

**ECONOMIC DEVELOPMENT AUTHORITY (EDA)
MINUTES OF THE SPECIAL MEETING OF
JULY 21, 2016**

The meeting was called to order at 4:00 pm by Vice Chair Bobby Williams.

Members Present: Donna Schmitt, John Murzyn, Marlaine Szurek,, Bruce Nawrocki , Gerry Herringer, and Bobby Williams.

Members Absent: Gary Peterson

Staff Present: Walt Fehst, Joseph Hogeboom, Keith Dahl, and Shelley Hanson.

Also present: Representatives from Dominionium

PLEDGE OF ALLEGIANCE- RECITED

BUSINESS ITEM

1. First Amendment to Second Amended and Restated Contract for Private Redevelopment – Resolution 2016-17

Dahl explained that on April 04, 2016, The Columbia Heights Economic Development Authority (the “EDA”) approved Resolution 2016-08 authorizing the execution of the Second Amended and Restated Contract for Private Redevelopment (the “Contract”) between City of Columbia Heights (the “City Council”) and Columbia Heights Leased Housing Associates I, LLLP (the “Redeveloper”). The Contract was fully executed by all parties on April 19, 2016.

After the Contract was fully executed, the Redeveloper requested an extension on the construction deadlines and the deadline for payment of the administrative fee due to financial delays. The Redeveloper’s financial delays stem from the general market conditions present with affordable housing. In order for the Huset Park Senior Living Apartments to be considered affordable housing, a minimum of 55% of the project needs to be funded by tax credit bonds. However, the market for tax credit bonds has been depleted, which has delayed the Redeveloper to meet the minimum financial requirement for this project. More tax credit bonds become available August 1, 2016 for the Redeveloper to meet the minimum financial requirement.

A First Amendment to the Contract has been proposed to extend the required deadlines for the commencement and completion of the construction for the Huset Park Senior Living development project and to designate an extended deadline for the Redeveloper’s payment of the Administrative Fee. Attached for review is Resolution 2016-17 and the First Amendment to the Contract. The City Council approved the Contract on July 11, 2016.

Staff recommends approval of the First Amendment to Second Amended and Restated Contract for Private Redevelopment.

Discussion:

Dominium is confident they will meet the 55% requirement of tax credit bonds once more become available in August. They expect to begin construction by March 2017 at the latest, but are hoping it could be as soon as September of this year. They received 6 million in tax credits in the last allotment and hope to get the remaining amount in the next go around. The representative said that they currently have 300 people on the waiting list at the Legends in St Anthony and people have been contacting them for this building.

Motion by Schmitt, seconded by Murzyn, to waive the reading of Resolution No. 2016-17, there being ample copies available to the public. All ayes. MOTION PASSED.

Motion by Schmitt, seconded by Murzyn, to adopt Resolution 2016-17, a resolution approving a First Amendment to the Second Amended and Restated Contract for Private Redevelopment between the City of Columbia Heights, the Columbia Heights Economic Development Authority, and Columbia Heights Leased Housing Associates I, LLLP. All ayes. MOTION PASSED.

EDA RESOLUTION NO. 2016-17

RESOLUTION APPROVING A FIRST AMENDMENT OF A SECOND AMENDED AND RESTATED CONTRACT FOR PRIVATE REDEVELOPMENT BETWEEN THE COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY, THE CITY OF COLUMBIA HEIGHTS, AND COLUMBIA HEIGHTS LEASED HOUSING ASSOCIATES I, LLLP

BE IT RESOLVED BY the Board of Commissioners (the “Board”) of the Columbia Heights Economic Development Authority (the “Authority”) as follows:

Section 1. Recitals.

1.01. Pursuant to their authority under Minnesota Statutes, Sections 469.090 to 469.1082 and 469.174 to 469.1794, as amended, the Authority and the City of Columbia Heights (the “City”) established the Huset Park Tax Increment Financing District within the Downtown CBD Redevelopment Project (the “Project”), for the purpose of facilitating the redevelopment of certain substandard property within the Project.

1.02. the Authority, the City, and Columbia Heights Leased Housing Associates I, LLLP (the “Redeveloper”) entered into that certain Second Amended and Restated Contract for Private Redevelopment dated as of October 30, 2015 (the “Contract”), amending and restating certain prior agreements and providing, among other things, for the construction by the Redeveloper of certain improvements (the “Minimum Improvements”) on the property legally described within the Contract (the “Redevelopment Property”), and the disbursement of an administrative fee by the Redeveloper to the Authority (the “Administrative Fee”) in connection with the issuance by the Authority of its Tax Increment Revenue Refunding Bonds (Huset Park Area Redevelopment Project), Series 2016 (the “Bonds”).

1.03. The parties have negotiated and propose to execute a First Amendment to the Contract (the "First Amendment") to clarify the definition of "Minimum Improvements," to extend the required deadlines for the commencement and completion of construction of the Minimum Improvements, and to designate an extended deadline for payment of the Administrative Fee.

EDA SPECIAL MEETING

1.04. The City Council of the City approved the First Amendment at its regular meeting on July 11, 2016.

Section 2. First Amendment Approved.

2.01. The First Amendment as presented to the Board is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the President and Executive Director, provided that execution of the First Amendment by such officials shall be conclusive evidence of approval.

2.02. The President and Executive Director are hereby authorized to execute on behalf of the Authority the First Amendment and any documents referenced therein requiring execution by the Authority, and to carry out, on behalf of the Authority, its obligations thereunder.

2.03. Authority staff and consultants are authorized to take any actions necessary to carry out the intent of this resolution.

Adopted by the Board of Commissioners of the Columbia Heights Economic Development Authority this July 21, 2016.

President

ATTEST:

Secretary

**FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CONTRACT FOR
PRIVATE REDEVELOPMENT**

This agreement is made as of _____, 2016, by and between the COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY, a public body politic and corporate (the "Authority"), the CITY OF COLUMBIA HEIGHTS, a Minnesota municipal corporation (the "City"), and COLUMBIA HEIGHTS LEASED HOUSING ASSOCIATES I, LLLP, a Minnesota limited liability limited partnership (the "Redeveloper").

WHEREAS, the Authority, the City, and the Redeveloper entered into that certain Second Amended and Restated Contract for Private Redevelopment dated as of October 30, 2015 (the "Contract"), amending and restating certain prior agreements and providing, among other things, for the construction by the Redeveloper of certain improvements (the "Minimum Improvements") on the property legally described within the Contract (the "Redevelopment Property"), and the disbursement of an administrative fee by the Redeveloper to the Authority (the "Administrative Fee") in connection with the issuance by the Authority of its Tax Increment Revenue Refunding Bonds (Huset Park Area Redevelopment Project), Series 2016 (the "Bonds"); and

WHEREAS, the parties have determined to revise the Contract to clarify the definition of "Minimum Improvements," to extend the required deadlines for the commencement and completion of construction of the Minimum Improvements, and to designate an extended deadline for payment of the Administrative Fee.

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

1. Amendment to Section 1.1 of the Contract. The definition of "Minimum Improvements" in Section 1.1 of the Contract is amended as follows:

"Minimum Improvements" means the construction on the Redeveloper Parcels of a multistory building containing 191 units of multifamily rental housing, along with associated underground structured parking and surface parking.

2. Amendment to Section 3.5(b) of the Contract. Section 3.5(b) of the Contract is amended as follows:

(b) In conjunction with execution of this Agreement, the Authority has refunded the Series 2007 Bonds to achieve debt service savings (such refunding bonds hereinafter referred to as the "Refunding Bonds"), and the Redeveloper has paid to the Authority funds in the amount of \$107,325, representing the total actual costs of issuance (including underwriter's discount) of the Refunding Bonds. The Redeveloper agrees that no later than August 31, 2016, the Redeveloper will pay to the Authority an administrative fee of \$100,000, which will be deposited into a legally authorized redevelopment fund to be designated by the Authority or City.

3. Amendment to Section 4.3(a) of the Contract. Section 4.3(a) of the Contract is amended as follows:

Section 4.3. Commencement and Completion of Construction. (a) Subject to Unavoidable Delays, the Redeveloper shall commence construction of the Minimum Improvements by March 1, 2017. Subject to Unavoidable Delays, the Redeveloper shall complete the construction of the Minimum Improvements by September 30, 2018. All work with respect to the Minimum Improvements to be constructed or provided by the Redeveloper on the Redeveloper Parcels shall be in conformity with the Construction Plans as submitted by the Redeveloper and approved by the Authority.

4. Miscellaneous. Except as amended by this Amendment, the Contract shall remain in full force and effect. Upon execution, Redeveloper shall reimburse the Authority for all out-of-pocket-costs incurred by the Authority in connection with negotiating, drafting and approval of this Amendment.

IN WITNESS WHEREOF, the Authority, the City, and the Redeveloper have caused this Amendment to be duly executed by their duly authorized representatives as of the date first above written.

COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT
AUTHORITY

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2016 by Gary Peterson and Walt Fehst, the President and Executive Director of the Columbia Heights Economic Development Authority, on behalf of the Authority.

Notary Public

CITY OF COLUMBIA HEIGHTS

By _____
Its Mayor

By _____
Its City Manager

STATE OF MINNESOTA)
) SS.
COUNTY OF ANOKA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2016 by Gary Peterson and Walt Fehst, the Mayor and City Manager of the City of Columbia Heights, a Minnesota municipal corporation, on behalf of the City.

Notary Public

EDA SPECIAL MEETING
Page 7
July 21, 2016

COLUMBIA HEIGHTS LEASED HOUSING ASSOCIATES I, LLLP, a Minnesota Limited Liability
Limited Partnership

By: Columbia Heights Leased Housing Associates I, LLC
Its General Partner

By: _____
Mark S. Moorhouse
Its Senior Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016
by Mark S. Moorhouse, the Senior Vice President of Columbia Heights Leased Housing Associates I
LLC, a Minnesota limited liability company, the General Partner of Columbia Heights Leased Housing
Associates I, LLLP, a Minnesota limited liability limited partnership, on behalf of the partnership.

Notary Public

THIS DOCUMENT DRAFTED BY:

Kennedy & Graven, Chartered (MNI)
470 US Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
(612) 337-9300

Redeveloper signature page to First Amendment to Second Amended and Restated Contract for Private
Redevelopment

OTHER BUSINESS

1. Cancellation of the Purchase & Redevelopment Agreement for Two Lots by Tollberg Homes

Dahl explained that in January 2016, the EDA approved resolution 2016-03, authorizing the approval of a Purchase and Redevelopment Agreement with Tollberg Homes for six residential lots to be sold at \$22,500 per lot. In March 2016, the EDA approved resolution 2016-06, authorizing a reduction in the purchase price for two lots to be sold at \$18,500 per lot, due to unexpected sewer and water improvements. As of July 2016, Tollberg Homes has purchased four of the six residential lots; two lots for \$22,500 per lot and two lots for \$18,500 per lot. The remaining two lots, 4606 Polk Street and 4641 Tyler Street, have yet to close because of extensive soil remediation required before a single-family home can be constructed. Tollberg Homes has indicated that by purchasing these remaining two lots, this project will no longer become profitable for them. Thus, Tollberg Homes has requested a cancellation of the Purchase and Redevelopment Agreements for the two lots listed as follows:

4606 Polk Street NE	PID 25-30-24-33-0030
4641 Tyler Street NE	PID 25-30-24-33-0038

Pursuant of section 10 of the Purchase and Redevelopment Agreement, Tollberg Homes must send written notice to rescind the Purchase and Redevelopment Agreement if the soil is determined to be unacceptable. In which case, the Purchase and Redevelopment Agreement is null and void. Attached is the Cancellation Notice sent by Tollberg Homes. Since Tollberg Homes has cited that the soil conditions are the main concern with purchasing the remaining two lots, they are entitled to be refunded all the earnest money deposited. Thus, the EDA will refund \$4,000 of the earnest money deposited upon execution of the Forms of Cancellation.

Tollberg stated the lots have all needed soil corrections to some extent. A couple of the lots only required \$1,000-\$3,000 in correction, but 2 of the other properties including 4600 Polk required \$15,000 to correct. Tollberg is assuming that both of these lots could require the same amount (especially 4606 Polk-which is next to 4600). Members asked if soil tests have been done to verify Tollberg's claim about the two lots. Dahl stated we are taking them at their word and to have tests done would cost us even more. Nawrocki wanted it stated in the record that he was opposed to refunding the earnest money. Dahl said we are obligated to return the earnest money per the agreement that was drawn up with Tollberg. Going forward Dahl said he will remove that clause and clearly state that the lots are being sold "as is". The City attorney suggested we research old documents to review the terms of the contract with the Demolition Contractor to see if we can go back after him because he didn't compact the site correctly.

Dahl told members that My Home Detail is interested in the other two lots and that he has a buyer for the 4606 Polk St Lot. Murzyn suggested that we contact other contractors also to see if they are interested in the lots. Dahl said he would contact several of the builders who have constructed other homes within the City.

Dahl said no formal action is required by the EDA, but a cancellation agreement has been prepared, and will be signed by Tollberg Homes and the Officers of the EDA to terminate the original purchase agreement between the parties.

2. Acquisition Update of 4641-43 Polk Street NE Owned by ACCAP.

Dahl reminded members that the EDA had previously approved an offer to purchase this property for \$75,000 provided ACCAP could get MHFA to release their financial attachment. ACCAP should know by August 1st if MHFA will agree to this. If they do, ACCAP has accepted our offer to purchase the property for that price.

Hogeboom told members that the August meeting is scheduled for August 1st at 6:30 pm.

The meeting was adjourned at 4:20 pm.

Respectfully submitted,

Shelley Hanson
Secretary