartment and be outside. The commercial building proposal is for a daycare facility but could be a retail space, we are flexible at this time. The building will have a look with a mix of modern and traditional and will serve the middle population workforce housing. We are excited about this potential.

**Commissioner Showalter** asked what workforce housing is.

**Mr. LaFave** replied that it is in between affordable and market rate housing. Rent levels would be at 80% of the higher end market rate buildings.

**Commissioner Showalter** asked if there should be a cap on rent in the development agreement for the first five years to help make sure this is affordable.

**Mr. Lafave** replied that the term sheet mentions 80% but he is not opposed to have something in the agreement but the more requirements, the more the city has to police it.

**Commissioner Schwankl** wondered if there was a way to revert ownership if they weren't in compliance with the 80%. Something to consider and discuss in the future.

**Mr. Bolin** asked if the Authority, as a whole, wanted to start telling private developers what they should strive for as far as income goals. This particular developer isn't pursuing housing tax credits to make this low-income housing, as it takes 3-4 years to get those projects funded.

**Commissioner Showalter** would like to see some flexibility in the policy. Maybe a portion at 60% or dedicate two units for homeless individuals.

**Commissioner Backlund** asked if this served our needs or if we needed contractual relations to make sure we meet goals and if that is good long-term planning for us.

**Commissioner Showalter** thought requirements on a developer may make it less likely for the property to work out. Residents of Fridley are very cost burdened and she is concerned about the quality of lower rent apartments.

**Commissioner Schwankl** noted that the developer is dealing with blighted property, so it is not only a matter of affordable housing. Her concern is that they develop this building and take the TIF funds and turn around and sell it and the new buyer doesn't have the same intentions as the developer's initial intentions.

**Chairperson Holm** replied that the new owner of building would have the same desire to provide a reasonable level of occupancy rates to make it profitable for them. Their objective shouldn't be any different than the original owner.

**Scott Hickok**, Community Development Director, stated that imposing more standards isn't the answer. Apartment buildings cost a certain amount to build each unit. If we impose that 15 units need to be in low income housing, they need to figure out overtime that unit is paid for. A lot goes into a site like this to get ready for development and an incentive is necessary. Each unit cost is \$300,000 to build and they need to rent it out to pay for the unit overtime. This is a unique and fair opportunity to hit a sector of the market that isn't currently available.

**Chairperson Holm** thought the city is fortunate for a development like Sherman and Associates to get tax credits from the State to offer affordable housing.

## **2. Housing Program Update**

**Paul Bolin**, HRA Assistant Executive Director, reported this past month one senior loan was issued and another loan through CEE funds making a total of 15 loans year to date which is ahead of last year. Remodel Advisor Visits had three in July making nine year to date. Home Energy Squad Visits had two in July making 29 year to date.

**ADJOURNMENT**

**MOTION** by Commissioner Showalter to adjourn. Seconded by Commissioner Schwankl.

**UPON A VOICE VOTE, ALL VOTING AYE, CHAIRPERSON HOLM DECLARED THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED AT 8:49 PM.**



# HRA AGENDA ITEM

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**Date:** 8/28/2020

**To:** Wally Wysopal, Executive Director

**From:** Paul Bolin, Assistant Executive Director  
Dan Tienter, Director of Finance

**RE:** HRA Tax Levy for Taxes Payable in 2021

Since 1996, the HRA has utilized a tax levy to help support its housing rehabilitation programs. In accordance with Minnesota Statute, 469.033, the Authority is seeking to levy the statutory maximum, equal to .0185% of the estimated market value of all real estate and personal property.

The tax levy will allow the Authority to collect approximately \$564,099 based on an estimated market value of \$3,049,186,337, an increase of approximately \$36,000 more than last year. In terms of the impact on taxpayers, the levy would cost \$27.75 per year for a home valued at \$150,000 and \$185.00 per year for a commercial property valued at \$1,000,000. The revenues raised by the levy are directed towards ongoing and future redevelopment priorities.

State Statutes require the consent of the City Council, prior to the tax levy becoming effective. The City Council will act on this item on September 14th. As a final note, the HRA tax levy will be certified to the County Auditor by September 30, 2020.

## Recommendation

Staff recommends that the Authority approve the attached resolution.

Attachment

**HRA RESOLUTION NO. 2020 - \_\_\_\_**

**RESOLUTION ADOPTING A 2020 TAX LEVY COLLECTIBLE IN 2021**

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

Section 1. Recitals.

- 1.01. The Authority is authorized by Minnesota Statutes Section 469.033 to adopt a levy on all taxable property within its area of operation, which is the City of Fridley, Minnesota (the "City").
- 1.02. The Authority is authorized to use the amounts collected by the levy for the purposes of Minnesota Statutes Sections 469.001 to 469.047 (the "General Levy").

Section 2. Findings.

- 2.01. The Authority hereby finds that it is necessary and in the best interests of the City and the Authority to adopt the General Levy to provide funds necessary to accomplish the goals of the Authority.

Section 3. Adoption of General Levy.

- 3.01. The following sums of money are hereby levied for the current year, collectible in 2021, upon the taxable property of the City for the purposes of the General Levy described in Section 1.02 above:

Total General Levy: .0185% of Taxable Market Value

Amount: Maximum Allowed by Law

Section 4. Report to City and Filing of Levies.

- 4.01. The Executive Director of the Authority is hereby instructed to transmit a certified copy of this Resolution to the City Council for its consent to the General Levy.
- 4.02. After the City Council has consented by resolution to the General Levy, the Executive Director of the Authority is hereby instructed to transmit a certified copy of this Resolution to the County Auditor of Anoka County, Minnesota.

PASSED AND ADOPTED BY THE HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF FRIDLEY, MINNESOTA THIS 3rd DAY OF SEPTEMBER,  
2020.

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WILLIAM HOLM- CHAIRPERSON

ATTEST:

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WALTER T. WYSOPAL - HRA EXECUTIVE DIRECTOR



# HRA AGENDA ITEM

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**Date:** 8/28/2020

**To:** Wally Wysopal, Executive Director

**From:** Paul Bolin, Assistant Executive Director

**RE:** Holly Center Redevelopment – ROERS Companies – TIF District #25

Last month the Authority was provided an update on the redevelopment of the Holly Center, by Roers Companies. Next Thursday night the Authority will be asked to approve the creation of a TIF District, a land sale and a redevelopment contract. This memo contains some of the same background information presented last month, more detail on the project and more information on the affordability of the units. Attached to this memorandum, is an in-depth memo, TIF Plan and redevelopment contract prepared by Attorney Casserly.

## **History:**

The property known as the “Holly Center”, located at 6530 University Avenue, was originally developed in 1957. Throughout the 1960’s and 70’s there were a wide variety of retail shops that included a grocery store, sporting goods, hardware, camera & film shop and clothing stores.



Mid 1960's Aerial

Minneapolis Star Ad – 1965

By the early-1980’s, the Center had lost much of it’s luster. New owners purchased the site and worked to make a number of improvements to the building. In 1984/1985, the owners worked with the City to demolish the gas station that was on the site, improve traffic flow on Mississippi by reducing entrance points and installing turn lanes, and relocating the municipal liquor store to the site. The revamped site now included the Old Country Buffet and had a resurgence of new businesses locate on the site.

The site was purchased by the Herman family in 2000. Over the past ten-fifteen years a number of well-known tenants moved out of the building including Old Country Buffet, Snyder Drug, Cost Cutters & SMW Credit Union. In 2018, the Herman family put the property up for sale with an asking price of \$5.5 million. In the fall of 2019, Roers Companies started discussing a potential purchase of the site. Currently, Roers Companies has a letter of intent to purchase the property from the owner but has yet to sign a purchase. The Herman family has been exercising the provisions within their leases to not renew leases as they expire, as they have determined the site is more valuable for a redeveloper if it has fewer tenants.

As shopping has moved online and more retailers have failed, many shopping centers across the country have been redeveloped exclusively for housing, while others have added housing to their sites. With little demand for retail space, and abundant space available in the area, multi family housing is the most viable reuse of this property.

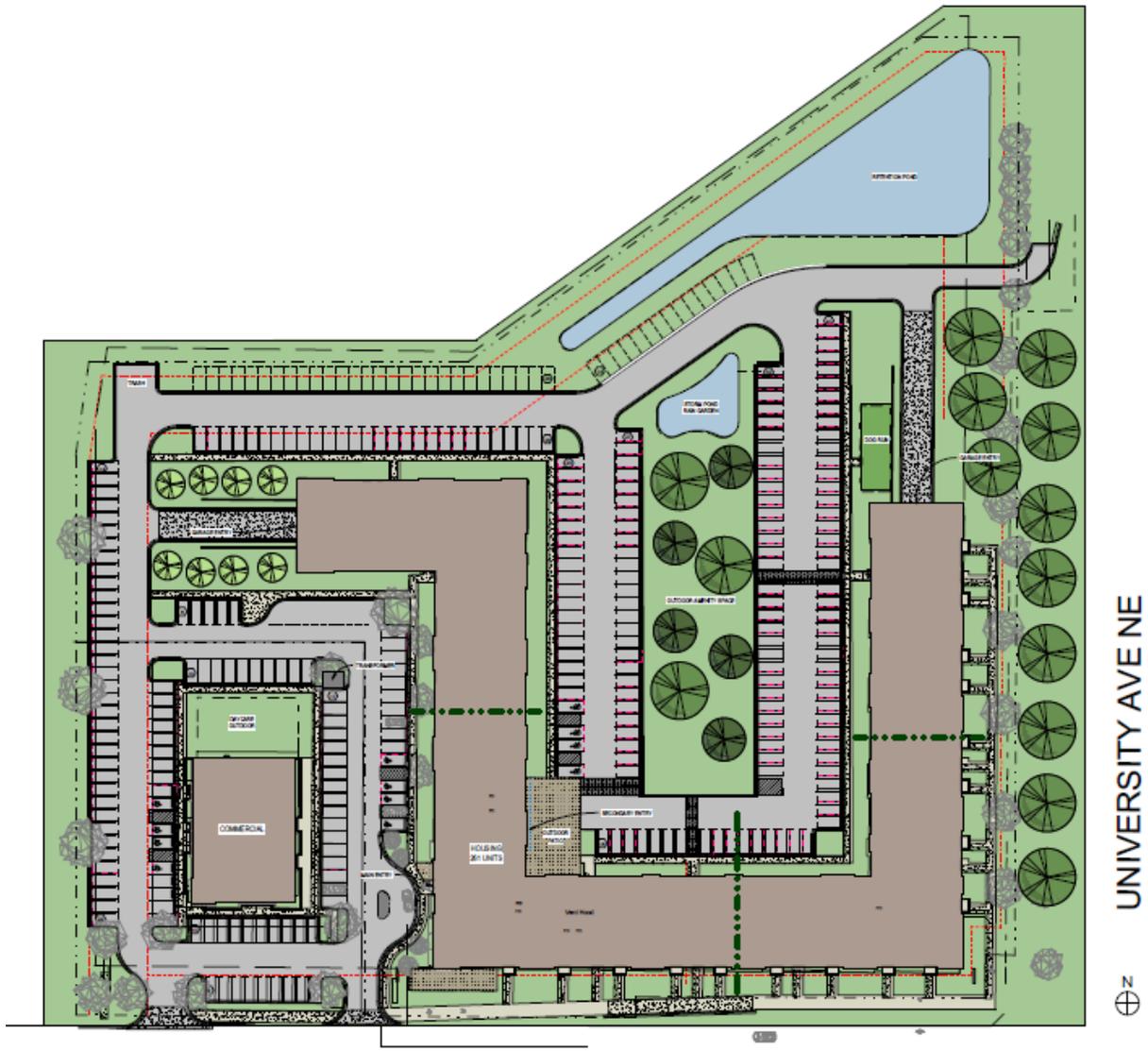
In December of 2019, Roers Companies approached HRA & City staff to discuss the potential for assistance if they were to purchase and redevelop the site. In January of 2020, the Authority approved a preliminary terms sheet that will be used as an outline for a future redevelopment agreement with Roers.

**Proposed Project:**

Roers Companies would like to purchase, demolish and replace the Holly Center with 261 units of market rate rental housing and a stand-alone commercial building. The apartment will contain 67 studio units, 109 one-bedroom units and 85 two-bedroom units. The proposed commercial building will be 10,000 sq.feet and Roers is hoping to attract a daycare center as the principal user of the building.



Exterior of Market Rate Apartments



**MISSISSIPPI ST NE**

Daycare and Apartment Building

Staff had the opportunity to tour a similar project that Roers recently completed in Burnsville. The construction, finishes, attention to detail, and amenities were extremely nice.



What is Workforce Housing?

Since the last HRA Meeting, the City received a number of inquiries over the rents and target market for this project, wondering if this is an “affordable” or “workforce” housing project. Part of the confusion stems from referring to the project as “workforce housing” without providing a definition.

The term “workforce housing” is defined by the Urban Land Institute (ULI) as housing affordable to households earning anywhere between 60% and 120% of the area median income (AMI). In Fridley, that translates to a household of one making between \$43,440 and \$87,360. For a household of four, that translates to incomes between \$62,040 and \$124,800. In total, Fridley households have a median income of 63% of the area median income. To put this in perspective, nearly half of Fridley’s existing households would be cost burdened (paying over 30% of their income) to live in “workforce housing”.

The chart below shows the 2020 income limits, based on 60% to 120% of AMI, based on household size, put together by the US Department of Housing and Urban Development (HUD). This chart shows the incomes that meet the ULI definition for “workforce housing”. The text in red, “63%” is Fridley’s median income.

Income Limit	1 Person HH	2 Person HH	3 Person HH	4 Person HH
120%	\$87,360	\$99,850	\$112,320	\$124,800
110%	\$79,534	\$91,000	\$102,366	\$113,740
100%	\$72,310	\$82,730	\$93,060	\$103,400
90%	\$65,070	\$74,450	\$83,750	\$93,060
80%	\$57,920	\$66,240	\$74,480	\$82,720
70%	\$50,680	\$57,960	\$65,170	\$72,380
63%	\$45,550	\$52,120	\$58,630	\$65,142
60%	\$43,440	\$49,680	\$55,860	\$62,040

What is Affordable Housing?

The Federal Reserve Bank, HUD, Met Council and others tend to define “affordable housing” as housing that is affordable to low and moderate income households. Low income is typically considered households making 50% or less of AMI, while moderate income is considered those making between 51% to 80% of AMI.

For housing to be considered “affordable” the rent/mortgage payment must be 30% or less of the household’s gross monthly income. The chart below, shows the maximum monthly rent (including utilities) that would be considered affordable for households of different income levels.

Income Limit	1 Person HH	2 Person HH	3 Person HH	4 Person HH
80%	\$1,448	\$1,656	\$1,862	\$2,068
70%	\$1,267	\$1,449	\$1,630	\$1,809
63%	\$1,139	\$1,303	\$1,465	\$1,628
60%	\$1,086	\$1,242	\$1,396	\$1,550

Is this project affordable, workforce or market rate?

This project is market rate, non-subsidized, non-rent restricted, with rents that will still be affordable to many in the workforce. The proposed project is aiming to keep its rental rates to

approximately 80% of new luxury rental buildings. Estimated rents will range from \$1,100 for an efficiency unit up to \$1,885 for a three-bedroom unit. In order to not be cost burdened by this new housing, a household would need an income of approximately \$44,000 for an efficiency unit, \$51,400 for a 1 bedroom unit, \$64,000 for a 2 bedroom unit, and \$75,400 for a 3 bedroom unit.

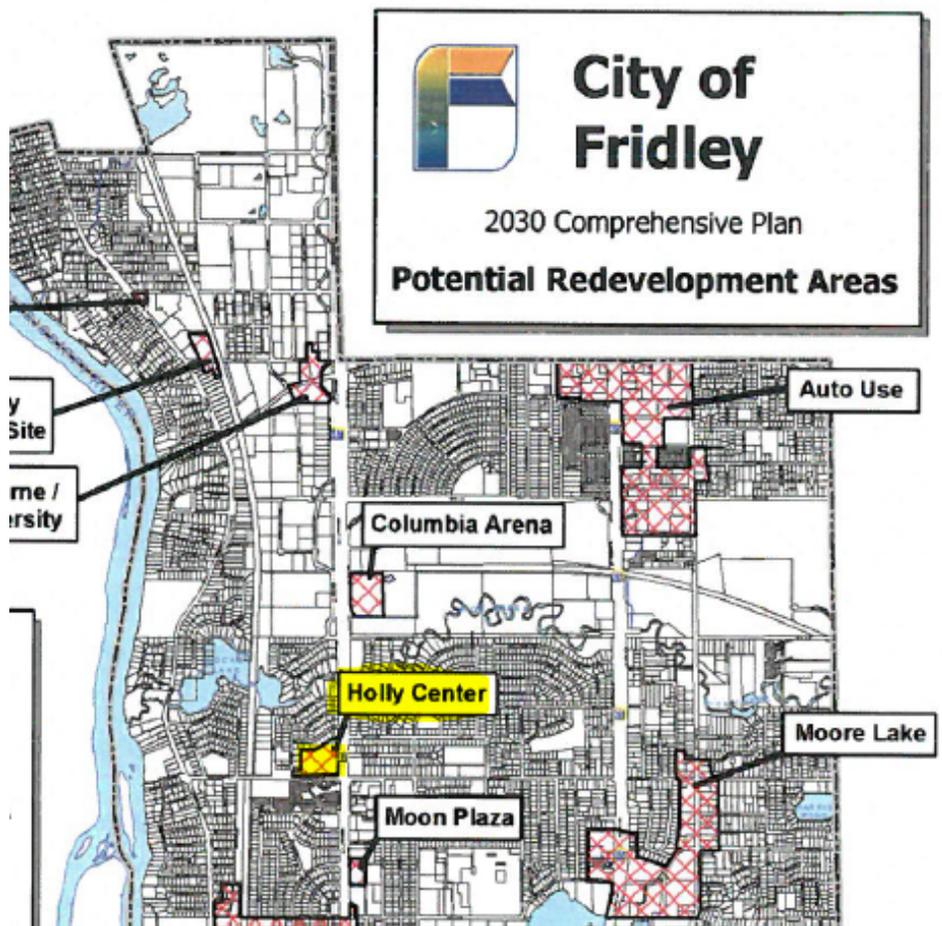
**Requested HRA Assistance:**

In a fully developed community, redevelopment can only happen with assistance from the City. The rents generated are not enough to cover all of the extraordinary redevelopment costs. This potential project is no different. In addition to the extraordinary cost of demolishing the old building, utilities need to be replaced and environmental issues cleaned up. The redeveloper has asked that the Authority provide tax increment and a loan to help cover the extraordinary costs. The property is currently valued at less than \$5M. When completed the proposed project will be valued at approximately \$36M.

**Why Provide Assistance?**

Redevelopment of the Holly Center has been a top priority for residents, as reflected in the outreach efforts the City had undertaken when developing the 2030 and 2040 comprehensive plans.

**From 2030 Comp Plan:**



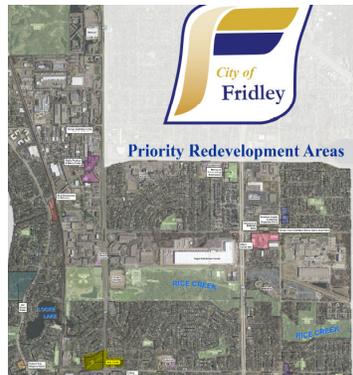
## **Holly Shopping Center**

This shopping center on the corner of Mississippi Street and University Avenue was constructed in 1957 on about 9 acres of land. The strip mall structure, façade, parking, and landscaping, all need updating. The site is surrounded by residential property, yet has no pedestrian access. The mall is over-parked for the type of businesses it contains and is

therefore informally used as a park and ride site. Maintenance is an issue as well, which was demonstrated by the fact that this site received more code enforcement complaints than any other single site in the city in 2006.



## **From 2040 Comp Plan:**



### **7. Holly Center and (2) Properties to the West**

Holly Center, located at 6530 University Avenue, was originally constructed in 1957 and has approximately 9 acres of land. This property was also included as a potential redevelopment area in the last Comprehensive Plan update. Staff continue to hear from Fridley Citizens that something needs to be done with this property. Updates are needed to the structure and façade. There is also an overabundance of parking, which is now informally being used as a park and ride site. Two additional parcels addressed as 201 and 203 Mississippi Street have been added to the redevelopment area

because they are small commercial buildings located on parcels zoned R-3, Multi-Family. Both lots are non-conforming to lot size, so in the event that redevelopment of the Holly Center occurs, these two lots should also be considered. In 2016, University of Minnesota students completed a Transportation Study for the City and identified this area as having a high potential for redevelopment into a mixed-use development with upper level housing and first floor retail.



## **Environmental Cleanup**

In addition to delivering on the desires of the community, there were a number of potential Recognized Environmental Conditions (RECs) identified by the redevelopers engineering firm. The following is from an environmental review conducted by Wenck Associates. In a nutshell, there are dry cleaner solvents, petroleum and fill of unknown origin that will need to be remediated as part of the redevelopment. These are extraordinary costs that can be reimbursed through tax increment.

This ESA has identified the following recognized environmental conditions (RECs) relative to the Subject Property:

- ▲ Historically, dry-cleaning facilities (Gross Brother's-Dronicks Cleaners and Launderers, Crest Cleaners and Launderers, Fridley Dry Cleaners, and Dry Clean Max, LLC) occupied the Subject Property since the early 1960s that reportedly performed chemical dry-cleaning on site. The dry-cleaning operations reportedly operated in Suites 6536 and 6544. The historical presence of on-site chemical dry-cleaning facilities represents a REC for the Subject Property.
- ▲ The Holly 66 Filling Station addressed as 6500 University Avenue NE occupied the southeast corner of the Subject Property from the 1960s to the 1980s. The station reportedly used six USTs containing gasoline, fuel oil, and waste oil. The USTs were reportedly removed in 1982 and 1984 with no documented tank closure assessments. In addition, a petroleum-like odor was noted during drilling of a recent geotechnical soil boring in that area. This historic filling station use and geotechnical soil boring finding indicating a petroleum release, represent a REC.
- ▲ Historically, several automotive repair facilities (George's Automotive, Bernie's Auto Repair, and Champion Auto) occupied Suite 6528 within the strip mall dating back to the mid-1980s. During their tenure, petroleum products/hazardous substances were used/stored, and they also utilized a trench drain and oil/water separator. Based upon the duration and use, releases to the subsurface are possible which represents a REC for the Subject Property.
- ▲ A geotechnical exploration was completed in June 2020 which included the drilling of 19 soil borings on the Subject Property. During the exploration, the soils consisted of 1.5 to 10.5 feet of fill underlain by native terrace deposits consisting of layers of lean

clean, clayey sand, poorly graded sand, and silty sand. Pieces of bituminous were noted within the fill zone in five of the soil borings. The presence of fill of unknown origin with debris represents a REC for Subject Property.

## **Blighted Building Removal**

The condition of the existing buildings was evaluated by the engineering firm, LHB. LHB determined that the buildings had many code deficiencies that would not make them a good candidate for rehabilitation. Items included lack of ADA compliance, failed roofing that is allowing water intrusion, inadequate fire protection and non-compliant HVAC systems. LHB concluded:

After inspecting and evaluating the properties within the proposed TIF District and applying current statutory criteria for a Redevelopment District under *Minnesota Statutes, Section 469.174, Subdivision 10*, it is our professional opinion that the proposed TIF District qualifies as a Redevelopment District because:

- The proposed TIF District has a coverage calculation of 100 percent which is above the 70 percent requirement.
- 100 percent of the buildings are structurally substandard which is above the 50 percent requirement.
- The substandard buildings are/are reasonably distributed.

### **Planning Commission**

The City's Planning Commission met on August 16<sup>th</sup> to act on the preliminary plat and rezoning of the property. The concerns expressed by those attending the meeting were, for the most part, along the lines of "we don't want more apartments". The Planning Commission unanimously approved the preliminary plat and rezoning.

The City Council will act on the plat and rezoning on September 14<sup>th</sup>.

### **Recommendation**

The Authority is charged in MN Statute to provide housing for persons of all incomes, in accordance with the City's comprehensive plan. Not only does this project redevelop a site, targeted in the Comprehensive Plan, it fills an affordability niche currently missing in the City.

Staff recommends approval of the project, including, creation of TIF District #25 and the Redevelopment Contract.

Attached is a memorandum from Attorney Casserly, a copy of the TIF Plan and Redevelopment Contract.



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Direct 952.885.1296

## MEMORANDUM

To: Housing and Redevelopment Authority in and for the City of Fridley  
Attn: Wally Wysopal, Executive Director  
Attn: Paul Bolin, Assistant Executive Director

From: James R. Casserly, Esq.  
Vickie L. Loher-Johnson, Esq.

Date: August 28, 2020

Re: Holly Center  
Our File No. 9571-92

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## INTRODUCTION

Roers Fridley Apartments Owner LLC (the "Redeveloper") is attempting to redevelop the Holly Center site (the "Redevelopment Property"). The Redeveloper wishes to construct 261 market rate rental housing units marketed especially to a middle income workforce. The Redeveloper also intends to construct approximately 10,000 square feet of commercial space.

The Redevelopment Property has a number of impediments to redevelopment, including: (1) a building that must be demolished; (2) tenants relocated; (3) site preparation, including import and export of soil; (4) environmental remediation; and (5) public improvements, including curbs, gutters, trails, sidewalk and streets.

The cost of the project is approximately \$50.6 M with approximately \$33.4 M from a lender, \$8.1 M from a TIF Note and \$9.1 M of owner equity.

The attached documents allow the City and the HRA to create a Tax Increment Financing District and to provide assistance through a Contract for Private Redevelopment. The documents include the following:

1. Tax Increment Financing Plan No. 25 (the "Plan");
2. An HRA Resolution approving the Plan;
3. City Resolution approving the Plan;

4. Contract for Private Redevelopment between the HRA and the Redeveloper (the “Contract”); and
5. A Resolution authorizing execution of the Contract.

TAX INCREMENT FINANCING PLAN NO. 25  
 (“TIF Plan”)

Highlights of the Plan, which follows the format the City and HRA have used for years, includes the following:

The expected development described above is in Subsection 27.6; the type of district, a redevelopment district, is in Subsection 27.15; its duration, 25 years from date of receipt of first increment, is in Subsection 27.16; Exhibit A (actually Exhibit XXVII-A but we will refer to Exhibits with just a letter) of the Plan are the parcels to be included in the TIF District and to be certified by Anoka County; Exhibit B is a map of the TIF District; Exhibit C is the tax increment analysis which shows the assumptions being used and the projected tax increment over the life of the TIF District (this will be more fully described below); Exhibit D is the “But For” analysis which describes the reason for establishing the TIF District and that BUT FOR the use of tax increment, the Redevelopment Project would not occur in the reasonably foreseeable future, if at all (please see Attachment A to the Exhibit D which details the environmental issues; and Exhibit E which describes the estimated impact on the taxing jurisdictions and assumes that the redevelopment would have occurred without assistance (however, if construction is a result of tax increment financing, then there is no impact).

Exhibit 1-C is the budget for the tax increment district and uses the data from the Tax Increment Analysis (Exhibit C of the Plan) and estimates of public improvements and site improvements eligible for reimbursement (described in detail on Schedules C and D of the Redevelopment Contract).

T.I. ANALYSIS

The assumptions used for calculation of the tax increment are describe on page 1 of Exhibit C of the Plan. The original estimated market value is in the upper right-hand corner of Page 1 and is in excess of \$5.0 M, the original tax capacity and the estimated tax capacities for phases 1 and 2 are in the center of the page, the local tax rate used for projections is 1.31138, the admin fees of 10% of tax increment, the inflation rate is 2.5% and the present value, or interest rate, is 4.0%. These latter numbers are shown towards the bottom of the page.

Pages 2 and 3 of Exhibit C reflect that the development will be occurring over several years so that all of the tax increment will not be immediately available. The estimated market value of the commercial development is \$125 a square foot and the market value of the apartment units are estimated at \$135,000 per unit. The top of page 3 shows the completed market values for the commercial property to be \$1,237,500 and for the apartment units, \$35,235,000, for a total new estimated market value of \$36,472,500. Page

4 takes the original tax capacity (column (b)) and subtracts that from the estimated tax capacity (column (c)) to provide captured tax capacity (column (d)) which is then multiplied by the tax rate to provide estimated tax increment (column (e)). The Authority's 10% admin fee is then deducted in column (f) which provides the available tax increment and cumulative tax increment in columns (g) and (h). The present value of columns (g) and (h) are shown in columns (i) and (j). The bottom of those columns reflect the potential present value of the total available tax increment which is \$8,771,723. It is the available tax increment that is used to pay the note described in the Redevelopment Contract.

## CONTRACT FOR PRIVATE REDEVELOPMENT ("the Contract")

The Contract describes the arrangements between the Redeveloper and the Authority and follows a format that has been used on previous projects. The Contract is somewhat more complicated because it also includes the sale of property currently owned by the Authority requiring the typical terms of a purchase agreement. Highlights of the Contract include the following:

1. The definitions are in Article I and the Minimum Improvements (page 4 of the Contract) are those improvements also described in the Tax Increment Plan.
2. Purchase Price (page 5) is the price the Redeveloper is going to pay the HRA for the property the Authority currently owns. The Authority Property consists of two small parcels adjacent to Mississippi Street that the Authority acquired many years ago. The Authority and Anoka County are trying to determine how much of the Authority Property needs to be part of an easement for right-of-way. The balance will be sold to the Redeveloper for the square foot market value of the land in Holly Center, which is \$7.64 a square foot.
3. Tax Increment (page 5) is only that portion of the real estate taxes paid with respect to the Redevelopment Property which is remitted to the Authority by Anoka County. Available Tax Increment is 90% of that number and is the amount that is then used to pay the Note.
4. Article II of the Contract contains representations and states with particularity that the Authority has no responsibility for any environmental issue (Section 2.1(g)) (page 7).
5. The Redeveloper represents in Section 2.2(k) (page 10) that the housing units will be marketed to those households at 80% of the area median family income. After the project is completed and fully valued, the Redeveloper will provide an analysis showing the rents, income and percentage of the area median income of the tenants.
6. Section 2.2(n) (page 10) provides that the Redeveloper is responsible for all relocation costs.
7. Sections 3.1 through 3.4 (pages 12-17) are standard purchase agreement provisions. The conveyance of the Redevelopment Property will occur concurrently with the financing for the construction of the Minimum Improvements (Section 3.3(vii) (page 15)). The Redeveloper must also execute a Declaration of Restricted

Covenants and Prohibition Against Tax Exemption in the form attached as Schedule G (Section 3.4(b)(iv) (page 17)).

8. Section 3.7 (page 18) provides for the issuance of the Note by the Authority. The Note will be issued when a Certificate of Completion for the Public Improvements and the Housing Minimum Improvements has been issued and the Authority has approved the tax increment Eligible Costs.
9. Section 3.9 (page 20) contains provisions which allow the Authority to determine if the amount of tax increment was greater than necessary. The formulas contained in that section are similar to those used by the Authority in a recent project.
10. Article VIII (page 30) provides a pledge by the Authority of the Tax Increment, allows the Authority the right to collect delinquent taxes and provides the Redeveloper the right to petition to reduce taxes, but then the Authority has the right to withhold the amount of Tax Increment that might be affected by a successful petition.
11. Schedule A (page 35) is a description of the Redevelopment Property and a legal description, not parcel numbers, will be substituted when we have a recorded plat.
12. Schedule C (page 37) are the Site Improvements.
13. Schedule D (page 38) are the Public Improvements.
14. Schedule E (page 39) is the form of the Note that will be issued using the Available Tax Increment to pay for those expenses described on Schedules C and D.
15. Schedule G (page 45) is the Declaration of Restrictive Covenants and Prohibition Against Tax Exemption to be signed by the Redeveloper and recorded at closing.
16. Schedule H (page 47) is the form of the Redevelopment Property Deed which the Authority will provide to the Redeveloper at closing.
17. Schedule I (page 49) are the Existing Environmental Reports.
18. Schedule J (page 50) are the PIN numbers for the HRA Redevelopment Property that will be included in the plat.

## CONCLUSION

This project has been under discussion for many months. A Term Sheet was approved and executed January 2<sup>nd</sup> of this year and amended in May. The Authority again reviewed the project at its August meeting. The project provides an unusual opportunity to remove a declining center valued at just over \$5 M and replace it with a 261-unit rental housing and 10,000 square foot commercial project valued in excess of \$36 M. As a practical matter if nothing is done, the value of the existing center may well decline. By creating a Redevelopment Tax Increment District, the Authority freezes the current market value of the center and only increment resulting from an increased value of the new development, after deducting the existing center market value, will be used to make payments on the Note. If the Authority wishes to proceed, then it needs to adopt the Resolution to approve the Tax Increment District and to authorize execution of the Contract.

JRC/kjs

## SECTION XXVII

### TAX INCREMENT FINANCING PLAN FOR TAX INCREMENT FINANCING DISTRICT NO. 25 (Holly Center Project)

Subsection 27.1. Statement of Objectives. See Section I, Subsection 1.5, Statement of Objectives.

Subsection 27.2. Modified Redevelopment Plan. See Section I, Subsections 1.2 through 1.15.

Subsection 27.3. Parcels to be Included. The boundaries of Tax Increment Financing District No. 25 (the "TIF District") are described on the attached Exhibit XXVII-A and illustrated on Exhibit XXVII-B.

Subsection 27.4. Parcels in Acquisition. The Authority may write down or acquire and re-convey real property, or interests therein, within this TIF District or elsewhere within the Project Area, at the time or times as the Authority may determine to be necessary or desirable to assist or implement development or redevelopment within the Project Area or the TIF District. The Authority may acquire any of the parcels described on Exhibit I-A and illustrated on Exhibit I-B by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of the Redevelopment Plan or the TIF Plan.

Subsection 27.5. Development Activity for which Contracts have been Signed. As of the date of adoption of the TIF Plan, the Authority intends to enter into a redevelopment contract with a developer for the activities discussed below.

Subsection 27.6. Specific Development Expected to Occur. At this time it is anticipated that the current parcel will be redeveloped including demolition and removal of blighted and substandard structures, remediation and installation of public improvements, the infrastructure to facilitate development and the construction of the following:

Approximately 261 rental apartment units, including 67 studio units, 109 one bedroom units, 59 two bedroom units, 26 three bedroom units, underground parking, outdoor amenities, including a playground and an approximately 10,000 square foot child care facility. Upon completion of the redevelopment, it is anticipated that it will have an estimated market value of approximately \$36.5 million.

Subsection 27.7. Prior Planned Improvements. After due and diligent search, the Authority has determined that no building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the Authority.

Subsection 27.8. Fiscal Disparities. The Council hereby elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3, clause (a) if and when commercial/industrial development occurs within the TIF District.

Subsection 27.9. Estimated Public Improvement Costs. The estimated public improvement costs, including interest thereon to be incurred for the benefit of and within the TIF District and the Project Area are set forth on Exhibit I-C.

Subsection 27.10. Estimated Amount of Bonded Indebtedness. It is anticipated that approximately \$11.2 million of bonded indebtedness may be incurred with respect to this portion of the Project Area.

Subsection 27.11. Sources of Revenue. Anticipated revenue sources to assist in the financing of the public improvement costs, pursuant to Subsection 27.9. above, include (1) general obligation and/or revenue tax increment obligations with interest; (2) the direct use of tax increments; (3) the borrowing of available funds, including without limitation interest-bearing City short-term or long-term loans; (4) interfund loans or advances; (5) interfund transfers, both in and out; (6) land sale or lease proceeds; (7) levies; (8) grants from any public or private source; (9) developer payments; (10) loan repayments or other advances originally made with tax increments as permitted by Minnesota Statutes; and (11) any other revenue source derived from the City's or Authority's activities within the Project Area as required to finance the costs as set forth in Exhibit I-C. All revenues are available for tax increment eligible expenses within the Project Area as allowed by Minnesota Statutes.

Subsection 27.12. Estimated Original and Captured Tax Capacities. The tax capacity of all taxable property in the TIF District, as most recently certified by the Commissioner of Revenue of the State of Minnesota on January 2, 2020, is estimated to be \$64,720.

The captured tax capacity of the TIF District upon completion of the proposed improvements on January 2, 2023 is estimated to be \$465,188. The Authority intends to utilize 100% of the captured tax capacity for the duration of the TIF District for purposes of determining tax increment revenues.

Subsection 27.13. Tax Increment. Annual tax increment generated from the TIF District has been calculated at approximately \$525,166 upon the completion of the improvements. This estimate is provided on the attached Exhibit XXVII-C. Revenue has also been projected for the duration of the TIF District and is shown on Exhibit I-C-20.

Subsection 27.14. Local Tax Rate. The estimated pay 2020 local tax rate is 1.31138.

Subsection 27.15. Type of TIF District. The TIF District is a redevelopment district pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

Subsection 27.16. Duration of TIF District and Deferral of Tax Increment. The duration of the TIF District is expected to be twenty five (25) years from receipt of the first tax increment. The date of receipt of the first tax increment is deferred until 2023. Thus, it is estimated that the TIF District, including any modifications for subsequent phases or other changes, would terminate in the year 2048.

Subsection 27.17. Estimated Impact on Other Taxing Jurisdictions. The estimated impact on other taxing jurisdictions assumes construction would have occurred without the creation of the TIF District. If the construction is a result of tax increment financing, the impact is \$0 to other entities. Notwithstanding the fact that the fiscal impact on the other taxing jurisdictions is \$0 due to the fact that the financing would not have occurred without the assistance of the Authority, the attached Exhibit XXVII-E reflects (i) the estimated impact of the TIF District if the "but for" test was not met; (ii) the estimated amount of tax increment generated annually and over the duration of the TIF District; and, (iii) the estimated amount of tax increment attributable to the County, School District and other taxing districts.

At this time the Authority anticipates there will be no impact on City services due to the creation of the TIF District. Additionally, since the City has no current plan to issue general obligation debt for project costs, it further anticipates that there will be no impact on its borrowing costs due to the creation of the TIF District. Please refer to Exhibit XXVII-D for the narrative "but for" analysis.

Subsection 27.18. Modification of the TIF District and/or the TIF Plan. As of September 14, 2020, no modifications to the TIF District or the TIF Plan have been made, said date being the date of initial approval and adoption thereof by the City Council.

**EXHIBIT XXVII – A**

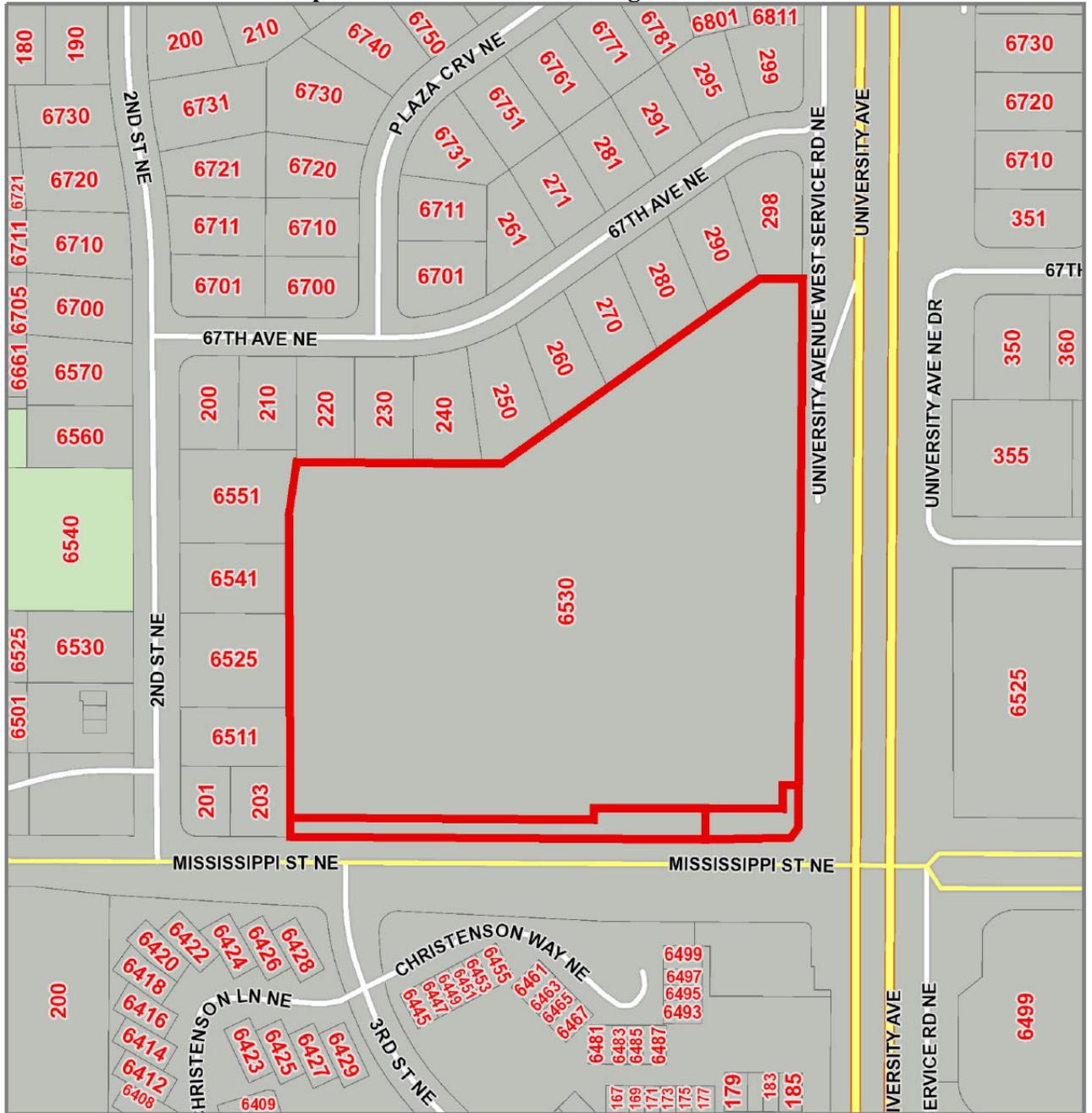
**PARCELS TO BE INCLUDED IN THE TAX INCREMENT FINANCING  
DISTRICT NO. 25**

14-30-24-23-0092; 14-30-24-23-0094; 14-30-24-23-0098

and all adjacent easements, rights-of-way, roads and streets.

EXHIBIT XXVII- B

Map of Tax Increment Financing District No. 25



**EXHIBIT XXVII-C**

CITY OF FRIDLEY									
Holly Center Site - TIF #25									
ASSUMPTIONS									
				Area of Parcel		2020 EMV / Pay 2021			
Original Market Values				(Acres)	(Sq. Feet)	Land	Building	Tot	
1	14-30-24-23-0098	6530 University NE		7.95	346,302	2,644,600	2,372,800	5,017,400	
2	14-30-24-23-0094								
3	14-30-24-23-0092								
Totals				TOTAL	7.95	346,302	\$ 2,644,600	\$ 2,372,800	\$ 5,017,400
Percent of Site						7.64	per sq. ft.		
<b>Original Tax Capacity</b>				<b>Class Rate</b>		64,720			
	Commercial / Retail	5.3%	266,948	@	2.00%	=	5,339		
	Rental-Low/Mod Income 4d	0.0%	0	@	0.75%	=	0		
	Rental	94.7%	4,750,452	@	1.25%	=	59,381		
	Owner Occupied	0.0%	0	@	1.00%	=	0		
		100.0%	5,017,400						
			0						
<b>Phase 1</b>				<b>YEAR</b>					
	Estimated Market Value *	Built - 2021	104	units			14,094,000		
	Estimated Tax Capacity	2022	0	sq. ft.			176,175		
	Estimated Taxes	2023					263,092		
	Estimated Tax Increment						146,160		
<b>Phase 2 (combined)</b>									
	Estimated Market Value *	Built - 2022	261	units			36,472,500		
	Estimated Tax Capacity	2023	9,900	sq. ft.			465,188		
	Estimated Taxes	2024					703,553		
	Estimated Tax Increment						525,166		
							1.9% Eff. Tax Rat		
							74.6% of total tax		
<b>Local Tax Rate - Pay 2020</b>				ISD #14 RCWD 24014B	1.31138	Used for Projections			
<b>State Tax Rate - Pay 2020</b>					0.38846	(C/I only)			
<b>Eff. Incr. on local tax rate for taxes at F.D. rate</b>					0.03787	(C/I only)			
<b>Combined Tax Rate - C/I Property Only</b>					1.73771				
** used for tax increment calculations									
<b>Market Value Referendum Taxes</b>					0.22747%	Pay 2020			
<b>Admin Fees</b>					10.00%				
<b>State Auditor Fee</b>					0.000%				
<b>Inflation (after 2 yrs of full value)</b>					2.50%				
<b>Present Value Rate</b>				12/1/2020	4.00%				

CITY OF FRIDLEY									
Holly Center Site - TIF #25									
ASSUMPTIONS									
PHASE 1									
<b>Total Estimated Market Value</b>									\$14,094,000
<i>Commercial / Retail</i>									0
Commercial	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Commercial	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Office / Retail	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Retail - service	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Restaurant / entertainment	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Other	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
<i>Rental</i>									14,094,000
Ph 1 - Mixed Income	0.0%	0	units @	135,000	/unit =	0			
Ph 1 - Market Rate	40.0%	104	units @	135,000	/unit =	14,094,000			
Ph 2 - Market Rate	0.0%	0	units @	125,000	/unit =	0			
<i>Owner Occupied</i>									0
A Single Family Homes	0.0%	0	units @	200,000	/unit =	0			
B Townhomes - Year 1	0.0%	0	units @	140,000	/unit =	0			
C Townhomes - Year 2	0.0%	0	units @	140,000	/unit =	0			
D Townhomes - Year 3	0.0%	0	units @	140,000	/unit =	0			
		104	units						
		0	sq. ft.						
<b>Total Estimated Tax Capacity</b>									176,175
<i>Commercial / Retail</i>									0
Commercial				2.00%		0			
Commercial				2.00%		0			
Office / Retail				2.00%		0			
Retail - service				2.00%		0			
Restaurant / entertainment				2.00%		0			
Other				2.00%		0			
<i>Rental</i>									176,175
Ph 1 - Mixed Income				0.75%		0			
Ph 1 - Market Rate				1.25%		176,175			
Ph 2 - Market Rate				1.25%		0			
<i>Owner Occupied</i>									0
A Single Family Homes						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
B Townhomes - Year 1						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
C Townhomes - Year 2						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
D Townhomes - Year 3						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
<b>Total Estimated Taxes</b>									263,092
<i>Commercial / Retail</i>									0
Commercial		0	sq. ft. @	0.00	/sq. ft. =	0			
Commercial		0	sq. ft. @	0.00	/sq. ft. =	0			
Office / Retail		0	sq. ft. @	0.00	/sq. ft. =	0			
Retail - service		0	sq. ft. @	0.00	/sq. ft. =	0			
Restaurant / entertainment		0	sq. ft. @	0.00	/sq. ft. =	0			
Other		0	sq. ft. @	0.00	/sq. ft. =	0			
<i>Rental</i>									263,092
Ph 1 - Mixed Income		0	units @	0	/unit =	0			
Ph 1 - Market Rate		104	units @	2,520	/unit =	263,092			
Ph 2 - Market Rate		0	units @	0	/unit =	0			
<i>Owner Occupied</i>									0
A Single Family Homes		0	units @	0	/unit =	0			
B Townhomes - Year 1		0	units @	0	/unit =	0			
C Townhomes - Year 2		0	units @	0	/unit =	0			
D Townhomes - Year 3		0	units @	0	/unit =	0			
Construction				2021					
Full Valuation				2022					
Taxes Payable				2023					

CITY OF FRIDLEY									
Holly Center Site - TIF #25									
ASSUMPTIONS									
PHASES 1 & 2									
<b>Total Estimated Market Value</b>									\$36,472,500
<i>Commercial / Retail</i>									
Commercial	100.0%	9,900	sq. ft. @	125.00	/sq. ft. =	1,237,500	1,237,500	0	
Commercial	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Office / Retail	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Retail - service	100.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Restaurant / entertainment	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
Other	0.0%	0	sq. ft. @	125.00	/sq. ft. =	0			
<i>Rental</i>									
Ph 1 - Mixed Income	100.0%	0	units @	135,000	/unit =	0			
Ph 1 - Market Rate	100.0%	261	units @	135,000	/unit =	35,235,000			
Ph 2 - Market Rate	0.0%	0	units @	125,000	/unit =	0			
<i>Owner Occupied</i>									
A Single Family Homes	0.0%	0	units @	200,000	/unit =	0			
B Townhomes - Year 1	0.0%	0	units @	140,000	/unit =	0			
C Townhomes - Year 2	0.0%	0	units @	140,000	/unit =	0			
D Townhomes - Year 3	0.0%	0	units @	140,000	/unit =	0			
		261	units						
		9,900	sq. ft.						
<b>Total Estimated Tax Capacity</b>									465,188
<i>Commercial / Retail</i>									
Commercial				2.00%		24,750	24,750		
Commercial				2.00%		0			
Office / Retail				2.00%		0			
Retail - service				2.00%		0			
Restaurant / entertainment				2.00%		0			
Other				2.00%		0			
<i>Rental</i>									
Ph 1 - Mixed Income				0.75%		0			
Ph 1 - Market Rate				1.25%		440,438			
Ph 2 - Market Rate				1.25%		0			
<i>Owner Occupied</i>									
A Single Family Homes						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
B Townhomes - Year 1						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
C Townhomes - Year 2						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
D Townhomes - Year 3						0			
		<=	500,000	1.00%	0				
		>	500,000	1.25%	0				
<b>Total Estimated Taxes</b>									703,553
<i>Commercial / Retail</i>									
Commercial		9,900	sq. ft. @	4.63	/sq. ft. =	45,823	45,823		
Commercial		0	sq. ft. @	0.00	/sq. ft. =	0			
Office / Retail		0	sq. ft. @	0.00	/sq. ft. =	0			
Retail - service		0	sq. ft. @	0.00	/sq. ft. =	0			
Restaurant / entertainment		0	sq. ft. @	0.00	/sq. ft. =	0			
Other		0	sq. ft. @	0.00	/sq. ft. =	0			
<i>Rental</i>									
Ph 1 - Mixed Income		0	units @	0	/unit =	0			
Ph 1 - Market Rate		261	units @	2,520	/unit =	657,730			
Ph 2 - Market Rate		0	units @	0	/unit =	0			
<i>Owner Occupied</i>									
A Single Family Homes		0	units @	0	/unit =	0			
B Townhomes - Year 1		0	units @	0	/unit =	0			
C Townhomes - Year 2		0	units @	0	/unit =	0			
D Townhomes - Year 3		0	units @	0	/unit =	0			
Construction		2022	100.00%						
Full Valuation		2023							
Taxes Payable		2024							

CITY OF FRIDLEY									
Holly Center Site - TIF #25									
CASH FLOW AND PRESENT VALUE ANALYSIS									
	ANNUAL			SEMI-ANNUAL			PRESENT VALUE		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	Original Tax	Estimated Tax	Captured Tax	Est. T.I.	Less: Admin	Available Tax	Cumulative Avail. Tax	Present Value	
Date	Capacity	Capacity	Capacity	1.31138	Fees	Increment	Increment	Balance	Balance
	(see assumptions)		(c) - (b)	St. Aud. Fee	(e) x	(e) - (f)	Total of (g)	P.V. of (g)	Total of (i)
	2.5%	Inflation	(prev. year)	0.000%	10.00%			4.00%	12/01/20
12/01/20									
06/01/21					0	0	0	0	0
12/01/21					0	0	0	0	0
06/01/22	64,720	176,175			0	0	0	0	0
12/01/22	64,720	176,175			0	0	0	0	0
1 06/01/23	64,720	465,188	111,455	73,080	7,308	65,772	65,772	59,572	59,572
12/01/23	64,720	465,188	111,455	73,080	7,308	65,772	131,544	58,404	117,976
2 06/01/24	64,720	465,188	400,468	262,583	26,258	236,325	367,869	205,735	323,710
12/01/24	64,720	465,188	400,468	262,583	26,258	236,325	604,193	201,701	525,411
3 06/01/25	64,720	476,817	400,468	262,583	26,258	236,325	840,518	197,746	723,157
12/01/25	64,720	476,817	400,468	262,583	26,258	236,325	1,076,842	193,868	917,025
4 06/01/26	64,720	488,736	412,098	270,208	27,021	243,187	1,320,030	195,587	1,112,612
12/01/26	64,720	488,736	412,098	270,208	27,021	243,187	1,563,217	191,752	1,304,364
5 06/01/27	64,720	500,955	424,017	278,024	27,802	250,221	1,813,438	193,429	1,497,793
12/01/27	64,720	500,955	424,017	278,024	27,802	250,221	2,063,660	189,636	1,687,429
6 06/01/28	64,720	513,479	436,236	286,035	28,604	257,432	2,321,092	191,276	1,878,705
12/01/28	64,720	513,479	436,236	286,035	28,604	257,432	2,578,523	187,525	2,066,230
7 06/01/29	64,720	526,316	448,760	294,247	29,425	264,822	2,843,346	189,126	2,255,356
12/01/29	64,720	526,316	448,760	294,247	29,425	264,822	3,108,168	185,418	2,440,774
8 06/01/30	64,720	539,474	461,597	302,664	30,266	272,398	3,380,566	186,982	2,627,756
12/01/30	64,720	539,474	461,597	302,664	30,266	272,398	3,652,964	183,316	2,811,072
9 06/01/31	64,720	552,961	474,754	311,292	31,129	280,163	3,933,126	184,844	2,995,917
12/01/31	64,720	552,961	474,754	311,292	31,129	280,163	4,213,289	181,220	3,177,137
10 06/01/32	64,720	566,785	488,241	320,135	32,013	288,121	4,501,410	182,714	3,359,851
12/01/32	64,720	566,785	488,241	320,135	32,013	288,121	4,789,532	179,131	3,538,982
11 06/01/33	64,720	580,955	502,065	329,199	32,920	296,279	5,085,811	180,591	3,719,573
12/01/33	64,720	580,955	502,065	329,199	32,920	296,279	5,382,091	177,050	3,896,624
12 06/01/34	64,720	595,478	516,235	338,490	33,849	304,641	5,686,732	178,478	4,075,101
12/01/34	64,720	595,478	516,235	338,490	33,849	304,641	5,991,373	174,978	4,250,080
13 06/01/35	64,720	610,365	530,759	348,013	34,801	313,212	6,304,585	176,373	4,426,453
12/01/35	64,720	610,365	530,759	348,013	34,801	313,212	6,617,797	172,915	4,599,368
14 06/01/36	64,720	625,625	545,646	357,774	35,777	321,997	6,939,794	174,280	4,773,648
12/01/36	64,720	625,625	545,646	357,774	35,777	321,997	7,261,791	170,862	4,944,510
15 06/01/37	64,720	641,265	560,905	367,780	36,778	331,002	7,592,792	172,197	5,116,707
12/01/37	64,720	641,265	560,905	367,780	36,778	331,002	7,923,794	168,820	5,285,527
16 06/01/38	64,720	657,297	576,546	378,035	37,804	340,232	8,264,026	170,125	5,455,652
12/01/38	64,720	657,297	576,546	378,035	37,804	340,232	8,604,257	166,789	5,622,442
17 06/01/39	64,720	673,729	592,577	388,547	38,855	349,692	8,953,950	168,066	5,790,508
12/01/39	64,720	673,729	592,577	388,547	38,855	349,692	9,303,642	164,770	5,955,278
18 06/01/40	64,720	690,572	609,010	399,321	39,932	359,389	9,663,031	166,019	6,121,297
12/01/40	64,720	690,572	609,010	399,321	39,932	359,389	10,022,420	162,764	6,284,061
19 06/01/41	64,720	707,837	625,853	410,365	41,037	369,329	10,391,749	163,986	6,448,047
12/01/41	64,720	707,837	625,853	410,365	41,037	369,329	10,761,078	160,770	6,608,817
20 06/01/42	64,720	725,533	643,117	421,685	42,169	379,517	11,140,595	161,966	6,770,783
12/01/42	64,720	725,533	643,117	421,685	42,169	379,517	11,520,112	158,790	6,929,574
21 06/01/43	64,720	743,671	660,813	433,288	43,329	389,960	11,910,072	159,960	7,089,534
12/01/43	64,720	743,671	660,813	433,288	43,329	389,960	12,300,031	156,824	7,246,357
22 06/01/44	64,720	762,263	678,951	445,182	44,518	400,663	12,700,695	157,969	7,404,326
12/01/44	64,720	762,263	678,951	445,182	44,518	400,663	13,101,358	154,871	7,559,198
23 06/01/45	64,720	781,319	697,543	457,372	45,737	411,635	13,512,993	155,992	7,715,190
12/01/45	64,720	781,319	697,543	457,372	45,737	411,635	13,924,628	152,934	7,868,124
24 06/01/46	64,720	800,852	716,600	469,867	46,987	422,881	14,347,508	154,031	8,022,156
12/01/46	64,720	800,852	716,600	469,867	46,987	422,881	14,770,389	151,011	8,173,167
25 06/01/47	64,720	820,874	736,133	482,675	48,267	434,407	15,204,796	152,086	8,325,252
12/01/47	64,720	820,874	736,133	482,675	48,267	434,407	15,639,204	149,104	8,474,356
26 06/01/48	64,720	841,395	756,154	495,803	49,580	446,222	16,085,426	150,156	8,624,511
12/01/48	64,720	841,395	756,154	495,803	49,580	446,222	16,531,648	147,211	8,771,723
				18,368,498	1,836,850	16,531,648	16,531,648	8,771,723	8,771,723

EXHIBIT XXVII-D  
“BUT FOR” ANALYSIS

The proposed TIF District comprising one parcel will provide the City an opportunity to promote redevelopment in one of its more underutilized and older areas. The existing building on the parcel has experienced substantial vacancies, needs rehabilitation and requires numerous repairs to bring it into compliance with current building codes. The building has been deemed to be substandard and from an inspection and analysis provided by LHB Engineers & Architects, it has been determined that the parcel in this site qualifies for inclusion in a redevelopment tax increment financing district.

Redevelopment of this site would accomplish one or more of the following objectives as provided for in the City’s Comprehensive Plan:

- Remove older, blighted or outdated buildings;
- Provide the opportunity for more efficient land uses;
- Provide an opportunity to correct environmental problems;
- Provide an opportunity to build new commercial, office, or residential facilities to meet the current market demand of the community;
- Create additional job opportunities;
- Strengthen the tax base;
- Eliminate incompatible land uses;
- Create opportunities for new streetscape improvements, such as lighting, decorative fencing, or landscaping; and
- Update old utilities with new facilities and allow for the burying of above ground utility lines.

Upon completion of the proposed redevelopment which includes the construction of an approximately 10,000 square feet child care facility and 261 market-rate rental housing units, the City’s market value should increase from \$5.0 million to approximately \$36.5 million or \$31.5 million.

The costs of the substantial redevelopment activities, including demolition and removal of the structure and asphalt, remediating environmental degradation, providing geotechnical corrections, relocating utilities and installing streets, public utilities and the cost of acquiring the parcel and relocation are estimated to be approximately \$10.8 million. However, the market value of the site is a fraction of these costs.

The environmental issues are summarized in the Phase 1 Environmental Site Assessment prepared in June 2020 by Wenck. The summary is attached hereto as Attachment A.

Finally, to achieve maximum value, some parking treatments will be required and

thereby add substantially to the development costs. But for the use of tax increment, the Authority and City have determined that this development would not occur in the reasonably foreseeable future if at all.

# ATTACHMENT A TO XXVII-D-1

## 1.0 Summary

Wenck Associates, Inc. (Wenck) was authorized by Roers Companies (Roers) to conduct this Phase I Environmental Site Assessment (ESA) of the property and improvements located at 6522-6582 University Avenue Northeast, Fridley, Anoka County, Minnesota (the Subject Property). The Subject Property consists of 7.95 acres occupied by an approximately 72,500-square-foot multi-tenant commercial strip mall with a paved parking lot and drive areas/landscaped areas. Access to the Subject Property is from University Avenue Northeast from the east and Mississippi Street Northeast from the south. The Subject Property location is depicted in **Figure 1**. A Site Detail Map of the Subject Property is included as **Figure 2**.

This ESA was conducted in accordance with the American Society for Testing and Materials (ASTM) Phase I Environmental Site Assessment Process, Designation E-1527-13 (ASTM Phase I Standard) and satisfies standards and practices set forth in 40 CFR Part 312 – Standards for Conducting All Appropriate Inquiry (AAI Rule) for the purposes of meeting the all appropriate inquiries provisions necessary to qualify for certain landowner liability protections under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601(35)(B).

The conclusions contained in this report have been made to assist Roers in evaluating environmental conditions at the present time at the Subject Property.

This ESA has identified the following recognized environmental conditions (RECs) relative to the Subject Property:

- ▲ Historically, dry-cleaning facilities (Gross Brother's-Dronicks Cleaners and Launderers, Crest Cleaners and Launderers, Fridley Dry Cleaners, and Dry Clean Max, LLC) occupied the Subject Property since the early 1960s that reportedly performed chemical dry-cleaning on site. The dry-cleaning operations reportedly operated in Suites 6536 and 6544. The historical presence of on-site chemical dry-cleaning facilities represents a REC for the Subject Property.
- ▲ The Holly 66 Filling Station addressed as 6500 University Avenue NE occupied the southeast corner of the Subject Property from the 1960s to the 1980s. The station reportedly used six USTs containing gasoline, fuel oil, and waste oil. The USTs were reportedly removed in 1982 and 1984 with no documented tank closure assessments. In addition, a petroleum-like odor was noted during drilling of a recent geotechnical soil boring in that area. This historic filling station use and geotechnical soil boring finding indicating a petroleum release, represent a REC.
- ▲ Historically, several automotive repair facilities (George's Automotive, Bernie's Auto Repair, and Champion Auto) occupied Suite 6528 within the strip mall dating back to the mid-1980s. During their tenure, petroleum products/hazardous substances were used/stored, and they also utilized a trench drain and oil/water separator. Based upon the duration and use, releases to the subsurface are possible which represents a REC for the Subject Property.
- ▲ A geotechnical exploration was completed in June 2020 which included the drilling of 19 soil borings on the Subject Property. During the exploration, the soils consisted of 1.5 to 10.5 feet of fill underlain by native terrace deposits consisting of layers of lean

clean, clayey sand, poorly graded sand, and silty sand. Pieces of bituminous were noted within the fill zone in five of the soil borings. The presence of fill of unknown origin with debris represents a REC for Subject Property.

This assessment has not revealed HRECs or CRECs for the Subject Property.

Although not considered RECs, the following business environmental risk was identified.

- ▲ Based upon the age of the building, asbestos containing materials and regulated materials are likely present. Prior to renovation/demolition, an Asbestos/Regulated Materials survey should be completed so the material can be properly managed.

**EXHIBIT XXVII - E**

**ESTIMATED IMPACT OF TAX INCREMENT FINANCING DISTRICT NO. 25**

**IMPACT ON TAX BASE**

<b>ENTITY</b>	<b>TAX BASE</b>	<b>ORIGINAL TAX CAPACITY</b>	<b>ESTIMATED TAX CAPACITY</b>	<b>CAPTURED TAX CAPACITY</b>	<b>DISTRICT AS % OF TOTAL</b>
City of Fridley	34,674,356	64,720	465,188	400,468	1.155%
County of Anoka	428,537,899	64,720	465,188	400,468	0.093%
ISD #13	26,846,386	64,720	465,188	400,468	1.492%

**IMPACT ON TAX RATE \***

<b>ENTITY</b>	<b>TAX RATE</b>	<b>% OF TOTAL</b>	<b>TAX INCREMENT</b>	<b>TAX RATE INCREASE</b>
City of Fridley	0.45253	34.51%	181,224	0.529%
County of Anoka	0.33078	25.22%	132,467	0.031%
ISD #13	0.46213	35.24%	185,068	0.700%
Other	0.06594	5.03%	26,407	
	1.31138	100.00%	525,166	

\* Assumes construction would have occurred without the creation of a Tax Increment Financing District. If construction is a result of Tax Increment Financing, the impact is \$0.

**EXHIBIT 1 - C**

	<b>TIF #25</b>
	<b>Cumulative Modified TIF Plan Budget</b>
<b>ESTIMATED TAX INCREMENT REVENUES</b>	
(from tax increment generated by the district)	
Tax increment revenues distributed from the county	\$ 18,400,000
Interest and investment earnings	184,000
Sales/lease proceeds	
Market value homestead credit	
<b>Total Estimated Tax Increment Revenues</b>	<u><u>\$ 18,584,000</u></u>
<b>ESTIMATED PROJECT/FINANCING COSTS</b>	
(to be paid or financed with tax increment)	
<b>Project Costs</b>	
Land/building acquisition	\$ 3,000,000
Site improvements/preparation costs	5,484,000
Utilities	500,000
Other qualifying improvements	
Construction of affordable housing	
Small city authorized costs, if not already included above	
Administrative costs	1,840,000
<b>Estimated Tax Increment Project Costs</b>	<u><u>\$ 10,824,000</u></u>
<b>Estimated Financing Costs</b>	
Interest expense	7,760,000
<b>Total Estimated Project/Financing Costs to be Paid From TI</b>	<u><u>\$ 18,584,000</u></u>
	0
<b>ESTIMATED FINANCING</b>	
Total amount of bonds to be issued	11,200,000

HRA RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION MODIFYING THE REDEVELOPMENT PLAN FOR REDEVELOPMENT PROJECT NO. 1 AND THE TAX INCREMENT FINANCING PLANS FOR TAX INCREMENT FINANCING DISTRICTS NOS. 6, 11-13 AND 17-24 TO REFLECT INCREASED PROJECT COSTS AND INCREASED BONDING AUTHORITY WITHIN REDEVELOPMENT PROJECT NO. 1, CREATING TAX INCREMENT FINANCING DISTRICT NO. 25 AND ADOPTING A TAX INCREMENT FINANCING PLAN RELATING THERETO.**

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

Section 1. Recitals.

1.01. It has been proposed that the Authority approve and adopt the proposed modifications to its Redevelopment Plan for Redevelopment Project No. 1 (the "Project Area") reflecting increased project costs and increased bonding authority, pursuant to and in accordance with Minnesota Statutes, Sections 469.001 to 469.047, inclusive, as amended and supplemented from time to time.

1.02. It has been further proposed that the Authority approve and adopt the proposed modifications to the Tax Increment Financing Plans (the "Existing Plans") for Tax Increment Financing Districts Nos. 6, 11-13 and 17-24 (the "Existing Districts") reflecting increased project costs and increased bonding authority within the Project Area, pursuant to Minnesota Statutes, Section 469.174 through 469.1799, inclusive, as amended and supplemented from time to time.

1.03. It has been further proposed that the Authority approve the creation of proposed Tax Increment Financing District No. 25 (the "Proposed District") within the Project Area and approve and adopt the proposed Tax Increment Financing Plan (the "Proposed Plan") relating thereto, pursuant to and in accordance with Minnesota Statutes, Sections 469.174 to 469.1799, inclusive, as amended and supplemented from time to time.

1.04. The Authority has investigated the facts and has caused to be prepared with respect thereto, a modified Redevelopment Plan for the Project Area and modified Existing Plans for the Existing Districts reflecting increased project costs and increased bonding authority within the Project Area and Proposed Plans for the Proposed Districts, defining more precisely the property to be included the public costs to be incurred, and other matters relating thereto.

1.05. The Authority has performed all actions required by law to be performed prior to the approval and adoption of the modifications to the Redevelopment Plan and Existing

Plans and the approval and adoption of the Proposed Plan.

1.06. The Authority hereby determines that it is necessary and in the best interests of the City and the Authority at this time to approve and adopt the modifications to the Redevelopment Plan and Existing Plans, to create the Proposed District and to approve and adopt the Proposed Plan relating thereto.

Section 2. Findings.

2.01. The Authority hereby finds, determines and declares that the assistance to be provided through the adoption and implementation of the modified Redevelopment Plan, modified Plans and Proposed Plan (collectively, the "Plans") is necessary to assure the development and redevelopment of the Project Area.

2.02. The Authority hereby finds, determines and declares that the Plans conform to the general plan for the development and redevelopment of the City as a whole in that they are consistent with the City's comprehensive plan.

2.03. The Authority finds, determines and declares that the Plans afford maximum opportunity consistent with the sound needs of the City as a whole for the development and redevelopment of the Project Area by private enterprise and it is contemplated that the development and redevelopment thereof will be carried out pursuant to redevelopment contracts with private developers.

Section 3. Approvals and Adoptions.

3.01. The modifications to the Redevelopment Plan reflecting increased project costs and increased bonding authority within the Project Area are hereby approved and adopted by the Commissioners of the Authority and are forwarded to the Fridley City Council for public hearing, review and approval.

3.02. The modifications to the Existing Plans reflecting increased project costs and increased bonding authority within the Project Area are hereby approved and adopted by the Commissioners of the Authority and are forwarded to the Fridley City Council for public hearing, review and approval.

3.03. The creation of the Proposed District within the Project Area and the adoption of the Proposed Plan relating thereto are hereby approved and adopted by the Commissioners of the Authority and are forwarded to the Fridley City Council for public hearing, review and approval.

HRA Resolution No. \_\_\_\_\_

Section 4. Filing of Plan.

4.01. Upon approval and adoption of the Plan, the Authority shall cause said Plan to be filed with the Minnesota Department of Revenue, the Office of the State Auditor and Anoka County.

PASSED AND ADOPTED BY HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF FRIDLEY THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2020.

\_\_\_\_\_  
WILLIAM HOLM- CHAIRPERSON

ATTEST:

\_\_\_\_\_  
WALLY WYSOPAL - EXECUTIVE DIRECTOR

CERTIFICATION

I, Wally Wysopal, Executive Director of the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_ adopted by the Authority on the \_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
WALLY WYSOPAL - EXECUTIVE DIRECTOR

## RESOLUTION NO.

### **A RESOLUTION MODIFYING THE REDEVELOPMENT PLAN FOR REDEVELOPMENT PROJECT NO. 1 AND THE TAX INCREMENT FINANCING PLANS FOR TAX INCREMENT FINANCING DISTRICTS NOS. NOS. 6, 11-13 and 17-24 TO REFLECT INCREASED PROJECT COSTS AND INCREASED BONDING AUTHORITY WITHIN REDEVELOPMENT PROJECT NO. 1, CREATING TAX INCREMENT FINANCING DISTRICT NO. 25 AND ADOPTING A TAX INCREMENT FINANCING PLAN RELATING THERETO**

BE IT RESOLVED by the City Council (the "Council") of the City of Fridley, Minnesota (the "City"), as follows:

#### Section 1. Recitals.

1.01. It has been proposed by the Housing and Redevelopment Authority (the "Authority") that the Council approve and adopt the proposed modifications to its Redevelopment Plan for Redevelopment Project No. 1 (the "Project Area") reflecting increased project costs and increased bonding authority, pursuant to and in accordance with Minnesota Statutes, Sections 469.001 to 469.047, inclusive, as amended and supplemented from time to time.

1.02. It has been further proposed by the Authority that the Council approve and adopt the proposed modifications to the Tax Increment Financing Plans (the "Existing Plans") for Tax Increment Financing Districts Nos. 6, 11-13 and 17-24 (the "Existing Districts") reflecting increased project costs and increased bonding authority within the Project Area, pursuant to Minnesota Statutes, Section 469.174 through 469.1799, inclusive, as amended and supplemented from time to time.

1.03. It has been further proposed by the Authority that the Council approve the creation of proposed Tax Increment Financing District No. 25 ((the "Proposed District") and adopt the proposed Tax Increment Financing Plan (the "Proposed Plan") relating thereto, pursuant to and in accordance with Minnesota Statutes. Section 469.174 to 469.1799, inclusive, as amended and supplemented from time to time.

1.04. The Authority has caused to be prepared, and this Council has investigated the facts with respect thereto, a modified Redevelopment Plan for the Project Area and modified Existing Plans for the Existing Districts reflecting increased project costs and increased bonding authority within the Project Area and the Proposed Plan for the Proposed District, defining more precisely the property to be included, the public costs to be incurred, and other matters relating thereto.

1.05. The Council has performed all actions required by law to be performed prior to the approval and adoption of the modifications to the Redevelopment Plan and Existing Plans and the approval and adoption of the Proposed Plan.

1.06. The Council hereby determines that it is necessary and in the best interests of the City and the Authority at this time to approve and adopt the modifications to the Redevelopment Plan and Existing Plans reflecting increased project costs and increased bonding authority within the Project Area, to create the Proposed District and to approve and adopt the Proposed Plan relating thereto.

## Section 2. General Findings.

2.01. The Council hereby finds, determines and declares that the assistance to be provided through the adoption and implementation of the modified Redevelopment Plan , modified Existing Plans and the Proposed Plan (collectively, the “Plans”) are necessary to assure the development and redevelopment of the Project Area.

2.02. The Council hereby finds, determines and declares that the Plans conform to the general plan for the development and redevelopment of the City as a whole in that they are consistent with the City's comprehensive plan.

2.03. The Council hereby finds, determines and declares that the Plans afford maximum opportunity consistent with the sound needs of the City as a whole for the development and redevelopment of the Project Area by private enterprise and it is contemplated that the development and redevelopment thereof will be carried out pursuant to redevelopment contracts with private developers.

2.04. The Council hereby finds, determines and declares that the modification, approval and adoption of the Plans is intended and, in the judgment of this Council, its effect will be to promote the purposes and objectives specified in this Section 2 and otherwise promote certain public purposes and accomplish certain objectives as specified in the Plans.

2.05. The Council hereby finds, determines and declares that the City made the above findings stated in this Section 2 and has set forth the reasons and supporting facts for each determination in the Plans and Exhibit A to this Resolution.

## Section 3. Specific Findings for the Proposed District.

3.01. The Council hereby finds, determines and declares that the Proposed District constitutes a “tax increment financing district” as defined in Minnesota Statutes, Section 469.174, Subd. 9, and further constitutes a “redevelopment district” as defined in Minnesota Statutes, Section 469.174, Subd. 10.

3.02. The Council hereby finds, determines and declares that the proposed development or redevelopment in the Proposed District, in the opinion of this Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary.

3.03. The Council hereby finds, determines and declares that the increased market value of a project not receiving tax increment assistance would be less than the increased market value of a project receiving tax increment assistance after deducting the present value of projected tax increments for the maximum duration of the Proposed District.

3.04. The Council hereby finds, determines and declares that the expenditure of tax increment within the Proposed District serves primarily a public purpose.

3.05. The Council hereby finds, determines and declares that the City made the above findings stated in this Section 2 and has set forth the reasons and supporting facts for each determination in the Plans and Exhibit B to this Resolution.

#### Section 4. Approvals and Adoptions.

4.01. The modifications to the Redevelopment Plan reflecting increased project costs and increased bonding authority within the Project Area are hereby approved and adopted by the Council of the City.

4.02. The modifications to the Existing Plans reflecting increased project costs and increased bonding authority within the Project Area are hereby approved and adopted by the Council of the City.

4.03. The creation of the Proposed District within the Project Area and the adoption of the Proposed Plan relating thereto is hereby approved by the Council of the City.

#### Section 5. Filing of Plans.

5.01. Upon its approval and adoption of the Plans, the City shall request the Authority to cause said Plans to be filed with the Minnesota Department of Revenue, the Office of the State Auditor, and Anoka County.

Page 4 - Resolution No. \_\_\_\_\_

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2020.

\_\_\_\_\_  
SCOTT LUND - MAYOR

ATTEST:

\_\_\_\_\_  
DANIEL TIENTER - CITY CLERK

CERTIFICATION

I, Daniel Tienter, the duly qualified Clerk of the City of Fridley, County of Anoka, Minnesota, hereby certify that the foregoing is a true and correct copy of Resolution No. \_\_\_\_\_ passed by the City Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
DANIEL TIENTER - CITY CLERK

## EXHIBIT A – GENERAL FINDINGS

The reasons and facts supporting the findings for the modification of the Plans for the Project Area, Existing Districts and Proposed District pursuant to Minnesota Statutes, Section 469.175, Subdivision 3, are as follows:

**1. Finding that the assistance to be provided through the adoption and implementation of the Plans is necessary to assure the development and redevelopment of the Project Area.**

The tax increment assistance resulting from the implementation of the Plans is necessary for the proposed project to proceed. Please refer to Exhibit XXVII-D of the Proposed Plan.

**2. Finding that the Plans conform to the general plan for the development and redevelopment of the City as a whole in that they are consistent with the City's Comprehensive Plan.**

The Council has reviewed the Plans and has determined that they are consistent with the City's comprehensive plan.

**3. Finding that the Plans afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development and redevelopment of the Project Area by private enterprise, and it is contemplated that the development or redevelopment thereof will be carried out pursuant to development contracts with private developers.**

Please refer to the attached Exhibit B for specific information relating to the Proposed District.

**4. Finding that the approval and adoption of the Plans is intended and, in the judgment of this Council, its effect will be to promote the public purposes and accomplish the objectives specified in the Plans.**

The tax increment that will be generated due to the approval and adoption of the Plans will assist in financing the public improvements and eligible expenses as detailed in the Plans.

## EXHIBIT B – SPECIFIC FINDINGS FOR THE REDEVELOPMENT DISTRICT

In addition to the findings included in Exhibit A, the reasons and facts supporting the additional findings for the Proposed District pursuant to Minnesota Statutes, Section 469.175, Subdivision 3, are as follows:

### **1. Finding that the Proposed District is a “redevelopment district” as defined in Minnesota Statutes.**

The Proposed District consists of three parcels totaling approximately 8.42 acres. Of this acreage, it has been determined that parcels comprising 100% of the Proposed District are occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures. This 100% area coverage exceeds the 70% coverage test required by Minnesota Statutes, Section 469.174, Subdivision 10(1). Three of the three buildings located on one of the parcels have been determined to be “structurally substandard” because they contain defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. These three buildings satisfy the requirements of Minnesota Statutes, Section 469.174, Subdivision 10(a) which requires that over 50% of buildings, not including outbuildings, must be found “structurally substandard.” Additionally, these buildings would require expenditures of greater than 15% (of the cost of a new structure of similar size and type) to bring them into compliance with current building codes. It has further been determined that these conditions are reasonably distributed through the Proposed District. Information supporting these findings are on file at City Hall and are contained in a Report prepared for the City by LHB, Inc., dated June 25, 2020.

### **2. Finding that the proposed development or redevelopment, in the opinion of the Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary.**

Development activities proposed to occur in the Proposed District include land acquisition, demolition of buildings, remediation of the Site and construction of approximately 10,000 square feet of commercial retail/office space and 261 market-rate workforce rental housing units. Upon completion of the proposed redevelopment it is anticipated that the City’s tax base will increase by approximately \$31.5 million.

City and HRA staff have reviewed the estimated development costs and the available methods of financing and have determined that tax increment assistance is necessary to

make the redevelopment project economically feasible and to allow redevelopment to proceed at this time and in the foreseeable future.

**3. Finding that the increased market value of a project not receiving tax increment financing assistance would be less than the increased market value of a project receiving tax increment financing assistance after deducting the present value of the projected tax increments for the maximum duration of the Proposed District.**

The original market value of the Proposed District is approximately \$5,000,000. City staff has determined that without tax increment assistance these parcels would not be developed within the foreseeable future and that only minimal remodeling would probably occur. Therefore, if there was an increase in market value it would be minimal.

City staff has further determined that with tax increment assistance it is possible to construct approximately 10,000 square feet of retail and 261 multi-family market rate workforce rental units with an estimated market value of approximately \$36.5 million. After deducting the original market value of \$5.0 million from the estimated market value of \$36.5 million, City staff has further determined that the increased market value that could reasonably be expected to occur from a project receiving tax increment assistance would be approximately \$31.5 million.

City staff has further determined that the total amount of tax increment generated over the 26 year term of the Proposed District approximates \$18.4 million. Assuming the same term and a present value rate of 4.0%, the present value of \$18.4 million approximates \$9.75 million. After deducting the present value of the tax increment (\$9.75 million) from the increase in estimated market value occurring as a result of utilizing tax increment assistance (\$31.5 million), the net increase in estimated market values approximates \$21.75 million.

City staff has further determined that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing (\$0.0 million) is less than the increased market value of the site occurring with the use of tax increment financing after subtracting the present value of the projected tax increments for the maximum duration of the Proposed District (\$21.75 million). Further information supporting this Finding is attached as Schedule 1.

**4. Finding that expenditure of tax increment serves a primarily public purpose.**

The expenditure of tax increment is not intended as a private benefit and any such benefit is incidental. Public benefits resulting from the proposed project include (i) an increase in the State and City tax bases, (ii) the acquisition and redevelopment of property which is not now in its highest or best use, (iii) demolition and removal of an existing substandard and blighted structures, and (iv) remediation of contaminated property.

SCHEDULE 1 TO EXHIBIT B – NUMERICAL “BUT FOR”

ESTIMATED MARKET VALUE INCREASE FOR A DEVELOPMENT PROJECT  
WITHOUT TIF ASSISTANCE

Without tax increment assistance there would be minimal, if any, increase in market value.

Estimated Market Value .....	\$ 0.00 million
Original Market Value.....	\$ 5.00 million
Increased Market Value .....	\$ 0.00 million

ESTIMATED MARKET VALUE INCREASE FOR A DEVELOPMENT PROJECT  
WITH TIF ASSISTANCE

With tax increment assistance it is proposed that approximately 10,000 square feet of retail and 261 units of multi-family market rate workforce rental units will be constructed over three years.

Estimated Market Value .....	\$ 36.50 million
Original Market Value.....	\$ 5.00 million
Increased Market Value .....	\$ 31.50 million
Less: Present Value of the Tax Increment generated at 4.0% for the duration of the Proposed Proposed District .....	\$ 9.75 million
Net Increased Market Value.....	\$ 21.75 million

**DRAFT: August 28, 2020**

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**CONTRACT**

**FOR**

**PRIVATE REDEVELOPMENT**

**By and Between the**

**HOUSING AND REDEVELOPMENT AUTHORITY**

**In and For**

**THE CITY OF FRIDLEY, MINNESOTA**

**And**

**ROERS FRIDLEY APARTMENTS OWNER LLC**

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**This document was drafted by:**

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## **CONTRACT FOR PRIVATE REDEVELOPMENT**

**THIS AGREEMENT**, made on or as of the \_\_\_ day of \_\_\_\_\_, 2020 by and between the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a political subdivision of the State of Minnesota organized under the Constitution and laws of the State of Minnesota (the "Authority"), and Roers Fridley Apartments Owner LLC, a Delaware limited liability company organized under the laws of the State of Delaware (the "Redeveloper"),

### **WITNESSETH:**

**WHEREAS**, the Board of Commissioners (the "Board") of the Authority has determined that there is a need for development and redevelopment within the corporate limits of the City to provide employment opportunities; to provide adequate housing in the City, including low and moderate income housing, housing for the elderly and workforce housing; to improve the tax base; and to improve the general economy of the City and the State of Minnesota;

**WHEREAS**, in furtherance of these objectives, the Authority has adopted, pursuant to Minnesota Statutes, Sections 469.001 et seq. (the "Act"), a development program known as the Modified Redevelopment Plan (the "Redevelopment Plan") and established Redevelopment Project No. 1 (the "Project Area") in the City to encourage and provide maximum opportunity for private development and redevelopment of certain property in the City which is not now in its highest and best use;

**WHEREAS**, in connection with the Project Area, Tax Increment Financing District No. 25 (the "Tax Increment District") has been approved by the Authority and forwarded to the City along with the Tax Increment Financing Plan, which Tax Increment Financing Plan is to be certified by Anoka County and filed with the State, pursuant to the Minnesota Tax Increment Financing Act contained in Minnesota Statutes, Sections 469.174 to 469.1799;

**WHEREAS**, major objectives in establishing the Project Area are to:

1. Promote and secure the prompt redevelopment of certain property in the Project Area, which property is not now in its highest and best use in a manner consistent with the City's Comprehensive Plan and with a minimum adverse impact on the environment, and thereby promote and secure the redevelopment of other land in the City.
  
2. Provide additional employment opportunities within the Project Area and the City for residents of the City and the surrounding area, thereby improving living standards, reducing unemployment and the loss of skilled and unskilled labor and other human resources in the City.

3. Prevent the deterioration and secure the increase of commercial/industrial property subject to taxation by the City, the Independent School Districts, Anoka County, and the other taxing jurisdictions in order to better enable such entities to pay for governmental services and programs required to be provided by them.

4. Provide for the financing and construction for public improvements in and adjacent to the Project Area necessary for the orderly and beneficial redevelopment of the Project Area and adjacent areas of the City.

5. Promote the concentration of new desirable industrial, office, housing and other appropriate redevelopment in the Project Area so as to maintain the area in a manner compatible with its accessibility and prominence in the City.

6. Encourage local business expansion, improvement, and redevelopment, whenever possible.

7. Create a desirable and unique character within the Project Area through quality land use alternatives and design quality in new or remodeled buildings.

8. Encourage and provide maximum opportunity for private redevelopment of existing areas and structures which are compatible with the Project Area; and

**WHEREAS**, in order to achieve the objectives of the Authority and City in creating the Project Area and adopting the Redevelopment Plan, the Authority is prepared to provide financial and other assistance to the Redeveloper in accordance with this Agreement; and

**WHEREAS**, the Authority believes that the development and redevelopment of the Redevelopment Property pursuant to this Agreement, and fulfillment generally of the terms of this Agreement, are in the vital and best interests of the Authority and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws under which the development and redevelopment are being undertaken and assisted;

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

## ARTICLE I

### Definitions

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

"Act" means Minnesota Statutes, Section 469.001 et seq.

"Agreement" means this Agreement, as the same may be from time to time modified, amended, or supplemented.

"Authority" means the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota.

"Available Tax Increment" means 90% of the Tax Increment from the Tax Increment District.

"Certificate of Completion" means the certification, in the form of the certificate contained in Schedule F attached to and made a part of this Agreement, provided to the Redeveloper, pursuant to Section 4.4 of this Agreement.

"City" means the City of Fridley, Minnesota.

"Closing" or "Closing Date" means the date on which the HRA Redevelopment Property is conveyed by the Authority to the Redeveloper pursuant to Article III.

"Construction Plans" means the plans, specifications, drawings and related documents on the construction work to be performed by the Redeveloper on the Redevelopment Property which (a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the building inspector or the City, and (b) shall include at least the following for each building: (1) site plan; (2) foundation plan; (3) floor plan for each floor; (4) cross sections of each (length and width); (5) elevations (all sides, except as to a side of existing structure where no construction is to take place); (6) facade and landscape plan; and (7) such other plans of supplements to the foregoing plans as the City may reasonably request.

"Council" means the Council of the City.

"County" means the County of Anoka, Minnesota.

"Declaration of Restrictive Covenants and Prohibition Against Tax Exemption" means those restrictive covenants substantially in the form of Schedule G attached to this Agreement.

“Development Action Response Plan” or “Development Response Action Plan” or “Voluntary Response Action Plan” or “VRAP” or “DRAP” means the plan approved by the MPCA to protect the public health, welfare and environment in accordance with Minnesota Statutes, Section 469.179, Subdivision 17 and the applicable statutes for the MPCA.

“Eligible Costs” means the costs of Public Improvements, Site Improvements, Relocation Costs and any other cost eligible for payment under the Tax Increment Act. Interest paid to banks that financed Eligible Costs is an Eligible Cost.

“Event of Default” means an action by the Redeveloper described in Section 7.1. of this Agreement.

“Existing Environmental Reports” means those environmental reports related to the Redevelopment Property, which reports are listed on Schedule I attached hereto.

“HRA Redevelopment Property” means the real property described on Schedule J attached to this Agreement.

"Minimum Improvements" means the commercial and housing improvements to be constructed by the Redeveloper on the Redevelopment Property as shown on the Site Plan and include approximately 261 workforce income rental housing units (the “Housing Minimum Improvements”) and approximately 10,000 square feet of commercial space (the “Commercial Minimum Improvements”). The Commercial Minimum Improvements may be constructed subsequent to the Housing Minimum Improvements. The product mix and square feet are estimates and subject to change as necessary to comply with Council and Planning Commission requirements, or an approved DRAP.

"Minnesota Environmental Policy Act" means the statutes located at Minnesota Statutes, Sections 116D.01 et seq., as amended.

“MPCA” means the Minnesota Pollution Control Agency.

"National Environmental Policy Act" means the federal law located at 42 U.S.C. Sub. Sect. 4331 et seq., as amended.

“Party” means a party to this Agreement.

"Note" means the Limited Revenue Tax Increment Note substantially in the form of Schedule E attached to this Agreement, and to be made by the Authority payable to the order of the Redeveloper or its permitted assigns in accordance with the terms of this Agreement.

“Project” means the Redevelopment Property, the Public Improvements and the Minimum Improvements.

"Project Area" means Redevelopment Project No. 1, as amended, as established in accordance with the Act.

"Public Improvements" means the public improvements to be performed or constructed by the Redeveloper on or adjacent to the Redevelopment Property and described on Schedule D to attached to this Agreement.

"Purchase Price" means the price payable by the Redeveloper for the HRA Redevelopment Property, as set forth in Section 3.1(d) of this Agreement.

"Reconciliation Date" means March 1<sup>st</sup> of the second year following full valuation of the Housing Minimum Improvements.

"Redeveloper" means Roers Fridley Apartments Owner LLC, a limited liability company organized under the laws of the State of Delaware and its permitted successors and assigns.

"Redevelopment Plan" means the modified redevelopment plan adopted by the Authority for its Redevelopment Project No. 1, as amended.

"Redevelopment Project" means the Redevelopment Property and the Minimum Improvements.

"Redevelopment Property" means the real property described in Schedule A of this Agreement.

"Redevelopment Property Deed" means a quit claim deed of the HRA Redevelopment Property, substantially in the form of Schedule H attached hereto.

"Relocation Costs" means the cost of relocation services, benefits, and other costs to which owners, tenants, or others have claimed and are legally entitled to in accordance with State and Federal laws arising from the acquisition and redevelopment of the Redevelopment Property.

"Site Improvements" means those improvements described on Schedule C attached to this Agreement as qualified improvements of the Redevelopment Property.

"Site Plans" means the plans attached hereto in Schedule B showing the proposed nature and location of the Minimum Improvements.

"State" means the State of Minnesota.

"Tax Increment" means only that portion of the real estate taxes paid with respect to the Redevelopment Property which is remitted to the Authority by the County as tax increment from the Tax Increment District pursuant to the Tax Increment Act.

“Tax Increment Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 to 469.1799, as amended and as it may be amended.

“Tax Increment District” means Tax Increment Financing District No. 25 which is located within the Project Area and has been approved by the Authority and forwarded to the City along with the Tax Increment Plan which is to be certified by the County and filed with the State.

“Tax Increment Plan” means the tax increment financing plan adopted by the Authority for its Tax Increment Financing District No. 25.

"Termination Date" means the date defined in Section IX of this Agreement.

"Unavoidable Delays" means delays which are the direct result of strikes or other labor troubles, delays which are the direct result of unforeseeable and unavoidable casualties to the Redevelopment Property, the Project, or the equipment used to construct the Redevelopment Project, delays which are the direct result of governmental actions, delays which are the direct result of judicial action commenced by third parties, delays which are the direct result of citizen opposition or action affecting this Agreement, environmental delays which are the direct result of the implementation of an environmental agency-approved work plan for remediation, delays which are the direct result of severe weather which prevents or delays construction of Minimum Improvements, acts of God, fire or other casualty to the Project, site conditions materially different from those revealed in any report or test provided to or obtained by the Redeveloper, or any other delays beyond the reasonable control of a Party, including, but not limited to, delays caused directly or indirectly by pandemic.

“Voluntary Response Action Plan” or “VRAP” – see definition of Development Action Response Plan above.

## ARTICLE II

### Representations and Warranties

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

(a) The Authority is a public body duly organized and existing under the laws of the State. Under the provisions of the Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder. This Agreement has been or will be duly authorized by all necessary action on the part of the Authority and has been duly executed and delivered by the Authority. The Authority's execution, delivery and performance of this Agreement will not conflict with or result in a violation of any judgment, order, or decree of any court or government agency. This Agreement is a valid and binding obligation of the Authority and is enforceable against the Authority in accordance with its terms. There is no action, litigation, condemnation or proceeding of any kind pending or, to the best of the Authority's knowledge, threatened which would have a material and adverse effect on the ability of the Authority to perform its obligations under this Agreement or against the Redevelopment Property, or any portion thereof.

(b) The Authority has approved the Redevelopment Plan in accordance with the terms of the Act.

(c) The Authority has approved the Tax Increment District pursuant to the Tax Increment Act.

(d) The Authority, subject to Unavoidable Delays, and subject to the conditions precedent set forth herein, shall at Closing convey title to the HRA Redevelopment Property pursuant to Article III to the Redeveloper for the Redeveloper's use in accordance with the Redevelopment Plan and this Agreement.

(e) To assist the Redeveloper with the Eligible Costs in accordance with the Tax Increment Plan, Redevelopment Plan and this Agreement. The Authority proposes to make the Note payable to the Redeveloper in accordance with the provisions of this Agreement and to pledge Tax Increment generated by the Tax Increment District to the payment of the Note according to its terms.

(f) The Authority will cooperate with the Redeveloper with respect to any litigation commenced by third parties in connection with this Agreement.

(g) The Authority makes no representation, guarantee, or warranty, either express or implied, and hereby assumes no responsibility or liability as to the Redevelopment Property or its condition (regarding soils, pollutants, hazardous wastes or otherwise), except as described in Section 2.1(h).

(h) The Authority has no knowledge as to the presence of hazardous substances (as the same are described in the regulations promulgated under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, an/or in the environmental laws of the State of Minnesota, and specifically including petroleum and related hydrocarbons and their byproducts, asbestos, and polychlorinated biphenyls) in, on or under the Redevelopment Property, except (i) as may be expressly set forth in the reports described in Schedule I, copies of which shall have been or will be delivered by the Authority or its agents and consultants to the Redeveloper or (ii) as may be expressed in reports received subsequent to the date of this Agreement.

(i) Within five (5) days after the execution of this Agreement, the Authority shall deliver, or shall cause its agents or consultants to deliver, to Redeveloper all information available to the Authority regarding the ownership and potential development of the Redevelopment Property, including, but not limited to, correspondence from the City or County, flood zones, deed restrictions, utility commitments, engineering plans, studies, soils reports, engineering reports, construction plans, subdivision plans and/or environmental reports.

(j) No third party has an option to purchase, right of first refusal, right of first offer or other similar right with respect to all or a portion of the HRA Redevelopment Property and the Authority has not entered into any other contracts for the sale of all or any portion of the HRA Redevelopment Property with any third party.

(k) The Authority is not aware of any methamphetamine production occurring on the HRA Redevelopment Property. This representation is intended to satisfy the requirements of Minn. Stat. § 152.0275, Subd. 2(m).

(l) To the best of the Authority's knowledge, information and belief:

i. There are [zero (0)] "Wells," as defined in Minn. Stat. § 1031.005, Subd. 21, on the HRA Redevelopment Property. This representation is intended to satisfy the requirements of Minn. Stat. § 115.55, Subd. 6.

ii. There are no individual sewage treatment systems ("systems"), as defined in Minn. Stat. § 115.55, Subd. 1, on the HRA Redevelopment Property. This representation is intended to satisfy the requirements of Minn. Stat. § 115.55, Subd. 6

Section 2.2. Representations, Warranties and Covenants by the Redeveloper.  
The Redeveloper represents and warrants that:

(a) The Redeveloper is a limited liability company organized and existing under the laws of the State of Delaware, is authorized to transact business in the State,

and has duly authorized the execution of this Agreement and the performance of its obligations under this Agreement. None of the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement, or the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with the terms of any indebtedness, agreement or instrument of whatever nature to which the Redeveloper is now a party or by which it is bound.

(b) Subject to the conditions contained in Article III below, the Redeveloper will purchase the HRA Redevelopment Property from the Authority pursuant to Article III and, in the event the HRA Redevelopment Property is conveyed to the Redeveloper, the Redeveloper will construct and maintain the Public Improvements and the Minimum Improvements in accordance with the terms of this Agreement and all applicable local, State and Federal laws and regulations (including, but not limited to, environmental, zoning, building code and public health laws and regulations).

(c) As of the date of execution of this Agreement, the Redeveloper has received no notice or communication from any local, state or federal official that the anticipated activities of the Redeveloper with respect to the Redevelopment Property may be or will be in violation of any environmental law or regulation.

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

(e) The Redeveloper shall pay the normal and customary City fees and expenses for the approval and construction of the Project including, but not limited to, bonding requirements, building permit fees, sewer accessibility charges (SAC), water accessibility charges (WAC) and park dedication fees.

(f) Except as specifically set forth herein, the Redeveloper is purchasing the HRA Redevelopment Property "as is", based solely on the Redeveloper's examination of the HRA Redevelopment Property and with the understanding that there is no warranty by the City that the HRA Redevelopment Property is fit for any particular purpose.

(g) The Redeveloper agrees that it will reasonably cooperate with the Authority with respect to any litigation commenced by third parties in connection with this Agreement, including, but not limited to claims: (i) made against the Authority and associated with the formation and validity of the Tax Increment District; and (ii) made against the Authority for Relocation Costs.

(h) The financing arrangements which the Redeveloper has obtained or will obtain to finance the acquisition of the Redevelopment Property and the construction of

the Public Improvements and the Minimum Improvements, will be sufficient to enable the Redeveloper to successfully complete the Public Improvements and the Minimum Improvements as contemplated in this Agreement.

(i) Once acquired by the Redeveloper, the Redevelopment Property will not become exempt from the levy of ad valorem property taxes, or any statutorily authorized alternative, and any improvements of any kind constructed on the Redevelopment Property will similarly not become exempt before December 31, 2048.

(j) The construction of the Minimum Improvements, in the opinion of the Redeveloper, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the use of tax increment financing provided by the City pursuant to this Agreement.

(k) The Housing Minimum Improvements will not have income limits but are being marketed to those households at 80% of the area medium income ("AMI"). On the Reconciliation Date, the Redeveloper, at its expense, shall provide an analysis of unit rents, unit household income and percentages of AMI for the preceding calendar year. (Assuming full valuation of the Housing Minimum Improvements occurs on January 1, 2023, this analysis would be due March 1, 2025 for calendar year 2024.)

(l) The Redeveloper shall not allow any use or occupancy of the Redevelopment Property or Minimum Improvements by a "Sexually Orientated Business" as defined in Ordinance No. 965 of the City's Code.

(m) The Redeveloper agrees, notwithstanding the provisions of Article VI, that it will not assign, convey or lease (except as set forth in the next sentence) any interest of the Redevelopment Property or any portion thereof, or this Agreement or any portion thereof, to any tax-exempt entity under the U.S. Internal Revenue Code of 1986, as the same may be amended from time to time, without the prior written approval of the Authority. A lease of an interest or portion of the Redevelopment Property shall not be prohibited by this subparagraph unless it results in an exemption of the Redevelopment Property from ad valorem property taxes pursuant to subparagraph (i) above.

(n) If valid claims for Relocation Costs arise as a result of the Redevelopment Project, the Redeveloper will pay, or obtain written relocation waivers in a form satisfactory to the Authority, regarding all Relocation Costs. Any Relocation Costs paid by the Redeveloper are reimbursable Eligible Costs. Without limiting the Redeveloper's obligations under Section 6, the Redeveloper will indemnify, defend and hold harmless the Authority, the City, and their governing body members, employees, agents, and contractors from any and all claims for benefits or payments arising out of the relocation or displacement of any person from the Redevelopment Property as a result of the implementation of this Agreement. The costs associated with such indemnification shall at all times be excluded from the definition of Eligible Costs. The indemnification requirement set forth herein shall survive the Closing and the termination of this Agreement. Nothing in this Agreement is an acknowledgment by the Redeveloper or

the Authority that any Relocation Costs may be rightly claimed or due under applicable law.

### ARTICLE III

#### Conveyance of the HRA Redevelopment Property; Undertakings of Authority and Redeveloper

##### Section 3.1. Conveyance of the Redevelopment Property.

(a) Title. The Authority shall convey marketable title to and possession of the HRA Redevelopment Property to the Redeveloper under a quit claim deed in the form of the Redevelopment Property Deed contained in Schedule B. At its sole cost and expense, the Redeveloper shall obtain any title insurance and endorsements it deems necessary.

At its expense, the Authority shall order and shall obtain within fifteen (15) days of the date of this Agreement a commitment for an owner's title insurance policy (ALTA Form B) issued by Commercial Partners Title, LLC, (the "Title Company"), naming Redeveloper as the proposed owner-insured of the HRA Redevelopment Property in the amount of the Purchase Price (the "Commitment"). The Commitment shall include removal of or endorsement over general exceptions by means of an extended coverage endorsement. The Commitment shall have a current date as its effective date and shall commit to insure marketable title to the HRA Redevelopment Property in the Redeveloper. Such insurance shall be free and clear of all mechanic's lien claims, unrecorded interests, rights of parties in possession or other exceptions customarily excluded from such insurance. The Commitment shall set forth all levied real estate and special assessments related to the HRA Redevelopment Property. The Commitment shall include such title policy endorsements as may be reasonably requested by the Redeveloper. The Commitment shall have attached copies of all instruments of record which create any easements or restrictions which are referred to in Schedule B of the Commitment. Within five (5) business days of receipt of the Commitment, Redeveloper shall order a Survey of the HRA Redevelopment Property. Should Redeveloper fail to order an updated Survey in a timely manner (a) Redeveloper shall have waived all survey objections, and the Authority shall not be required to execute a survey affidavit or similar affidavit in relation to the HRA Redevelopment Property for purposes of the waiver of any survey exception by Title; and (b) the fifteen (15) day time period for the issuance of title objections by the Redeveloper shall commence to run thirty-five (35) days from the date of this Agreement.

The Redeveloper will be allowed fifteen business (15) days after receipt of the Commitment and Survey to make an examination thereof and to make any objections to the marketability of the title to the HRA Redevelopment Property, objections to be made by written notice or to be deemed waived. Upon receipt of the Redeveloper's list of written objections, the Authority shall proceed in good faith and with all due diligence to attempt to cause the objections made by the Redeveloper to be cured, but Authority shall have no obligation to cure such objections. In the event that an objection is not resolved to the satisfaction of the Redeveloper, the Redeveloper shall have the options set forth in Section 3.1 (c) (i) or (ii), below. In no event shall Redeveloper object to the

terms and conditions of the Declaration of Restrictive Covenants and Prohibition Against Tax Exemption attached hereto as Schedule G, the form of which shall be recorded against the Redevelopment Property at or prior to Closing and the form of which shall be recorded prior to the recording of any financing documents associated with the Redevelopment Property, it being the understanding of the parties that the Redeveloper is at all times taking ownership of the HRA Redevelopment Property subject to the Declaration of Restrictive Covenants and Prohibition Against Tax Exemption, and that the Redevelopment Property as a whole will be subject to the Declaration of Restrictive Covenants and Prohibition against Tax Exemption.

(b) Survey. The Redeveloper shall obtain, at Redeveloper's sole cost and expense, any survey(s) or updated survey(s) necessary for the issuance of title insurance or as necessary to replat or reconvey the HRA Redevelopment Property ("Survey").

(c) Title Not Marketable. If the title to the HRA Redevelopment Property is not marketable as evidenced by the Commitment and the Survey, together with any appropriate endorsements, and is not made so by the Closing Date, the Redeveloper may either:

(i) Terminate this Agreement by giving written notice to the Authority, in which event this Agreement shall become null and void and neither party shall have any further rights or obligations hereunder, except those indemnification obligations which expressly survive such termination; or

(ii) Elect to accept the title in its unmarketable or existing condition by giving written notice to the Authority of the waiver of such objections, and proceed to Closing.

In the event that Redeveloper has not terminated this Agreement and thereafter proceeds to Closing, Redeveloper shall be deemed to have selected option (c)(ii) above.

(d) Conveyance, Purchase Price and Closing. Subject to the terms of this Agreement, the Authority agrees to sell and the Redeveloper agrees to purchase the HRA Redevelopment Property for the Purchase Price. The Authority shall execute and deliver to the Redeveloper a Redevelopment Property Deed at Closing, which Redevelopment Property Deed shall be subject to the Declaration of Restrictive Covenants and Prohibition Against Tax Exemption in form set forth on Schedule G. The form of said Declaration of Restrictive Covenants and Prohibition Against Tax Exemption may be executed by the Authority and recorded at Closing prior to the delivery and recordation of the Redevelopment Property Deed. The conveyance of title the HRA Redevelopment Property pursuant to the Redevelopment Property Deed shall be subject to all of the conditions, covenants, restrictions and limitations imposed by this Agreement and the Redevelopment Property Deed. The Redeveloper shall promptly record the Redevelopment Property Deed.

Closing shall take place at the principal offices of the Title Company unless the parties mutually agree in writing that the Closing shall take place at another location. The Purchase Price shall be paid at Closing and shall be calculated to be equal to \$7.64/square foot for property not subject to public easements.

The Closing shall occur simultaneously with the closing for the Redeveloper's financing of the Housing Minimum Improvements but no later than December 31, 2020. The Closing is at all times contingent upon the conditions precedent described in Section 3.3 being satisfied for the Authority and the Redeveloper.

(e) Inspection. At the Redeveloper's expense, the Redeveloper and its agents are hereby granted the right following execution of this Agreement until October 15, 2020 (the "Feasibility Period") to inspect and test the HRA Redevelopment Property. Any investigations, testing and/or inspections initiated by the Redeveloper shall be undertaken at the Redeveloper's sole cost and expense. After completing its investigation of the HRA Redevelopment Property, if Redeveloper elects to terminate this Agreement, Redeveloper shall return the HRA Redevelopment Property to substantially the same condition as existing prior to the investigations, testing and/or inspections; provided that Redeveloper shall not be responsible for any existing conditions on the Property that are discovered as a result of such investigations, testing and/or inspections. The Redeveloper shall hold the Indemnified Parties (as defined in Section 6.4) harmless from and shall indemnify the Indemnified Parties for any liability resulting from the Redeveloper's or its agents entrance upon the Redevelopment Property or any liability resulting from the performance of any of the tests or inspections referred to in this Section; provided that Redeveloper shall not be responsible for any existing conditions on the Property that are discovered as a result of such investigations, testing and/or inspections. The indemnification requirements set forth herein shall survive the Closing and the termination of this Agreement.

(f) Taxes; Special Assessments; Other Pro Rations. Real estate taxes due and payable prior to the year of Closing shall be paid by the Authority. Real estate taxes due and payable in the year of Closing shall be allocated between the parties based on their respective period of ownership in the year of Closing. Real estate taxes due and payable in the years subsequent to the Closing shall be paid by the Redeveloper. The Redeveloper shall pay all special assessments pending or levied as of the Closing Date. The Redeveloper shall pay all special assessments after the Closing Date. The Redeveloper shall bear all costs of recording the Redevelopment Property Deed except as set forth below. The Redeveloper shall pay the State tax due in connection with conveyance of the Redevelopment Property and shall pay the cost of recording any document necessary to place title in the condition described in this Agreement. The Redeveloper shall pay all other recording costs incurred in connection with this Agreement. The parties shall equally share other closing costs. Each party shall pay all sums in cleared funds on the Closing Date.

(g) Plat; Covenants; Easements. The Redeveloper at its expense shall replat the Redevelopment Property. The Redeveloper shall pay all costs for plats, replats, lot splits, preparation of restrictive covenants, easements and any other documentation necessary for the construction and financing of the Minimum Improvements and all costs of recording any such documents.

Section 3.2. Intentionally Omitted.

Section 3.3. Conditions Precedent to Conveyance.

(a) The obligation of the Authority to convey the HRA Redevelopment Property to the Redeveloper at Closing shall be subject to the following conditions precedent:

(i) The Redeveloper shall be in material compliance with all of the terms and provisions of this Agreement;

(ii) The Authority shall have approved the Preliminary Plans for the Project;

(iii) The Redeveloper shall have paid the Purchase Price as described in Section 3.1;

(iv) Intentionally Omitted.

(v) Each of the Redeveloper's representations and warranties set forth in Section 2.2 shall be true as of the Closing Date and the Redeveloper shall so certify in writing at Closing.

(vi) Redeveloper shall have executed the Declaration of Restrictive Covenants and Prohibition Against Tax Exemption in the form attached as Schedule G with regard to the Redevelopment Property for recordation in priority to any financing documents recorded against the Redevelopment Property.

(vii) Redeveloper shall, concurrent with the Closing, close on the financing for the construction of the Minimum Improvements.

(b) The obligation of the Redeveloper to purchase the HRA Redevelopment Property at Closing shall be subject to the following conditions precedent:

(i) The environmental condition of the Redevelopment Property, not including any required soil corrections, shall be suitable for the construction of the Minimum Improvements and Redeveloper shall have received a No Association Determination from the Minnesota Pollution Control Agency, if applicable, based on the approved Response Action Plan if such a plan is necessary;

(ii) The Authority shall be in material compliance with all other terms and provisions of this Agreement;

(iii) Title to the Redevelopment Property shall be acceptable to the Redeveloper;

(iv) Each of the Authority's representations and warranties set forth in Section 2.1 shall be true as of the Date of Closing and the Authority shall so certify in writing at Closing;

(v) No moratorium has been imposed upon the Redevelopment Property;

(vi) The required permits, including, but not limited to building permits, have been issued for the Public Improvements and the Minimum Improvements;

(vii) The Redeveloper's preliminary plat of the Redevelopment Property has been approved by the appropriate governmental authorities;

(viii) Redeveloper has received executed easements for off-site utility, drainage, construction or other easements if required for the development of the Redevelopment Property;

(ix) Redeveloper's Construction Plans have been approved by the City and any other appropriate governmental authorities, and significant architectural upgrades are not required to such Construction Plans;

(x) Redeveloper's Preliminary Plans shall have been approved by the Authority.

(c) In the event the aforementioned conditions precedent of the Authority or of the Redeveloper are not satisfied by the Closing Date (except as otherwise set forth hereinabove with respect to corporate approval deadline), the parties may, by mutual agreement, extend the Closing until the conditions precedent are satisfied. In the event the parties cannot reach such mutual agreement for such extension, this Agreement shall automatically terminate, and neither party shall have any further rights or obligations hereunder, except those indemnification obligations which expressly survive such termination.

#### Section 3.4. Documents at Closing.

(a) At Closing, the Authority shall deliver to the Redeveloper:

(i) The Redevelopment Property Deed,

(ii) All certificates, instruments and other documents necessary to permit the recording of the Redevelopment Property Deed,

(iii) A standard Seller's Affidavit properly executed on behalf of the Authority with respect to judgments, bankruptcies, tax liens, mechanics liens, parties in possession, unrecorded interests, encroachment or boundary line questions and related matters, subject at all times to the Survey,

(iv) If applicable, the owner's duplicate certificate of title to the Redevelopment Property. The Authority need not provide an abstract of title if the property is classified as abstract property,

(v) An affidavit of the Authority in form and content satisfactory to the Redeveloper stating that the Authority is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code, and

(vi) The certification as to representations and warranties described in Section 3.3(b)(iv).

(vii) The executed Declaration of Restrictive Covenants and Prohibition Against Tax Exemption.

(b) At Closing, the Redeveloper shall deliver to the Authority:

(i) The Purchase Price in cleared funds,

(ii) A Certificate of Real Estate Value,

(iii) The certification as to representations and warranties described in Section 3.3(a)(v), and

(iv) The executed Declaration of Restrictive Covenants and Prohibition Against Tax Exemption in the form attached as Schedule G with regard to the Redevelopment Property for recordation in priority to any financing documents recorded against the Redevelopment Property.

#### Section 3.5. Undertakings.

(a) The Redeveloper shall purchase the HRA Redevelopment Property and shall construct or cause to be constructed the Minimum Improvements and the Public Improvements in accordance with the terms of this Agreement.

(b) The Authority shall convey the HRA Redevelopment Property and issue the Note in accordance with the terms of this Agreement.

#### Section 3.6. Environmental Undertakings.

(a) The parties acknowledge that the Redeveloper will request for a VRAP providing for remediation of hazardous wastes and contaminants on the Redevelopment Property. Redeveloper shall promptly undertake remediation and any other actions required under a VRAP.

(b) The Redeveloper acknowledges that the Authority makes no representations or warranties as to soil and environmental condition on the Redevelopment Property or the fitness of the Redevelopment Property for construction of the Minimum Improvements or any other purpose for which the Redeveloper may make use of such property, and that the assistance provided to the Redeveloper under this Agreement neither implies any responsibility by the Authority or the City for any contamination of the Redevelopment Property or poor soil conditions nor imposes any obligation on such parties to participate in any cleanup of the Redevelopment Property and or correction of any soil problems (other than the financing described in this agreement).

(c) Without limiting its obligations under Section 9.9 of this Agreement the Redeveloper further agrees that it will indemnify, defend, and hold harmless the Authority, the City, and their governing body members, officers, and employees, from any claims or actions arising out of the presence, if any, of hazardous wastes or pollutants existing on or in the Redevelopment Property unless and to the extent that such hazardous wastes or pollutants are present as a result of the actions or omissions of the indemnities. Further, Redeveloper expressly agrees that the provisions of any VRAP are incorporated herein by reference. Nothing in this section will be construed to limit or affect any limitations on liability of the City or Authority under State or federal law, including without limitation Minnesota Statutes Sections 466.04 and 604.02.

### Section 3.7. Issuance of Note.

(a) In order to reimburse the Redeveloper for Eligible Costs, the Authority shall issue and the Redeveloper shall purchase the Note. The terms of the Note, including maturity and payment dates, will be substantially those set forth in the form of the Note shown in Schedule E and as further described in this Section. The Note will be dated as of the date of delivery, and simple, non-compounded interest will accrue from such date.

(b) Before issuance and delivery of the Note, Redeveloper must submit to the Authority a certificate signed by the Redeveloper's duly authorized representative, containing the following: (i) a statement that each cost identified in the certificate is an Eligible Cost, incurred after the date of this Agreement; (ii) evidence that each identified cost has been paid or incurred by or on behalf of the Redeveloper; (iii) a statement that no uncured Event of Default by the Redeveloper has occurred and is continuing under the Agreement. The Authority may, if not satisfied that the conditions described herein have been met, return the certificate with a statement of the reasons why it is not acceptable and requesting such further documentation or clarification as the Authority

may reasonably require. The Authority will deliver the Note upon receipt and approval of the certificate evidencing the relevant Eligible Costs in at least the principal amount of the Note less the adjustment described in this Section.

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

(d) In addition to the limitations above, the following limitations shall apply to the issuance of the Note:

(i) Only Available Tax Increment shall be pledged.

(ii) The term of any Note may not extend more than 32 days beyond the duration of the Tax Increment District.

(iii) Any amounts unpaid at the maturity date shall be deemed paid in full.

(iv) Eligible costs paid by grants from any source are not to be included in the Note.

(v) The Note will bear simple interest and the rate will be the lesser of (1) the rate for the long term or permanent financing of the Minimum Improvements, or (2) 4.0%.

(vi) The principal amount of the Note shall be the certified Eligible Costs less the estimated market value of the land only (not existing building) of the Redevelopment Property (excluding the HRA Redevelopment Property) as determined by the County Assessor on January 1, 2020, but the principal amount shall not exceed \$8,100,000.00.

(vii) The Authority will not issue bonds to prepay the Note.

(viii) The Housing Certificate of Completion shall have been issued.

Section 3.8. Business Subsidy Provisions. (a) The Parties agree and understand that the assistance provided to Redeveloper in this Agreement (including any grant proceeds and issuance of the Note) does not constitute a "business subsidy" under the

Business Subsidy Act, because any grant and Note represent assistance that is exempt from the Business Subsidy Act under Sections 116J.993, Subdivision 3, clause (17).

(b) Redeveloper acknowledges that under Section 116J.994, subdivision 7(c) of the Business Subsidy Act, the Redeveloper is nevertheless required to file annual reports containing the information described therein. If the Redeveloper fails to timely file any required report, the Authority will mail the Redeveloper a warning within one week after the required filing date. If, after 14 days of the postmarked date of the warning, the Redeveloper fails to provide a report, the Redeveloper must pay to the Authority a penalty of \$100 for each subsequent day until the report is filed. The maximum aggregate penalty payable under this Section is \$1,000.

### Section 3.9. Repayment of Assistance.

(a) On the Reconciliation Date the Redeveloper shall deliver to the Authority evidence of its annualized cumulative internal rate of return from the Redevelopment Property and the Minimum Improvements related thereto (the "IRR"), calculated as of the Reconciliation Date. The IRR shall be calculated in accordance with generally accepted accounting principles, provided that the amount of Redeveloper's equity must exclude any developer's fee in excess of 7.0 percent (7%) of total development costs. The IRR calculation shall include the Eligible Costs paid by the Redeveloper and not reimbursed by grants or the Note.

(b) The amount by which the IRR exceeds 12.0 percent (12%) is a percentage referred to as "Excess Percentage." Fifty percent (50%) of the Excess Percentage shall be credited to the reduction of the principal plus accrued interest of the Note as of the Reconciliation Date.

(c) For purposes of calculating revenues for the IRR from sales of property the following adjustments shall be made:

(i) If property (improved or unimproved) is sold to an unrelated party in an arm's length transaction, those prices will be determinative of the sales price. The Redeveloper will certify to the City that such party would be considered unrelated under applicable Internal Revenue Code regulations.

(ii) If property is sold to a related party (as defined in Internal Revenue Code regulations), the property sale price will be determined by agreement between the Authority and Redeveloper or, if agreement cannot be reached, the sale price will be the higher of an appraisal conducted by an appraiser mutually agreeable to the parties or the actual sale price.

(iii) For property still owned by the Redeveloper on the Reconciliation Date, an "imputed" sales price based on an appraisal, or other method acceptable to both parties for valuing the property or its rate of return, will be used.

## ARTICLE IV

### Construction of Minimum Improvements

Section 4.1. Construction of Minimum Improvements. Subject to the limitations set forth herein, the Redeveloper agrees that it will construct the Minimum Improvements on the Redevelopment Property in accordance with the Construction Plans approved by the City and the Site Plan.

Section 4.2. Completion of Construction. Subject to Unavoidable Delays, the Parties anticipate the start of construction by December 31, 2020, and the substantial completion of the construction of the Housing Minimum Improvements by December 31, 2022. All work with respect to the Housing Minimum Improvements to be constructed or provided by the Redeveloper on the Redevelopment Property shall be in conformity with the Construction Plans and the Site Plan.

The Redeveloper agrees for itself, its successors and assigns, and every successor in interest to the Redevelopment Property, or any part thereof, that the Redeveloper, and such successors and assigns, shall, subject to the limitations set forth in Section 4.1, diligently prosecute to completion the development of the Redevelopment Property through the construction of the Minimum Improvements thereon, and that such construction is anticipated to be completed within the period specified in this Section 4.2 of this Agreement.

### Section 4.3. Preliminary Plans and Construction Plans.

(a) Preliminary Plans. Thirty (30) days prior to commencement of construction of the Minimum Improvements, the Redeveloper shall submit the Preliminary Plans to the Authority for approval. The Preliminary Plans shall not be inconsistent with this Agreement or any applicable state and local laws and regulations, insofar as said consistency may be determined at said preliminary stage. If approval of the Preliminary Plans is requested in writing by the Redeveloper at the time of submission thereof to the Authority, the Authority shall approve or reject (in whole or in part) such Preliminary Plans in writing within twenty (20) days after the date of receipt thereof. If no written rejection is made within said twenty (20) days, the Preliminary Plans shall be deemed approved by the Authority. Any rejection shall set forth in detail the reasons therefor. If the Authority rejects the Preliminary Plans, in whole or in part, the Redeveloper shall submit new or revised Preliminary Plans within a reasonable time after receipt by the Redeveloper of the notice of rejection. The provisions of this Section relating to approval, rejection and resubmission of new or revised Preliminary Plans shall continue to apply until the Preliminary Plans have been approved by the Authority. The Authority's approval of the Preliminary Plans shall not be unreasonably withheld, conditioned or delayed, however if an Event of Default has occurred or is continuing, the Authority may withhold approval of the Preliminary Plans.

(b) Construction Plans. Prior to the Redeveloper's commencement of construction of the Minimum Improvements, the Redeveloper shall submit Construction Plans to the City. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity in all material respects with this Agreement, the Preliminary Plans, and all applicable state and local laws and regulations.

No approval by the Authority shall be deemed to relieve the Redeveloper of the obligation to comply with the terms of this Agreement and applicable federal, State and local laws, ordinances, rules and regulations, or to construct the Minimum Improvements in accordance therewith. No approval by the Authority shall constitute a waiver of any Event of Default.

(c) Changes. If the Redeveloper desires to make any material change in the Preliminary Plans after their approval by the Authority, then the Redeveloper shall submit the proposed change to the Authority for its approval. If the Preliminary Plans, as modified by the proposed change, conform to the requirements of this Section with respect to such previously approved Plans, the Authority shall approve the proposed change and notify the Redeveloper in writing of its approval. Such change in the Preliminary Plans shall, in any event, be deemed approved by the Authority unless rejected in writing by the Authority, in whole or in part, within twenty (20) days after receipt of the notice of such change, setting forth in detail the reasons therefor.

Section 4.4. Certificate of Completion. (a) Promptly after substantial completion of the Housing Minimum Improvements and Public Improvements in accordance with those provisions of the Agreement relating to the obligations of the Redeveloper to construct those Housing Minimum Improvements and Public Improvements, the Authority will furnish the Redeveloper with a Certificate of Completion associated with those improvements. Such certification by the Authority shall be (and it shall be so provided in the certification itself) a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement with respect to the obligations of the Redeveloper, and its successors and assigns, to construct the Housing Minimum Improvements and Public Improvements.

(b) If the Authority shall refuse or fail to provide any certification in accordance with the provisions of this Section 4.4 of this Agreement, the Authority shall, within ten (10) days after written request by the Redeveloper, provide the Redeveloper with a written statement, indicating in adequate detail in what respects the Redeveloper has failed to complete the Minimum Improvements or Public Improvements in accordance with the provisions of the Agreement, or is otherwise in default, and what measures or acts it will be necessary, in the opinion of the Authority, for the Redeveloper to take or perform in order to obtain such certification.

(c) The construction of the Housing or Commercial Minimum Improvements shall be deemed to be substantially completed when the Redeveloper has received the

appropriate occupancy permit from the City's building inspector, which permit shall not be unreasonably withheld.

(d) The construction of the Public Improvements shall be deemed to be completed in accordance with the Redeveloper's obligations hereunder when the City has accepted the Public Improvements in writing.

## ARTICLE V

### Insurance

#### Section 5.1. Redeveloper Insurance.

(a) The Redeveloper will provide and maintain at all times during the process of constructing the Minimum Improvements and, from time to time at the request of the Authority, furnish the Authority with proof of payment of premiums on:

(i) Builder's risk insurance, written on the so-called "Builder's Risk – Completed Value Basis," in an amount equal to one hundred percent (100%) of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in non-reporting form on the so-called "all risk" form of policy. The interest of the Authority shall be protected in accordance with a clause in form and content reasonably satisfactory to the Authority. The builder's risk policy shall be obtained for each of the single-family, owner-occupied homes constituting the Minimum Improvements at the time the Redeveloper receives a certificate of occupancy for each home;

(ii) Comprehensive general liability insurance together with an Owner's Contractor's Policy with limits against bodily injury and property damage of not less than \$2,000,000 for each occurrence (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

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

(b) All insurance required by this Article V shall be taken out and maintained in responsible insurance companies selected by the Redeveloper which are authorized under the laws of the State to assume the risks covered thereby. The Redeveloper will deposit annually with the Authority policies evidencing all such insurance, or a certificate(s) or binder(s) of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V, each policy shall contain a provision that the insurer shall not cancel or modify it without giving written notice to the Redeveloper and the Authority at least thirty (30) days before the cancellation or modification becomes effective. Not less than fifteen (15) days prior to the expiration of any policy, the Redeveloper shall furnish the Authority with evidence satisfactory to the Authority that the policy has been renewed or replaced by another policy conforming to the provisions of this Article V, or that there is no necessity therefor under the terms hereof. In lieu of separate policies, the Redeveloper may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event the Redeveloper shall deposit with the Authority a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

## ARTICLE VI

### Prohibitions Against Assignment and Transfer, Release or Indemnification

Section 6.1. Representation as to Redevelopment. The Redeveloper represents and agrees that its purchase of the Redevelopment Property, and its other undertakings pursuant to this Agreement, are, and will be used, for the purpose of redevelopment of the Redevelopment Property and not for speculation in land holding. The Redeveloper further recognizes that, in view of (a) the importance of the redevelopment of the Redevelopment Property to the general welfare of the Authority, and (b) the substantial financing that has been made available by the Authority for the purpose of making such redevelopment possible, the qualifications and identity of the Redeveloper are of particular concern to the Authority. The Redeveloper further recognizes that it is because of such qualifications and identity that the Authority is entering into this Agreement with the Redeveloper, and, in so doing, is further willing to accept and rely on the obligations of the Redeveloper for the faithful performance of all undertakings and covenants hereby by it to be performed.

Section 6.2. Prohibition Against Transfer of Property and Assignment of Agreement. Also, for the foregoing reasons the Redeveloper represents and agrees that prior to the date of the issuance of the Certificate of Completion, except for the purpose of obtaining financing necessary to enable the Redeveloper or any successor in interest to purchase the Redevelopment Property, or any part thereof, to perform its obligations with respect to making the Minimum Improvements under this Agreement, and any other purpose authorized by this Agreement, the Redeveloper has not made or created and will not make or create or suffer to be made or created any total or partial sale, assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to this Agreement or the Redevelopment Property or any part thereof or any interest therein, or any contract or agreement to do any of the same, without the prior written approval of the Authority which shall not be unreasonably withheld, unless the Redeveloper remains liable and bound by this Agreement in which event the Authority's approval is not required. Any such transfer shall be subject to the provisions of this Agreement. Notwithstanding the foregoing, the Redeveloper may transfer the Redevelopment Property to any corporation, partnership or entity controlling, controlled by, or under common control with the Redeveloper.

Section 6.3. Assignment of Note. The Redeveloper may assign and pledge a Note to secure any loan secured by a portion of the Redevelopment Property, and may transfer a Note to any entity controlling, controlled by or under common control with the Redeveloper. Otherwise, the Note shall not be assignable nor transferable without the prior written consent of the Authority; provided, however, that such consent shall not be unreasonably withheld or delayed if: (a) the assignee or transferee delivers to the Authority a written instrument acknowledging the limited nature of the Authority's payment obligations under the Note, and (b) the assignee or transferee executes and delivers to the Authority a certificate, in form and substance satisfactory to the Authority, pursuant to which, among other things, such assignee or transferee represents that (i)

the Note is being acquired for investment for such assignee's or transferee's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, (ii) the assignee or transferee has no present intention of selling, granting any participation in, or otherwise distributing the same, (iii) the assignee or transferee is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act of 2033, as amended, (iv) the assignee or transferee, either alone or with such assignee's or transferee's representatives, has knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of the prospective investment in the Note and the assignee or transferee is able to bear the economic consequences thereof, (v) in making its decision to acquire the Note, the assignee or transferee has relied upon independent investigations and, to the extent believed by such assignee or transferee to be appropriate, the assignee's or transferee's representatives, including its own professional, tax and other advisors, and has not relied upon any representation or warranty from the Authority or the City, or any of their officers, employees, agents, affiliates or representatives with respect to the value of the Note, (vi) neither the Authority nor the City has made any warranty, acknowledgment or covenant, in writing or otherwise, to the assignee or transferee regarding the tax consequences, if any, of the acquisition and investment in the Note, (vii) the assignee or transferee or its representatives have been given a full opportunity to examine all documents and to ask questions of, and to receive answers from, the Authority and its representatives concerning the terms of the Note and such other information as the assignee or transferee desires in order to evaluate the acquisition of and investment in the Note, and all such questions have been answered to the full satisfaction of the assignee or transferee, (viii) the assignee or transferee has evaluated the merits and risks of investment in the Note and has determined that the Note is a suitable investment for the assignee or transferee in light of such party's overall financial condition and prospects, (ix) the Note will be characterized as a "restricted security" under the federal securities laws because the Note is being acquired in a transaction not involving a public offering and that under such laws and applicable regulations such security may not be resold without registration under the Securities Act of 1933, as amended, except in certain limited circumstances, and (x) no market for the Note exists or is intended to be developed.

#### Section 6.4. Release and Indemnification Covenants.

(a) The Redeveloper covenants and agrees that the City, the Authority and the governing body members, officers, agents, servants and employees of either of them (collectively, the "Indemnified Parties") shall not be liable for, and agrees to indemnify and hold harmless the Indemnified Parties against, any loss or damage to property or any injury to or death of any person occurring at or resulting from any defect in the Minimum Improvements, due to any act, including negligence, of the Redeveloper or of others acting on its behalf or under its direction or control; provided, however, that the Redeveloper's indemnification obligations in this subparagraph (a) shall not apply to any loss resulting from negligent, willful or wanton misconduct of any of the Indemnified Parties. The costs associated with such indemnification shall at all times be excluded

from the definition of Eligible Costs. The indemnification requirement set forth herein shall survive the Closing and the termination of this Agreement.

(b) The Redeveloper agrees to protect and defend the Indemnified Parties, now or forever, and further agrees to hold the Indemnified Parties harmless, from any claim, demand, suit, action or other proceeding by any person or entity arising or purportedly arising from this Agreement or the transactions contemplated hereby or the construction and ownership of the Minimum Improvements, due to any act, including negligence, of the Redeveloper or of others acting on the behalf or under the direction or control of the Redeveloper; provided, however, that the Redeveloper's indemnification obligations in this subparagraph (b) shall not apply to any loss resulting from any negligent or willful misrepresentation or any negligent, willful or wanton misconduct of any of the Indemnified Parties. The costs associated with such indemnification shall at all times be excluded from the definition of Eligible Costs. The indemnification requirement set forth herein shall survive the Closing and the termination of this Agreement.

(c) None of the Indemnified Parties shall be liable for any damage or injury to the person or property of the Redeveloper or its officers, agents, servants or employees or any other person who may be on or about the Redevelopment Property or Minimum Improvements due to any act or negligence of any person, other than the negligence or misconduct of an Indemnified Party.

(d) None of the Indemnified Parties shall be liable to the Redeveloper or to any third party for any consequential or other damages that may arise out of delays of any kind relating to activities undertaken pursuant to this Agreement, including but not limited to delays due to environmental conditions, court challenges or elements outside the control of the Authority.

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

(f) Nothing in this Section is intended to waive any municipal liability limitations contained in Minnesota Statutes, particularly Chapter 466.

## ARTICLE VII

### Events of Default

Section 7.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean whenever it is used in this Agreement any one or more of the following events:

(a) Failure by the Redeveloper to timely pay all ad valorem real property taxes assessed with respect to the Redevelopment Property.

(b) Failure by the Redeveloper to complete the Site Improvements, Public Improvements or the Minimum Improvements pursuant to the terms, conditions and limitations of this Agreement.

(c) Failure by the Redeveloper to submit to the Authority the documents required by Articles III and VI.

(d) Failure by the Redeveloper to substantially observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement.

(e) If, before the issuance of Certificate of Completion for the Minimum Improvements, the Redeveloper shall:

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 2078, as amended or under any similar federal or state law; or

(ii) make an assignment for the benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due; or

(iv) be adjudicated as bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Redeveloper, as bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of the Redeveloper, or of the Minimum Improvements, or part thereof, shall be appointed in any proceeding brought against the Redeveloper, and shall not be discharged within ninety (90) days after such appointment, or if the Redeveloper shall consent to or acquiesce in such appointment.

Section 7.2. Remedies on Default. Whenever any Event of Default referred to in Section 7.1 occurs and is continuing, the Authority, as specified below, may take any one or more of the following actions after providing sixty (60) days' written notice to the Redeveloper, but only if the Event of Default has not been cured within said sixty (60) days, or such longer period as is necessitated by Unavoidable Delay.

(a) The Authority may suspend its performance under this Agreement including payment of the Note until it receives assurances from the Redeveloper, deemed adequate by the Authority, that the Redeveloper has cured its default and will continue its performance under this Agreement.

(b) The Authority may cancel and rescind the Agreement.

(c) The Authority may withhold a Certificate of Completion.

Section 7.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 7.4. No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 7.5. Agreement to Pay Attorney's Fees and Expenses. Whenever any Event of Default occurs and the Authority shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Redeveloper herein contained, the Redeveloper agrees that it shall, on demand therefor, pay to the Authority the reasonable fees of such attorneys and such other expenses so incurred by the Authority.

## Article VIII

### Tax Increment; Taxes

Section 8.1. Pledge of Tax Increment. The Authority shall pledge the Tax Increments to the payment of the Note in accordance with the terms of this Agreement.

Section 8.2. Right to Collect Delinquent Taxes. The Redeveloper acknowledges that the Authority is providing substantial aid and assistance in furtherance of the development through the issuance of the Note. The Redeveloper understands that the Tax Increment pledged to payment on the Note is derived from real estate taxes on the Redevelopment Property, which taxes must be promptly and timely paid. To that end, the Redeveloper agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Redevelopment Property and the Minimum Improvements. The Redeveloper acknowledges that this obligation creates a contractual right on behalf of the Authority to sue the Redeveloper or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit, the Authority shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 8.3. Review of Taxes. The Redeveloper agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Redevelopment Property through willful destruction of the Redevelopment Property or any part thereof; provided that the foregoing restriction shall not apply to Redeveloper's demolition of the existing improvements in the normal course of redeveloping the Redevelopment Property.

Section 8.4 Petition to Reduce Tax. The Redeveloper may seek through petition or other means to have the County Assessor's estimated market value for the Redevelopment Property reduced. Until the Note is fully paid, such activity must be preceded by written notice from the Redeveloper to the Authority indicating its intention to do so. Upon receiving such notice, or otherwise learning of the Redeveloper's intentions, the Authority may suspend payments due under the Note until the actual amount of the reduction is determined, whereupon the Authority will make the suspended payments less any amount that the Authority is required to repay the County as a result, any reduction in the market value of the Redevelopment Property. During the period that the payments are subject to suspension, the Authority may make partial payments on the Note if it determines, in its sole and absolute discretion, that the amount retained will be sufficient to cover any repayment which the County may require. The Redeveloper's petition and the Authority's suspension of payments on the Note pursuant to this Section shall not be considered a default under Article VII.

## Article IX

### Additional Provisions

Section 9.1. Conflict of Interest. No member, official, or employee of the Authority shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested.

Section 9.2. Restrictions on Use. The Redeveloper shall not, in marketing or sale of the Redevelopment Property, the Minimum Improvements, or any portion of the such real property or improvements, discriminate upon the basis of race, color, creed, sex or national origin or any other basis prohibited by applicable local, State or federal laws or regulations.

Section 9.3. Provisions Not Merged With Deed. None of the provisions of this Agreement are intended to or shall be merged by reason of any deed transferring any interest in the Redevelopment Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 9.4. Notices and Demands. Any notice, demand, or other communication permitted or required to be given hereunder by either party to the other shall be deemed given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, transmitted by facsimile, delivered by a recognized overnight carrier, or delivered personally to the following addresses:

(a) *If to the Redeveloper:* Roers Fridley Apartments Owner LLC, 110 Cheshire Lane, Suite 120, Minnetonka, MN 55305, Attention: Shane LaFave and Brian Roers.

*With a copy to:* Winthrop & Weinstine, P.A., 225 South Sixth Street, Suite 3500, Minneapolis, Minnesota 55402 Attention: Kevin McLain.

(b) *If to the Authority:* Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, 7071 University Avenue NE, Fridley, MN 55432, Attention: City Manager. Fax: (763) 571-1287.

*With a copy to:* Monroe Moxness Berg PA, 7760 France Avenue South, Suite 700, Minneapolis, MN 55435-5844, Attention: James R. Casserly, Esq. Fax: (952) 885-5969.

Section 9.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 9.6. Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

Section 9.7. Expiration. This Agreement shall expire when the Note is paid in full.

Section 9.8. Termination. This Agreement shall terminate on its expiration if it has not been terminated before such date pursuant to any provision hereof.

Section 9.9. Provisions Surviving Termination. Termination of this Agreement shall not terminate any indemnification or other rights or remedies under this Agreement due to (i) any Event of Default which occurred and was continuing prior to such termination, or (ii) any cause of action which arose before the termination. In addition, termination of this Agreement shall not terminate any Declaration of Restrictive Covenants and Prohibition Against Tax Exemption which shall have been recorded against the Redevelopment Property at or prior to Closing.

IN WITNESS WHEREOF, the Authority has caused this Agreement to be duly executed in its name and behalf and the Redeveloper has caused this Agreement to be duly executed on or as of the date first above written.

(Signature pages follow)



Dated: \_\_\_\_\_

ROERS FRIDLEY APARTMENTS OWNER LLC, a  
Delaware limited liability company

By: Roers Fridley Apartments Manager LLC, a  
Minnesota limited liability company  
Its: Manager

By: Roers Companies LLC, a Minnesota limited  
liability company  
Its: Manager

By \_\_\_\_\_  
Brian J. Roers, Manager

STATE OF MINNESOTA )  
 )ss  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 2020, before me, a Notary Public,  
personally appeared Brian J. Roers, the Manager of Roers Companies LLC, a  
Minnesota limited liability company, the Manager of Roers Fridley Apartments Manager  
LLC, a Minnesota limited liability company, the Manager of Roers Fridley Apartments  
Owner LLC, a Delaware limited liability company, and acknowledged the foregoing  
instrument on behalf of said limited liability company.

\_\_\_\_\_  
Notary Public

**SCHEDULE A**

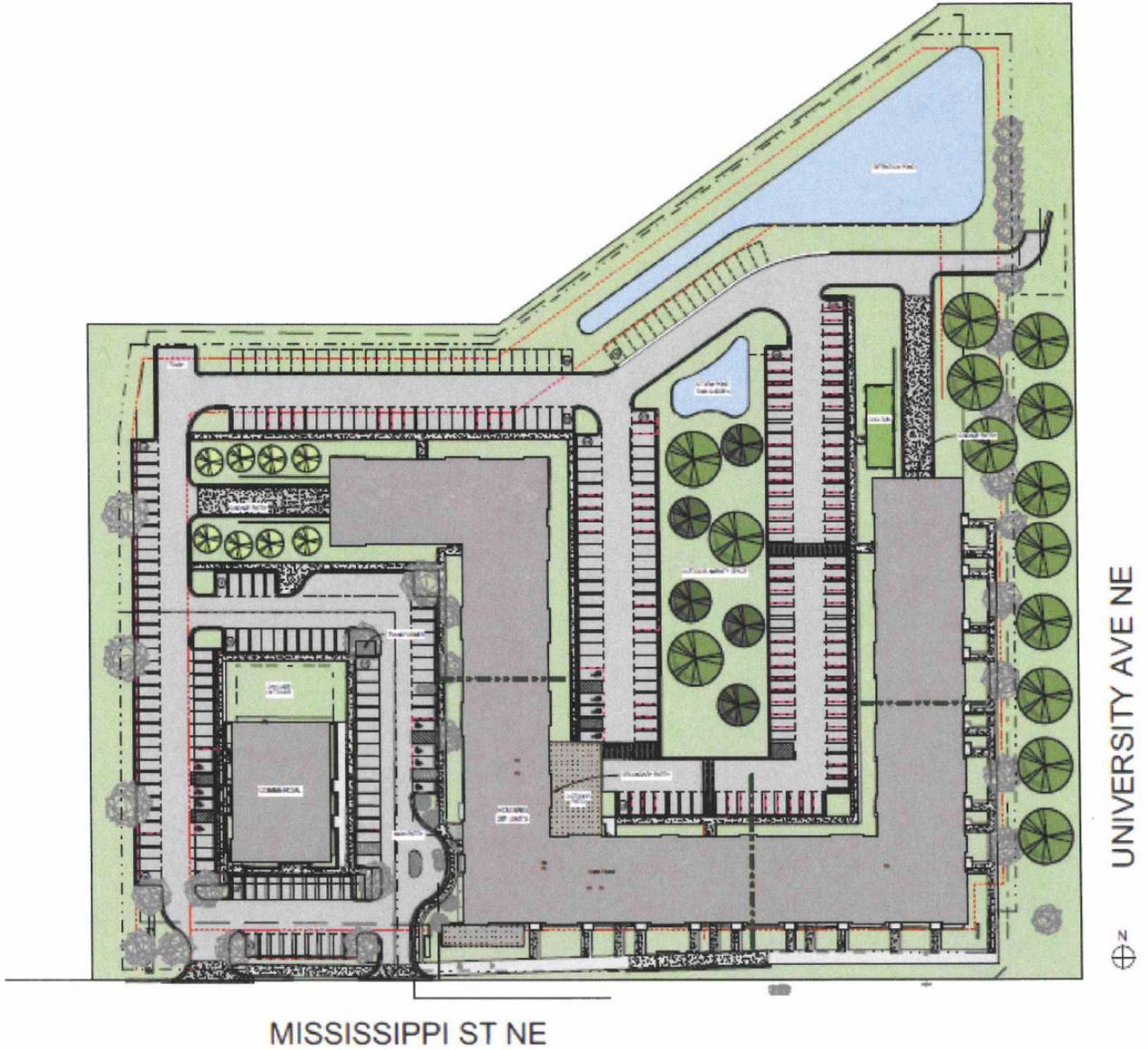
**DESCRIPTION OF REDEVELOPMENT PROPERTY**

PINS: 14-30-24-23-0092; 14-30-24-23-0094; and 14-30-24-23-0098

To be platted as Lots 1 and 2, Block 1 and \_\_\_\_\_ of the plat of \_\_\_\_\_.

SCHEDULE B

SITE PLAN



## **SCHEDULE C**

### **SITE IMPROVEMENTS**

Subject to reimbursement as Eligible Costs within the limitations set forth herein, the Redeveloper will construct and pay for all Site Improvements, including:

- Costs of Acquisition (excluding assessors market value of land as of 1/1/2020)
- Environmental remediation
- Site clearance
- Tenant relocation costs
- Landscaping and screening
- Trails and pedestrian improvements, including sidewalks
- Grading and import/export soil
- Retaining walls and fences
- Private streets
- Park improvements
- Storm sewers and storm water system elements
- Interest on financed eligible costs not to exceed 4.0%

## **SCHEDULE D**

### **PUBLIC IMPROVEMENTS**

Subject to reimbursement as Eligible Costs within the limitations set forth herein, the redeveloper will construct and pay for the following Public Improvements in accordance with City specifications and subject to approval by the City engineer. The parties will coordinate the installation of the Public Improvements in order to accommodate the timetable for construction of the Minimum Improvements. Upon completion of the Public Improvements in compliance with City specifications and acceptance by the City, the Public Improvements will become public property.

- City streets, curbs and gutters
- Public trails, sidewalks, pedestrian improvements

**SCHEDULE E**

**Form of Note**

US \$ \_\_\_\_\_

Fridley, Minnesota  
\_\_\_\_\_, 20\_\_

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF ANOKA  
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE  
CITY OF FRIDLEY, MINNESOTA  
  
LIMITED REVENUE TAX INCREMENT NOTE

The Housing and Redevelopment Authority in and for the City of Fridley, Minnesota (the "Authority"), hereby acknowledges itself to be indebted and, for value received, promises to pay to the order of \_\_\_\_\_ (the "Owner"), solely from the Available Tax Increment, to the extent and in the manner hereinafter defined, the principal amount of this Note, being \_\_\_\_\_ Dollars and \_\_/100 (\$ \_\_\_\_\_) (the "Principal Amount"), together with simple interest of \_\_ percent (\_\_\_\_%) per annum commencing from the date of issuance of the Note and payable on the dates described below (the "Scheduled Payment Dates") and in the amounts as hereinafter defined (the "Scheduled Payments").

The Scheduled Payment Dates are August 1, 20\_\_, and on the 1st day of February and August thereafter until and including February 1, 20\_\_, unless earlier paid, in accordance with the terms of this Note.

Upon 30 days' prior written notice from the Authority to the Owner, the Principal Amount is subject to prepayment at the option of the Authority in whole or in part at any time.

Any payments on this Note shall be applied first to accrued interest and the balance to the reduction of principal.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by check or draft made payable to the Owner and mailed to the Owner at its postal address within the United States which shall be designated from time to time by the Owner.

The Note is a special and limited obligation and not a general obligation of the Authority, which has been issued by the Authority pursuant to and in full conformity with

the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Section 469.178, subdivision 4, to aid in financing a project, as therein defined, of the Authority consisting generally of defraying certain public redevelopment costs incurred and to be incurred by the Authority within and for the benefit of its Redevelopment Project No. 1.

THE NOTE IS NOT A GENERAL OBLIGATION OF THE AUTHORITY, THE CITY OF FRIDLEY (THE "CITY") OR THE STATE OF MINNESOTA (THE "STATE"), AND NEITHER THE AUTHORITY, THE CITY, THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE ON THE NOTE, NOR SHALL THE NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT, AS DEFINED BELOW.

The Scheduled Payment of this Note due on any Scheduled Payment Date is payable solely from and only to the extent that the Authority shall have received as of such Scheduled Payment Date the Available Tax Increment which is defined in the Contract for Private Redevelopment By and Between the Authority and the Owner dated as of \_\_\_\_\_ (the "Agreement"). Defined terms, not otherwise defined in the Note, shall have the meaning assigned to them in the Agreement.

The Authority shall pay on each Scheduled Payment Date to the Owner the Available Tax Increment. On February 1, 20\_\_, the maturity date of this Note, any unpaid portion shall be deemed to have been paid in full.

This Note shall not be payable from or constitute a charge upon any funds of the Authority, and the Authority shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increments, and then only to the extent and in the manner herein specified.

The Owner shall never have or be deemed to have the right to compel any exercise of any taxing power of the Authority or of any other public body, and neither the Authority nor any director, commissioner, council member, board member, officer, employee or agent of the Authority, nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance or registration hereof or otherwise.

The Authority makes no representation or covenant, express or implied, that the revenues described herein will be sufficient to pay, in whole or in part, the amounts which are or may otherwise become due and payable hereunder.

The Authority's payment obligations hereunder shall be further conditioned on the fact that there shall not at the time have occurred and be continuing an Event of Default under the Agreement, and, further, if pursuant to the occurrence of an Event of Default under the Agreement the Authority elects to terminate the Agreement, the Authority shall have no further debt or obligation under this Note whatsoever. Reference is hereby made to the provisions of the Agreement for a fuller statement of the obligations

of the Redeveloper and of the rights of the Authority thereunder, and said provisions are hereby incorporated by reference into this Note to the same extent as though set out in full herein. The execution and delivery of this Note by the Authority, and the acceptance thereof by the Redeveloper, as the initial Registered Owner hereof, shall conclusively establish this Note as the "Note" (and shall conclusively constitute discharge of the Authority's obligation to issue and deliver the same to the Redeveloper) under the Agreement.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; and that this Note, together with all other indebtedness of the Authority outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the Authority to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, by its Commission Members, has caused this Note to be executed by the manual signatures of the Chair and the Executive Director of the Authority and has caused this Note to be dated \_\_\_\_\_, 20\_\_.

By \_\_\_\_\_  
Its Chair

By \_\_\_\_\_  
Its Executive Director

CERTIFICATE OF REGISTRATION

It is hereby certified that the foregoing Note, as originally issued as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, was on said date registered in the name of the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a public body corporate and politic and that, at the request of said Registered Owner of this Note, the undersigned has this day registered this Note as to principal and interest on the Note in the name of such Registered Owner, as indicated in the registration blank below, on the books kept by the undersigned for such purposes.

Name of  
Registered Owner

Date of  
Registration

Signature of  
Executive Director

\_\_\_\_\_,  
a \_\_\_\_\_

\_\_\_\_\_, 20\_\_

\_\_\_\_\_

## SCHEDULE F

### Form of Certificate of Completion

**WHEREAS**, the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a political subdivision of the State of Minnesota (the "Authority") and Roers Fridley Apartments Owner LLC, a Delaware limited liability company (the "Redeveloper") have entered into a Contract for Private Redevelopment (the "Agreement") dated as of \_\_\_\_\_, regarding certain real property located in Tax Increment Financing District No. 25 in the City (hereinafter referred to and referred to in the Agreement as the "Redevelopment Property"); and

**WHEREAS**, the Agreement contains certain conditions and provisions requiring the Redeveloper to construct improvements upon the Redevelopment Property (hereinafter referred to and referred to in the Agreement as the "Minimum Improvements" which include Housing Minimum Improvements and Commercial Minimum Improvements), as well as certain "Public Improvements"; and

**WHEREAS**, Section 4.4 of the Agreement requires the Authority to provide an appropriate instrument promptly after the substantial completion (as defined in the Agreement) of the Housing Minimum Improvements and the Public Improvements so certifying said substantial completion;

**NOW, THEREFORE**, in compliance with said Section 4.4 of the Agreement, this is to certify that the Redeveloper has substantially completed the Housing Minimum Improvements and the Public Improvements in accordance with the conditions and provisions of the Agreement relating solely to the obligations of the Redeveloper to construct the Housing Minimum Improvements and the Public Improvements (including the dates for beginning and completion thereof), and this certification shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement with respect to the obligations of the Redeveloper, and its successors and assigns, to construct the Housing Minimum Improvements and the Public Improvements, and the dates for the beginning and completion thereof.

Dated: \_\_\_\_\_, 20\_\_.



## SCHEDULE G

### Declaration of Restrictive Covenants and Prohibition Against Tax Exemption

This Declaration is made and executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by Roers Fridley Apartments Owner LLC, a Delaware limited liability company ("Declarant").

### RECITALS

A. Declarant is fee owner of the premises located in the County of Anoka, State of Minnesota described on Exhibit A attached hereto (the "Property").

B. The Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a political subdivision of the State of Minnesota (the "Authority") has entered into a Contract for Private Redevelopment dated as of \_\_\_\_\_ with the Declarant (the "Redevelopment Agreement"). The Redevelopment Agreement provides for certain assistance, financial and otherwise, to be provided by the Authority in connection with the construction of housing and commercial improvements by the Declarant on the Property.

NOW, THEREFORE, in consideration of the foregoing, Declarant, for itself and its successors and assigns, does hereby declare that the Property shall be owned, used, occupied, sold and conveyed subject to the following covenants and restrictions:

1. No part of the Property shall become tax exempt from the levy of *ad valorem* property taxes, or any statutorily authorized alternative, until December 31, 2048.

2. The covenants and restrictions herein contained shall run with the title to the Property and shall be binding upon all present and future owners and occupants of the Property; provided, however, that the covenants and restrictions herein contained shall inure only to the benefit of the Authority and may be released or waived in whole or in part at any time, and from time to time, by the sole act of the Authority, and variances may be granted to the covenants and restrictions herein contained by the sole act of the Authority. These covenants and restrictions shall be enforceable only by the Authority, and only the Authority shall have the right to sue for and obtain an injunction, prohibitive or mandatory, to prevent the breach of the covenants and restrictions herein contained, or to enforce the performance or observance thereof.

3. The covenants and restrictions herein contained shall remain in effect until December 31, 2048 and thereafter shall be null and void.

4. If any one or more of the covenants or restrictions contained in this Declaration are held to be invalid or unenforceable, the same shall in no way affect any of the other provisions of this Declaration, which shall remain in full force and effect.



## SCHEDULE H

### FORM OF REDEVELOPMENT PROPERTY DEED

THIS INDENTURE, made this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, between the Housing and Redevelopment Authority in and for the City of Fridley, Minnesota, a political subdivision of the State of Minnesota (the "Grantor"), and Roers Fridley Apartments Owner LLC, a Delaware limited liability company (the "Grantee").

WITNESSETH, that the Grantor, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby convey and quit claim to the Grantee, its successors and assigns, forever, all the tract or parcel of land lying and being in the County of Anoka and State of Minnesota described as follows:

*See Exhibit 1 hereto*

TOGETHER with all hereditaments and appurtenances belonging thereto, subject to all conditions, covenants, restrictions and limitations imposed by matters of record.

Check box if applicable:

- Grantor certifies that Grantor does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document.
- Grantor is familiar with the property described in this instrument and certifies that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.



## **SCHEDULE I**

### **EXISTING ENVIRONMENTAL REPORTS**

Phase I Environmental Site Assessment dated June, 2020, completed by Wenck Associates, Inc.

Draft Phase II Environmental Site Assessment dated July, 2020, completed by Wenck Associates, Inc.

[Note to Drafter: To be revised to add HRA report information]

**SCHEDULE J**

**HRA REDEVELOPMENT PROPERTY**

PINS: 14-30-24-23-0092; 14-30-24-23-0094

To be included as part of the Redevelopment Property to be platted as

\_\_\_\_\_.

20248605v2

4834-5224-7239, v. 7

**HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE  
CITY OF FRIDLEY  
COUNTY OF ANOKA  
STATE OF MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

A RESOLUTION AUTHORIZING EXECUTION AND DELIVERY OF A CONTRACT FOR PRIVATE REDEVELOPMENT BETWEEN THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF FRIDLEY AND ROERS FRIDLEY APARTMENTS OWNER LLC

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

Section 1. Recitals.

1.01. It has been proposed that the Authority enter into a Contract for Private Redevelopment (the "Contract") with Roers Fridley Apartments Owner LLC (the "Redeveloper").

Section 2. Findings.

2.01 The Authority hereby finds that it has approved and adopted a development program known as the Redevelopment Plan for its Redevelopment Project No. 1 (the "Redevelopment Program") pursuant to Minnesota Statutes, Section 469.001 *et seq.*, as amended and supplemented from time to time.

2.02 The Authority hereby finds that it has approved and created Tax Increment Financing District No. 25 and approved and adopted the Tax Increment Financing Plan relating thereto pursuant to Minnesota Statutes, Section 469.174 *et seq.*, as amended and supplemented from time to time.

2.03 The Authority hereby finds that the Contract promotes the objectives set forth in its Redevelopment Program.

Section 3. Authorization for Execution and Delivery.

3.01 The Chairman and the Executive Director of the Authority are hereby authorized to execute and deliver the Contract when the following conditions are met:

- (a) Substantial conformity of the Contract to the form of Contract presented to the Authority as of this date, with such additions and modifications as the Officers may deem desirable or necessary as evidenced by their execution of the Contract.

PASSED AND ADOPTED BY THE HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF FRIDLEY THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2020.

\_\_\_\_\_  
William Holm, Chairperson

ATTEST:

\_\_\_\_\_  
Wally Wysopal, Executive Director



# HRA AGENDA ITEM

**Date:** 8/28/2020

**To:** Wally Wysopal, Executive Director

**From:** Paul Bolin, Assistant Executive Director

**RE:** Public Hearing – Land Sale – 6500 University Avenue

Roers is seeking to purchase property, owned by the Authority, to better accommodate their proposed building on the site. In order to sell any property, the Authority is required to hold a public hearing and adopt a resolution authorizing the sale of the property.

The two parcels owned by the Authority (**highlighted in yellow**) are the by-product of the improvements made to the site in the early 1980's. The City purchased & demolished a gas station that was located on the corner of University and Mississippi, in addition to vacating and removing a frontage road. For unknown reasons the left-over land, fronting along Mississippi Street, used for a sidewalk and right of way was left in the Authority's name.

Anoka County is responsible for the maintenance of Mississippi Street and has asked that they be granted a formal easement, over the bulk of the property, to accommodate future roadway, sidewalk and lighting improvements. The parcels are being incorporated into a new plat and the

County will be given the easement they are seeking. The red dashed line ( - - - - ), is the northern boundary of the roadway easement to be granted to the County.



## RECOMMENDATION

Staff recommends the Authority hold a public hearing and then adopt the attached resolution authorizing the sale of the HRA owned property, to Roers Companies, as described in the development agreement.

**HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF FRIDLEY  
COUNTY OF ANOKA  
STATE OF MINNESOTA**

**HRA RESOLUTION NO. 2020-\_\_**

**A RESOLUTION AUTHORIZING THE SALE OF PROPERTY BY THE HOUSING  
AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF FRIDLEY,  
MINNESOTA**

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

Section 1. Recitals.

1.01. It has been proposed that the Authority sell certain property (the "Property") described below:

Parcel ID#:	Street Address
14-30-24-23-0094	App. 6500 University Ave. NE
14-30-24-23-0092	

Section 2. Findings.

- 2.01. The Authority hereby finds that it has approved and adopted a development program known as the Modified Redevelopment Plan for its Redevelopment Project No. 1 (the "Redevelopment Program") pursuant to Minnesota Statutes, Section 469.001 et seq.
- 2.02. The Authority hereby finds that it has approved and adopted a redevelopment agreement with Roers Fridley Apartments Owner LLC to construct multi-family housing on the property currently known as the "Holly Center"
- 2.03. The Authority hereby finds that it has performed all actions required by Minnesota Statutes for the sale of the Property.
- 2.04. The Authority hereby finds that the sale of the Property promotes the objectives as outlined in its Redevelopment Program and the Plan.

Section 3. Approval of the Sale.

3.01 The sale of the Property is hereby approved.

Section 4. Authorization for Execution and Delivery.

4.01. The Chairman, the Executive Director and Assistant Executive Director are hereby authorized to execute and deliver any documents necessary to effect the sale of the Property.

PASSED AND ADOPTED BY THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF FRIDLEY, MINNESOTA, THIS 3<sup>rd</sup> DAY OF SEPTEMBER 2020.

---

WILLIAM B. HOLM - CHAIRPERSON

ATTEST:

---

WALTER T. WYSOPAL, EXECUTIVE DIRECTOR

**Fridley HRA  
Housing Program Summary  
Cover Page  
September 3, 2020 HRA Meeting**

**Report**

**Description**

Loan Summary Report

Loan application activity (e.g. mailed out, in process, closed loans) for year-to-date.

Also shows the number of field appointments scheduled and completed for the Remodeling Advisor Services administered by Center for Energy and Environment.

Home Energy Squad

E-mail detailing recent activity and year to date.

# Fridley Loan Summary Report

## Activity for Period 7/16/2020 - 8/15/2020



Application packets requested/mailed:	This period:	1	Year-to-Date:	4
Residential Advisor Visits:	This period:	1	Year-to-Date:	10
Loans currently in process for residents in your City/Neighborhood:	20			

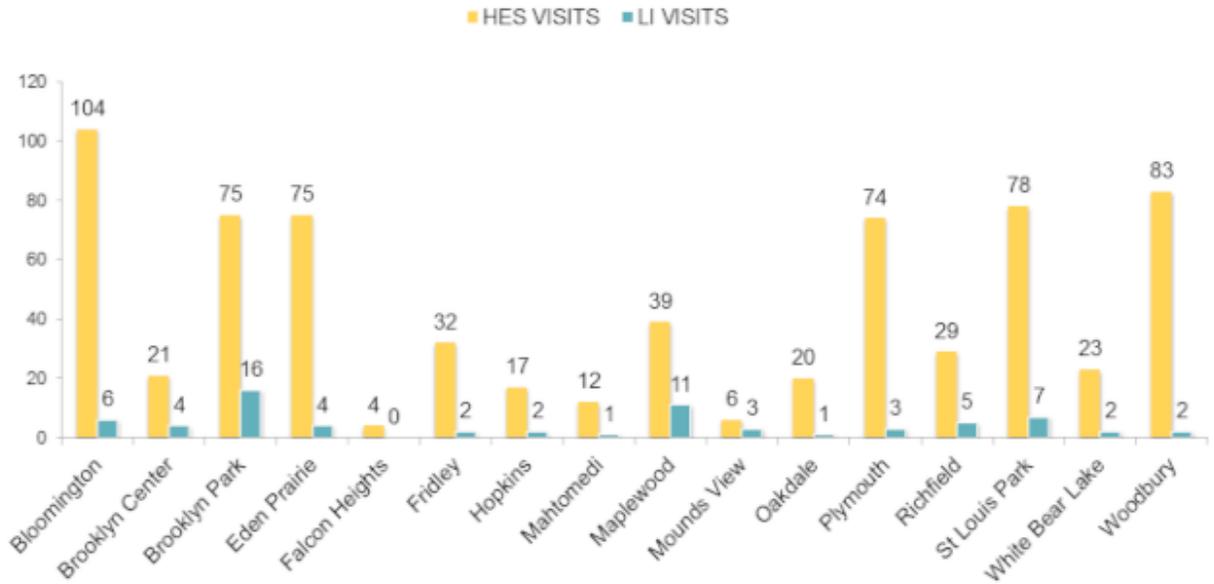
Closed Loans	This period:		Year-to-Date:		
Fridley		Units			Units
		0			0
Closed End	0.00	0	0.00		0
Last Resort	0.00	0	0.00		0
Last Resort Emergency Deferred	0.00	0	4,500.00		1
Mobile Home Closed End		0			0
Multi Family Exterior Closed End		0			0
Senior Deferred	0.00	0	159,058.82		9
Total	0.00	0	163,558.82		10

Leveraged Funds	This period:		Year-to-Date:		
CEE		Units			Units
		0			1
MHFA FUF	4,492.00	1	42,040.00		5
Total	4,492.00	1	67,040.00		6

Types of Improvements Financed YTD	# of Projects	% of Total
Additions/Finishing off unused space	1	3.85
Air Conditioning	2	7.69
Bathrooms	1	3.85
Driveways	2	7.69
Electrical	2	7.69
Flooring/Carpet/Tile	1	3.85
Foundations/Basement	1	3.85
Heating System	3	11.54
Landscaping	1	3.85
Other Exterior Improvements	2	7.69
Other Interior Improvements	2	7.69
Plumbing	2	7.69
Solar-PV	1	3.85
Water Heater	1	3.85
Windows, Doors, Storm Windows, Storr	4	15.38

Types of Properties Financed YTD	#	% of Total
Commercial - Non-residential	1	5.88
Single Family Residence	14	82.35
Townhouse	2	11.76

### 2020 Challenge (totals)



### 2020 Challenge (per capita)

