

AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION

Thursday, March 24, 2011

6:00 p.m.

Council Chambers
Minnetonka Community Center

1. Call to Order

2. Roll Call

Kathryn Aanenson
Benita Bjorgo
Chandra Coughlin
Michael Happe

Ken Isaacson
Bruce Smith
Peter St. Peter

3. Approval of February 24, 2011 EDAC Minutes

BUSINESS ITEMS

4. Minnetonka Apartments Contract for Private Redevelopment

Recommendation: Recommend approval to the city council

5. Housing Rehabilitation and Downpayment/Closing Cost Assistance Programs

Recommendation: Receive the update

6. Staff Report

7. Other Business

•The next regular EDAC meeting is scheduled for **Thursday, April 28 at 6:00 p.m.**

8. Adjourn

If you have questions about any of the agenda items, please contact Julie or Elise prior to the meeting.

Julie Wischnack, Community Development Director, (952) 939-8282

Elise Durbin, Community Development Supervisor, (952) 939-8285

**UNAPPROVED
MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING SUMMARY**

**FEBRUARY 24, 2011
6:00 P.M.**

1. CALL TO ORDER

President St. Peter called the meeting to order at 6:00 p.m.

2. ROLL CALL

EDAC commissioners present: Kathryn Aanenson, Benita Bjorgo, Michael Happe, Ken Isaacson, Bruce Smith, and Peter St. Peter.

EDAC commissioners absent: Chandra Coughlin.

Staff present: Community Development Director Julie Wischnack, Community Development Supervisor Elise Durbin, and Finance Director Merrill King.

City council liaison present: Tony Wagner.

3. APPROVE JANUARY 27, 2011 MEETING MINUTES

Smith moved, Happe seconded, a motion to approve the January 27, 2011 meeting minutes. Aanenson, Bjorgo, Happe, Isaacson, Smith, and St. Peter voted yes. Coughlin was absent. Motion passed.

BUSINESS ITEMS

Chandra Coughlin arrived.

4. PROPERTY TAXES AND CITY FINANCES 101

King reported.

Wischnack added that when the city implements Tax Increment Finance (TIF) Districts, the city chooses outside fiscal disparity so the general tax payer does not pay what is missing in the fiscal disparity calculation.

5. HOUSING REHABILITATION AND DOWNPAYMENT/CLOSING COST ASSISTANCE PROGRAMS

Durbin reported on the housing rehabilitation program.

Smith asked if the default rate is measured in units or dollars. Durbin answered units.

Coughlin asked if it would impact the credit score of the person who applies for the loan and the life of the loan. Durbin explained that the loan would have a graduated term rate of up to 10 years. The amount of time would depend on the loan amount. Wischnack stated that a credit check would be run on the applicant, so that may show up on a credit score.

Wagner had questions to be addressed at the city council meeting. He questioned why additions were not part of the criteria of fundable projects. He recalled a discussion by the city council that dealt with the need to revise the housing stock and attract young families. He wanted to know how and if there would be any opportunities in the criteria to attract young families.

St. Peter noted that the Downpayment/Closing Cost Assistance Program was focused on attracting young families.

Wischnack noted that additions typically cost more than \$20,000. The goal was to fund as many projects as possible. The issue was the price point.

In regard to Coughlin's question, Durbin explained that the intent was that the estimate would be the beginning value of the residence at the time of application.

Durbin reported on the downpayment/closing cost assistance program.

Bjorgo asked why the difference between the default rates for U.S. Bank and the City of Plymouth's Community Development Block Grant (CDBG). Durbin said that the American Dream Program is similar to Plymouth's CDBG program. The American Dream Program allows 110 percent loan to value ratio. Wischnack noted that the U.S. Bank default rate is national, which could be skewing the statistics. St. Peter recalled that the American Dream Program has not been around very long. It peaked at the time home prices peaked and a lot of buyers bought in at 110 percent. Home values then declined leaving many homeowners under water.

Happe asked if the tax credit program for replacement expires December 31, 2011. He thought it was December 31, 2010. Durbin explained that the program was extended one year.

Aanenson appreciated staff conducting a follow-up meeting with lenders and the feedback that the program would provide. The program would provide something not currently available. She thanked staff for the performance measures. It would allow commissioners to see what was working for the next cycle. Wischnack stated that staff would provide quarterly updates to provide a sense of what is happening.

Smith asked if applicants would be turned down if the interest rate would be higher than the mortgage rate. Durbin heard from two major lenders that the interest rate for the first-time homebuyer program would need to be lower than the current mortgage's rate. The interest rate would be lower than what lenders are offering right now. St. Peter thought the program would compete and exclude applicants looking at some of the adjustable rate products because the rate is less than 4.4 percent. Smith had never seen an underwriting standard like that before. Wischnack noted that it had to do with the kind of program being proposed. It would not be like a home equity loan. Because it would be a targeted-loan program the lender stated that the interest rate would have to be lower than the first mortgage rate. St. Peter stated that would be consistent with situations he has seen where a loan from a relative for the down payment would be treated as part of the equity component rather than debt on the property. Wischnack would call the lender and verify the reason for that requirement.

St. Peter thanked staff for the excellent job pulling the information together. He looked forward to the city council discussion.

Isaacson moved, Coughlin seconded, a motion to recommend that the city council adopt a resolution approving the Housing Rehabilitation and Downpayment/Closing Cost Assistance Programs. Aanenson, Bjorgo, Coughlin, Isaacson, Smith, and St. Peter voted yes. Happe voted no. Motion passed.

Happe felt attracting buyers who are unable to afford a down payment would set up future problems for when maintenance issues come up and property taxes go up as costs escalate over time. He felt it created a bigger risk long term. He favored the Housing Rehabilitation Program to maintain properties in the city. Giving a loan to someone who is already underwater on the loan and owes more on the house than the house is worth is bad banking. He favored a loan for 80 percent or 90 percent of the house value.

6. INTRODUCTION TO THE HUMPHREY INSTITUTE COMMUNITY ECONOMIC DEVELOPMENT CAPSTONE PROJECT

Wischnack reported.

In response to St. Peter's question, Wischnack stated that the project would be consistent with the distance in the Hay Dobbs study. It is a difficult area to know where to start and stop. There are some redevelopment opportunities north on Shady Oak Road. Staff provided drawings and information to help inform them. The report will focus on the quarter mile around the light-rail station.

Wischnack stated that the city is getting closer to creating the street reconstruction plans which are tentatively scheduled to begin in 2014.

St. Peter asked how many commissioners are aware that the boundary between Minnetonka and Hopkins runs closer to 17th and not Shady Oak Road. Smith just realized that. He assumed the boundary was Shady Oak Road.

Wischnack pointed out the development area.

Coughlin asked what impact the freight issues would have on the start of the light-rail project. Wischnack replied that the freight-rail issue is huge, and is a difficult issue for the City of St. Louis Park. She did not want to speculate on how it might impact the timing. St. Louis Park is collecting neighborhood input. Wischnack noted that the bigger issue is the entire funding and what may or may not happen on the federal level. She may have more information next month on the light-rail corridor. Entities are continuing with the planning and meetings for light rail.

7. STAFF REPORT

Durbin reported on issues including:

- The transit study is continuing to move forward and the final recommendation is being drafted.
- Minnetonka Open to Business Program shows promising statistics. There have been 50 client interactions since the beginning on 2011. There are 24 active clients, 12 start-up businesses and 12 existing businesses. There have been 18 face-to-face meetings at city hall. One loan application has been submitted.
- Durbin attended a Freight Flows Workshop sponsored by MNDOT and the Metropolitan Council to help facilitate freight planning.

Durbin reported:

- This Sunday is the West Metro Home Remodeling Fair. Admittance is free.
- The next EDAC meeting is March 24, 2011.
- The next Sensible Land Use program is March 30, 2011. It will discuss street design including, trails, bike lanes, storm water, and aesthetics.

Wischnack provided a brief summary of the last Sensible Land Use Program. There was a discussion between a developer, a city representative, and a financial consultant. A representative from Oakdale discussed the city purchasing a mall and making a deal with a developer to make it work for both parties. She will send the slides to commissioners. St. Peter found the discussion on how the old models of financing are no longer available and it will take a while for things to recover interesting. He asked if the tape would be available. Wischnack could purchase it for \$10.

8. OTHER BUSINESS

The next regular EDAC meeting was announced as March 24.

9. ADJOURNMENT

Happe moved, Isaacson seconded, a motion to adjourn the meeting. All voted yes. Motion passed. The meeting adjourned at 7:25 p.m.

**EDAC Agenda Item #4
Meeting of March 24, 2011**

Brief Description	Minnetonka Apartments Contract for Private Redevelopment
Recommendation	Recommend approval to the City Council

Background

At the November 2010 and the January 2011 meetings, the EDAC was introduced to a concept plan for a 64-unit mixed income rental building located on Wayzata Boulevard, north of I-394 (page A1). At that those meetings, commissioners provided feedback on a number of items related to this development, including the use of city assistance through TIF pooled funds.

Since the January meeting, a formal application has been submitted to the city for this development. The planning commission will be reviewing the development side of the project, including site and building plan review and the land use approvals in April. The EDAC is asked to review and provide a recommendation to the city council on the Contract for Private Redevelopment relating to the use of TIF pooled funds.

Contract for Private Redevelopment

A Contract for Private Redevelopment is typically prepared between the city and the developer when there is city financial assistance, usually in the form of TIF, being provided as part of the project. The main purpose of the contract is to spell out the terms for which the city will provide the increment, in this case, pooled increment, to the developer.

A contract has been prepared for this project (pages A2-A53). The main points of the contract include: who the developer is, the amount and type of city financial assistance, the construction timeline, the affordable housing commitment of the project, a property management covenant, and the developer's profit.

The developer

The city will be entering into a contract with Community Housing Coalition (CHC). This is a separate non-profit that will then transfer the property to the developer. This is being done in order to maximize the opportunity for tax credits. All obligations associated with the contract will be assigned from CHC to the developer and thus will be the responsibility of the developer.

City financial assistance

As discussed previously, the developer is requesting city assistance in order to make the project financially viable, which is not unusual for the type of project with the amount of affordable housing proposed. As discussed previously with the EDAC, this financial assistance will be from pooled TIF funds. Previous review with the EDAC showed that this type of assistance, rather than creation of a new TIF district, is more cost effective.

The amount of funds available will be up to \$1,025,000. These funds will be made available only after other funding sources to move the project forward have been secured. Additionally, the city's funds will have the opportunity to be reduced, if additional funds from other sources are secured or the construction costs are lower than expected; however, there is a provision that the amount of the city funds cannot be reduced to a level that would negatively impact the ability for the developer to receive tax credits.

For tax credit application and scoring purposes, some of the city's funds that will be provided to the project, will be used to pay for a portion of city related fees, including fees relating to the building permit, park dedication funds, and sewer and water fees.

As previously requested by the EDAC, a chart showing the city's financing assistance to other affordable housing projects has been completed (page A54). This chart shows that while the percentage of TIF assistance for the Duffy project is higher in terms of the estimated market value of the project, because of the number of affordable units and length of affordability, the overall assistance per unit per year is small compared to other projects.

Construction Timeline

Per the contract, the developer will be commencing construction by May 1, 2012, with construction to be complete by October 1, 2013.

Affordability

The contract spells out that at least 48 units (or 75% of the units) are to be rent-restricted and income restricted per the tax credit guidelines. Currently, the tax credit guidelines allow these affordable units to be up to 60% of area median income. For a family of four, the income is \$64,400, and the rent could be up to \$1,134 for a two-bedroom unit. While these are the guidelines, the developer has several units that would be affordable at a rent rate to those at 50% and even 30% of area median income.

Additionally, the contract requires that of the 48 affordable units, between 10 to 15 of the units must be one-bedroom units; between 22 and 27 units must be two bedroom units, and between 10 to 15 units must be three bedroom units.

Property Management Covenant

A property management covenant has been included, which if certain documented disorderly violations occur and no action is taken by the management company to resolve such issues, that the city has the ability to replace the management company.

Developer's Profit

For purposes of the tax credit application and scoring process, a developer's profit of over 10 percent will be shown. However, much of that "profit" is required to be and will be put back into the project (by the tax credit approvals). The contract spells out that no more than 10 percent of the total cost of development will be allowed to be taken as a developer's fee. At the end of the project, an independent agent will provide evidence to the city showing what the developer's profit was.

Timeline

The development will be reviewed by the planning commission tentatively on April 21, with city council review in May.

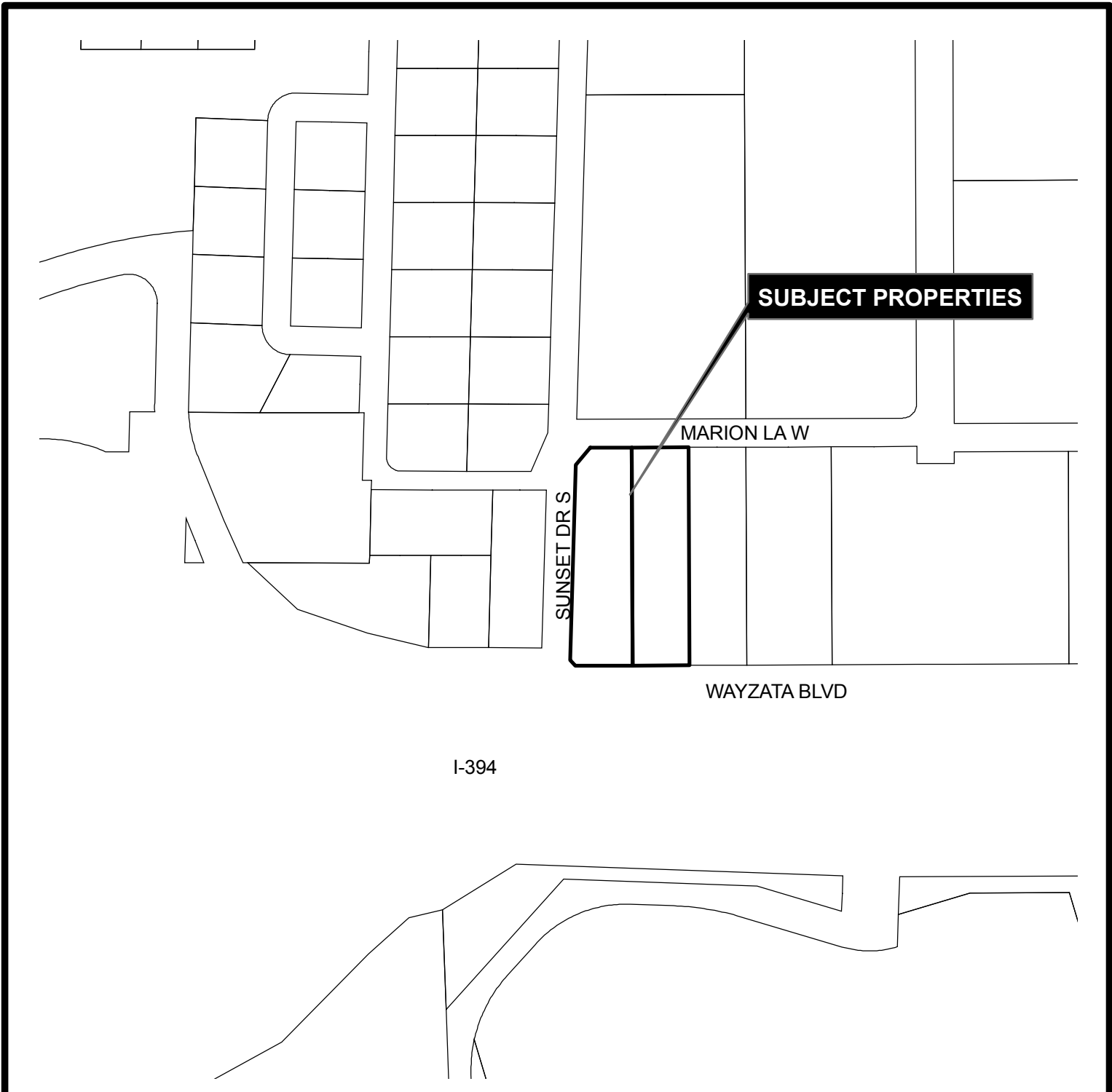
The developer has submitted their applications to Hennepin County for HOME, Affordable Housing Incentive Funds, and Transit Oriented Development funds. The awards on these applications will be known sometime in May. The developer will be submitting applications to Minnesota Housing for tax credits and to the Metropolitan Council in June. The awards on these two applications will be known later in the fall.

Recommendation

Staff recommends the EDAC recommend approval of the contract by the city council.

Originated by:

Julie Wischnack, AICP, Community Development Director
Elise Durbin, AICP, Community Development Supervisor



LOCATION MAP

Project: DUFFY DEVELOPMENT
 Applicant: DUFFY DEVELOPMENT
 Address: 12708 and 12720 WAYZATA BLVD



Third Draft March 17, 2011

**CONTRACT
FOR
PRIVATE DEVELOPMENT**

By and Between

**THE ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR
THE CITY OF MINNETONKA**

and

COMMUNITY HOUSING COALITION

Dated as of: _____, 2011

This document was drafted by:

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

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CONTRACT FOR PRIVATE DEVELOPMENT

THIS AGREEMENT, made on or as of the _____ day of _____, 2011, by and between THE ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA, a public body corporate and politic (the “Authority”), established pursuant to Minnesota Statutes, Sections 469.090 to 469.1081 (hereinafter referred to as the “Act”) and COMMUNITY HOUSING COALITION, a Minnesota non-profit corporation (the “CHC”).

WITNESSETH:

WHEREAS, the Authority was created pursuant to the Act and was authorized to transact business and exercise its powers by a resolution of the City Council of the City of Minnetonka (the “City”); and

WHEREAS, the Authority and City have undertaken a program to promote economic development and job opportunities, promote the development and redevelopment of land which is underutilized within the City, and facilitate the development of affordable housing, and in this connection created a development district known as Development District No. 1 (hereinafter referred to as the “Project”) in the City, pursuant to Minnesota Statutes, Sections 469.124 to 469.134 (the “Development District Act”); and

WHEREAS, by Resolution No. 93-9649, the City transferred control, authority and operation of the Project from the City to the Authority; and

WHEREAS, the City and the Authority have established within the Project Redevelopment Tax Increment Financing District No. 2 the (“TIF District”) and adopted a financing plan (“TIF Plan”) for the TIF District in order to facilitate redevelopment of certain property in the Project, all pursuant to Minnesota Statutes, Sections 469.174 to 469.179 (the “TIF Act”); and

WHEREAS, pursuant to Section 469.1763, subd. 2(d) of the TIF Act, the Authority and City modified the TIF Plan for the TIF District in order to increase the amount of Tax Increments (defined hereinafter) that may be spent outside the boundaries of the TIF District from 25 percent to 35 percent, provided that such pooled Tax Increment is used solely to assist the development of rental housing that meets the requirements for federal low income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, CHC intends to transfer the Property to Sunset Hill Minnetonka Limited Partnership, a Minnesota limited partnership (the “Developer”); and

WHEREAS, the Developer has proposed a development of an affordable rental housing facility on certain property (the “Development Property”) located in the Project, which facility is expected to receive federal low income tax credits; and

WHEREAS, CHC intends to make the financial assistance provided by the Authority under this Agreement available to the Developer, so that the Developer may complete the Minimum Improvements on the Development Property; and

WHEREAS, CHC intends to assign the obligations under this Agreement to Developer and intends that Developer will assume the obligations; and

WHEREAS, the Authority believes that the development of the Development Property pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable State and local laws and requirements;

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:

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

ARTICLE I

Definitions

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

“Act” means the Economic Development Authority Act, Minnesota Statutes, Sections 469.090 to 469.108, as amended.

“Affiliate” means with respect to CHC or after the Assignment the Developer (a) any corporation, partnership, corporation or other business entity or person controlling, controlled by or under common control with the Developer or CHC, as applicable, and (b) any successor to such party by merger, acquisition, reorganization or similar transaction involving all or substantially all of the assets of such party (or such Affiliate). For the purpose hereof the words “controlling”, “controlled by” and “under common control with” shall mean, with respect to any corporation, partnership, corporation or other business entity, the ownership of fifty percent or more of the voting interests in such entity, possession, directly or indirectly, of the power to direct or cause the direction of management policies of such entity, whether ownership of voting securities or by contract or otherwise.

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

“Assignment” means the assignment of this Agreement from CHC to Developer.

“Authority” means the Economic Development Authority in and for the City of Minnetonka, Minnesota, or any successor or assign.

“Authority Representative” means the Executive Director of the Authority, or any person designated by the Executive Director to act as the Authority Representative for the purposes of this Agreement.

“Business Day” means any day except a Saturday, Sunday, legal holiday, a day on which the City is closed for business, or a day on which banking institutions in the City are authorized by law or executive order to close.

“Business Subsidy Act” means Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

“Certificate of Completion” means the certification provided to CHC, the Developer, or the purchaser of any part, parcel or unit of the Development Property, pursuant to Section 4.4 of this Agreement.

“CHC” means Community Housing Coalition.

“City” means the City of Minnetonka, Minnesota.

“Closing Date” has the meaning provided in Section 3.3(c).

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed on the Development Property which a) shall be as detailed as the plans, specifications, drawings and related documents which are submitted to the appropriate building officials of the City, and (b) shall include at least the following for each building: (1) site plan; (2) foundation plan; (3) basement plans; (4) floor plan for each floor; (5) cross sections of each (length and width); (6) elevations (all sides); (7) landscape plan; and (8) such other plans or supplements to the foregoing plans as the Authority may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means the County of Hennepin, Minnesota.

“Declaration” means the Declaration of Restrictive Covenants attached as Schedule E hereto.

“Developer” means Sunset Hill Minnetonka Limited Partnership or its permitted successors and assigns.

“Development Property” means the property described on Schedule A.

“Disbursing Agent” means the title company selected by CHC or Developer to serve as the disbursing agent under the Disbursing Agreement.

“Event of Default” means an action by a party described in Section 9.1 of this Agreement.

“Fee Assistance” has the meaning provided in Section 3.3(a).

“Holder” means the owner or mortgagee of a Mortgage.

“Management Consultant” means an entity experienced in the management and leasing of low and moderate income housing projects, qualified to study operations of facilities like the Minimum Improvements and having a favorable reputation in the industry.

“Master Disbursing Agreement” means the Master Disbursing Agreement to be entered into among the Authority, Developer, CHC, Disbursing Agent, Tax Credit Investor, and Other Lenders (if any) with respect to the Development Property and the Minimum Improvements.

“Minimum Improvements” means the construction on the Development Property of a rental housing facility containing 64 Rental Housing Units, subject to the affordability requirements and bedroom configurations described in Section 4.5 hereof.

“Mortgage” means any mortgage made by CHC or the Developer which is secured, in whole or in part, with the Development Property, and which is a permitted encumbrance pursuant to the provisions of Article VIII of this Agreement.

“Other Lenders” means any entities (other than the Authority and the Tax Credit Investor) that provide grants or loans to Developer in order to finance a portion of the cost of the Minimum Improvements.

“Project” means the Authority’s Development District No. 1.

“Rental Housing Units” means the rental housing units constructed as part of the Minimum Improvements.

“State” means the State of Minnesota.

“Tax Credit Law” means Section 42 of the Internal Revenue Code of 1986, as amended.

“Tax Increment” means that portion of the real property taxes which is paid with respect to the TIF District and which is remitted to the Authority as tax increment pursuant to the Tax Increment Act.

“Tax Increment Act” or “TIF Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 to 469.1799, as amended.

“Tax Increment District” or “TIF District” means the Authority’s Redevelopment Tax Increment Financing District No. 2.

“Tax Increment Plan” or “TIF Plan” means the Authority’s Tax Increment Financing Plan for the TIF District, as most recently modified by the Authority and City on December 20, 2010, and as it may be amended from time to time.

“Tax Credit Investor” means the entity that purchases tax credits awarded for the Minimum Improvements under the Tax Credit Law.

“Tax Official” means any County assessor; County auditor; County or State board of equalization, the commissioner of revenue of the State, or any State or federal court including the tax court of the State.

“Termination Date” means the later of the date the TIF Grant is paid in full in accordance with its terms, or the date of termination of the “Qualified Project Period” as defined in the Declaration.

“TIF Grant” has the meaning provided in Section 3.3(b) hereof.

“Transfer” has the meaning set forth in Section 8.2(a).

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of war, terrorism, strikes, other labor troubles, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the Authority in exercising its rights under this Agreement) which directly result in delays. Unavoidable Delays shall not include delays in CHC’s or the Developer’s obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements by the dates such construction is required under Section 4.3 of this Agreement, unless (a) Developer or CHC has timely filed any application and materials required by the City for such permit or approvals, and (b) the delay is beyond the reasonable control of the Developer or CHC.

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

ARTICLE II

Representations and Warranties

Section 2.1. Representations and Covenants by the Authority. (a) The Authority is an economic development authority duly organized and existing under the laws of the State. Under the provisions of the Act and the TIF Act, the Authority has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The Authority will use its best efforts to facilitate development of the Minimum Improvements, including but not limited to cooperating with the Developer and CHC in obtaining necessary administrative and land use approvals and construction and/or permanent financing pursuant to Section 7.1.

(c) The activities of the Authority are undertaken for the purpose of fostering the development of affordable rental housing, which will also revitalize this portion of the Project and increase tax base.

(e) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of charter or statutory limitation or any indebtedness, agreement or instrument of whatever nature to which the Authority is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(f) The Authority shall promptly advise CHC in writing of all litigation or claims affecting any part of the Minimum Improvements.

Section 2.2. Representations and Warranties by CHC. CHC represents and warrants that:

(a) CHC is a non-profit corporation organized and in good standing under the laws of the State of Minnesota, is not in violation of any provisions of its bylaws, its partnership agreement or the laws of the State, is duly authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery and performance of this Agreement by proper action of its Board of Directors.

(b) CHC will construct, operate and maintain the Minimum Improvements in accordance with the terms of this Agreement, the Redevelopment Plan 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). After the Assignment, the Developer shall assume this obligation.

(c) CHC will 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 Minimum Improvements may be lawfully constructed. After the Assignment, the Developer shall assume this obligation.

(d) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any partnership or company restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which CHC is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(e) CHC shall promptly advise the Authority in writing of all litigation or claims affecting any part of the Minimum Improvements and all written complaints and charges made by any governmental authority materially affecting the Minimum Improvements or materially affecting CHC or its business, which may delay or require changes in construction of the Minimum Improvements.

(f) The proposed redevelopment on the Development Property hereunder would not occur but for the financial assistance being provided by the Authority hereunder.

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

ARTICLE III

Tax Increment Assistance

Section 3.1. Status of the Property. As of the date of this Agreement, CHC has entered into a purchase agreement to acquire the Development Property. CHC shall acquire the Development Property in accordance with the terms of the purchase agreement. The Authority has no obligation to acquire the Development Property or any portion thereof. CHC shall transfer the Development Property to Developer on or before December 31, 20__.

Section 3.2. Environmental Conditions.

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

(b) Without limiting its obligations under Section 8.3 of this Agreement CHC 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 on the Development Property as a result of the actions or omissions of CHC or the Developer, unless and to the extent that such hazardous wastes or pollutants are present as a result of the actions or omissions of the indemnitees. 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 3.3. Tax Increment Assistance. In order to make development of the Minimum Improvements financially feasible, the Authority will provide to CHC the following assistance:

(a) *Fees*. The Authority will pay, on behalf of the CHC, a portion of the following City fees related to the Minimum Improvements, in the following amounts:

Type of Fee	Total Fee	Paid by Authority	Paid by CHC
Building Permit	\$45,139*	\$15,000	\$30,139*
Park Dedication	\$320,000	\$15,000	\$305,000
City SAC/WAC	\$294,400	\$15,000	\$279,400
Total		\$45,000	

* Total building permit fee is estimated; actual amount will depend upon actual construction costs. Amount paid by Authority will remain at \$15,000, but the balance paid by CHC may change.

Such assistance is referred to as the “Fee Assistance.” The Authority will pay the Fee Assistance at the time each type of fee is otherwise due under City ordinances and procedures. The Authority’s obligation to pay the Fee Assistance described above is conditioned upon there being no uncured Event of Default by CHC under this Agreement, and CHC having paid the portion of the described fees required by to be paid by CHC.

(b) *TIF Grant.* The Authority will also make a grant to CHC in an amount that is the lesser of (i) \$1,025,000 or (ii) the qualified basis of the Minimum Improvements (as such term is defined in the Tax Credit Law), less the aggregate amount of any tax credit with respect to the Minimum Improvements allowed under the Tax Credit Law. Such transaction is referred to as the “TIF Grant.” The amount of the TIF Grant is subject to reduction as described in paragraph (c) of this Section, and proceeds of the TIF Grant shall be disbursed in accordance with paragraph (c). CHC shall either make a loan to the Developer in the amount of the TIF Grant or make a capital contribution to the Developer in the amount of the TIF Grant.

(c) *Disbursement of TIF Grant.* The Authority will deposit the TIF Grant with the Disbursing Agent on the effective date of the Master Disbursing Agreement (the “Closing Date”). Notwithstanding anything to the contrary herein, if the total costs of developing the Minimum Improvements as of the Closing Date are reduced below the amounts estimated as of the date of this Agreement, such reduction shall be applied first to reduce the amount of the TIF Grant, prior to reducing any other funding sources; provided that if CHC demonstrates to the Authority’s reasonable satisfaction that such reduction in the TIF Grant will impair CHC’s eligibility to receive the full amount of tax credits awarded for the Minimum Improvements under the Tax Credit Law, then the TIF Grant reduction amount will be adjusted to a level that prevents such impairment. The Authority’s obligation to fund the TIF Grant is subject to satisfaction of the following conditions as of the Closing Date:

(i) Developer and CHC having delivered to the Authority a copy of the executed Master Disbursing Agreement;

(ii) CHC or Developer having provided evidence satisfactory to the Authority that Developer has established a separate accounting system for the Minimum Improvements, for the purpose of recording the receipt and expenditure of the TIF Grant proceeds;

(iii) CHC having delivered to the Authority evidence of the amount specified in Section 3.3(b)(ii), together with a statement from an independent certified public accountant that the calculation of that amount is an accurate calculation of projected qualified basis of the Minimum Improvements less the projected amount of the low-income housing tax credits calculated in accordance with the Tax Credit Law.

(iv) the Authority having approved Construction Plans for the Minimum Improvements in accordance with Article IV hereof;

(v) CHC or Developer having obtained, and the Authority having approved, financing as described in Article VII hereof;

(vi) CHC having delivered to the Authority the executed Declaration in accordance with Section 4.5 hereof; and

(vii) CHC having delivered to the Authority evidence of total costs of the developing the Minimum Improvements, in a form reasonably satisfactory to the Authority, evidencing any reduction in the amount TIF Grant as described in this paragraph.

(viii) There being no uncured Event of Default under this Agreement.

(d) *Master Disbursing Agreement.* The Master Disbursing Agreement must require that proceeds of the TIF Grant are used solely to pay no more than 75 percent of the costs of the Minimum Improvements, such percentage representing the portion of total costs allocable to the 48 income and rent restricted Rental Housing Units. Authority officials are authorized and directed to execute a Master Disbursing Agreement that substantially complies with the requirements in this Section.

(e) CHC further agrees that: (i) the aggregate amount paid to CHC or Developer as a developer fee from proceeds of all sources of funding under the Master Disbursing Agreement, and from the proceeds of permanent financing entered into upon completion of construction of the Minimum Improvements, (but net of any portion of such fee reinvested to pay Minimum Improvements costs) shall not exceed ten percent of the total cost of development of the Minimum Improvements and (ii) any amount paid to CHC or Developer as distributions from annual cash flow shall not exceed the amounts specified in the first mortgage held by the Minnesota Housing Finance Agency. Upon completion of the Minimum Improvements (and as a condition to issuance of a Certificate of Completion), CHC or Developer shall provide to the Authority a report from an independent certified public accountant evidencing compliance with clause (i) of this paragraph. Upon request from the Authority from time to time (but no more often than annually), CHC or Developer shall provide to the Authority a report from an independent certified public accountant evidencing compliance with clause (ii) of this paragraph.

Section 3.4. Payment of Authority Costs.

(a) CHC is responsible to pay "Authority Costs," which term means out-of pocket-costs incurred by the City or Authority from and after the date of this Agreement for: (i) the Authority's financial advisor in connection with the Authority's financial participation in redevelopment of the Development Property, (ii) the City or Authority's outside legal counsel in connection with negotiation and drafting of this Agreement and any related agreements or documents, and any legal services related to the Authority's financial participation in redevelopment of the Development Property, including without limitation costs related to TIF Grant.

(b) At any time, but not more often than monthly, the City or Authority may request payment of Authority Costs, and CHC agrees to pay all Authority Costs within ten days of the City or Authority's written request, supported by suitable billings, receipts or other evidence of the amount and nature of Authority Costs incurred. At CHC's request, but no more often than monthly, the Authority will provide CHC with a written report on current and anticipated expenditures for Authority Costs, including invoices or other comparable evidence.

Section 3.5. Exemption from Business Subsidy Act. The parties agree and understand that all financial assistance to CHC under in this Agreement represents assistance for housing, and accordingly is not subject to the Business Subsidy Act.

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ARTICLE IV

Construction of Minimum Improvements

Section 4.1. Construction of Minimum Improvements. CHC agrees that it will or will cause the Developer to construct or cause construction of the Minimum Improvements on the Development Property, in accordance with approved Construction Plans and at all times through the Termination Date will operate, maintain, preserve and keep the respective components of the Minimum Improvements or cause such components to be operated, maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition.

Section 4.2. Construction Plans.

(a) *Generally.* Before commencing construction of the Minimum Improvements, CHC shall submit to the Authority Construction Plans for the Minimum Improvements. The City's chief building official and community development director will review and approve all Construction Plans on behalf of the Authority, and for the purposes of this Section the term "Authority" means those named officials. The Construction Plans shall provide for the construction of the Minimum Improvements and shall be in conformity with this Agreement, the TIF Plan, and all applicable State and local laws and regulations. The Authority will approve the Construction Plans in writing or by issuance of a permit if: (i) the Construction Plans conform to all terms and conditions of this Agreement, (ii) the Construction Plans conform to the goals and objectives of the TIF Plan; (iii) the Construction Plans conform to all applicable federal, state and local laws, ordinances, rules and regulations; (iv) the Construction Plans are adequate to provide for construction of the Minimum Improvements; and (v) there is no uncured Event of Default. No approval by the Authority shall relieve the Developer or CHC of the obligation to comply with the terms of this Agreement, 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 an Event of Default, or waiver of any State or City building or other code requirements that may apply. Within 30 days after receipt of complete Construction Plans and permit applications for the Minimum Improvements, the Authority will deliver to CHC an initial review letter describing any comments or changes requested by Authority staff. Thereafter, the parties shall negotiate in good faith regarding final approval of Construction Plans for that building. The Authority's approval shall not be unreasonably withheld or delayed. Said approval shall constitute a conclusive determination that the Construction Plans (and the Minimum Improvements constructed in accordance with said plans) comply to the Authority's satisfaction with the provisions of this Agreement relating thereto.

CHC hereby waives any and all claims and causes of action whatsoever resulting from the review of the Construction Plans by the Authority and/or any changes in the Construction Plans requested by the Authority, except for any failure by Authority to perform its obligations under this Section. Neither the Authority, the City, nor any employee or official of the Authority or City shall be responsible in any manner whatsoever for any defect in the Construction Plans or

in any work done pursuant to the Construction Plans, including changes requested by the Authority.

(b) *Construction Plan Changes.* If CHC desires to make any material change in the Construction Plans or any component thereof after their approval by the Authority, CHC shall submit the proposed change to the Authority for its approval. If the Construction Plans, as modified by the proposed change, conform to the requirements of this Section 4.2 of this Agreement with respect to such previously approved Construction Plans, the Authority shall approve the proposed change and notify CHC in writing of its approval. Such change in the Construction Plans shall, in any event, be deemed approved by the Authority unless rejected, in whole or in part, by written notice by the Authority to CHC, setting forth in detail the reasons therefor. Such rejection shall be made as soon as reasonably practicable but in any event within 30 days after receipt of the notice of such change. The Authority's approval of any such change in the Construction Plans will not be unreasonably withheld.

Section 4.3. Completion of Construction.

(a) Subject to Unavoidable Delays, the Minimum Improvements must be constructed in accordance with the following schedule: commence construction by May 1, 2012, and complete construction by October 1, 2013. Construction is considered to be commenced upon the beginning of physical improvements beyond grading.

(b) All work with respect to the Minimum Improvements to be constructed or provided by CHC on the Development Property shall be in substantial conformity with the Construction Plans as submitted by CHC and approved by the Authority. CHC agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that CHC, and such successors and assigns, shall promptly begin and diligently prosecute to completion the redevelopment of the Development Property through the construction of the Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section 4.3 of this Agreement. Until construction of the Minimum Improvements has been completed, CHC shall make reports, in such detail and at such times as may reasonably be requested by the Authority, as to the actual progress of CHC with respect to such construction.

Section 4.4. Certificate of Completion.

(a) Promptly after substantial completion of the Minimum Improvements in accordance with those provisions of the Agreement relating solely to the obligations of CHC to construct the Minimum Improvements (including the dates for completion thereof), and delivery of the developer fee evidence described in Section 3.3(e), the Authority will furnish CHC with a Certificate of Completion in substantially the form attached as Schedule B. Such certification by the Authority shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the Agreement and in any deed with respect to the obligations of CHC, and its successors and assigns, to construct the Minimum Improvements and the dates for the completion thereof. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of CHC to any Holder of a Mortgage, or any

insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

(b) The Certificate of Completion provided for in this Section 4.4 of this Agreement shall be in such form as will enable it to be recorded in the proper office for the recordation of deeds and other instruments pertaining to the Development Property. 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 thirty (30) days after written request by CHC, provide CHC with a written statement, indicating in adequate detail in what respects CHC has failed to complete the Minimum 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 CHC to take or perform in order to obtain such certification.

(c) The construction of the Minimum Improvements will be considered substantially complete when CHC has received a certificate of occupancy from the City for all Residential Housing Units.

Section 4.5. Affordable Housing Covenants.

(a) CHC shall require Developer to cause at least 48 (75%) of the Rental Housing Units in the Minimum Improvements to be rent-restricted and income-restricted in accordance with the Tax Credit Law, all as further described in the Declaration attached as Schedule C. Notwithstanding anything to the contrary in the Tax Credit Law, such restrictions shall remain in effect for the 30-year period described in the Declaration. On or before the Closing Date, CHC shall deliver the executed Declaration to the Authority in recordable form.

(b) Of the 48 Rental Housing Units that are income and rent restricted, between 10 and 15 Rental Housing Units must be one-bedroom units; between 22 and 27 Rental Housing Units must be two-bedroom units; and between 10 and 15 Rental Housing Units must be three-bedroom units.

(c) *Inspection.* The Authority and its representatives shall have the right at all reasonable times while the covenants in this Section are in effect, after reasonable notice to inspect, examine and copy all books and records of CHC and the Developer and its successors and assigns relating to the covenants described in this Section and in the Declaration.

Section 4.6. Records. The Authority, the Legislative Auditor, and the State Auditor's office, through any authorized representatives, shall have the right after reasonable notice to inspect, examine and copy all books and records of CHC and the Developer relating to the construction of the Minimum Improvements. CHC shall maintain or shall cause the Developer to maintain such records and provide such rights of inspection for a period of six years after issuance of the Certificate of Completion for the Minimum Improvements.

Section 4.7. Property Management Covenant. (a) CHC shall cause its property manager to operate the Minimum Improvements in accordance with the policies described in this Section. For any documented disorderly violations by a tenant or guest, including but not limited to

prostitution, gang-related activity, intimidating or assaultive behavior (not including domestic), unlawful discharge of firearms, illegal activity, or drug complaints (each a “Violation”), CHC agrees and understands that the following procedures shall apply:

(a) After a first Violation regarding any unit in the Minimum Improvements, the City police department will send notice to CHC and the property manager requiring CHC and the property manager to take steps necessary to prevent further Violations.

(b) If a second Violation occurs regarding the same tenancy within 12 months after the first Violation, the City police department will notify CHC and the property manager of the second Violation. Within 10 days after receiving such notice, CHC or the property manager must file a written action plan with the Authority and the City police department, describing steps to prevent further Violations.

(c) If a third Violation occurs regarding the same tenancy within 12 continuous months after the first Violation, the City police department will notify CHC and the property manager of the third Violation. Within 10 days after receiving such notice, CHC or the property manager shall commence termination of the tenancy of all occupants of that unit. CHC shall not enter into a new lease agreement with the evicted tenant(s) for at least one year after the effective date of the eviction.

(d) If CHC or the property manager fails to comply with any the requirements in this Section, then the Authority may provide at least 10 days written notice to CHC and the property manager directing attendance at a meeting to determine the cause of the continuing Violations in the Minimum Improvements and provide an opportunity for CHC and the property manager to explain their failure to comply with the procedures in this Section.

(e) If, CHC and property manager fail to respond to the written notice under paragraph (d), or at least two additional Violations occur within the next 12 month period after the date of the notice under paragraph (d), then the Authority may direct CHC to terminate the management agreement with the existing property manager and to replace that entity with a replacement property manager selected by the CHC but approved by the Authority. The parties agree and understand that appointment of any replacement manager may be subject to consent by the Tax Credit Investor and Holder a first Mortgage on the Development Property.

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ARTICLE V

Insurance

Section 5.1. Insurance.

(a) CHC will provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the Authority, furnish the Authority with proof of payment of premiums on policies covering the following:

(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 nonreporting 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 satisfactory to the Authority;

(ii) Commercial general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual 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, and shall be endorsed to show the City and Authority as additional insured (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

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

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, CHC shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the Authority shall furnish proof of the payment of premiums on, insurance as follows:

(i) Insurance against loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

(ii) Commercial general public liability insurance, including personal injury liability, against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$2,000,000 and shall be endorsed to show the City and Authority as additional insureds.

(iii) Such other insurance, including workers' compensation insurance respecting all employees of CHC, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure.

(c) All insurance required in Article V of this Agreement shall be taken out and maintained in responsible insurance companies selected by CHC that are authorized under the laws of the State to assume the risks covered thereby. Upon request, CHC will deposit annually with the Authority a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. Unless otherwise provided in this Article V of this Agreement each policy shall contain a provision that the insurer shall not cancel nor modify it in such a way as to reduce the coverage provided below the amounts required herein without giving written notice to CHC and the Authority at least 30 days before the cancellation or modification becomes effective. In lieu of separate policies, CHC may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event CHC 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.

(d) CHC agrees to notify the Authority immediately in the case of damage exceeding \$100,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event CHC will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, CHC will apply the net proceeds of any insurance relating to such damage received by CHC to the payment or reimbursement of the costs thereof.

CHC shall complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by CHC for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of CHC.

Section 5.2. Subordination. Notwithstanding anything to the contrary herein, the rights of the Authority with respect to the receipt and application of any insurance proceeds shall, in all respects, be subordinate and subject to the rights of any Holder under a Mortgage allowed pursuant to Article VII of this Agreement.

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ARTICLE VI

Tax Increment; Taxes

Section 6.1. Right to Collect Delinquent Taxes. CHC acknowledges that the Authority is providing substantial aid and assistance in furtherance of the redevelopment described in this Agreement. CHC understands that, while the Development Property itself is not located within the TIF District or any other tax increment financing district, one purpose of the assistance under this Agreement is to increase the property tax base of the City. To that end, CHC agrees for itself, its successors and assigns, in addition to the obligation pursuant to statute to pay real estate taxes, that it is also obligated by reason of this Agreement to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. CHC acknowledges that this obligation creates a contractual right on behalf of the Authority through the Termination Date to sue CHC 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 6.2. Review of Taxes. CHC agrees that prior to the Termination Date, it will not cause a reduction in the real property taxes paid in respect of the Development Property through: (A) willful destruction of the Development Property or any part thereof; or (B) willful refusal to reconstruct damaged or destroyed property pursuant to Section 5.1 of this Agreement. CHC also agrees that it will not, prior to the Termination Date, apply for a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real estate taxes under State law (other than any portion thereof dedicated or conveyed to the City or Authority in accordance with this Agreement).

Section 6.3. Use of Tax Increment. The parties agree and understand that the Authority expects to finance the Fee Assistance and the TIF Grant under Section 3.3 from Tax Increments generated from the TIF District. However, the Authority may use any funds available to the Authority to fund the Fee Assistance and TIF Grant, and may also, in its discretion, approve an interfund loan to apply Tax Increments toward repayment of other funds used for those purposes. Neither the Developer nor CHC has any title or interest in Tax Increments, except to the extent the Authority elects to use Tax Increment to fund the Fee Assistance and the TIF Grant.

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ARTICLE VII

Financing

Section 7.1. Financing.

(a) Before the Closing Date, the Developer shall submit to the Authority evidence of receipt of a reservation of low income tax credits under the Tax Credit Law from the Minnesota Housing Finance Agency, together with commitments for other financing (including without limitation grants or loans from Other Lenders) which, together with committed equity for such construction, is sufficient for acquisition of the Development Property construction of the Minimum Improvements. Such commitments may be submitted as short term financing, long term mortgage financing, a bridge loan with a long term take-out financing commitment, or any combination of the foregoing.

(b) If the Authority finds that the financing is sufficiently committed and adequate in amount to pay the costs specified in paragraph (a) then the Authority shall notify the Developer and CHC in writing of its approval. Such approval shall not be unreasonably withheld and either approval or rejection shall be given within twenty (20) days from the date when the Authority is provided the evidence of financing. A failure by the Authority to respond to such evidence of financing shall be deemed to constitute an approval hereunder. If the Authority rejects the evidence of financing as inadequate, it shall do so in writing specifying the basis for the rejection. In any event the Developer shall submit adequate evidence of financing within ten (10) days after such rejection.

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ARTICLE VIII

Prohibitions Against Assignment and Transfer; Indemnification

Section 8.1. Representation as to Redevelopment. CHC represents and agrees that its purchase of the Development Property, and its other undertakings pursuant to the Agreement, are, and will be used, for the purpose of redevelopment of the Development Property by the Developer and not for speculation in land holding.

Section 8.2. Prohibition Against Transfer of Property and Assignment of Agreement. CHC represents and agrees that until the Termination Date:

(a) Except as specifically described in this Agreement, CHC 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 Development Property or any part thereof or any interest therein, or any contract or agreement to do any of the same, to any person or entity (collectively, a "Transfer"), without the prior written approval of the Authority's Board of Commissioners. The term "Transfer" does not include (i) encumbrances made or granted by way of security for, and only for, the purpose of obtaining construction, interim or permanent financing necessary to enable CHC or any successor in interest to the Development Property or to construct the Minimum Improvements or component thereof; and (ii) any lease, license, easement or similar arrangement entered into in the ordinary course of business related to operation of the Minimum Improvements; and (iii) a transfer of the Development Property to Developer in accordance with this Agreement. CHC may effect a Transfer to an Affiliate without approval by the Authority provided that CHC submit to the Authority an assignment and assumption executed by the Affiliate in accordance with Section 8.2(b)(2).

(b) If CHC seeks to effect a Transfer, the Authority shall be entitled to require as conditions to such Transfer that:

(1) Any proposed transferee shall have the qualifications and financial responsibility, in the reasonable judgment of the Authority, necessary and adequate to fulfill the obligations undertaken in this Agreement by CHC as to the portion of the Development Property to be transferred; and

(2) Any proposed transferee, by instrument in writing satisfactory to the Authority and in form recordable in the public land records of Hennepin County, Minnesota, shall, for itself and its successors and assigns, and expressly for the benefit of the Authority, have expressly assumed all of the obligations of CHC under this Agreement as to the portion of the Development Property to be transferred and agreed to be subject to all the conditions and restrictions to which CHC is subject as to such portion; provided, however, that the fact that any transferee of, or any other successor in interest whatsoever to, the Development Property, or any part thereof, shall not, for whatever reason, have assumed such obligations or so agreed, and shall not (unless and

only to the extent otherwise specifically provided in this Agreement or agreed to in writing by the Authority) deprive the Authority of any rights or remedies or controls with respect to the Development Property, the Minimum Improvements or any part thereof or the construction of the Minimum Improvements; it being the intent of the parties as expressed in this Agreement that (to the fullest extent permitted at law and in equity and excepting only in the manner and to the extent specifically provided otherwise in this Agreement) no transfer of, or change with respect to, ownership in the Development Property or any part thereof, or any interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally, or practically, to deprive or limit the Authority of or with respect to any rights or remedies on controls provided in or resulting from this Agreement with respect to the Development Property that the Authority would have had, had there been no such transfer or change. In the absence of specific written agreement by the Authority to the contrary, no such transfer or approval by the Authority thereof shall be deemed to relieve CHC, or any other party bound in any way by this Agreement or otherwise with respect to the Development Property, from any of its obligations with respect thereto.

(3) Any and all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property governed by this Article VIII, shall be in a form reasonably satisfactory to the Authority.

(c) If the conditions described in paragraph (b) are satisfied, then the Transfer will be approved and CHC shall be released from its obligation under this Agreement, as to the portion of the Development Property that is transferred, assigned, or otherwise conveyed, unless the parties mutually agree otherwise. Notwithstanding anything to the contrary herein, any Transfer that releases CHC from its obligations under this Agreement (or any portion thereof) except to the Developer, shall be approved by the Authority's Board of Commissioners. If CHC remains fully bound under this Agreement notwithstanding the Transfer, as documented in the transfer instrument, the Transfer may be approved by the Authority Representative. The provisions of this paragraph (c) apply to all subsequent transferors.

Section 8.3. Release and Indemnification Covenants.

(a) CHC releases from and covenants and agrees that the Authority and the City and the governing body members, officers, agents, servants and employees thereof shall not be liable for and agrees to indemnify and hold harmless the Authority and the City and the governing body members, officers, agents, servants and employees thereof against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements.

(b) Except for willful or negligent misrepresentation, misconduct or negligence of the Indemnified Parties (as hereafter defined), and except for any breach by any of the Indemnified Parties of their obligations under this Agreement, CHC agrees to protect and defend the Authority and the City and the governing body members, officers, agents, servants and employees thereof (the "Indemnified Parties"), now or forever, and further agrees to hold the Indemnified Parties harmless from any claim, demand, suit, action or other proceeding

whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Minimum Improvements.

(c) Except for any negligence of the Indemnified Parties (as defined in clause (b) above), and except for any breach by any of the Indemnified Parties of their obligations under this Agreement, the Indemnified Parties shall not be liable for any damage or injury to the persons or property of CHC or its officers, agents, servants or employees or any other person who may be about the Minimum Improvements due to any act of negligence of any person.

(d) 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.

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ARTICLE IX

Events of Default

Section 9.1. 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, after the non-defaulting party provides 30 days written notice to the defaulting party of the event, but only if the event has not been cured within said 30 days or, if the event is by its nature incurable within 30 days, the defaulting party does not, within such 30-day period, provide assurances reasonably satisfactory to the party providing notice of default that the event will be cured and will be cured as soon as reasonably possible:

(a) Failure by CHC or the Authority to observe or perform any covenant, condition, obligation, or agreement on its part to be observed or performed under this Agreement;

(b) CHC:

(i) files any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law;

(ii) makes an assignment for benefit of its creditors;

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

(iv) is adjudicated as bankrupt or insolvent.

Section 9.2. Remedies on Default. (a) Whenever any Event of Default referred to in Section 9.1 of this Agreement occurs, the non-defaulting party may exercise its rights under this Section 9.2 after providing thirty days written notice to the defaulting party of the Event of Default, but only if the Event of Default has not been cured within said thirty days or, if the Event of Default is by its nature incurable within thirty days, the defaulting party does not provide assurances reasonably satisfactory to the non-defaulting party that the Event of Default will be cured and will be cured as soon as reasonably possible.

(b) Upon an Event of Default by CHC, the Authority may (i) demand repayment of the outstanding principal and accrued interest on the TIF Grant, and (ii) take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or CHC 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. In order to entitle the Authority to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the 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.

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

ARTICLE X

Additional Provisions

Section 10.1. Conflict of Interests; Authority Representatives Not Individually Liable. The Authority and CHC, to the best of their respective knowledge, represent and agree that 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. No member, official, or employee of the Authority shall be personally liable to CHC, or any successor in interest, in the event of any default or breach by the Authority or County or for any amount which may become due to CHC or successor or on any obligations under the terms of the Agreement.

Section 10.2. Equal Employment Opportunity. CHC, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in the Agreement it will comply with all applicable federal, state and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restrictions on Use. CHC agrees that until the Termination Date, CHC, and such successors and assigns, shall devote the Development Property to, the operation of the Minimum Improvements for uses described in the definition of such term in this Agreement, and shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. 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 Development Property and any such deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 10.5. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.6. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, overnight mail, or delivered personally; and

(a) in the case of CHC, is addressed to or delivered personally to CHC at _____, Attention: _____, with a copy to any permitted assignee pursuant to an approved Transfer, at the address indicated in the Transfer approval; and

(b) in the case of the Authority, is addressed to or delivered personally at 14600 Minnetonka Blvd, Minnetonka, Minnesota 55345-1502, Attn: Executive Director;

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this Section.

Section 10.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.8. Recording. The Authority may record this Agreement and any amendments thereto with the Hennepin County recorder. CHC shall pay all costs for recording.

Section 10.9. Amendment. This Agreement may be amended only by written agreement approved by the Authority and CHC.

Section 10.10. Authority Approvals. Unless otherwise specified, any approval required by the Authority under this Agreement may be given by the Authority Representative.

Section 10.11. Termination. This Agreement terminates on the Termination Date, except that termination of the Agreement does not terminate, limit or affect the rights of any party that arise before the Termination Date.

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

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

**THE ECONOMIC DEVELOPMENT
AUTHORITY IN AND FOR THE CITY OF
MINNETONKA, MINNESOTA**

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____ 2011, by Terry Schneider and John Gunyou, the President and Executive Director of the Economic Development Authority in and for the City of Minnetonka, Minnesota, a public body politic and corporate, on behalf of the Authority.

Notary Public

COMMUNITY HOUSING COALITION

By _____
Its _____

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2011 by _____, the _____ of _____, a Minnesota _____, the general partner of Community Housing Coalition, a Minnesota non-profit corporation, on behalf of the corporation.

Notary Public

SCHEDULE A

DESCRIPTION OF DEVELOPMENT PROPERTY

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

On this ___ day of _____, 2011, before me, a Notary Public within and for said County, personally appeared _____, to me personally known, who, being by me duly sworn, did say that (s)he is the Executive Director of the Authority named in the foregoing instrument; that the seal affixed to said instrument is the seal of said Authority; that said instrument was signed and sealed in behalf of said Authority by authority of its governing body; and said _____ acknowledged said instrument to be the free act and deed of said Authority.

Notary Public

SCHEDULE C

DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS (this "Declaration") dated as of _____, 2011, by **COMMUNITY HOUSING COALITION**, a Minnesota non-profit corporation "CHC") is given to the **ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA** (the "Authority").

RECITALS

WHEREAS, the Authority entered into that certain Contract for Private Development, dated _____, 2011, filed _____, 20____ in the Office of the Registrar of Titles for Hennepin County as Document No. _____ (the "Contract"), between the Authority and CHC; and

WHEREAS, pursuant to the Contract, CHC is obligated to cause construction of 64 housing units of rental housing on the property described in Exhibit A hereto (the "Property"), and to cause compliance with certain affordability covenants described in Section 4.5 of the Contract; and

WHEREAS, Section 4.5 of the Contract requires that CHC cause to be executed an instrument in recordable form substantially reflecting the covenants set forth in Section 4.5 of the Contract; and

WHEREAS, CHC intends, declares, and covenants that the restrictive covenants set forth herein shall be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for such term, and are not merely personal covenants of CHC; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Contract unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CHC agrees as follows:

1. Term of Restrictions.

(a) Occupancy and Rental Restrictions. The term of the Occupancy Restrictions set forth in Section 3 and the Rental Restriction set forth in Section 4 of this Declaration shall commence at the end of the first taxable year of credit period for the Property under the Tax Credit Law. The period from commencement to termination is the "Qualified Project Period."

(b) Termination of Declaration. This Declaration shall terminate upon the date that is 30 years after the commencement of the Qualified Project Period.

(c) Removal from Real Estate Records. Upon termination of this Declaration, the Authority shall, upon request by the Developer or its assigns, file any document appropriate to remove this Declaration from the real estate records of Hennepin County, Minnesota.

2. Project Restrictions.

(a) CHC represents, warrants, and covenants that:

(i) All leases of units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) shall contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) Agrees that the family income at the time the lease is executed shall be deemed substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from CHC or the Authority, and that the lessee's failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) CHC shall permit any duly authorized representative of the Authority to inspect the books and records of the Developer pertaining to the income of Qualifying Tenants residing in the Project.

3. Occupancy Restrictions.

(a) Tenant Income Provisions. The Developer represents, warrants, and covenants that:

(i) Qualifying Tenants. From the commencement of the Qualified Project Period, at least 48 Rental Housing Units shall be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. Qualifying Tenants shall mean those persons and families who shall be determined from time to time by CHC to have combined adjusted income that does not exceed sixty percent (60%) of the Minneapolis-St. Paul metropolitan statistical area (the "Metro Area") median income for the applicable calendar year. For purposes of this definition, the occupants of a residential unit shall not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are "students," as defined in Section 151(c)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income shall be made at the time the tenancy commences and on an

ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds 140 percent of the maximum income qualifying as low or moderate income for a family of its size, the next available unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the Unit will not continue to be treated as a Qualifying Unit.

(ii) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant shall be required annually to sign and deliver to the Developer a Certification of Tenant Eligibility substantially in the form attached as Exhibit B hereto, or in such other form as may be approved by the Authority (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to qualifying as low or moderate income. In addition, such person shall be required to provide whatever other information, documents, or certifications are deemed necessary by the Authority to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that such tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by CHC with respect to each Qualifying Tenant who resides in a Project unit or resided therein during the immediately preceding calendar year.

(iii) Lease. The form of lease to be utilized by CHC in renting any units in the Project to any person who is intended to be a Qualifying Tenant shall provide for termination of the lease and consent by such person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by such person with respect to the Eligibility Certification.

(iv) Annual Report. CHC covenants and agrees that during the term of this Declaration, it will prepare and submit to the Authority on or before November 30 of each year, a certificate substantially in the form of Exhibit C hereto, executed by CHC, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the dwelling units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of such certificate; (b) describing all transfers or other changes in ownership of the Project or any interest therein; and (c) stating, that to the best knowledge of the person executing such certificate after due inquiry, all such units were rented or available for rental on a continuous basis during such year to members of the general public and that CHC was not otherwise in default under this Declaration during such year.

(v) Notice of Non-Compliance. CHC will immediately notify the Authority if at any time during the term of this Declaration the dwelling units in the Project are not occupied or available for occupancy as required by the terms of this Declaration.

4. Rental Restrictions. CHC represents, warrants and covenants that the maximum gross rent for all units occupied by Qualifying Tenants shall not exceed 30 percent of the imputed income limitation applicable to such unit, all in accordance with the Tax Credit Law.

5. Transfer Restrictions. CHC covenants and agrees that CHC will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Rental Restrictions and Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the Authority, all duties and obligations of CHC under this Declaration, including this Section 5, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the "Assumption Agreement"). CHC shall deliver the Assumption Agreement to the Authority prior to the Transfer.

6. [Intentionally omitted.]

7. Enforcement.

(a) CHC shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of the Authority to inspect any books and records of CHC regarding the Project with respect to the incomes of Qualifying Tenants.

(b) CHC shall submit any other information, documents or certifications requested by the Authority which the Authority deems reasonably necessary to substantial CHC's continuing compliance with the provisions specified in this Declaration.

(c) CHC acknowledges that the primary purpose for requiring compliance by CHC with the restrictions provided in this Declaration is to ensure compliance of the property with the housing affordability covenants set forth in Section 4.5 of the Contract, and by reason thereof, CHC, in consideration for assistance provided by the Authority under the Contract that makes possible the construction of the Minimum Improvements (as defined in the Contract) on the Property, hereby agrees and consents that the Authority shall be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by CHC of its obligations under this Declaration in a state court of competent jurisdiction. CHC hereby further specifically acknowledges that the Authority cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) CHC understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the Authority may exercise any remedy available to it under Article IX of the Contract.

8. Indemnification. CHC hereby indemnifies, and agrees to defend and hold harmless, the Authority from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by CHC to

comply with the terms of this Declaration, or on account of any representation or warranty of CHC contained herein being untrue.

9. Agent of the Authority. The Authority shall have the right to appoint an agent to carry out any of its duties and obligations hereunder, and shall inform CHC of any such agency appointment by written notice.

10. Severability. The invalidity of any clause, part or provision of this Declaration shall not affect the validity of the remaining portions thereof.

11. Notices. All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing. CHC and the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent. The initial addresses for notices and other communications are as follows:

To the Authority: Economic Development Authority in and for the City of
Minnetonka
14600 Minnetonka Blvd.
Minnetonka, MN 55345
Attention: Community Development Director

To the Developer: Community Housing Coalition

12. Governing Law. This Declaration shall be governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

13. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against CHC to enforce the provisions of this Declaration, CHC agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the Authority in connection with such action.

14. Declaration Binding. This Declaration and the covenants contained herein shall run with the real property comprising the Project and shall bind CHC and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits shall inure to the Authority and its successors and assigns for the term of this Declaration as provided in Section I(b).

15. Relationship to Tax Credit Law Requirements. Notwithstanding anything to the contrary, during any period while at least 48 units in the Property are subject to income and rent limitations under the Tax Credit Law, evidence of compliance with such Tax Credit Law requirements filed with the Authority at least annually will satisfy any requirements otherwise

imposed under this Declaration. During any portion of the Qualified Project Period as defined herein when the Tax Credit Law income and rent restrictions do not apply to the Property, this Declaration controls.

Drafted by:

Kennedy & Graven Chartered (SJB)
470 U.S. Bank Plaza
Minneapolis, MN 55406

IN WITNESS WHEREOF, CHC has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

COMMUNITY HOUSING COALITION
a Minnesota non-profit corporation

By _____
Its _____

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2011, by _____, the _____ of Community Housing Coalition, a Minnesota non-profit corporation, on behalf of the corporation.

Given under my hand and official seal this _____ day of _____, 2011.

Notary Public

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

EXHIBIT A

Legal Description

The land referred to is situated in the State of Minnesota, County of Hennepin, and is described as follows:

[Remainder of this page is intentionally left blank.]

EXHIBIT B

Certification of Tenant Eligibility

(INCOME COMPUTATION AND CERTIFICATION)

Project: [Address]

Owner:

Unit Type: _____ 1 BR _____ 2 BR _____ 3 BR

1. I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons (including minors) who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

Name of Members of the Household	Relationship To Head of Household	Social Security Number	Age	Place of Employment
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Income Computation

2. The anticipated income of all the above persons during the 12-month period beginning this date,

(a) including all wages and salaries, overtime pay, commissions, fees, tips and bonuses before payroll deductions; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); interest and dividends; the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; but

(b) excluding casual, sporadic or irregular gifts; amounts which are specifically for or in reimbursement of medical expenses; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs,

is as follows: \$_____.

3. If any of the persons described above (or whose income or contributions was included in item 2) has any savings, bonds, equity in real property or other form of capital investment, provide:

(a) the total value of all such assets owned by all such persons:
\$_____;

(b) the amount of income expected to be derived from such assets in the 12 month period commencing this date: \$_____; and

(c) the amount of such income which is included in income listed in item 2:
\$_____.

4. (a) Will all of the persons listed in item 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

(b) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

THE UNDERSIGNED HEREBY CERTIFY THAT THE INFORMATION SET FORTH ABOVE IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGE THAT THE LEASE FOR THE UNIT TO BE OCCUPIED BY THE UNDERSIGNED WILL BE CANCELLED UPON 10 DAYS WRITTEN NOTICE IF ANY OF THE INFORMATION ABOVE IS NOT TRUE AND CORRECT.

Head of Household

Spouse

Subscribed and sworn to before me this ____ day of _____, 2011.

(Notary Seal)

Notary Public in and for the

State of _____

My Commission Expires: _____

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

FOR COMPLETION BY OWNER
(OR ITS MANAGER) ONLY

1. Calculation of Eligible Tenant Income:

(a) Enter amount entered for entire household in 2 above: \$_____

(b) If the amount entered in 3(a) above is greater than \$5,000, enter the greater of (i) the amount entered in 3(b) less the amount entered in 3(c) or (ii) 10% of the amount entered in 3(a): \$_____

(c) TOTAL ELIGIBLE INCOME (Line 1(a) plus Line 1(b)): \$_____

2. The amount entered in 1(c) is less than or equal to _____ 60% of median income for the area in which the Project is located, as defined in the Declaration. 60% is necessary for status as a "Qualifying Tenant" under Section 3(a) of the Declaration.

3. Rent:

(a) The rent for the unit is \$_____.

(b) The amount entered in 3(a) is less than or equal to the maximum rent permitted under the Declaration.

4. Number of apartment unit assigned: _____.

5. This apartment unit was ____ was not ____ last occupied for a period of at least 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit was less than or equal to 60% of Median Income in the area.

6. Check as applicable: _____ Applicant qualifies as a Qualifying Tenant (tenants of at least 48 units must meet), or ____ Applicant otherwise qualifies to rent a unit.

THE UNDERSIGNED HEREBY CERTIFIES THAT HE/SHE HAS NO KNOWLEDGE OF ANY FACTS WHICH WOULD CAUSE HIM/HER TO BELIEVE THAT ANY OF THE INFORMATION PROVIDED BY THE TENANT MAY BE UNTRUE OR INCORRECT.

NAME OF OWNER,
a Minnesota _____

By _____
Its _____

EXHIBIT C

Certificate of
Continuing Program Compliance

Date: _____, _____.

The following information with respect to the Project located at _____, Minnetonka, Minnesota (the "Project"), is being provided by Duffy Entity (the "Owner") to the Economic Development Authority in and for the City of Minnetonka, Minnesota (the "Authority"), pursuant to that certain Declaration of Restrictive Covenants dated as of _____, 20____ (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 64. The total number of such units occupied is _____.

(B) The following residential units (identified by unit number) have been designated for occupancy by "Qualifying Tenants," as such term is defined in the Declaration (for a total of ____units):

1 BR Units:

2 BR Units:

3 BR Units:

(C) The following residential units which are included in (B) above, have been re-designated as units for Qualifying Tenants since _____, 20____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the Authority by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by Qualifying Tenants based on the information set forth below:

Unit Number	Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	Date of Initial Occupancy	Rent
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
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22						
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27						
28						
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30						
31						
32						
33						
34						
35						
36						

37							
38							
39							
40							
41							
42							
43							
44							
45							
46							
47							
48							

(E) The Owner has obtained a “Certification of Tenant Eligibility,” in the form provided as EXHIBIT B to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent “Certification of Tenant Eligibility” for each Tenant named in (D) above who signed such a Certification since _____, _____, the date on which the last “Certificate of Continuing Program Compliance” was filed with the Authority by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least ___ months.

(G) The information provided in this “Certificate of Continuing Program Compliance” is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any “Certification of Tenant Eligibility” obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof at least 13 of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The rental levels for each Qualifying Tenant comply with the maximum permitted under the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner,
on _____, 2011.

COMMUNITY HOUSING COALITION,
a Minnesota non-profit corporation

By _____

Its _____

ASSISTANCE TO OTHER AFFORDABLE HOUSING PROJECTS

Name of Project	Year Built	Number of Affordable Units	Total TIF Assistance	Total Market Value***	% TIF Assistance	TIF Assistance per Affordable Unit	Years of Affordability	Assistance per Unit per Year
Beacon Hill	1994	62	\$1,300,000			\$20,967	15	\$1,397
West Ridge Market (Crown Ridge, Boulevard Gardens, Gables townhouses, West Ridge retirement)	1996/1997	185	\$8,514,000	\$57,289,400	15%	\$46,021	30	\$1,534
Minnetonka Mills Townhomes	1997	30	\$280,000	\$1,050,000	27%	\$9,333	30	\$311
Cedar Pointe Townhomes	1998	9	~\$512,000*	\$27,250,500	2%	\$56,888	15	\$3,792
Ridgebury	2000	56	\$3,243,000	\$26,399,900	12%	\$57,910	30	\$1,930
Glen Lake	2008-2011	43	~\$2,660,000	\$7,330,000 (Exchange only)	36% (Exchange only)	\$61,860 (All affordable units)	30	\$2,062 (All affordable units)
Beacon Hill**	1994/2010	62	\$1,184,000	\$11,643,200	10%	\$19,096	Up to 10	\$1,909
Duffy Development (proposed)	2012	48	\$1,050,000	\$5,120,000 (Estimated)	20%	\$21,875	30	\$729

*This is an approximate number based upon the average annual subsidy to date. Cedar Pointe townhomes has an affordable housing agreement in place rather than a TIF district.

**In 2010, the EDA/City Council opted to keep the Beacon Hill TIF district in place for another 10 years rather than decertifying it. From 2011-2015, the increment will be going back into the Beacon Hill project to maintain affordability. An additional five years, at a decreasing amount of increment, may be provided from 2016-2020.

***This is total market value (land and buildings) during the first year of full value (the year after construction typically).

EDAC Agenda Item #5
Meeting of March 24, 2011

Brief Description Housing Rehabilitation and Downpayment/Closing Cost Assistance programs

Recommendation Receive the update

Background

On January 27, and again on February 24, the EDAC reviewed two new housing programs using the HRA levy funds that have been set aside. In February, both the housing rehabilitation and downpayment/closing cost assistance programs, using the program details developed by the EDAC, were recommended for approval by the city council.

City Council approval

On March 7, the city council reviewed both of the housing programs as recommended by the EDAC. The city council did approve moving forward with both programs using the details developed by the EDAC, but added that there should be flexibility given in the types of additions allowed and suggested a scoring process be developed for the housing rehabilitation program applications. The council did also approve that the Greater Metropolitan Housing Corporation (GHMC) be the program administrator on behalf of the city.

Next steps

Staff will be meeting with GHMC later this month to begin discussions on the programs, the role that GHMC will have in administration, and to execute a contract to manage the program.

In response to the council's comments, modifications to the program details will be made. These modifications include:

- Specifically defining the goals of the programs in the program documents. This will allow for more effective evaluation of the programs when the performance and evaluation measures are reported.
- More flexibility will be given in the type of additions that will be allowed under the housing rehabilitation program. Additions for expansion of a one stall to a two stall garage, as well as additions due to overcrowding or changes in family circumstances (such as a parent/child moving in), were already proposed. More additions relating to modernization/flow of the home will also be allowed under the program. Specific details relating to types of additions allowed will be added to the program documents.

- The housing rehabilitation program will have a scoring evaluation for all applications. Not only will this help to determine which program best fits the applicant (such as CDBG or the new housing rehab program), but it will also help to target the funds to those homes which better meet the goals of the program.

The rollout of the programs is still slated for late spring/early summer in order to make the best use of the summer construction season. More details and updates will be provided to the EDAC as program development and implementation moves forward.

Originated by:

Julie Wischnack, AICP, Community Development Director
Elise Durbin, AICP, Community Development Supervisor

EDAC Agenda Item #6
Meeting of March 24, 2011

Brief Description: Staff Report

The purpose of the staff report is to provide EDAC Commissioners updates on other projects that are of interest to the EDAC or that the EDAC may have previously reviewed.

Southwest LRT

Staff has met with the project managers for the Southwest LRT project office for a “meet and greet”. It gave the two groups the opportunity to get to know each other, and also for the project managers to learn about the city’s issues relating to LRT project prior to preliminary engineering beginning, which looks to be in the next few months.

The community works project continues. Ms. Wischnack serves as the co-chair of the Technical Implementation Committee for the community works process. Refining the work plan and how it will meet the goals of the various grants helping to fund it continues and is nearly complete. A vision for the Southwest LRT corridor is also being developed.

Transit Study

The city council will be reviewing a draft of the transit study and the recommendations at their meeting on March 21. Staff will provide an update at the EDAC meeting.

Minnetonka Open to Business Program

Beginning in May, the Open to Business program will have a new component, a “Test Drive your Idea”. This will be offered at the Minnetonka Community Center one day per month and will allow people to walk in and have a 15 minute consultation with a business advisor—for free.

St. Therese (The Glenn by St. Therese)

Per the redevelopment agreement with St. Therese, special marketing efforts were to be made to Minnetonka residents for the first 90 days, prior to general marketing. This marketing plan has been submitted to staff, and includes such efforts as promotional meetings at area churches, direct mailings, and publications in local newspapers. At this time, over half of the independent units are pre-leased, and of those units leased, 40% are to existing Minnetonka residents.

1707 Hopkins Crossroad (Southeast corner of I-394/Wayzata Blvd/CR 73)

This property was one that the city bought in 2009 to facilitate the construction of pedestrian connections related to the Crest Ridge Corporate Center. The city bought it with the condition that it could sell the property to Homes Within Reach, which occurred in August 2010. Since that time HWR has been rehabilitating the home, and will be

2011 EDAC Meetings
Updated March 17, 2011

Meeting Date Meetings at 6:00pm unless otherwise noted	Item Description	Room/Special Notes
Thursday, March 24	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>Duffy Development</i> • <i>Housing program recap</i>
Thursday, April 28	Regular EDAC Meeting	Council Chambers
Thursday, May 26	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>U of MN Shady Oak Station project final</i>
Thursday, June 23	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>2012 Budget review (annually)</i> • <i>Receive update on MCCD program from MCCD staff</i>
Thursday, July 28	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>2012 HRA Levy (annually)</i>
Thursday, August 25	Regular EDAC Meeting	Council Chambers
Thursday, September 22	Regular EDAC Meeting	Council Chambers
Thursday, October 27	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>2012 Non-profit funding (annually)</i> • <i>2012 HRA levy (annually)</i> • <i>Review MCCD program</i>
Thursday, December 22	Regular EDAC Meeting	Council Chambers <ul style="list-style-type: none"> • <i>2012 EDAC work plan (annually)</i>

**Note: This schedule is tentative and subject to change.

Other Potential Agenda Items

- Continuous updates: LRT Preliminary Engineering and Community Works project
- Introduction to TIF and Tax Abatement
- Homes Within Reach presentation/update
- TIF Management Review and Analysis (annually)
- Introduction to TIF pooling
- Follow up items related to the transit study

PROJECT UPDATE

Affordable Housing

2011-2020 Affordable and Lifecycle Housing Goals

	Goals (2011-2020)	Results	Percent of Goals Achieved
New Affordable Units (rental & ownership)	246 to 378	0	0%
New Lifecycle Units	375 to 800	0	0%

Housing Project Updates

Project	Total Units	Affordable Units	Update
Sanctuary	23	4	Construction of the fourth affordable unit is still pending.
Glen Lake	248	41	<ul style="list-style-type: none"> • All 11 affordable units at The Oaks of Glen Lake (Exchange building) are occupied. • St. Therese (senior facility) is under construction. Marketing efforts are underway.
Homes Within Reach			42 Minnetonka units, 82 units total.

Transit

- 2010 Transit Study is nearing completion.
- Southwest LRT Community Works process continues.
- Still awaiting approvals for Southwest LRT to enter into preliminary engineering

Economic Development/Business

- Marketing for the Minnetonka Open to Business program continues. Several contacts from these marketing efforts have already been made.

Other Projects (Detailed information can be found at www.eminnetonka.com)

Project	Description	Status
Shady Oak Road	Reconstruction from Co Rd 3 to Hwy 7	Met Council Transportation Advisory Board approved \$7 million for this project. Construction in 2014.
Bren Road/Hwy 169 interchange	Reconstruction Bren Road bridge over Highway 169	Advertisement for bids is underway. Bid opening is March 9
UnitedHealth Group	Phase 2 Building Expansion 354,000 square foot, 10-story tower	Footings are being poured

Updated March 17, 2011