

Agenda
Edina Housing and Redevelopment Authority
City of Edina, Minnesota
City Hall, Council Chambers
Thursday, November 17, 2022
7:30 AM

**Watch the meeting on cable TV or at EdinaMN.gov/LiveMeetings or
Facebook.com/EdinaMN.**

To Participate in Community Comment
Call 786-496-5601
Enter Conference PIN 6778494#

Press *1 on your telephone keypad when you would like to get in the queue to speak.
An operator will introduce you when it is your turn.

- I. Call to Order
- II. Roll Call
- III. Pledge of Allegiance
- IV. Approval of Meeting Agenda
- V. Community Comment

During "Community Comment," the Edina Housing and Redevelopment Authority (HRA) will invite residents to share new issues or concerns that haven't been considered in the past 30 days by the HRA or which aren't slated for future consideration. Individuals must limit their comments to three minutes. The Chair may limit the number of speakers on the same issue in the interest of time and topic. Generally speaking, items that are elsewhere on today's agenda may not be addressed during Community Comment. Individuals should not expect the Chair or Commissioners to respond to their comments today. Instead the Commissioners might refer the matter to staff for consideration at a future meeting.

- VI. Adoption of Consent Agenda

All agenda items listed on the consent agenda are considered routine and will be enacted by one motion. There will be no separate discussion of such items unless requested to be removed from the Consent Agenda by a Commissioner of the HRA. In such cases the item will be removed from the Consent Agenda and considered immediately following the adoption of the Consent Agenda. (Favorable rollcall vote of majority of Commissioners present to approve.)

- A. Draft Minutes from October 13, 2022
- B. 4040 W. 70th Acquisition Loan Forgiveness
- C. Certificate of Completion - Brainerd Enterprises LLC dba Mann Theatres
- VII. Reports/Recommendations: (Favorable vote of majority of Commissioners present to approve except where noted)
 - A. Loan Agreement with Edina Chamber of Commerce
 - B. Updated Tax Increment Financing Policy
- VIII. Executive Director's Comments
 - A. Potential Programs for SPARC Fund
 - B. HRA Project Status Update
 - C. Pentagon Village Lot 4 - Update
 - D. Status Report on Implementing Housing Strategy Task Force Recommendations
- IX. HRA Commissioners' Comments
- X. Adjournment

The Edina Housing and Redevelopment Authority wants all participants to be comfortable being part of the public process. If you need assistance in the way of hearing amplification, an interpreter, large-print documents or something else, please call 952-927-8861 72 hours in advance of the meeting.



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VI.A.

To: Chair & Commissioners of the Edina HRA

Item Type:
Minutes

From: Liz Olson, Administrative Support Specialist

Item Activity:
Action

Subject: Draft Minutes from October 13, 2022

ACTION REQUESTED:

INTRODUCTION:

ATTACHMENTS:

Draft Minutes from October 13, 2022

**MINUTES
OF THE REGULAR MEETING OF THE
EDINA HOUSING AND REDEVELOPMENT AUTHORITY
OCTOBER 13, 2022
7:30 A.M.**

I. CALL TO ORDER

Chair Hovland called the meeting to order at 7:34 a.m. then explained the processes created for public comment.

II. ROLL CALL

Answering roll call were Commissioners Anderson, Jackson, and Chair Hovland.

Absent: Commissioners Pierce and Staunton.

III. PLEDGE OF ALLEGIANCE

IV. MEETING AGENDA APPROVED – AS PRESENTED

Motion by Commissioner Jackson, seconded by Commissioner Anderson, approving the meeting agenda as presented.

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

V. COMMUNITY COMMENT

No one appeared.

VI. CONSENT AGENDA ADOPTED – AS PRESENTED

Member Jackson made a motion, seconded by Member Anderson, approving the consent agenda as presented:

V.A. Approve Draft Minutes of the Regular Meeting of September 15, 2022

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

VII. REPORTS AND RECOMMENDATIONS

VII.A. APPROVAL OF MULTIFAMILY AFFORDABLE HOUSING PROPERTY TAX RELIEF AND ENERGY EFFICIENT GRANT PROGRAM VERSION 2022 – APPROVED

Affordable Housing Development Manager Hawkinson stated in 2018 and 2019 staff proposed property tax relief program 4d to help preserve Naturally Occurring Affordable Housing (NOAH) apartments. She outlined associated plans adopted since 2018 and noted only one property, containing 23 units, signed on. With the passage of the Climate Action Plan and the associated requirement that apartment buildings must undergo energy bench marking, staff redesigned the program to help NOAH apartments achieve bench marking goals while also preserving the affordability of their buildings. She outlined preservation of NOAH properties in detail, housing cost-burdened renters, and said no additional funds were being sought at this time. She explained that 4d referred to low income rental classification of .0075% and that in order to qualify the City must provide financing to the rental housing property as evidenced by a recorded document then shared examples of how property taxes could be saved.

Sustainability Manager Hancock spoke about the Resilient Homes Grant program that met CAP goals and reasons for the need that included a greater energy burden for households with lower incomes, less efficient than market rate housing, and that a large portion of properties were near

transit routes and amenities. She outlined the goal to reduce energy burden for renters then listed eligible projects such as insulation, heating system replacements, and others.

Ms. Hawkinson reviewed the financial information that included program cost, source and use of funds, and administration fee as conducted by the Center for Energy and Environment. She outlined expected impact that would preserve NOAH housing, retain the City's tax levy, and accelerate meeting CAP goals.

The Council asked questions and provided feedback.

Motion by Commissioner Jackson, seconded by Commissioner Anderson, to approve the Multifamily Affordable Housing Property Tax Relief and Energy Efficient Grant Program Version 2022 as presented.

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

VII.B. \$150,000 MATCHING GRANT TO EDINA HOUSING FOUNDATION FOR FIRST GENERATION DOWN PAYMENT ASSISTANCE PROGRAM – APPROVED

Ms. Hawkinson stated the Edina Housing Foundation was seeking a \$150,000 grant to match the \$150,000 they committed to the First Generation down payment assistance program. Since the program's adoption in November 2021, seven home buyers have benefited from these funds which augment the Come Home 2 Edina program. As the First Generation loan was forgiven, and the Foundation did not have a revenue stream, staff was seeking assistance from the HRA in order to assist twice as many home buyers. She reviewed loan data in detail and said five properties had taken advantage of the program and recommended the match be granted.

The Council asked questions and provided feedback.

Motion by Commissioner Jackson, seconded by Commissioner Anderson, to approve a \$150,000 grant to the Edina Housing Foundation for their First Generation Down Payment Assistance Program as presented.

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

VII.C. APPROVE LOAN TERMS FOR EDINA INNOVATION LAB – APPROVED

Economic Development Manager Neuendorf stated this item pertained to the renovation and re-occupancy of vacant commercial space located at 7201 Metro Avenue. The Edina Chamber of Commerce intended to lease the space and use it to establish the Edina Innovation Lab. This proposal was consistent with goals expressed in the 2015 Vision Edina and the 2018 Comprehensive Plan. He said staff prepared a proposal to which the Edina Chamber of Commerce was agreeable to the terms. He outlined the need for incubator space for small businesses to thrive and outlined proposed funds through SPARC and said the Edina Chamber of Commerce was conducting a pilot program then outlined the capital fund for space and operation funds. He said the Chamber had a letter of intent in preparation for a lease then reviewed a summary of loan terms for a seven-year lease minimum and loan amount not to exceed \$800,000 at 2% simple interest. Mr. Neuendorf said staff was recommending up to \$200,000 loan forgiveness as this was a program needed in the City.

Lori Syverson, Executive Director Edina Chamber of Commerce, shared their review of several models which was modified to include an accelerator program but was difficult to sustain revenue-generation model long-term and explained how the new program was intended to help businesses

that survived the pandemic take the next step. She spoke about how they intend to expand the program to leadership and purpose in order to raise funds and continue to move forward.

Paul Mooty, Edina Chamber of Commerce Board of Directors, said this program was already occurring and that others wanted to participate and said they had reviewed the program and was confident it would work and help businesses grow. He spoke about connections for businesses and sponsorships and how the program would be financially sound and result in the cohort model so the program would be self-sustaining in year two.

The Council asked questions and provided feedback.

Motion by Commissioner Anderson to move to continue consideration to authorize staff and engage legal advisor to prepare Loan Agreement with the Edina Chamber of Commerce based on the recommended terms. Motion died for lack of a second.

Motion by Commissioner Jackson, seconded by Commissioner Anderson, to authorize staff and engage legal advisor to prepare Loan Agreement with the Edina Chamber of Commerce based on the recommended terms.

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

VIII. HRA COMMISSIONERS' COMMENTS – Received

IX. EXECUTIVE DIRECTOR'S COMMENTS – Received

IX.A. OPEN TO BUSINESS MID-YEAR REPORT

X. ADJOURNMENT

Motion made by Commissioner Jackson, seconded by Commissioner Anderson, to adjourn the meeting at 9:24 a.m.

Roll call:

Ayes: Anderson, Jackson, and Hovland

Motion carried.

Respectfully submitted,

Scott Neal, Executive Director



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VI.B.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Stephanie Hawkinson, Affordable Housing
Development Manager

Item Activity:

Subject: 4040 W. 70th Acquisition Loan Forgiveness

Action

ACTION REQUESTED:

Approved the forgiveness of the \$3,650,000 loan with the Edina Housing Foundation per the First Amendment to Loan Documents and authorize execution of forgiveness.

INTRODUCTION:

On November 23, 2020 The HRA executed a First Amendment to Loan Documents for 4040 West 70th Street upon the Edina Housing Foundations fulfillment of the following conditions:

- (i) The Selected Developer shall have receive all governmental approvals and entitlements necessary to construct the Proposed Project on the Property;
- (ii) The Selected Developer shall have closed on, or otherwise secured binding commitments for, all financing necessary for the construction of the Proposed Project; and
- (iii) Borrower and the Selected Developer shall have executed and recorded the Ground Lease against the Property, which Ground Lease shall (A) restrict the use of the Property for affordable housing purposes in a manner consistent with at least the minimum levels of affordability described in this Amendment for the entire term of the Ground Lease; (B) be senior to any mortgage or other lien on the Property (except for property taxes and assessments not yet due and payable); (C) include a requirement that the term of the Ground Lease and affordable housing use restrictions therein not be amended without the prior written consent of the HRA; and (D) contain such other terms and conditions which are consistent with this Amendment and otherwise negotiated between Borrower and the Selected Developer the Ground Lease terms and conditions described herein.

As these conditions have been met, the loan shall be forgiven.

ATTACHMENTS:

Termination of Loan and Note

First Amendment to Loan Documents

Condition 1: Site Improvement Performance Agreement

Condition 2: Secured Financing

Condition 3: Ground Lease

Termination of Loan Agreement and Promissory Note
(4040 West 70th Street)

This Termination of Loan Agreement and Promissory Note (this “Termination”) is made as of **November 17, 2022** (the “Effective Date”) by and between the **Housing and Redevelopment Authority of Edina, Minnesota**, a public body corporate and politic organized and existing under the laws of the state of Minnesota (the “HRA” or “Lender”) and the **East Edina Housing Foundation**, a Minnesota nonprofit corporation (“Borrower”).

Recitals:

A. Lender and Borrower entered into that certain Loan Agreement dated June 1, 2020 (as the same may be amended, modified, supplemented or replaced from time to time, the “Loan Agreement”) pursuant to which Lender made a loan to Borrower in the amount of **\$3,650,000.00** (the “Loan”), which Loan is evidenced by that certain Promissory Note dated June 1, 2020 executed by Borrower in favor of Lender (as the same may be amended, modified, supplemented or replaced from time to time, the “Note”), which Note is secured by that certain Mortgage, Assignment of Rents, Security Agreement, and Fixture Financing Statement dated June 1, 2020 from Borrower to Lender, recorded on June 5, 2020 as Document No. T05714416, in the Office of the Registrar of Titles, Hennepin County, Minnesota (as the same may be amended, modified, supplemented or replaced from time to time, the “Mortgage”), and encumbering certain improved real property located at 4040 70th Street West, Edina, Minnesota, legally described in the Loan Agreement (collectively, the “Property”).

B. As provided in the Loan Agreement, the HRA, as Lender, agreed to loan, and Borrower agreed to borrow, the Loan to finance Borrower’s acquisition of the Property for affordable housing purposes.

C. As further provided in the Loan Agreement, the HRA, as Lender, agreed to forgive the Loan and terminate the Loan Agreement and Note and release the Mortgage if Borrower entered into a 99-year ground lease for the Property, with Borrower, as lessor, and the “Selected Developer” (as defined in the Loan Agreement), as lessee (the “Ground Lease”), pursuant to which the Selected Developer would develop, construction, own, and operate an affordable housing project on the Property consisting of an 100% affordable, age-restricted, senior housing community, to be rented to tenants at a mix of levels of affordability, with the overall average of the tenants’ income not to exceed 60% of AMI for the entire 99-year term of the Ground Lease, and which otherwise meets the requirements of the Loan Agreement (the “Required Project”),

D. As of the date hereof, Borrower and the Selected Developer have entered into the Ground Lease upon the terms and conditions of the Loan Agreement, and Selected Developer has (i) obtained all required governmental approvals and entitlements necessary to construct the Required Project, (ii) closed on all financing necessary for the construction of the Required Project, (iii) commenced construction the Required Project on the Property, and (iv) otherwise satisfied the Forgiveness Conditions under the Loan Agreement.

E. Accordingly, the HRA, as Lender, has agreed to forgive the Loan and terminate the Loan Agreement and Note and release the Mortgage, all upon the terms set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby affirms and agrees as follows:

1. Termination and Release. Upon and effective as of the Effective Date, Lender confirms that: (a) the full amount of principal and interest outstanding on the Note is fully discharged and cancelled, (b) Borrower is released from all obligations under the Note, the Mortgage, and the Loan Agreement, and (c) all liens and security interests in any and all collateral in which the Borrower has granted a security interest to Borrower are automatically released, satisfied and of no further force and effect. Borrower acknowledges receipt of a recordable satisfaction of the Mortgage delivered to Borrower by Lender prior to the date hereof. Borrower hereby acknowledges and agrees that Lender shall have no further obligations to make any advances whatsoever under the Loan Agreement and that the Loan Agreement is terminated in all respects.

2. Delivery of Original Note. Lender shall promptly return to Borrower the original Note in its possession.

3. Due Authorization. Lender and Borrower each have all requisite power and authority to execute this Termination, and this Termination has been duly executed and delivered by Lender and Borrower and constitutes the legal, valid and binding obligation of Lender and Borrower, respectively, enforceable in accordance with its terms.

4. Governing Law. This Termination is delivered in and made and shall in all respects be construed according to the laws of the State of Minnesota.

5. Successors and Assigns. This Termination and each and every part hereof shall be binding upon the parties hereto and upon their administrators, representatives, executors, successors and assigns..

6. Superseding Effect. This Termination supersedes any and all prior agreements regarding payment of the Note and the Loan.

7. Counterparts. This Termination may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument, and the parties hereby acknowledge and agree that electronic signatures, including execution using DocuSign, Adobe Sign, or signatures transmitted by email in PDF format shall be legal and binding and shall have the same full force and effect as if an original of these resolutions had been delivered.

[Remainder of Page Intentionally Left Blank. Signature Pages Follows]

IN WITNESS WHEREOF, Lender and Borrower have caused this Termination to be duly executed in their names and on their behalf, all on or as of the date first above written.

LENDER:

Housing and Redevelopment Authority of Edina, Minnesota, a public body corporate and politic organized and existing under the laws of the state of Minnesota

By: _____
James B. Hovland, Chair

By: _____
Scott H. Neal, Executive Director

BORROWER:

East Edina Housing Foundation,
a Minnesota nonprofit corporation

By: _____

Name: _____

Its: _____

By: _____

Name: _____

Its: _____

First Amendment to Loan Documents
(4040 West 70th Street)

This First Amendment to Loan Documents (this "Amendment") is made and entered into effective November 23, 2020, by and between the **Housing and Redevelopment Authority of Edina, Minnesota**, a public body corporate and politic organized and existing under the laws of the state of Minnesota (the "HRA" or "Lender") and the **East Edina Housing Foundation**, a Minnesota nonprofit corporation ("Borrower").

Recitals:

A. Lender and Borrower entered into that certain Loan Agreement dated June 1, 2020 (as the same may be amended, modified, supplemented or replaced from time to time, the "Original Loan Agreement") pursuant to which Lender made a loan to Borrower in the amount of **\$3,650,000.00** (the "Loan"), which Loan is evidenced by that certain Promissory Note dated June 1, 2020 executed by Borrower in favor of Lender (as the same may be amended, modified, supplemented or replaced from time to time, the "Note"), which Note is secured by that certain Mortgage, Assignment of Rents, Security Agreement, and Fixture Financing Statement dated June 1, 2020 from Borrower to Lender, recorded on June 5, 2020 as Document No. T05714416, in the Office of the Registrar of Titles, Hennepin County, Minnesota (as the same may be amended, modified, supplemented or replaced from time to time, the "Mortgage"), and encumbering certain improved real property located at 4040 70th Street West, Edina, Minnesota, legally described on the attached **Exhibit A** (collectively, the "Property")

B. In accordance with Article 2 of the Original Loan Agreement, Borrower has identified an Affordable Housing Developer to develop the Project on the Property, such Affordable Housing Developer being LUPE DEVELOPMENT PARTNERS, LLC, a Minnesota limited liability company ("Lupe"), and ECUMEN, a Minnesota nonprofit corporation ("Ecumen"), and together with Lupe, or their permitted successor or assign, collectively, the "Selected Developer").

C. Borrower and the Selected Developer have entered into that certain Affordable Housing Development and Ground Lease Option Agreement (the "Development and Option Agreement"), pursuant to which Borrower has granted the Selected Developer the exclusive rights to:

- (i) pursue and develop a Project on the Property consisting of an 100% affordable, age-restricted, senior housing community, to be rented to tenants at a mix of levels of affordability, with the overall average of the tenants' income not to exceed 60% of AMI, and which otherwise meets the requirements of the Project under the Loan Agreement (the "Proposed Project"), and
- (ii) enter into a 99-year ground lease for the Property, with Borrower, as lessor, and the Selected Developer, as lessee (the "Ground Lease"), pursuant to which the Selected Developer will own the Proposed Project, operate the Proposed Project through a management agreement with a qualified operator affiliated with Ecumen, and use the Property exclusively for the Proposed Project with the above affordability levels for the full term of the Ground Lease, and the expiration of the Ground Lease, the Proposed Project will revert to Borrower.

D. The financial feasibility of the Proposed Project and the long-term preservation of affordable housing on the Property through the Ground Lease, as contemplated in the Development and Option Agreement, is conditioned on Lender agreeing to forgive the Loan, and Lender is willing to forgive the Loan in exchange for achieving such long-term preservation of affordable housing on the Property, all

upon the terms and conditions set forth in this Amendment.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Recitals; Defined Terms. The Recitals are incorporated into this Amendment by this reference, including the definitions set forth therein. Terms capitalized in this Amendment, but not otherwise defined, have the meanings given to them in the Original Loan Agreement. The "Loan Agreement" is the Original Loan Agreement as amended by this Amendment.

1. Conditional Forgiveness of the Loan.

(a) Forgiveness Conditions. In accordance with Section 1(b), and notwithstanding anything to the contrary in the other Loan Documents, Lender shall forgive the Loan upon satisfaction of all the following conditions (collectively, the "Forgiveness Conditions"):

(i) The Selected Developer shall have receive all governmental approvals and entitlements necessary to construct the Proposed Project on the Property;

(ii) The Selected Developer shall have closed on, or otherwise secured binding commitments for, all financing necessary for the construction of the Proposed Project; and

(iii) Borrower and the Selected Developer shall have executed and recorded the Ground Lease against the Property, which Ground Lease shall (A) restrict the use of the Property for affordable housing purposes in a manner consistent with at least the minimum levels of affordability described in this Amendment for the entire term of the Ground Lease; (B) be senior to any mortgage or other lien on the Property (except for property taxes and assessments not yet due and payable); (C) include a requirement that the term of the Ground Lease and affordable housing use restrictions therein not be amended without the prior written consent of the HRA; and (D) contain such other terms and conditions which are consistent with this Amendment and otherwise negotiated between Borrower and the Selected Developer the Ground Lease terms and conditions described herein.

(b) Forgiveness Procedure. Promptly following the satisfaction of all the Forgiveness Conditions by Borrower and/or the Selected Developer, Borrower shall deliver reasonable evidence of such satisfactions to Lender and a request that Lender forgive the Loan in accordance with this Amendment. Promptly following such request, Lender shall confirm whether the Forgiveness Conditions have been satisfied, and if so satisfied, Lender shall deliver to Borrower executed originals of the following documents:

(i) a cancellation of the Note and termination of the Loan Agreement; and

(ii) a satisfaction of the Mortgage in recordable form.

2. Modification of the Terms of the other Loan Documents. All references to the "Loan Agreement" in the other Loan Documents (e.g., the Note and Mortgage) shall refer to the Loan Agreement as amended by this Amendment. All references to such other Loan Documents (e.g., the Note and Mortgage) in the Loan Agreement shall refer to such other Loan Documents as amended by this Amendment.

IN WITNESS WHEREOF, Lender and Borrower have caused this Amendment to be duly executed in their names and on their behalf, all on or as of the date first above written.

LENDER:

Housing and Redevelopment Authority of Edina, Minnesota, a public body corporate and politic organized and existing under the laws of the state of Minnesota

By: 
James B. Hovland, Chair

By: 
Scott H. Neal, Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 13th day of November, 2020, by James B. Hovland and Scott H. Neal, the Chair and Executive Director, respectively, of the Housing and Redevelopment Authority of Edina, Minnesota, a public body corporate and politic organized and existing under the laws of the state of Minnesota, on behalf of said Authority.




Notary Public

BORROWER:

East Edina Housing Foundation,
a Minnesota nonprofit corporation

By: [Signature]
Name: Jerome P. Gilligan
Its: Vice President

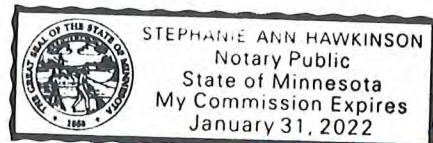
By: [Signature]
Name: MARY KAY McNEE
Its: Secretary

STATE OF Minnesota)
) ss.
COUNTY OF Hennepin)

The foregoing instrument was acknowledged before me this 23 day of November, 2020, by Jerome P. Gilligan, the VICE President of East Edina Housing Foundation, a Minnesota nonprofit corporation, on behalf of the corporation.

[Signature]
Notary Public

STATE OF Minnesota)
) ss.
COUNTY OF Hennepin)



The foregoing instrument was acknowledged before me this 23 day of November, 2020, by Mary Kay McNea, the Secretary of East Edina Housing Foundation, a Minnesota nonprofit corporation, on behalf of the corporation.

[Signature]
Notary Public

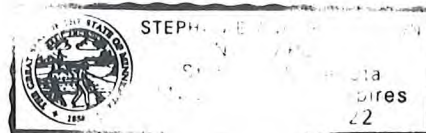


Exhibit A

Legal Description of the Property

Tract C, Registered Land Survey No. 1365, Hennepin County, Minnesota

Torrens Property

(reserved for recording information)

**SITE IMPROVEMENT PERFORMANCE AGREEMENT
CITY OF EDINA
4040 WEST 70TH STREET**

THIS **SITE IMPROVEMENT PERFORMANCE AGREEMENT** (“Agreement”) dated October 19, 2021, by and between the **CITY OF EDINA**, a Minnesota municipal corporation (“City”) and **CORNELIA VIEW APARTMENTS, LLC** a Minnesota limited liability company (the “Developer”).

1. BACKGROUND.

A. Developer has applied to redevelop **Tract C, Registered Land Survey No. 1365, Hennepin County Minnesota** (*torrens COT 1511530*), in the City of Edina, State of Minnesota (“Subject Property”), into a three to four story, 118-unit senior affordable housing project with 86 underground parking spaces and 22 surface parking stalls (the “Project”).

B. The City has rezoned the Subject Property to Planned Unit Development (“PUD”). The Project is in accordance with the PUD. A Site Improvement Performance Agreement is required for the PUD.

2. RIGHT TO PROCEED. On the Subject Property, the Developer may not grade or otherwise disturb the earth, remove trees, construct public or private improvements, or any buildings until all the following conditions have been satisfied: (1) this Agreement has been fully executed by both parties and filed with both the City Clerk and the Hennepin County Registrar's Office, (2) the required security has been received by the City, and (3) the required insurance certificate has been received by the City.

3. PLANS. The Subject Property shall be developed in accordance with the following Plans which are on file with the City. The Plans shall not be attached to this Agreement. If the Plans vary from the written terms of this Agreement, the written terms shall control. The Plans are:

- Erosion Control Plan date stamped August 20, 2021 prepared by Kimley-Horn and Associates
- Final Development Plan date stamped August 20, 2021 prepared by Pope Architects and/or Kimley-Horn and Associates
- Utility Plans date stamped August 20, 2021 prepared by Kimley-Horn and Associates
- Details Plan date stamped August 20, 2021 prepared by Kimley-Horn and Associates
- Design and Building Plan date stamped August 20, 2021 prepared by Pope Architects and/or Kimley-Horn and Associates
- Final Landscaping Plan date stamped August 20, 2021 prepared by Kimley-Horn and Associates
- Parking Plan date stamped August 20, 2021 prepared by Pope Architects, Inc. or its subcontractors
- Traffic Impact Study and adopted traffic requirements in final plan approval dated May 6, 2021 prepared by Wenck Associates

The Developer may for construction convenience and efficiency change the final composition of exterior materials that are not unit masonry, by up to five percent (5%) between metal and steel panel and may alter total fenestration by up to three percent (3%). The Developer may request other changes to the Plans. For Plan changes deemed minor, pursuant to City ordinances, changes can be reviewed and approved by City staff. All other Plan changes shall require approval by the City Council.

4. EROSION CONTROL. Prior to initiating construction, the Erosion Control Plan shall be implemented by the Developer and inspected and approved by the City. The City may impose additional erosion control obligations if they would be reasonable and beneficial. All areas disturbed by the grading operations shall be stabilized per the Minnesota Pollution Control Agency ("MPCA") Stormwater Permit for Construction Activity. Seed shall be in accordance with the City's current seeding specification, which may include temporary seed to provide ground cover as rapidly as possible. All seeded areas shall be fertilized, mulched, and disc anchored as necessary for seed retention. The parties recognize that time is of the essence in controlling erosion. If the Developer does not comply with the MPCA Stormwater Permit for Construction Activity or with the Erosion Control Plan or any schedule of supplementary instructions received from the City, the City may take such action as it deems appropriate to control erosion. The City will endeavor to notify the Developer in advance of any proposed action, but failure of the City to do so will not affect the Developer's and City's rights or obligations hereunder. If the Developer does not reimburse the City for any cost the City incurred for such work within thirty (30) days of receipt of notice thereof, the City may draw on the letter of credit to pay any costs. No development or utility construction will be allowed on the Subject Property and no building permits will be issued for the Subject Property unless the Subject Property is in full compliance with the approved Erosion Control Plan. The City understands and agrees that certain measures (such as seeding) cannot be implemented during winter conditions. Developer will implement Best Management Practices during winter conditions.

5. LICENSE. The Developer hereby grants the City, its agents, employees, officers and contractors a license to enter the Subject Property to perform (a) all work permitted to be

performed by the City under this Agreement, and (b) all inspections deemed appropriate by the City in conjunction with site development.

6. **CONSTRUCTION ACCESS.** Construction traffic access and egress must be in accordance with the Construction Management Plan, which will be provided by the Developer's General Contractor and approved by the City prior to the commencement of construction.

7. **CONSTRUCTION ACTIVITY/HOURS.** Grading, construction activity, and the use of power equipment are prohibited between the hours of 7 o'clock p.m. and 7 o'clock a.m. The City may, at the City's discretion and at the Developer's expense, have one or more City inspectors and a soil engineer inspect the work on a part-time basis. The Developer, its contractors and subcontractors, shall follow all instructions received from the City's inspectors. The Developer's engineer or architect is responsible for design changes and contract administration between the Developer and the Developer's contractor. The Developer or its engineer or architect shall schedule a pre-construction meeting at a mutually agreeable time at the City with all parties concerned, including the City staff, to review the program for the construction work.

8. **DEWATERING.** Due to the variable nature of groundwater levels and stormwater flows, it is the Developer's responsibility to satisfy itself with regard to the elevation of groundwater and to perform any necessary dewatering and storm flow routing. All dewatering shall be in accordance with applicable laws and regulations.

9. **PUBLIC IMPROVEMENTS.** Improvements specifically designated as "Public Improvements" shall be those exclusively listed on Exhibit C, and which are exclusively for the benefit of the City or the Public. All other improvements by the Developer shall be "Private Improvements."

10. TIME OF PERFORMANCE. The Developer shall install the Public Improvements identified on Exhibit C of this Agreement within eighteen (18) months after issuance of the necessary permits for the Public Improvements, excluding unavoidable delay for acts of god, weather, Covid, labor, supply chain or material shortage.

11. OWNERSHIP OF IMPROVEMENTS. Upon completion of the work and construction required by this Agreement and final acceptance by the City Engineer, the Public Improvements shall become City property without further notice or action. Prior to acceptance of the Public Improvements by the City, the Developer must furnish the following affidavits:

- Contractor's Certificate
- Engineer's or Architect's Certificate
- Developer's Certificate

certifying that all construction has been completed in accordance with the terms of this Agreement. Upon receipt of affidavits and verification by the City Engineer, the City Engineer will accept the completed Public Improvements. Within thirty (30) days after the acceptance of the Public Improvements and before the security is released, the Developer shall supply the City with a complete set of reproducible record drawings. The City's standard specifications for utility construction identify the procedures for final acceptance of utilities.

12. CLEAN UP. Within 24 hours the Developer shall clean dirt and debris from streets that has resulted from construction work by the Developer, subcontractors, their agents or assigns. Prior to any construction in the Subject Property, the Developer shall identify in writing a responsible party for erosion control, street cleaning, and street sweeping.

13. CITY ENGINEERING ADMINISTRATION AND CONSTRUCTION OBSERVATION. The Developer shall pay for in-house engineering administration. City in-house engineering administration will include monitoring of construction observation,

consultation with Developer and its engineer on status or problems regarding the Project, coordination for final inspection and acceptance, Project monitoring during the warranty period, final inspection and acceptance, and processing of requests for reduction in security. City will provide accurate accounting for engineering staff time spent on the Project.

14. SECURITY REQUIREMENTS. To guarantee compliance with the terms of this Agreement, payment of the costs of all Public Improvements, and construction of all Public Improvements in accordance with the Plans, the Developer shall either deposit cash with the City or furnish the City with a letter of credit in the form attached hereto as **Exhibit A** (or some combination of cash and a letter of credit), from a bank in the total amount of fifty thousand dollars (\$50,000) ("Security"). The bank issuing the letter of credit shall be a financial institution selected by the Developer and subject to the approval of the City Manager, which shall not be unreasonably withheld. The City may draw down the Security, on five (5) business days written notice to the Developer, for any violation of the terms of this Agreement or without notice if the security is allowed to lapse prior to the end of the required term. If the Security is drawn down, the proceeds shall be used to cure the default. Upon receipt of proof satisfactory to the City that the Project has been substantially completed in accordance with the Plans and financial obligations to the City have been satisfied, with City approval the Security may be reduced from time to time by ninety percent (90%) of the financial obligations that have been satisfied. Ten percent (10%) of the Security shall be retained as security until all Public Improvements have been completed, all financial obligations to the City satisfied, the required "as constructed" plans have been received by the City, a warranty is provided, and the Public Improvements are accepted by the City Council. The City's standard specifications for utility and street construction outline procedures for security reductions.

15. WARRANTY. The Developer shall cause its contractor to warrant all Public Improvements required to be constructed by it pursuant to this Agreement against poor material and faulty workmanship. The warranty period for all Public Improvements is one year and shall commence following completion and acceptance by City Engineer. The Developer shall post or cause its contractor to post maintenance bonds or cash escrow in the amount of twenty-five percent (25%) of final certified construction costs of the Public Improvements to secure the warranties. The City shall retain ten percent (10%) of the security posted by the Developer until the maintenance bonds are furnished to the City or until the warranty period expires, whichever first occurs. The retainage may be used to pay for warranty work.

16. SPECIAL PROVISIONS.

A. The Developer shall comply with the conditions outlined in City Council Resolution No. 2021-44.

B. The Developer shall comply with the conditions outlined in the Director of Engineering's memo dated May 6, 2019 and the Transportation Engineer's memo dated May 6, 2019.

C. The Developer shall comply with the conditions outlined and in the Fire Marshal and Building Official's memo dated May 5, 2019, including all buildings to be equipped with sprinkler systems.

D. To the extent economically and reasonably possible, the Project's design and construction shall be done with the Sustainable Initiatives as outlined in the Applicants' Sustainability Questionnaire. Photovoltaic solar shall be an option at the sole discretion of the Developer based on availability of investment tax credits or other financing for same, and any

energy improvements are subject to receipt of the corresponding Conservation Improvement Program rebate grants reflected in the Developer's proforma.

E. The Final Landscape Plan and the Final Lighting Plan must meet all minimum requirements per Chapter 36 of the Zoning Ordinance and receive City's review and approval of each Plan.

F. Developer shall obtain and submit to the City for approval a copy of the Nine Mile Creek Watershed District permit prior to issuance of a building permit. The City may require revisions to the approved plans to meet the District's requirements.

G. The Developer shall comply with the Wenck Traffic Study recommendations

H. The Developer shall provide a performance bond, letter of credit or cash deposit to the City for one and one-half times the cost amount for completing the required landscaping, screening, or erosion control measures at the time of the first building permit.

17. RESPONSIBILITY FOR COSTS.

A. The Developer shall pay all reasonable costs incurred by it or the City in conjunction with the installation of the Public Improvements, including but not limited to the development of the site, legal, planning, engineering and inspection expenses incurred in connection with approval and development of the Subject Property, the preparation of this Agreement, review of any other plans and documents.

B. The Developer shall hold the City and its officers, employees, and agents harmless from claims made by itself and third parties for damages sustained or costs incurred resulting from Developer's development of the site and installation of Public Improvements, except for costs incurred as a result of the City's negligence or intentional misconduct. The Developer shall indemnify the City and its officers, employees, and agents for all costs, damages, or expenses

which the City may pay or incur in consequence of such claims, including reasonable attorneys' fees, except for costs, damages or expenses incurred as a result of the City's negligence or intentional misconduct, occurring during Developer's development of the Subject Property.

C. The Developer shall pay in full all bills submitted to it by the City for undisputed obligations incurred under this Agreement within thirty (30) days after receipt. If the undisputed bills are not paid on time, the City may halt site development and construction until the bills are paid in full. Undisputed bills not paid within thirty (30) days shall accrue interest at the rate of eight percent (8%) per year.

18. MISCELLANEOUS.

A. Third parties shall have no recourse against the City or the Developer under this Agreement.

B. Breach of the terms of this Agreement by the Developer shall be grounds for denial of building permits, including property conveyed to third parties.

C. If any portion, section, subsection, sentence, clause, paragraph, or phrase of this Agreement is for any reason held invalid, such decision shall not affect the validity of the remaining portions of this Agreement.

D. The action or inaction of the City shall not constitute a waiver or amendment to the provisions of this Agreement. To be binding, amendments or waivers shall be in writing, signed by the parties and approved by written resolution of the City Council. The City's failure to promptly take legal action to enforce this Agreement shall not be a waiver or release.

E. This Agreement shall run with the land and may be recorded against the title to the Subject Property. The Developer covenants with the City, its successors and assigns, that the Developer has obtained consents to this Agreement, in the form attached hereto, from all parties

who have an interest in the property; that there are no unrecorded interests in the property; and that the Developer will indemnify and hold the City harmless for any breach of the foregoing covenants.

F. The Developer shall cause its general contractor to acquire public liability and property damage insurance covering personal injury, including death, and claims for property damage which may arise out of the general contractor's work or the work of their subcontractors or by one directly or indirectly employed by any of them. Said public liability coverage from the general contractor shall be the primary coverage required under this agreement, and the priority of coverage shall be deemed the responsibility of the general contractor for the work. Limits for such insurance shall be in a combination single limit policy of \$1,000,000. The City shall be named as an additional insured on the policy on a primary and noncontributory basis, and the general contractor shall file with the City a certificate evidencing coverage.

The Developer shall name the City as an additional insured on the Developer's builder's risk insurance policy and associated liability policy for property damage insurance covering personal injury, including death, and claims for property damage which may arise out of the Developer's work, not otherwise covered by the general contractor's coverage, including personnel directly or indirectly employed by them. Said developer's builder's risk policy and any coverage provided thereto shall be subordinate to and secondary to any coverage provide by the general contractor, to the City. Limits for such insurance shall be in a combination single limit policy of \$1,000,000. The City shall be named as an additional insured on the policy on a primary and noncontributory basis, and the Developer shall file with the City a certificate evidencing coverage.

The Developer and contractors must provide a Certificate of Insurance which meets the following requirements:

1. The Description section of the Accord form needs to read "City of Edina is named as Additional Insured with respect to the General Liability and Auto Liability policies on a Primary and Non-Contributory Basis."
2. Certificate Holder must be City of Edina.
3. Provide a copy of the insurance certificate showing City of Edina named as Additional Insured on a Primary and Non-Contributory Basis.

These insurance coverages and the requirements hereunder shall be required until the Certificate of Completion is issued.

G. The Developer shall cause its general contractor and or their subcontractors to obtain Workmen's Compensation Insurance in accordance with the laws of the State of Minnesota, including Employer's Liability Insurance, to the limit of \$100,000 each accident. These insurance coverages and the requirements hereunder shall be required until the Certificate of Completion is issued.

H. Each right, power or remedy herein conferred upon the City is cumulative and in addition to every other right, power or remedy, express or implied, now or hereafter arising, available to City, at law or in equity, or under any other agreement, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the City and shall not be a waiver of the right to exercise at any time thereafter any other right, power or remedy.

I. The Developer represents to the City that the Public Improvements comply with all city, county, metropolitan, state, and federal laws and regulations, including but not limited to: subdivision ordinances, zoning ordinances, and environmental regulations. If the City determines that the Public Improvements do not comply, the City may, at its option, refuse to allow

construction or development work on the Subject Property until the Developer does comply. Upon the City's demand, the Developer shall cease work until there is compliance.

J. The Developer may not assign this Agreement to unrelated parties without the written permission of the City Council prior to issuance of the Certificate of Completion. Related parties for which assignment shall not require City consent shall include: the Borrower entity, the Lender, any General Partner and or Limited Partner of the Borrower entity, or constitute administrative members of such entity. The Developer's obligation hereunder shall continue in full force and effect even if the Developer sells one or more lots, the entire Subject Property, or any part of it.

K. An uncured breach of the terms of this Agreement by the Developer and the failure to cure such breach within the period provided in this Agreement, including nonpayment of billings from the City, shall be grounds for denial of building permits and certificates of occupancy, and the halting of all work on the property.

L. Upon completion of construction and issuance of certificate of occupancy, the City shall execute and deliver a recordable certificate confirming the satisfaction or completion of certain requirements contained in this Agreement.

19. DEVELOPER'S DEFAULT. In the event of default by the Developer, beyond the applicable notice and cure periods provided in this Agreement, as to any of the Public Improvement work to be performed by it hereunder, the City may, at its option, perform the work and the Developer shall promptly reimburse the City for any actual, out-of-pocket expense incurred by the City, provided the Developer, except in an emergency as determined by the City, is first given written notice of the work in default and the opportunity to cure, not less than thirty (30) days in advance. This Agreement is a license for the City to act, and it shall not be necessary

for the City to seek a Court order for permission to enter the land. When the City does any such work, the City may, in addition to its other remedies, assess the cost in whole or in part.

20. NOTICES. Required notices to the Developer shall be in writing, and shall be either hand delivered to the Developer or mailed to the Developer by certified mail at the following address:

Cornelia View Developers, LLC
c/o Ecumen
Shelley Kendrick, President
3530 Lexington Avenue North
Shoreview, MN 55426-8186

With copy to:

Lupe Development Partners, LLC
Attn: Steven Minn, Manager
1701 Madison Street NE, #111
Minneapolis, MN 55413-1480

Notices to the City shall be in writing and shall be either hand delivered to the City Manager, or mailed to the City by certified mail in care of the City Manager at the following address:

City of Edina
Attn: City Manager
Edina City Hall
4801 West 50th Street,
Edina, MN 55424-1330

21. CERTIFICATE OF COMPLETION. After the Developer has received the final certificate of occupancy for the Improvements and completed the work required under this Agreement, the City Manager will issue a certificate of completion after written request from the Developer, unless denied as set forth below. The certificate of completion shall be consistent in form with the certificate of completion issued by the City and shall be in recordable form and may be recorded against the Subject Property.

*[Remainder of page intentionally left blank.
Signature pages follow.]*

CITY OF EDINA

By: 

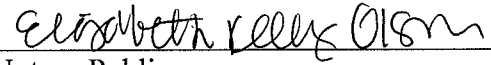
James Hovland, Mayor

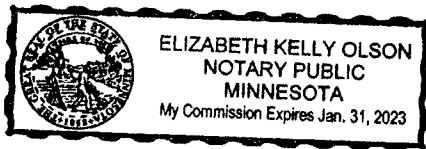
And 

Scott Neal, City Manager

STATE OF MINNESOTA)
 (ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 30th day of June ~~2022~~ ²⁰²¹, by **James Hovland** and **Scott Neal**, respectively the Mayor and City Manager, of the **City of Edina**, a Minnesota municipal corporation, on behalf of the corporation and pursuant to the authority granted by its City Council.


Notary Public

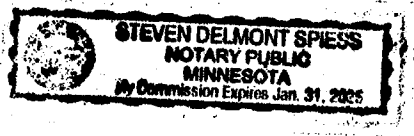


DEVELOPER: CORNELIA VIEW
DEVELOPERS, LLC

By: Shelley Kendrick
Shelley Kendrick, Chief Manager

STATE OF MINNESOTA)
(ss.
COUNTY OF Washington)

The foregoing instrument was acknowledged before me this 30 day of June, 2021, by **Shelley Kendrick**, the Chief Manager of Cornelia View Developers, LLC, a Minnesota limited liability company, on behalf of the entity.



Steven Delmont Spiess
Notary Public

DRAFTED BY:
CAMPBELL KNUTSON
Professional Association
Grand Oak Office Center I
860 Blue Gentian Road, Suite 290
Eagan, MN 55121
Telephone: 651-452-5000
DSK

EXHIBIT A

IRREVOCABLE LETTER OF CREDIT

No. _____

Date: _____

TO: City of Edina
4801 West 50th Street
Edina, Minnesota 55424-1330

Dear Sir or Madam:

We hereby issue, for the account of _____ (Name of Developer) and in your favor, our Irrevocable Letter of Credit in the amount of \$ _____, available to you by your draft drawn on sight on the undersigned bank.

The draft must:

a) Bear the clause, "Drawn under Letter of Credit No. _____, dated _____, 2 _____, of _____ (Name of Bank) _____";

b) Be signed by the City Manager or Finance Director of the City of Edina.

c) Be presented for payment at _____ (Address of Bank), on or before 4:00 p.m. on November 30, 2 _____.

This Letter of Credit shall automatically renew for successive one-year terms unless, at least forty-five (45) days prior to the next annual renewal date (which shall be November 30 of each year), the Bank delivers written notice to the Edina Finance Director that it intends to modify the terms of, or cancel, this Letter of Credit. Written notice is effective if sent by certified mail, postage prepaid, and deposited in the U.S. Mail, at least forty-five (45) days prior to the next annual renewal date addressed as follows: Edina City Manager, Edina City Hall, 4801 West 50th Street Edina, MN 55424-1330, and is actually received by the City Manager at least thirty (30) days prior to the renewal date.

This Letter of Credit sets forth in full our understanding which shall not in any way be modified, amended, amplified, or limited by reference to any document, instrument, or agreement, whether or not referred to herein.

This Letter of Credit is not assignable. This is not a Notation Letter of Credit. More than one draw may be made under this Letter of Credit.

This Letter of Credit shall be governed by the most recent revision of the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce Publication No. 600.

We hereby agree that a draft drawn under and in compliance with this Letter of Credit shall be duly honored upon presentation.

BY: _____
Its _____

EXHIBIT B

**FORM OF PAYMENT AND PERFORMANCE BOND FOR PRIVATE
IMPROVEMENTS**

EXHIBIT C

PUBLIC IMPROVEMENTS OF PROJECT PROVIDED BY DEVELOPER

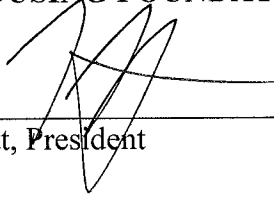
- 1. Required public sidewalks in the Right-of- Way**
- 2. Required Landscaping in the Right of Way**

**FEE OWNER CONSENT
TO
SITE IMPROVEMENT PERFORMANCE AGREEMENT**

EAST EDINA HOUSING FOUNDATION, a Minnesota nonprofit corporation, fee owner of the Subject Property, the development of which is governed by the foregoing Site Improvement Performance Agreement, affirms and consents to the provisions thereof and agrees to be bound by the provisions as the same may apply the Subject Property.

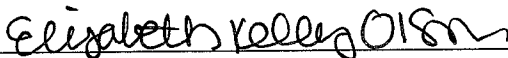
Dated this 30th day of June, ~~2021~~ 2022

EAST EDINA HOUSING FOUNDATION

By: 
Jeff Huggett, President

STATE OF MINNESOTA)
 (ss.
COUNTY OF Hennepin)

The foregoing instrument was acknowledged before me this 30th day of June, ~~2021~~ 2022, by **Jeff Huggett**, the President of **East Edina Housing Foundation**, a Minnesota nonprofit corporation, on behalf of the entity.


Notary Public



DRAFTED BY:
CAMPBELL, KNUTSON
Professional Association
Grand Oak Office Center I
860 Blue Gentian Road, Suite 290
Eagan, Minnesota 55121
Telephone: (651) 452-5000
DSK

ESCROW AND RECORDING INSTRUCTIONS

July 1, 2022

Guaranty Commercial Title
465 Nicollet Mall, Suite 230
Minneapolis, Minnesota 55401
Attention: Wendy Ethen
wethen@guarantytitle.net

Re: \$16,700,000 Hennepin County Housing and Redevelopment Authority,
Multifamily Housing Revenue Note (Cornelia View Apartments), Series 2022 and
\$8,460,000 Promissory Note (collectively, the “Note”)

Cornelia View Apartments – Edina, Minnesota

This letter is being executed and delivered in connection with the issuance of the above-captioned Note and constitutes the escrow and recording instructions of R4 Servicer LLC, as Controlling Person. When used in these escrow and recording instructions, the following terms shall have the meanings given below:

Borrower:	4040 West 70 th Street Apartments, LP
Borrower’s Counsel:	Winthrop & Weinstine, P.A.
Fiscal Agent:	U.S. Bank Trust Company, National Association
Closing:	Making of Loan
Bond Counsel:	Kennedy & Graven, Chartered
Controlling Person Counsel:	Kutak Rock LLP
Property:	Cornelia View Apartments – Edina, Minnesota
Title Company:	Old Republic National Title Insurance Company
Title Agent:	Guaranty Title Company
Funding Lender:	Allianz Life Insurance Company of North America

Attached to and incorporated into these instructions are the following Schedules and Exhibits:

<u>Exhibit A</u>	Legal Description
<u>Schedule 1</u>	Recordable Documents
<u>Schedule 2</u>	Financing Statements
<u>Schedule 3</u>	Pro Forma Loan Title Policy
<u>Schedule 4</u>	Form of Construction Loan Up-Date Endorsement

A. Recordable Documents. The documents listed on Schedule 1 and Schedule 2 are the documents that the Title Agent must be in a position to record and/or file upon Closing. The Recordable Documents and Financing Statements will be delivered to the Title Agent, subject to these instructions. The Title Agent is hereby authorized to hold the Recordable Documents and Financing Statements in its offices in Minneapolis, Minnesota.

B. Conditions to Closing.

1. Each of the Recordable Documents and Financing Statements shall have been delivered to the Title Agent, in final form and fully executed and acknowledged (if required), with all exhibits completed and attached. The Title Agent is hereby authorized and directed to date the Recordable Documents, if required, to complete the blanks (if any) with appropriate recording references, and to attach the legal description of the Property, if necessary.

2. The Fiscal Agent shall have received and the Title Company shall have received (or made arrangements to receive) funds sufficient to pay all costs of Closing, including all title premiums and recording costs that are required to be paid through the Title Company's escrow account as shown on a final settlement statement (the "Funds") and shall be prepared to disburse the Funds.

3. All of the conditions to the delivery and recordation of documents by parties other than Controlling Person Counsel shall have been satisfied or waived.

4. The Title Agent on behalf of Title Company shall, as of the time of Closing, be unconditionally and irrevocably prepared to issue a title insurance policy in the form set forth on Schedule 3 attached hereto (subject only to the Title Agent's undertaking to record the Recordable Documents), and shall agree to cover any "gap" from the date and time of Closing to the date and time of recording of the Recordable Documents.

C. Closing.

When Controlling Person Counsel so instructs, the Funds will be disbursed and the Title Agent shall record or deliver to the appropriate filing office for recording the Recordable Documents in the order in which they are listed on Schedule 1 and shall inform Controlling Person Counsel when the Recordable Documents have been duly recorded. The Title Agent shall file the Financing Statements in the order listed on Schedule 2 promptly after Closing.

D. Expiration of Escrow. These escrow instructions shall expire on July 8, 2022, at 5:00 PM Eastern. If by that time, the parties are not in a position for Closing, the Title Agent shall return each of the Recordable Documents and Financing Statements to the party that delivered it.

E. Post-Closing. The Title Agent on behalf of Title Company agrees to provide an update to the title insurance policy issued in connection with the Closing in connection with each draw of loan proceeds in the form attached hereto as Schedule 4.

[Signature on Following Page]

Please confirm receipt of this letter and your acceptance of these escrow instructions by executing the attached acknowledgment.

KUTAK ROCK LLP, Controlling Person Counsel

A handwritten signature in blue ink, appearing to read "Theresa M. Allen", is written over a horizontal line.

By: _____

TITLE AGENT ACKNOWLEDGEMENT AND ACCEPTANCE

GUARANTY COMMERCIAL TITLE as agent for Old Republic National Title Insurance Company acknowledges receipt of these instructions and undertakes the obligations set forth herein.

GUARANTY COMMERCIAL TITLE

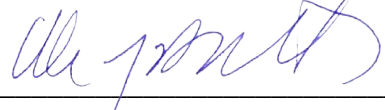
By: 
Name: Wendy Ethen
Title: President

EXHIBIT A

LEGAL DESCRIPTION

Tract C, Registered Land Survey No. 1365, Hennepin County, Minnesota.

Being Registered land.

SCHEDULE 1

Recordable Documents

Official Records of Hennepin County, Minnesota

1. Memorandum of Ground Lease by and between East Edina Housing Foundation and 4040 West 70th Street Apartments, LP
2. Site Improvement Performance Agreement by and between City of Edina, Minnesota and 4040 West 70th Street Apartments, LP (as successor to Cornelia View Apartments, LLC)
3. Nine Mile Creek Watershed Declaration by 4040 West 70th Street Apartments, LP in favor of the Nine Mile Creek Watershed District
4. Regulatory Agreement among Hennepin County Housing and Redevelopment Authority, U.S. Bank Trust Company, National Association, as fiscal agent, and 4040 West 70th Street Apartments, LP
5. Memorandum of Redevelopment Agreement by and between the Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP
6. Declaration of Covenants and Restrictions (Affordable Housing) by 4040 West 70th Street Apartments, LP, in favor of the Housing and Redevelopment Authority of Edina, Minnesota
7. Assessment Agreement by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments
8. Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing by 4040 West 70th Street Apartments, LP for the benefit of Hennepin County Housing and Redevelopment Authority
9. Assignment of Mortgage and Funding Loan Documents by Hennepin County Housing and Redevelopment Authority to U.S. Bank Trust Company, National Association
10. UCC-1 Financing Statement designating 4040 West 70th Street Apartments, LP, as debtor, and U.S. Bank Trust Company, National Association, as fiscal agent, as secured party, and Hennepin County Housing and Redevelopment Authority, as assignor secured party
11. Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Statement by 4040 West 70th Street Apartments, LP in favor of the Housing and Redevelopment Authority of Edina, Minnesota
12. Subordination Agreement by and among, U.S. Bank Trust Company, National Association, as fiscal agent, the Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP

13. Request for Notice of Foreclosure by Housing and Redevelopment Authority of Edina, Minnesota
14. Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Financing Statement (Metropolitan Council Livable Communities Demonstration Account (LCDA)) by 4040 West 70th Street Apartments, LP for the benefit of the City of Edina
15. Subordination Agreement by and among, U.S. Bank Trust Company, National Association, as fiscal agent, the City of Edina and 4040 West 70th Street Apartments, LP (LCDA)
16. Request for Notice of Foreclosure by City of Edina
17. Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Financing Statement (Metropolitan Council Local Housing Incentives Account (LHIA)) by the Partnership for the benefit of the City
18. Subordination Agreement by and among, U.S. Bank Trust Company, National Association, as fiscal agent, the City of Edina and 4040 West 70th Street Apartments, LP (LHIA)
19. Request for Notice of Foreclosure by City of Edina
20. Combination Mortgage, Assignment of Rents, Security Agreement, and Fixture Financing Statement made by the Partnership in favor of the Hennepin County Housing and Redevelopment Authority (AHIF)
21. Declaration of Covenants and Restrictions by 4040 West 70th Street Apartments, LP in favor of Hennepin County Housing and Redevelopment Authority (AHIF)
22. Subordination Agreement by and among, U.S. Bank Trust Company, National Association, as fiscal agent, the Hennepin County Housing and Redevelopment Authority and 4040 West 70th Street Apartments, LP (AHIF)

SCHEDULE 2

Financing Statements

Minnesota Secretary of State

1. UCC-1 Financing Statement designating 4040 West 70th Street Apartments, LP, as debtor, and U.S. Bank Trust Company, National Association, as fiscal agent, and Hennepin County Housing and Redevelopment Authority, as secured parties (First Mortgage)
2. UCC-1 Financing Statement designating Edina Affordable Housing, LLC, as debtor, and Allianz Life Insurance Company of North America, as secured party (Partnership Pledge)
3. UCC-1 Financing Statement designating Ecumen Edina Affordable Housing, LLC, as debtor, and Allianz Life Insurance Company of North America, as secured party (Partnership Pledge)
4. UCC-1 Financing Statement designating Cornelia View Developers, LLC, as debtor, and Allianz Life Insurance Company of North America, as secured party (Developer Pledge)
5. UCC-1 Financing Statement designating Hennepin County Housing and Redevelopment Authority, as debtor, and U.S. Bank Trust Company, National Association, as fiscal agent, as secured party (Funding Loan Agreement)

SCHEDULE 3

Pro Forma Loan Title Policy

LOAN POLICY OF TITLE INSURANCE

Issued by
Old Republic National Title Insurance Company

SCHEDULE A

Name and Address of Title Insurance Company:
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
400 2nd Avenue South, Minneapolis, MN

File No.: **65874**

Policy No.: **Proforma 65874 LP**
Issued with Policy No. **Proforma 65874 OP**

Loan No.:

Address Reference: **4040 W. 70th Street, Edina, MN 55435**

Amount of Insurance: **\$25,160,000.00**

Premium: **\$100.00**

Date of Policy: **Date and Time of Recording**

1. Name of Insured:
U.S. Bank Trust Company, National Association, as fiscal agent, its successors and/or assigns as their interests may appear
2. The estate or interest in the Land that is encumbered by the Insured Mortgage is:
Title to the Leasehold estate or interest in the land is at the Effective Date vested in: 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, by virtue of a Ground Lease Agreement dated __, between East Edina Housing Foundation, a Minnesota non-profit corporation and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership. Said Lease is evidenced of record by Memorandum of Lease dated __, filed __, as Document No. __.
3. Title is vested in:
East Edina Housing Foundation, a Minnesota non-profit corporation
4. The Insured Mortgage and its assignments, if any, are described as follows:
Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing dated July 1, 2022, filed _____, as Document No. _____, to secure indebtedness in the amount of \$25,160,000.00 and any other sums which may become due and payable under the terms thereof, executed by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, as mortgagor, to Hennepin County Housing Finance Agency, as mortgagee.

As assigned by that certain Assignment of Mortgage and Funding Loan Documents dated as of _____, 2021 by Hennepin County Housing Finance Agency to U.S. Bank Trust Company, National Association, as fiscal agent, dated July 1, 2022, filed _____, as Document No. _____.

5. The Land referred to in this policy is described as follows:
SEE ATTACHED EXHIBIT "A"

Issuing Agent: **Guaranty Commercial Title, Inc.**
Address: **465 Nicollet Mall, Suite 230**
Minneapolis, MN 55401
Phone: **612-339-5813**

Countersigned By: _____

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SCHEDULE A
Continued

EXHIBIT "A"

Tract C, Registered Land Survey No. [1365](#), Hennepin County, Minnesota.

Being Registered land.

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LOAN POLICY OF TITLE INSURANCE

Issued by
Old Republic National Title Insurance Company

SCHEDULE B - PART I

File No.: 65874

Policy No.: Proforma 65874 LP

EXCEPTIONS FROM COVERAGE

Except as provided in Schedule B - Part II, this policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

1. Taxes and special assessments for second half of year 2022 and thereafter, a lien not yet due and payable. Taxes payable in first half of year 2022 and prior years are paid. PID No. 30-028-24-44-0004.

NOTE: There are no special assessments now a lien on said property.

2. Sanitary Sewer easement(s) over the Land as shown on the recorded plat of [South Office Park First Addition](#), and as shown on the recorded plat of [Replat](#) of Lot 2, Block 1, South Office Park First Addition, as shown on that ALTA/NSPS Land Title Survey for Kimley-Horn & Associates by Christopher A. Terwedo, ML No. 53536, dated June 20, 2022, last revised June 28, 2022.

3. Terms and conditions of City of Edina Resolution No. 2021-44, approving preliminary rezoning, filed July 07, 2021, as Document No. [5853667](#).

The resolution was filed a second time on July 7, 2021, as Document No. [5853782](#).

4. Terms and conditions of City of Edina Resolution No. 2021-96, approving final rezoning, filed December 08, 2021 as Document No. [5904203](#).

5. Terms and conditions of a Memorandum of Ground Lease dated _____, filed _____ as Document No. _____, referring to that certain unrecorded Ground Lease Agreement by and between East Edina Housing Foundation, a Minnesota non-profit corporation, as lessor, and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, as lessee, dated _____.

6. Terms and conditions of Site Improvement Performance Agreement dated October 19, 2021, filed _____ as Document No. _____, by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.

7. Terms and conditions of Declaration dated _____, filed _____ as Document No. _____, by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership in favor of Nine Mile Creek Watershed District.

8. Regulatory Agreement dated _____, filed _____, as Document No. _____, by and among Hennepin County Housing and Redevelopment Authority, U.S. Bank Trust Company, National Association, and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.

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SCHEDULE B - PART I

Continued

9. Terms and conditions of a Memorandum of Redevelopment Agreement dated _____, filed _____ as Document No. _____, referring to that certain unrecorded Redevelopment Agreement by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, dated _____.
10. Terms and conditions of Declaration of Covenants and Restrictions (Affordable Housing) dated _____, filed _____ as Document No. _____, by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.
11. Terms and conditions of Assessment Agreement dated _____, filed _____ as Document No. _____, by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.

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LOAN POLICY OF TITLE INSURANCE

Issued by
Old Republic National Title Insurance Company

SCHEDULE B - PART II

File No.: **65874**

Policy No.: **Proforma 65874 LP**

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:

1. **UCC-1 Financing Statement** filed _____ as Document No. _____ between **4040 West 70th Street Apartments, LP**, debtor and **U.S. Bank Trust Company**, as secured party.
2. **Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Financing Statement (HRA)** dated _____, filed _____, as Document No. _____, to secure indebtedness in the amount of **\$1,336,901.00** and any other sums which may become due and payable under the terms thereof, executed by **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership, as mortgagor, to **Housing and Redevelopment Authority of Edina**, Minnesota, as mortgagee.

As subordinated by Subordination Agreement (HRA) dated _____, filed _____, as Document No. _____, by and among **U.S. Bank Trust Company, National Association**, **Housing and Redevelopment Authority of Edina**, Minnesota, and **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership.

3. **Request for Notice of Foreclosure** dated _____, filed _____, as Document No. _____, by **Housing and Redevelopment Authority of Edina**, Minnesota.
4. **Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Financing Statement (LCDA)** dated _____, filed _____, as Document No. _____, to secure indebtedness in the amount of **\$661,550.00** and any other sums which may become due and payable under the terms thereof, executed by **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership, as mortgagor, to **City of Edina**, Minnesota, as mortgagee.

As subordinated by Subordination Agreement (LCDA) dated _____, filed _____, as Document No. _____, by and among **U.S. Bank Trust Company, National Association**, **City of Edina**, Minnesota, and **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership.

5. **Request for Notice of Foreclosure** dated _____, filed _____, as Document No. _____, by **City of Edina**, Minnesota.
6. **Combination Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement, and Fixture Financing Statement (LHIA)** dated _____, filed _____, as Document No. _____, to secure indebtedness in the amount of **\$712,714.00** and any other sums which may become due and payable under the terms thereof, executed by **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership, as mortgagor, to **City of Edina**, Minnesota, as mortgagee.

As subordinated by Subordination Agreement (LHIA) dated _____, filed _____, as Document No. _____, by and among **U.S. Bank Trust Company, National Association**, **City of**

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SCHEDULE B - PART II

Continued

Edina, Minnesota, and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.

7. Request for Notice of Foreclosure dated _____, filed _____, as Document No. _____, by City of Edina, Minnesota.
8. Combination Mortgage, Assignment of Rents, Security Agreement, and Fixture Financing Statement (AHIF) dated _____, filed _____, as Document No. _____, to secure indebtedness in the amount of \$865,000.00 and any other sums which may become due and payable under the terms thereof, executed by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, as mortgagor, to Hennepin County Housing and Redevelopment Authority, as mortgagee.
- As subordinated by Subordination Agreement (AHIF) dated _____, filed _____, as Document No. _____, by and among U.S. Bank Trust Company, National Association, Hennepin County Housing and Redevelopment Authority, and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.
9. Terms and conditions of Declaration of Covenants and Restrictions (AHIF) dated _____, filed _____ as Document No. _____, by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.

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ENDORSEMENT
Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. For purposes of this endorsement:
 - a. "Improvement" means a building, structure, road, walkway, driveway, curb, subsurface utility or water well existing at Date of Policy or to be built or constructed according to the Plans that is or will be located on the Land, but excluding crops, landscaping, lawns, shrubbery, or trees.
 - b. "Plans" means those site and elevation plans made by **Pope Architects, Inc. dated May 4, 2022, designated as Commission No. 75244-20067 consisting of 163 sheets.**
2. The Company insures against loss or damage sustained by the Insured in the event that, at Date of Policy
 - a. according to applicable zoning ordinances and amendments, the Land is not classified Zone **PUD-22 (Planned Unit Development-22);**
 - b. the following use or uses are not allowed under that classification: **senior affordable multi-family housing**
 - c. There shall be no liability under paragraph 2.b. if the use or uses are not allowed as the result of any lack of compliance with any condition, restriction, or requirement contained in the zoning ordinances and amendments, including but not limited to the failure to secure necessary consents or authorizations as a prerequisite to the use or uses. This paragraph 2.c. does not modify or limit the coverage provided in Covered Risk 5.
3. The Company further insures against loss or damage sustained by the Insured by reason of a final decree of a court of competent jurisdiction either prohibiting the use of the Land, with any existing Improvement, as specified in paragraph 2.b. or requiring the removal or alteration of the Improvement, because of a violation of the zoning ordinances and amendments in effect at Date of Policy with respect to any of the following matters:
 - a. Area, width, or depth of the Land as a building site for the Improvement
 - b. Floor space area of the Improvement
 - c. Setback of the Improvement from the property lines of the Land
 - d. Height of the Improvement, or
 - e. Number of parking spaces.
4. There shall be no liability under this endorsement based on:
 - a. the invalidity of the zoning ordinances and amendments until after a final decree of a court of competent jurisdiction adjudicating the invalidity, the effect of which is to prohibit the use or uses;
 - b. the refusal of any person to purchase, lease or lend money on the Title covered by this policy.

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This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date:

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By

C. Monroe

President

Attest

David Wold

Secretary

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of:

1. The invalidity or unenforceability of the lien of the Insured Mortgage resulting from its provisions that provide for changes in the rate of interest.
2. Loss of priority of the lien of the Insured Mortgage as security for the unpaid principal balance of the loan, together with interest as changed in accordance with the provisions of the Insured Mortgage, which loss of priority is caused by the changes in the rate of interest.

"Changes in the rate of interest", as used in this endorsement, shall mean only those changes in the rate of interest calculated pursuant to the formula provided in the loan documents secured by the Insured Mortgage at Date of Policy.

This endorsement does not insure against loss or damage based upon:

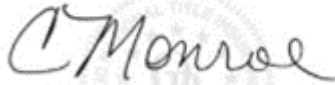
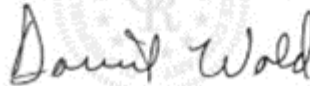
1. usury, or
2. any consumer credit protection or truth in lending law.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

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A Stock Company
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(612) 371-1111

Authorized Officer or Licensed Agent

By  President
Attest  Secretary

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ALTA Endorsement 6-06 (Variable Rate Mortgage)
Revised 10/16/08





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued By
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The insurance afforded by this endorsement is only effective if the Land is used or is to be used primarily for residential purposes.

The Company insures against loss or damage sustained by the Insured by reason of lack of priority of the lien of the Insured Mortgage over

- (a) any environmental protection lien that, at Date of Policy, is recorded in those records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge, or is filed in the records of the clerk of the United States district court for the district in which the Land is located, except as set forth in Schedule B; or
- (b) any environmental protection lien provided by any state statute in effect at Date of Policy, except environmental protection liens provided by the following state statutes:


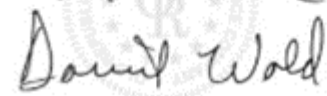
Minnesota Statute Section 514.672.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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Attest  Secretary

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ALTA Endorsement 8.1-06 (Environmental Protection Lien)
Adopted 6/17/06





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. The insurance provided by this endorsement is subject to the exclusions in Section 5 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For purposes of this endorsement only:
 - a. "Covenant" means a covenant, condition, limitation or restriction in a document or instrument in effect at Date of Policy.
 - b. "Future Improvement" means a building, structure, road, walkway, driveway, curb, lawn, shrubbery or trees to be constructed on or affixed to the Land in the locations according to the Plans and that by law will constitute real property.
 - c. "Improvement" means an improvement, including any lawn, shrubbery, or trees, affixed to either the Land or adjoining land at Date of Policy that by law constitutes real property.
 - d. "Plans" means the survey, site and elevation plans or other depictions or drawings prepared by **Pope Architects, Inc. dated May 4, 2022, designated as Commission No. 75244-20067 consisting of 163 sheets.**
3. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. A violation of a Covenant that:
 - i. divests, subordinates, or extinguishes the lien of the Insured Mortgage,
 - ii. results in the invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage, or
 - iii. causes a loss of the Insured's Title acquired in satisfaction or partial satisfaction of the Indebtedness;
4. The Company insures against loss or damage sustained by reason of:
 - a. An encroachment of:
 - i. an Improvement located on the Land at Date of Policy or a Future Improvement, onto adjoining land or onto that portion of the Land subject to an easement; or
 - ii. an Improvement located on adjoining land onto the Land at Date of Policy,unless an exception in Schedule B of the policy identifies the encroachment otherwise insured against in Sections 4.a.i. or 4.a.ii.;
 - b. Damage to an Improvement located on the Land at Date of Policy or a Future Improvement:
 - i. that encroaches onto that portion of the Land subject to an easement excepted in Schedule B, which damage results from the exercise of the right to maintain the easement for the purpose for which it was granted or reserved; or
 - ii. resulting from the future exercise of a right to use the surface of the Land for the extraction or development of minerals or any other subsurface substances excepted from the description of the Land or excepted in Schedule B.

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ALTA Endorsement 9.7-06
(Restrictions, Encroachments, Minerals - Land Under Development – Loan Policy)
Adopted 04-02-12
Technical Correction 08-01-16



5. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:
- a. any Covenant contained in an instrument creating a lease;
 - b. any Covenant relating to obligations of any type to perform maintenance, repair, or remediation on the Land;
 - c. except as provided in Section 3.d, any Covenant relating to environmental protection of any kind or nature, including hazardous or toxic matters, conditions, or substances;
 - d. contamination, explosion, fire, vibration, fracturing, earthquake or subsidence; or
 - e. negligence by a person or an Entity exercising a right to extract or develop minerals or other subsurface substances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
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ALTA Endorsement 9.7-06
(Restrictions, Encroachments, Minerals - Land Under Development – Loan Policy)
Adopted 04-02-12
Technical Correction 08-01-16





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. As used in this endorsement, the following terms shall mean:
 - a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the Land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.
 - b. "Lease": the lease described in Schedule A.
 - c. "Leasehold Estate": the right of possession granted in the Lease for the Lease Term.
 - d. "Lease Term": the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
 - e. "Personal Property": property, in which and to the extent the Insured has rights, located on or affixed to the Land on or after Date of Policy that by law does not constitute real property because (i) of its character and manner of attachment to the Land and (ii) the property can be severed from the Land without causing material damage to the property or to the Land.
 - f. "Remaining Lease Term": the portion of the Lease Term remaining after the Tenant has been Evicted.
 - g. "Tenant": the tenant under the Lease and, after acquisition of all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of the policy, the Insured Claimant.
 - h. "Tenant Leasehold Improvements": Those improvements, in which and to the extent the Insured has rights, including landscaping, required or permitted to be built on the Land by the Lease that have been built at the Tenant's expense or in which the Tenant has an interest greater than the right to possession during the Lease Term.
2. Valuation of Estate or Interest Insured:

If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction of the Tenant, then, as to that portion of the Land from which the Tenant is Evicted, that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The Insured Claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements affected by a defect insured against by the policy valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.
3. Additional items of loss covered by this endorsement:
 - a. If the Insured acquires all or any part of the Title in accordance with the provisions of Section 2 of the Conditions of this policy and thereafter is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 2 of this endorsement, any other endorsement to the policy, or Section 8(a)(iii) of the Conditions: The reasonable cost of (i) removing and relocating any Personal Property that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, (ii) transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, (iii) repairing the Personal Property

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damaged by reason of the removal and relocation, and (iv) restoring the Land to the extent damaged as a result of the removal and relocation of the Personal Property and required of the Insured solely because of the Eviction.


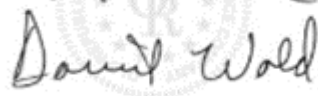
- b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.
- c. The amount of rent that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the Insured has been Evicted.
- d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease permitted by the Lease and made by the Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
- e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease permitted by the Lease and made by the Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
- f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate.
- g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the Insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping.

This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees or expenses) resulting from environmental damage or contamination. This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By  President
Attest  Secretary

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. The insurance for Advances added by Sections 2 and 3 of this endorsement is subject to the exclusions in Section 4 of this endorsement and the Exclusions from Coverage in the Policy, except Exclusion 3(d), the provisions of the Conditions, and the exceptions contained in Schedule B.
 - a. "Agreement," as used in this endorsement, shall mean the note or loan agreement, the repayment of Advances under which is secured by the Insured Mortgage.
 - b. "Advance," as used in this endorsement, shall mean only an advance of principal made after the Date of Policy as provided in the Agreement, including expenses of foreclosure, amounts advanced pursuant to the Insured Mortgage to pay taxes and insurance, assure compliance with laws, or to protect the lien of the Insured Mortgage before the time of acquisition of the Title, and reasonable amounts expended to prevent deterioration of improvements, together with interest on those advances.
 - c. "Changes in the rate of interest," as used in this endorsement, shall mean only those changes in the rate of interest calculated pursuant to a formula provided in the Insured Mortgage or the Agreement at Date of Policy.
2. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. The invalidity or unenforceability of the lien of the Insured Mortgage as security for each Advance.
 - b. The lack of priority of the lien of the Insured Mortgage as security for each Advance over any lien or encumbrance on the Title.
 - c. The invalidity or unenforceability or lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, Advances and unpaid interest resulting from (i) re-Advances and repayments of Indebtedness, (ii) earlier periods of no indebtedness owing during the term of the Insured Mortgage, or (iii) the Insured Mortgage not complying with the requirements of state law of the state in which the Land is located to secure Advances.
3. The Company also insures against loss or damage sustained by the Insured by reason of:
 - a. The invalidity or unenforceability of the lien of the Insured Mortgage resulting from any provisions of the Agreement that provide for (i) interest on interest, (ii) changes in the rate of interest, or (iii) the addition of unpaid interest to the Indebtedness.
 - b. Lack of priority of the lien of the Insured Mortgage as security for the Indebtedness, including any unpaid interest that was added to principal in accordance with any provisions of the Agreement, interest on interest, or interest as changed in accordance with the provisions of the Insured Mortgage, which lack of priority is caused by (i) changes in the rate of interest, (ii) interest on interest, or (iii) increases in the Indebtedness resulting from the addition of unpaid interest.
4. This endorsement does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from:

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AMERICAN
LAND TITLE
ASSOCIATION





- a. The invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as security for any Advance made after a Petition for Relief under the Bankruptcy Code (11 U.S.C.) has been filed by or on behalf of the mortgagor;
- b. The lien of real estate taxes or assessments on the Title imposed by governmental authority arising after Date of Policy;
- c. The lack of priority of the lien of the Insured Mortgage as security for any Advance to a federal tax lien, which Advance is made after the earlier of (i) actual knowledge of the Insured that a federal tax lien was filed against the mortgagor, or (ii) the expiration, after notice of a federal tax lien filed against the mortgagor, of any grace period for making disbursements with priority over the federal tax lien provided in the Internal Revenue Code (26 U.S.C.);
- d. Any federal or state environmental protection lien; or
- e. Usury, or any consumer credit protection or truth-in-lending law; or
- f. Intentionally deleted.

5. The Indebtedness includes Advances.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By

C. Monroe

President

Attest

David Wold

Secretary

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ALTA Endorsement 14-06 (Future Advance - Priority)
Revised 2-3-11

AMERICAN
LAND TITLE
ASSOCIATION





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued By
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured if, at Date of Policy (i) the Land does not abut and have both actual vehicular and pedestrian access to and from **Valley View Road** (the "Street"), (ii) the Street is not physically open and publicly maintained, or (iii) the Insured has no right to use existing curb cuts or entries along that portion of the Street abutting the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of the lack of a right of access to the following utilities or services: **(CHECK ALL THAT APPLY)**

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Water service | <input checked="" type="checkbox"/> Natural gas service | <input checked="" type="checkbox"/> Telephone service |
| <input checked="" type="checkbox"/> Electrical power service | <input checked="" type="checkbox"/> Sanitary sewer | <input checked="" type="checkbox"/> Storm water drainage |
| <input type="checkbox"/> _____ | <input type="checkbox"/> _____ | <input type="checkbox"/> _____ |

either over, under or upon rights-of-way or easements for the benefit of the Land because of:

- (1) a gap or gore between the boundaries of the Land and the rights-of-way or easements;
- (2) a gap between the boundaries of the rights-of-way or easements ; or
- (3) a termination by a grantor, or its successor, of the rights-of-way or easements.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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Authorized Officer or Licensed Agent

By C. Monroe President
Attest David Wold Secretary

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued By
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of the Land being taxed as part of a larger parcel of land or failing to constitute a separate tax parcel for real estate taxes.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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David Wold

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued By
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of the failure of a **brick building**, known as **4040 W. 70th Street, Edina, MN 55435**, to be located on the Land at Date of Policy.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

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A Stock Company
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(612) 371-1111

Authorized Officer or Licensed Agent

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C. Monroe

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David Wold

Secretary

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ENDORSEMENT

Attached to Policy No. **Proforma 65874 LP**

Issued by
Old Republic National Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the invalidity or unenforceability of the lien of the Insured Mortgage on the ground that making the loan secured by the Insured Mortgage constituted a violation of the "doing - business" laws of the State where the Land is located because of the failure of the Insured to qualify to do business under those laws.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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ENDORSEMENT

Attached to Policy No. **Proforma 65874 LP**

Issued by
Old Republic National Title Insurance Company

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land as described in Schedule A to be the same as that identified on the survey made by **Christopher A. Terwedo of Egan, Field & Nowak, Inc., dated June 20, 2022, last revised June 28, 2022, job number 3955.**

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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ALTA Endorsement 25-06 (Same as Survey)
Adopted 10/16/08



ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

The Company insures against loss or damage sustained by the Insured by reason of the failure of the Land to constitute a lawfully created parcel according to the subdivision statutes and local subdivision ordinances applicable to the Land.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
Old Republic National Title Insurance Company


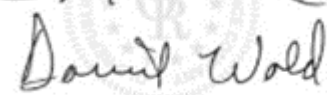
The Company insures against loss or damage sustained by the Insured by reason of the invalidity or unenforceability of the lien of the Insured Mortgage as security for the Indebtedness because the loan secured by the Insured Mortgage violates the usury law of the state where the Land is located.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

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Attest  Secretary

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. The insurance provided by this endorsement is subject to the exclusions in Section 4 of this endorsement; and the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For purposes of this endorsement only:
 - (a) "Improvement" means a building, structure, or paved area, including any road, walkway, parking area, driveway, or curb located on the surface of the Land or the surface of adjoining land at Date of Policy that by law constitutes real property.
 - (b) "Future Improvement" means any of the following to be constructed on the Land after Date of Policy in the locations according to the Plans and that by law constitutes real property:
 - (i) a building;
 - (ii) a structure; or
 - (iii) a paved area, including any road, walkway, parking area, driveway, or curb.
 - (c) "Plans" mean the survey, site and elevation plans, or other depictions or drawings prepared by **Pope Architects, Inc. dated May 4, 2022, designated as Commission No. 75244-20067 consisting of 163 sheets.**
3. The Company insures against loss or damage sustained by the Insured by reason of:
 - (a) An encroachment of any Improvement or Future Improvement located on the Land onto adjoining land or onto that portion of the Land subject to an easement, unless an Exception in Schedule B of the policy identifies the encroachment;
 - (b) An encroachment of any Improvement located on adjoining land onto the Land at Date of Policy, unless an exception in Schedule B of the policy identifies the encroachment;
 - (c) Enforced removal of any Improvement or Future Improvement located on the Land as a result of an encroachment by the Improvement or Future Improvement onto any portion of the Land subject to any easement, in the event that the owners of the easement shall, for the purpose of exercising the right of use or maintenance of the easement, compel removal or relocation of the encroaching Improvement or Future Improvement; or
 - (d) Enforced removal of any Improvement or Future Improvement located on the Land that encroaches onto adjoining land.
4. Sections 3(c) and 3(d) of this endorsement do not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from the following Exceptions, if any, listed in Schedule B: NONE ~~(pending review of plans)~~

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ALTA Endorsement 28.3-06
(Encroachments - Boundaries and Easements -
Described Improvements and Land Under Development)
Adopted 04-02-15

AMERICAN
LAND TITLE
ASSOCIATION





This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date:

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By

C. Monroe

President

Attest

David Wold

Secretary

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ALTA Endorsement 28.3-06
(Encroachments - Boundaries and Easements -
Described Improvements and Land Under Development)
Adopted 04-02-15

AMERICAN
LAND TITLE
ASSOCIATION





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. Covered Risk 11(a) of this policy is deleted.
2. The insurance for Construction Loan Advances added by Section 3 of this endorsement is subject to the exclusions in Section 4 of this endorsement and the Exclusions from Coverage in the Policy, the provisions of the Conditions, and the exceptions contained in Schedule B. For the purposes of this endorsement and each subsequent Disbursement Endorsement:
 - a. "Date of Coverage" is _____, (Date of Policy), unless the Company sets a different Date of Coverage by an ALTA 33-06 Disbursement Endorsement issued at the discretion of the Company.
 - b. "Construction Loan Advance," shall mean an advance that constitutes Indebtedness made on or before Date of Coverage for the purpose of financing in whole or in part the construction of improvements on the Land.
 - c. "Mechanic's Lien," shall mean any statutory lien or claim of lien, affecting the Title, that arises from services provided, labor performed, or materials or equipment furnished.
3. The Company insures against loss or damage sustained by the Insured by reason of:
 - a. The invalidity or unenforceability of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before the Date of Coverage;
 - b. The lack of priority of the lien of the Insured Mortgage as security for each Construction Loan Advance made on or before the Date of Coverage, over any lien or encumbrance on the Title recorded in the Public Records and not shown in Schedule B; and
 - c. The lack of priority of the lien of the Insured Mortgage, as security for each Construction Loan Advance made on or before the Date of Coverage over any Mechanic's Lien, if notice of the Mechanic's Lien is not filed or recorded in the Public Records, but only to the extent that the charges for the services, labor, materials or equipment for which the Mechanic's Lien is claimed were designated for payment in the documents supporting a Construction Loan Advance disbursed by or on behalf of the Insured on or before Date of Coverage.
4. This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) by reason of any Mechanic's Lien arising from services, labor, material or equipment:
 - a. furnished after Date of Coverage; or
 - b. not designated for payment in the documents supporting a Construction Loan Advance disbursed by or on behalf of the Insured on or before Date of Coverage.

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This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By *C. Monroe* President
Attest *David Wald* Secretary

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ASSOCIATION





ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. The insurance provided by this endorsement is subject to the exclusions in Sections 4 and 5 of this endorsement, the Exclusions from Coverage, the Exceptions from Coverage contained in Schedule B, and the Conditions in the policy.
2. For the purposes of this endorsement only, "Mortgage Tax" means a recordation, registration or related tax or charge required to be paid when the Insured Mortgage is recorded in the Public Records.
3. Upon payment of any deficiency in the Mortgage Tax, including interest and penalties, by the Insured, the Company insures against loss or damage sustained by the Insured by reason of:
 - a. the invalidity or unenforceability of the lien of the Insured Mortgage as security for the Indebtedness resulting from the failure to pay, at the time of recording, any portion of the Mortgage Tax; or
 - b. the lack of priority of the lien of the Insured Mortgage as security for the Indebtedness resulting from the failure to pay, at the time of recording, any portion of the Mortgage Tax.
4. The Company does not insure against loss or damage (and the Company will not pay costs, attorneys' fees, or expenses) resulting from the failure of the Insured to pay the Mortgage Tax deficiency, together with interest and penalties.
5. The Company is not liable for the payment of any portion of the Mortgage Tax, including interest or penalties.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Date:
Countersigned

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A Stock Company
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Authorized Officer or Licensed Agent

By

C. Monroe

President

Attest

David Wald

Secretary

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ENDORSEMENT

Attached to Policy No. Proforma 65874 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

When the policy is issued by the Company with a policy number and Date of Policy, the Company will not deny liability under the policy or any endorsements issued with the policy solely on the grounds that the policy or endorsements were issued electronically or lack signatures in accordance with the Conditions.

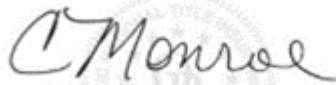
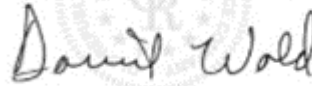
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Date:

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
400 Second Avenue South, Minneapolis, Minnesota 55401
(612) 371-1111

Authorized Officer or Licensed Agent

By  President
Attest  Secretary

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OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

ENDORSEMENT

Attached to and forming a part of Policy No.: Proforma 65874 LP
of **OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY**

Item 13 of the Conditions as shown on the cover of this policy is hereby deleted.

The total liability of the Company under said Policy and under this and any prior endorsements thereto shall not exceed, in the aggregate, the amount of liability stated on the face of said policy as the same may be specifically amended in dollar amount by this or any other endorsements, and the costs which the Company is obligated to pay under the Conditions and Stipulations of the policy.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

This Endorsement shall not be valid or binding until countersigned by an authorized signatory as designated below.

Countersigned:

By: _____
Authorized Signatory

ISSUED BY:
GUARANTY COMMERCIAL TITLE, INC.
465 Nicollet Mall
Suite 230
Minneapolis, MN 55401

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

CONTIGUITY ENDORSEMENT

Attached to and forming a part of Policy No.: Proforma 65874 LP
of **OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY**

The Company insures the insured against loss or damage which the insured shall sustain by reason of the inaccuracy in the following assurance:

The Company assures the above named Insured that the land described in Schedule A of this Policy constitutes one contiguous parcel and contains no gaps or gores.

The Company hereby insures said Insured against loss which said Insured shall sustain in the event that the assurance shall prove to be incorrect.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

This Endorsement shall not be valid or binding until countersigned by an authorized signatory as designated below.

Countersigned:

By: _____
Authorized Signatory

ISSUED BY:
GUARANTY COMMERCIAL TITLE, INC.
465 Nicollet Mall
Suite 230
Minneapolis, MN 55401

SCHEDULE 4

Form of Construction Loan Up-Date Endorsement



ENDORSEMENT

Attached to Policy No. Proforma 66440 LP

Issued by
OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

1. The Date of Coverage is amended to _____.
 - a. The current disbursement is: \$ _____
 - b. The aggregate amount, including the current disbursement, recognized by the Company as disbursed by the Insured is: \$ _____
2. Schedule A is amended as follows:

3. Schedule B is amended as follows:


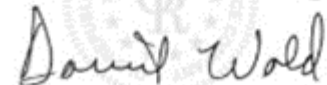
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Date:

Countersigned

OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY
A Stock Company
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Authorized Officer or Licensed Agent

By  President
Attest  Secretary

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AMERICAN
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Ground Lease Agreement
(4040 West 70th Street, Edina, Minnesota)

by and between

East Edina Housing Foundation, a Minnesota nonprofit corporation,

and

4040 West 70th Street Apartments, LP, a Minnesota limited partnership

Dated as of
July 1, 2022

THIS DOCUMENT WAS DRAFTED BY:
Dorsey & Whitney LLP (ACS)
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498

TABLE OF CONTENTS

1.	Recitals	2
2.	Definitions	2
3.	Demise; Term	9
	(a) Demise	9
	(b) Turnover Condition	9
	(c) Term of Lease	9
	(d) End of Term; Surrender of Premises	9
	(e) Holding Over	10
4.	Improvements to Premises	10
	(a) Development and Construction of Project	10
	(b) Benefits of Project During the Term	11
	(c) Financing of Project	11
	(d) Warranties	11
	(e) Alterations	11
	(f) Mechanics' Liens and Other Liens	12
5.	Rent; Financing Fee	13
	(a) Base Rent	13
	(b) Financing Fee for Capital Events	13
	(c) Reporting	14
	(d) Records	14
	(e) Audits	14
	(f) Additional Rent	14
	(g) Payments By Tenant	14
	(h) Net Lease	15
	(i) Late Charges	15
	(j) Security Deposit	15
	(k) Tax on Lease	15
6.	Use of Premises	16
	(a) Nature of Use Generally	16
	(b) Affordable Housing Requirements	16
	(c) Compliance with Legal Requirements, Insurance Requirements, and Other Covenants	19
	(d) Management Agent	20
7.	Taxes, Operating Expenses, Utilities	20
	(a) Payment of Taxes	20
	(b) Delivery of Bills and Notices	20
	(c) Failure to Pay Taxes	20
	(d) Proceedings to Contest	21

(e)	Payment of Operating Expenses.....	21
(f)	Utilities	21
8.	Repairs and Maintenance	22
9.	Landlord's Right of Entry	22
10.	Insurance and Indemnification	22
(a)	General	22
(b)	Indemnification of Landlord	23
(c)	Increase in Risk	24
11.	Casualties and Condemnation	25
(a)	Fire and Other Casualties	25
(b)	Condemnation	26
12.	Assignment and Subletting.....	27
(a)	Generally	27
(b)	Prohibited Transfers	27
(c)	Conditions to Consent	28
(d)	No Waiver	28
(e)	Assumption of Lease.....	28
(f)	Approved Transfers.....	29
(g)	Transfers and Encumbrances by Landlord	29
13.	Permitted Mortgages	30
(a)	Generally	30
(b)	Rights of Permitted Mortgagee	30
(c)	New Lease	32
(d)	Permitted Mortgagee Liability	33
(e)	Particular Rights of Tenant Requiring Consent.....	33
(f)	Foreclosure or Transfer in Lieu of Foreclosure.....	33
(g)	Delay in Termination for Certain Defaults; Permitted Mortgagee Successor.....	34
(h)	Priority of Rights.....	34
(i)	Acknowledgment of Mortgagees	34
14.	Default.....	34
(a)	Tenant's Defaults	34
(b)	Notice	35
(c)	Investor Cure Rights.....	36
(d)	Landlord's Rights on Event of Default	36
(e)	Tenant's Agreements.....	37
(f)	Default by Landlord	37
(g)	Notices.....	38

Ground Lease Agreement
(4040 West 70th Street, Edina, Minnesota)

This Ground Lease Agreement (this “Lease”) is made as of July 1, 2022, by and between the **East Edina Housing Foundation**, a Minnesota nonprofit corporation (“Landlord”), and **4040 West 70th Street Apartments, LP**, a Minnesota limited partnership (“Tenant”), each a “Party” and, collectively, the “Parties”.

Recitals:

A. Landlord owns fee title to that certain real property located at 4040 70th Street West, in the City of Edina (the “City”), Minnesota, as more particularly described on **Exhibit A** attached hereto (together with all improvements currently situated thereon and all appurtenant rights pertaining thereto, collectively, the “Property”).

B. Landlord is a nonprofit corporation whose purpose and mission is to promote the development of affordable housing development in the City and to provide assistance to families and individuals looking for affordable housing options in the City.

C. Landlord acquired the Property with the intent that it be redeveloped with affordable housing, consistent with Landlord’s purpose and mission.

D. Tenant submitted to Landlord a project proposal for the development of an 100% affordable, senior housing community on the Property (as more particularly described herein, the “Project”) and the Parties entered into that certain Affordable Housing Development and Ground Lease Option Agreement on November 4, 2020 (the “Option Agreement”) with respect to the Property, pursuant to which, if Tenant secured all necessary Project funding and Project approvals, Tenant would have the exclusive right to enter into a long-term ground lease for the Property for the development and construction of the Project.

E. As of the date hereof, Tenant has obtained all such Project funding and Project approvals, and (i) Tenant desires to lease the Property from Landlord for the development, construction, and operation of the Project, consisting of 118 housing units (the “Units”) and other ancillary improvements forming a 100% age-restricted affordable housing community, and (ii) Landlord desires to lease the Property to Tenant in order that Tenant may perform or cause to be performed the construction of the Project and that Tenant make available the Units to the residents who meet the income restrictions set forth herein and in the Regulatory Agreements (as hereinafter defined).

F. The development and construction of the Project will be financed by certain Permitted Financing (as defined herein), which includes a combination of tax-exempt multifamily housing revenue bonds obtained by Tenant for the Project and other loans, grants, and tax increment financing from the Hennepin County Housing and Redevelopment Authority (“Hennepin County HRA”), the Housing and Redevelopment Authority of Edina (the “Edina HRA”), the Metropolitan Council (the “Met Council”), and other Project funding sources, each pursuant to certain Permitted Financing Documents (as defined herein).

G. Additional Permitted Financing for the development and construction of the Project has been obtained through the syndication of certain low income housing tax credits (the “Tax Credits”) under Section 42 of the Internal Revenue Code of 1986, as amended, associated with the Project, which shall provide tax credit equity and which shall be accomplished through the admission of the initial Investor as the limited partner of Tenant pursuant to Tenant’s Amended and Restated Agreement of Limited

Partnership, dated as of the date hereof (as amended modified, supplemented, and/or restated from time to time, the “Partnership Agreement”).

H. Landlord and Tenant intend that the Project be operated and managed so as to further Landlord’s purpose and mission in the City and to assure receipt by Tenant of the economic and tax benefits of the Permitted Financing and the Tax Credits to the full extent available Tenant.

NOW THEREFORE, IN CONSIDERATION of the rentals hereinafter reserved and the mutual promises contained in this Lease, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged by both parties to this Lease, Landlord and Tenant, intending to be legally bound, agree as follows:

1. **Recitals.** The foregoing Recitals are true and correct statements of fact and are incorporated into this Lease by this reference, including the definitions set forth therein.

2. **Definitions.** Unless the context otherwise specifies or requires, the following terms have the following definitions. Certain other capitalized terms are defined elsewhere in this Lease. All defined terms may be used in the singular or the plural, as the context requires.

“2022 Equivalent Dollars” means equivalent purchasing power at any time of the value of One Dollar (\$1.00) in calendar year 2022. From and after January 1, 2023, the 2022 Equivalent Dollars of any amount shall be determined by multiplying said dollar amount by the sum of one (1) plus a fraction, the numerator of which is the difference between (x) the monthly Consumer Price Index last published prior to the date of such determination and (y) the Consumer Price Index for January, 2022, and the denominator of which is the Consumer Price Index for January, 2022, provided that no applicable dollar amount determined by such calculation and conversion shall decrease from the dollar amounts for such items in place during the previous year.

“Additional Rent” means the amount of any payment referred to as such in this Lease which accrues while this Lease is in effect, which Additional Rent shall include any and all charges or other amounts which Tenant is obligated to pay under this Lease, including, but not limited to, any Financing Fee, costs of Taxes, insurance and public utility charges, other than the Base Rent, as hereinafter defined.

“Affiliate” means, with respect to any specified entity, an entity that Controls, is Controlled by, or is under common Control with such specified entity.

“AMI” means the Area Median Income for the Minneapolis-Saint Paul-Bloomington Metropolitan Statistical Area (including adjustments for household size), as determined by HUD.

“Bankruptcy” shall be deemed, for any Person, to have occurred either:

(a) if and when such Person: (i) applies for or consents to the appointment of a receiver, trustee or liquidator of such Person or of all or a substantial part of its assets, (ii) files a voluntary petition in bankruptcy or admits in writing its inability to pay its debts as they come due, (iii) makes an assignment for the benefit of its creditors, (iv) files a petition or an answer seeking a reorganization or an arrangement with its creditors or seeks to take advantage of any insolvency law, (v) performs any other act of bankruptcy, or (vi) files an answer admitting the material allegations of a petition filed against such Person in any bankruptcy, reorganization or insolvency proceeding; or

(b) if: (i) an order, judgment or decree is entered by any court of competent jurisdiction adjudicating such Person a bankrupt or an insolvent, approving a petition seeking such a reorganization, or appointing a receiver, trustee or liquidator of such Person or of all or a substantial part of its assets, or (ii) there otherwise commences with respect to such Person or any of its assets any proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment, receivership or similar law, and if such order, judgment, decree or proceeding is commenced and continues unstayed for any period of 90 consecutive days after the expiration of any stay thereof.

“Base Rent” has the meaning set forth in Section 5(a).

“Capital Event” means the borrowing of any funds by Tenant or any subsidiary or the placement of new or additional financing secured by all or any portion of the Premises or any interest therein; the refinancing of any existing or new financing upon all or any portion of the Premises or any interest therein; or the sale, exchange, condemnation, casualty loss or other disposition (whether voluntary or involuntary, and whether direct or indirect) of all or any portion of the Premises or any interest therein (including any disposition in consideration for securities in any real estate investment trust or other entity), other than Permitted Transfers.

“Capital Proceeds” means the proceeds and/or consideration resulting from a Capital Event with respect to the Premises, less the sum of (i) any reasonable, actual expenses incurred in connection with such Capital Event, (ii) any portion of such proceeds applied toward the payment of any indebtedness being refinanced or secured by or relating to the Premises disposed of, (iii) cash expenditures incurred incident to Tenant’s operation of the Project in accordance with this Lease, the Permitted Financing Documents, and the Regulatory Agreements (including any proceeds spent on the Project), and (iv) Reserves.

“Casualty” as defined in Section 11(a)(i).

“Consumer Price Index” means Consumer Price Index for Urban Wage Earners and Clerical Workers, Minneapolis-St. Paul-Bloomington, All Items (Base Year 1982 84 = 100) for the applicable month published by the Bureau of Labor Statistics of the United States Department of Labor or a similar index reasonably agreed to by the Parties if such index is no longer available or, in the reasonable determination of the Parties, no longer accurately reflects increases in inflation or increases in the types of costs and expenses associated with the Premises.

“City” means the City of Edina, Minnesota.

“City Approvals” means, collectively, the City Ordinance No. 2021-05, the City Council Resolution No. 2021-96, the final development plan for the Project as approved by the City pursuant to said City Council Resolution, that certain Site Improvement Performance Agreement dated October 19, 2021 entered into by and between the City and Tenant, and all other approvals, permits, licenses, and agreements issued by or entered into with the City or other Governmental Authority relating to the Property and/or the Project.

“Claims, Damages and Fees” has the meaning set forth in Section 10(b)(i).

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law and all implementing regulations thereunder or in furtherance thereof.

“Commencement Date” means the date hereof.

“Contractors” means each contractor(s), and its agents, subcontractors or consultants performing any of the activities that comprise the Project under this Lease at the Premises.

“Control” means having the power, directly or indirectly, to direct the management, policies or general conduct of business of the Person in question, whether by the ownership of membership interests, voting securities, contract or otherwise, subject to “major decisions” or similar rights of other members, partners or other interest holders. This definition encompasses any derivation of “Control.”

“Controlling Interest” means directly or indirectly, ownership or Control of a (i) majority of the ownership or voting interests of the Person in question or (ii) the power, directly or indirectly, to direct the management, policies or general conduct of business of the Person in question, whether by the ownership of membership interests, voting securities, contract or otherwise, subject to “major decisions” or similar rights of other members, partners or other interest holders.

“Default Rate” means a rate equal to three (3) percentage points above the Prime Rate.

“Environmental Requirement” means all present and future laws, statutes, ordinances, rules, regulations, orders, codes, licenses, permits, decrees, judgments, directives or the equivalent of or by any Governmental Authority and relating to or addressing the protection of the environment or human health.

“Event of Default” has the meaning set forth in Section 14.

“Expiration Date” means the ninety-ninth (99th) anniversary of the Commencement Date, or such earlier date as this Lease is terminated under the terms hereof or by law, whichever shall first occur.

“Final Plans and Specifications” means the final complete set of architectural and engineering construction documents prepared or caused to be prepared by the Project architects and engineers in sufficient detail to describe and delineate fully the Project to be accomplished thereby in accordance with all applicable Legal Requirements and determined to be complete by Tenant and approved by Landlord.

“Financing Fee” has the meaning set forth in Section 5(c).

“First Permitted Mortgage” means Permitted Mortgage granted by Tenant in favor of the First Permitted Mortgagee, approved by Landlord as of the date hereof, and recorded among the Land Records subsequent to the recordation of the Memorandum of this Lease described in Section 16(v) for and only for so long as such mortgage(s) covers the Premises or any portion thereof and is senior in priority to any other Permitted Mortgage covering the Premises or such portion thereof,

“First Permitted Mortgagee” means, as of the date hereof, Allianz Life Insurance Company of North America, as funding lender, and U.S. Bank Trust Company, National Association, as fiscal agent, and if its Permitted Financing has been paid off and its Permitted Mortgage has been released, then the Permitted Mortgagee under the Permitted Mortgage that is thereafter, from time to time, secured by the senior-most Permitted Mortgage, in terms of lien priority.

“Governmental Authority” means, collectively, all federal, state and municipal governments or quasi-governmental agencies and all departments, commissions, boards and officers thereof having jurisdiction over the Premises and/or the Parties.

“Hazardous Condition” means the unauthorized or non-permitted presence, release, discharge, spill or emission of any Hazardous Substance, at, on, or under any portion of the Development, or any other condition, which, in the absence of a permit, waiver, or other authorization by an agency of government, would constitute a violation of any applicable Legal Requirement.

“Hazardous Substances” means any material or substance that, whether by its nature or use, is now or hereafter defined as hazardous waste, hazardous substance, pollutant or contaminant under any Environmental Requirement, or which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and which is now or hereafter regulated under any Environmental Requirement, or which is or contains petroleum, gasoline, diesel fuel or another petroleum hydrocarbon product or which is mold.

“HUD” means the U.S. Department of Housing and Urban Development.

“Insurance Requirements” mean the insurance requirements set forth in **Exhibit C**.

“Investor” means, as of the date hereof, **R4 CVMN Acquisition LLC**, a Delaware limited liability company, and any future entity admitted as a limited partner of Tenant in connection with an equity contribution by such Investor to Tenant in exchange for the rights to Tax Credits to be generated by Tenant and the Project.

“Land Records” means the office of the Registrar of Titles in and for Hennepin County, Minnesota.

“Landlord’s Estate” means Landlord’s fee simple estate in the Property.

“Landlord’s Related Parties” means and refer to Landlord’s officers, directors, affiliates, agents, employees and their respective heirs and personal representatives, successors and/or assigns.

“Leasehold Estate” means the leasehold estate in the Premises held by Tenant subject to the terms and conditions of this Lease.

“Lease Year” means the calendar year, or the portion of any calendar year which shall occur during the Term.

“Legal Requirements” means, collectively, all obligations, standards, criteria and other requirements imposed by all applicable statutes, laws, ordinances, rules, regulations, permits, licenses, orders, directives, guidelines or policies, of any Governmental Authority, including, but not limited to: (i) all workers’ compensation, social security, unemployment insurance, hours of labor, wages, working conditions, licensing and other employer employee related matters, including, without limitation, all laws, rules and regulations with respect to nondiscrimination based on race, sex or otherwise; (ii) the Environmental Requirements; (iii) Section 42, (iv) the Regulatory Agreements; (v) the City Approvals, and (vi) the Permitted Encumbrances.

“Management Agent” means the Person designated from time to time as “Management Agent” of all or any portion of the Project under any management agreement entered into from time to time with Tenant.

“Management Agreement” means that certain management agreement by and between Management Agent and Tenant, which is applicable to the management, leasing, and operation of the Project.

“Material Alteration” means any proposed modification, alteration or other change to the Premises that (i) would materially adversely affect the integrity or effectiveness of the elevators or the HVAC system or the electrical, plumbing, fire protection, sprinkler, security or life safety systems; (ii) would impair the structural integrity of the Project as determined by an engineer licensed in the State of Minnesota; (iii) would create a material health hazard or any environmental hazard in violation of any applicable Laws at the Project; (iv) would cause the Premises to not conform with, or would violate, any applicable Legal Requirements, including the conditions of any Project Approvals; (v) would result in a material modification to the exterior of the Project that would impact and alter the nature of the overall appearance of the Project, including the building color, height, dimensions, skin and other prominent exterior features; (vi) would materially change the size of the Project; (vii) would remove any parking spaces from the Premises; or (viii) would cost in excess of \$250,000 in 2022 Equivalent Dollars.

“Mortgage” means any leasehold mortgage, deed of trust, and/or assignment of leases and rents at any time encumbering any or all of Tenant’s interest in the Premises, and any other such security interest therein existing at any time under any other form of security instrument or arrangement used from time to time in the locality of the Project.

“Net Condemnation Award” means the net amounts owed or paid to the Parties and Permitted Mortgagees, if any, or to which either of the Parties and the Permitted Mortgagees, if any, may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties and the Permitted Mortgagees, if any, in collecting such award or payment.

“Permitted Encumbrances” means this Lease and those encumbrances to Landlord’s Estate expressly set forth on Exhibit B attached hereto and made a part hereof, together with the encumbrances created by this Lease.

“Permitted Financing” means the loans and other financing set forth on Exhibit D acquired by Tenant for the purpose of financing the acquisition and construction of the Project and approved by Landlord as of the date hereof, and any such other Project financings hereafter approved by Landlord in writing, which approval shall not be unreasonably withheld, conditioned or delayed.

“Permitted Financing Documents” means the documents that evidence and/or secure the Permitted Financing, including, without limitation, each Permitted Mortgage, and all such further documents that may be required by the holders of the Permitted Financing, and the credit enhancement thereof.

“Permitted Mortgage” means any Mortgage securing any Permitted Financing, and subordinate to this Lease, provided that such Mortgage has been approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, has been recorded among the Land Records or in such other place as is, under applicable Legal Requirements, required for such instrument to give constructive notice of its contents. The only Permitted Mortgages existing as of the date hereof are listed in the order of lien priority as set forth on Exhibit D.

“Permitted Mortgagee” means Person who is the holder of a Permitted Mortgage.

“Permitted Transfer” has the meaning set forth in Section 12(f).

“Person” means a natural person, a trustee, a corporation, a partnership, a limited liability company and any other form of legal entity.

“Premises” means, collectively, the Property, the Project, and the Unit Equipment; provided, that if at any time hereafter any portion of the Premises becomes no longer subject to this Lease, “Premises” shall thereafter mean so much thereof as remains subject to this Lease.

“Prime Rate” means that prime rate published by the Wall Street Journal or successor newspaper from time to time.

“Proceeds” has the meaning set forth in Section 11(a)(i).

“Project” means, collectively, all activities, buildings, structures, fixtures, and other improvements associated with the design, development, construction, maintenance, leasing, and operation of a 118-unit, 100% age restricted affordable housing community on the Property, including, without limitation, the Units, the Unit Equipment, driveways and sidewalks, utility lines and facilities, landscaping or other improvements or features and related ancillary facilities, together with any and all replacements or substitutions therefor or modifications thereto, and the performance of all other work and other obligations to be performed by Tenant in accordance with the terms and conditions set forth in this Lease.

“Regulatory Agreements” means those certain agreements set forth on Exhibit E entered into as of the date hereof by and among Tenant and the holders of certain Permitted Financing restricting the use of the Premises to affordable housing in accordance with the Permitted Financing and/or applicable Legal Requirements.

“Rent” means, collectively, all Base Rent and all Additional Rent.

“Reserves” reasonable cash reserves established or increased as Tenant reasonably determines to be in the best interest of Tenant and the Project.

“Resident” means an eligible person in accordance with this Lease and the Regulatory Agreements occupying a Unit in the Project pursuant to a properly executed Resident Lease.

“Resident Lease(s)” means, individually and collectively, all individual leases executed with respect to the Units containing terms in accordance all Legal Requirements, as may be applicable to the Unit.

“Restoration” means the repair, restoration or rebuilding of any or all of the Premises after any Casualty or Taking, with such alterations or additions as are made by Tenant in accordance with this Lease, together with any temporary repairs or improvements made to protect the Premises pending the completion of such work.

“Section 42” shall refer to Section 42 of the Code (26 U.S.C. § 42), as amended from time to time and any successor provision relating to low-income housing tax credits, together with any rulings or regulations promulgated thereunder.

“Surplus Cash” means a sum calculated as follows for the Project and Tenant as of December 31 of each calendar year:

the sum of:

- (a) Cash and cash equivalents (excluding Reserves);
- (b) short-term investments; and
- (c) any amounts approved for withdrawal but not yet withdrawn from Reserves or escrow accounts;

after deducting:

- (i) all sums due or required to be paid under the terms of the Permitted Financing Documents (including, without limitation, principal, interest, mortgage insurance premium deposits, deposits to the Reserves, and tax and insurance escrow deposits) within the calendar month following the date as of which Surplus Cash is calculated;
- (ii) all special funds required to be segregated by this Agreement, the Permitted Financing Documents, and/or applicable Legal Requirements, including, without limitation, tenant security deposits and any other amounts held in trust for tenants;
- (iii) Revenue prepaid more than 30 days' in advance; and
- (iv) all other obligations (including the administrative fee payable to Investor under the Partnership Agreement) payable within the next 30 days (including accrual for items due less frequently than monthly), unless the obligation is paid subject to available Surplus Cash.

For avoidance of doubt, the "Supervisory Management Fee" payable under the Partnership Agreement and any other similar fees payable to a general partner of Tenant or its Affiliate (not including the administrative fee payable to Investor) from Surplus Cash (or "Cash Flow" or a similar concept under the Partnership Agreement) will be paid after Base Rent hereunder, but subject to the annual Base Rent limitation of **30%** of all Surplus Cash set forth in Section 5(a).

"Taking" have the meaning set forth in Section 11(b)(i).

"Taxes" means all real property and other taxes, or all payments in lieu of taxes (if applicable), charges, special assessments or other assessments levied against any or all of: the Premises, whether against Landlord's Estate or Tenant's Leasehold Estate therein, and payable with respect to any calendar or tax year or other period falling wholly or partly within the Term, including, but not limited to, any assessments or fees levied against the Premises pursuant to any Permitted Encumbrances.

"Tenant" means Tenant and its successors and permitted assigns as holder of the Leasehold Estate.

"Tenant's Related Parties" means Tenant's partners, officers, directors, affiliates, agents, Contractors, employees, patrons, invitees and guests, and their respective heirs and personal representatives, successors and assigns.

“Term” means the term of this Lease, commencing on the Commencement Date and terminating on the Expiration Date.

“Transfer” means, with respect to any interest in this Lease, any of its rights under this Lease as to all or any portion of the Premises, the occupancy or use thereof, and any legal, beneficial or economic interest in any party hereto), whether the word is capitalized or not, the sale, assignment, sublease, transfer, withdrawal, mortgage, pledge, hypothecation, exchange, or other disposition of all or any part of said interest, whether for value, directly or indirectly, and whether the disposition is voluntary, involuntary, by operation of law, or otherwise.

“Units” has the meaning set forth in the recitals.

“Unit Equipment” means any and all furniture, fixtures, furnishings, equipment, appliances, soft goods, computer equipment, hardware, and wiring, case goods, vehicles and other equipment or personal property owned by Tenant and located in or on the Project or used exclusively in connection with the ownership, operation, maintenance, and/or use of the of the Project, together with any and all replacements or substitutions therefor or modifications thereto; provided, however, the Unit Equipment excludes all personal property owned or leased by any Resident, guest, employee or other person furnishing goods or services to the Premises.

3. **Demise; Term.**

(a) Demise. Landlord, in consideration of the rent to be paid, the Project to be constructed by Tenant, and the other covenants and conditions to be performed and observed by Tenant as provided in this Lease, hereby delivers possession of the Property and demises and leases to Tenant, and Tenant hereby leases and accepts from Landlord, the Property.

(b) Turnover Condition. Tenant is accepting possession of the Property in its existing condition, on an “AS IS” and “WHERE IS” basis. Tenant acknowledges that Tenant has entered into this Lease making and relying upon its own investigation of the physical, environmental, land use entitlements, economic use, compliance, and legal condition of the Property and that Tenant is not now relying, and will not later rely, upon any representations and warranties made by Landlord or anyone acting or claiming to act, by, through or under or on Landlord’s behalf concerning the Property or its suitability for the Project, Tenant agreeing to assume all risk relating to development, construction, use and operation of the Project.

(c) Term of Lease. The Term commences on the Commencement Date and expires on the Expiration Date (the Expiration Date being the ninety-ninth (99th) anniversary of the Commencement Date hereof) or on such earlier date as this Lease shall be terminated by Landlord or Tenant under the terms hereof or by law, whichever shall first occur. Any provisions of this Lease that are expressly identified to survive the Expiration Date or earlier termination of this Lease, shall survive such Expiration Date or earlier termination date, as the case may be.

(d) End of Term; Surrender of Premises. Tenant shall, on or before the Expiration Date or any earlier termination of this Lease (whether by reason of the occurrence of an Event of Default or otherwise), peaceably leave, quit, and surrender to Landlord the Premises, without lien or encumbrance, including, without limitation, without any lien of any Mortgage (but subject to the Permitted Encumbrances and the rights of Residents in possession of Units under executed Resident Lease(s) with Tenant), in as good or better condition that it was in on the date of the completion of the Project, reasonable wear and tear excepted (subject to the provisions of Section 11). Upon such expiration or termination, neither Tenant nor its creditors and representatives shall thereafter have

any right at law or in equity in or to any or all of the Premises or to repossess any of same under this Lease and the Premises shall become the sole property of Landlord at no cost to Landlord and Landlord shall automatically be deemed thereupon to have succeeded to all of Tenant's interest in the Premises, without Landlord being required to execute any further instrument, free and clear of the right, title or interest of any creditor of Tenant or any other person, and Tenant hereby waives any and all rights of redemption which it may otherwise hold under any applicable Legal Requirements. Tenant shall further, at its expense, (i) surrender to Landlord all keys to or for the Project, and shall inform Landlord of all combinations on locks, safes and vaults, if any, left by Tenant in the Project, (ii) deliver to Landlord the Management Agreement and any other service and maintenance contracts that are in Tenant's possession and are then affecting the operation of the Project, true and complete maintenance records for the Project, all original Resident Leases, licenses and permits then pertaining to the Project, permanent certificates of occupancy then in effect for the Project, and all assignable warranties and guarantees then in effect which Tenant has received in connection with any work or services performed or equipment installed in the Project, together with a duly executed assignment of any of the foregoing to Landlord, and all financial reports, documents, books and records whatsoever relating to the Premises. Tenant's obligation to observe and perform all of the covenants contained in this Section shall survive the expiration or sooner termination of the Term.

(e) Holding Over. Nothing in this Lease shall be deemed in any way to permit Tenant to use or occupy the Premises after the Expiration Date or the sooner termination of this Lease. If Landlord and Tenant fail to agree in writing to extend the Term prior to or upon the expiration or earlier termination of this Lease, and Tenant continues to occupy the Premises after such expiration or termination thereafter:

(i) such occupancy shall (unless the Parties hereto otherwise agree in writing) be deemed a month-to-month tenancy only at double the Base Rent and other charges in effect during the last Lease Year immediately preceding such holdover period, which tenancy shall continue until either Party notifies the other in writing, by at least 30 days before the end of any calendar month, that the Party giving such notice elects to terminate such tenancy as of the end of such calendar month, in which event such occupancy shall so terminate, and Tenant shall surrender the Premises in accordance with Section 3(d);

(ii) such occupancy shall otherwise be on the same terms and subject to the same conditions as those set forth in this Lease, except that if Landlord gives Tenant, by at least 30 days before the end of any calendar month during such month-to-month occupancy, written notice that such terms and conditions shall, after such month be modified in any manner specified in such notice, then such occupancy shall, after such month, be on the said terms and subject to the said conditions, as so modified.

Nothing contained herein may be construed as a waiver or diminution of any and all rights or remedies Landlord may have by law or in equity with respect to the continuing occupancy of the Premises by Tenant beyond the expiration or sooner termination of this Lease.

4. Improvements to Premises.

(a) Development and Construction of Project. Tenant shall complete or cause to be completed the construction of the Project and furnishing of the Project with the Unit Equipment in accordance with the Final Plans and Specifications and in compliance with the Permitted Financing Documents, all as applicable. Tenant shall, and is hereby authorized to, cause the demolition of the

improvements currently located on the Property and, thereafter, commence construction of the Project on or before the date set forth in the Permitted Financing Documents. Tenant shall use commercially reasonable efforts to cause the Project to be constructed in substantial compliance with the Final Plans and Specifications and City Approvals prior to **March 31, 2024** and Tenant shall otherwise cause the Project to be completed by the date set forth in the Permitted Financing Documents. The construction of the Project carried out by or on behalf of Tenant shall be implemented in a good and worker-like manner, in compliance with all applicable Legal Requirements including any mitigation measures imposed under environmental reviews conducted under state or federal law. Tenant shall take no action to effectuate any material amendments, modifications or alterations to the Final Plans and Specifications unless Landlord has approved such, in writing and in advance, such approval not to be unreasonably withheld, conditioned or delayed. Failure of Tenant to complete construction of the Project pursuant to and in conformity with the Final Plans and Specifications shall constitute an Event of Default by Tenant under this Lease.

(b) Benefits of Project During the Term. Landlord acknowledges and agrees that at all times during the Term, Tenant alone shall be entitled to all of the tax attributes of ownership of the Project and Unit Equipment, including, without limitation, the right to claim depreciation or cost recovery deductions, amortization and the right to claim the low-income housing tax credit described in Section 42.

(c) Financing of Project. As a material condition to this Lease: (i) to secure construction and permanent financing for the Project associated with the Project, Tenant must obtain the Permitted Financing and enter into the Permitted Financing Documents, subject to such review and approval as may be required pursuant to the Legal Requirements, as may be necessary to complete the Project; (ii) Tenant and Landlord shall cooperate with the Permitted Mortgagees and other holders of the Permitted Financing and promptly comply with any and all reasonable requests thereof in connection with the processing of Tenant's application(s) for the Permitted Financing, including cooperation with all due diligence activities conducted by the lenders in connection therewith; and (iii) Tenant and Landlord, if required by a holder of the Permitted Financing, must participate in closing(s) for the construction and permanent financing of the Project, at which time(s), the Permitted Financing Documents will be executed and delivered to the appropriate parties.

(d) Warranties. Tenant warrants to Landlord that all materials and equipment furnished in connection with the construction of the Project, or any alteration, addition, of the Project, will be of good quality and new, that all construction work associated with the Project will be free from any material defects, and that such construction work will comply in all material respects with the requirements of the approved Final Plans and Specifications. All construction work not conforming to these requirements, including substitution, shall be considered defective and a breach of the warranty provided in this Section 4(d). If required by Landlord, Tenant shall furnish reasonably satisfactory evidence as to the kind and quality of materials and equipment. Tenant shall defend, indemnify and hold harmless Landlord and Landlord's Related Parties against and from any and all liability, claim of liability or expense arising directly or indirectly, wholly or in part out of any failure of Tenant's warranties hereunder to be true, complete and accurate in all material respects.

(e) Alterations. Except for the construction of the Project in accordance with the Final Plans and Specifications, Tenant shall not make any alteration of the Premises if such alteration would be a Material Alteration without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed so long as the Material Alteration is consistent with

Tenant's continuing obligations under this Lease. All of the foregoing alterations, changes and modifications requiring Landlord's consent are called "Restricted Alterations". Prior to commencing any Restricted Alterations, Tenant shall submit to Landlord plans and specifications prepared by licensed architects and engineers for Landlord's review and approval. Landlord's review and approval shall not be deemed a warranty as to the adequacy of the design, workmanship or quality of materials or compliance of the Restricted Alterations with the plans and specifications or any Legal Requirements. All alterations, additions, improvements or other changes, whether or not Restricted Alterations, shall (i) be performed in a good and workmanlike manner and in accordance with good construction practices, and diligently prosecuted to completion, (ii) comply with all Legal Requirements, Insurance Requirements, and any applicable provisions of the Permitted Financing Documents, and (iii) be constructed in such a manner and at times so as to minimize any noise, vibrations, particulates and dust infiltration or other disturbance which would disturb an occupant or occupants of other portions of the Project. To the extent any alteration to the Premises involves the removal of any materials or equipment, Tenant shall replace the same with materials or equipment of equal or greater quality, provided, however, that if any such applicable materials become obsolete or unavailable, or if the then-current state of the art regarding such materials has changed, Tenant shall replace the materials with a suitable substitute mutually agreeable to Landlord and Tenant. Any work performed by Tenant shall be subject to Landlord's inspection after completion to determine whether the same complies with the requirements of this Lease. Within 30 days after Tenant's receipt of Landlord's written request, Tenant shall reimburse Landlord for all reasonable out-of-pocket third party costs and expenses for architectural and engineering fees incurred by Landlord in connection with any and all alterations, additions or improvements in or to the Premises proposed to be made by Tenant after the initial construction of the Project. Upon completion of the subject work, Tenant shall deliver to Landlord full and final waivers of all liens for labor, services and materials provided in connection therewith. During the course of construction of the Project or permitted alterations thereto, Tenant shall maintain the Premises in a clean and orderly condition in compliance with all applicable Legal Requirements.

(f) Mechanics' Liens and Other Liens.

(i) Tenant shall: (A) promptly after the filing thereof, in accordance with any applicable Legal Requirements, release or cause to be released (by bonding or otherwise in accordance with such Legal Requirements) any mechanics', materialmen's or other lien filed or claimed against any or all of the Property, or any other property owned or leased by Landlord, by reason of labor or materials provided for or about any or all of the Premises during the Term, or otherwise arising out of Tenant's or Tenant's Related Parties' use or occupancy of any or all of the Premises; and (B) defend, indemnify and hold harmless Landlord and Landlord's Related Parties against and from any and all liability, claim of liability or expense (including but not limited to that of reasonable attorneys' fees) incurred by Landlord and Landlord's Related Parties on account of any such lien or claim.

(ii) If Tenant fails to discharge or bond any such lien within 30 days after such lien becomes effective against any of the Premises, then, in addition to any other right or remedy held by Landlord on account thereof, Landlord may: (A) discharge the lien by paying the amount claimed to be due or by deposit or bonding proceedings; and (B) in any such event, compel the prosecution of any action for the foreclosure of any such lien by the lienor and pay the amount of any judgment in favor of the lienor with interest, costs and allowances. Tenant shall reimburse Landlord immediately upon Landlord's demand for any amount paid by Landlord to discharge any such lien and all expenses incurred by Landlord, together with interest thereon at the Default Rate per annum from the respective dates of Landlord's making such payments or incurring such expenses (all of which shall

constitute Additional Rent), until such payments or expenses, together with all interest accrued thereon, have been paid in full to Landlord.

(iii) Nothing contained in this Lease shall be deemed in any way: (A) to constitute Landlord's consent or request, express or implied, that any Contractor, laborer or materialman provide any labor or materials for any alteration, addition, improvement or repair to any or all of the Premises; or (B) to give Tenant any right, power or authority to take any action or fail to take any action, if doing so would give rise to the filing of any mechanics' or materialmen's lien against any or all of the Premises or Landlord's estate or interest therein; or (C) to evidence Landlord's consent that the Premises be subjected to any such lien.

5. **Rent; Financing Fee.**

(a) **Base Rent.** Beginning on the Commencement Date, Tenant hereby covenants and agrees to pay to Landlord for and throughout each Lease Year of this Lease, without demand, deduction, set-off or counterclaim of any nature whatsoever, in addition to and above all other sums and all other Additional Rent and payments to be made and paid by Tenant to Landlord under this Lease, base rental for the Premises in the initial amount of **\$180,000.00** per annum ("**Base Rent**"), subject to the limitations and adjustments set forth herein. Tenant shall pay Base Rent to Landlord on an annual basis, in arrears, on or before April 1 of each calendar year during the Term (and the first April 1 after the Expiration Date or earlier termination of this Lease) in amount equal to the applicable Base Rent for the calendar year (or partial calendar year) immediately preceding each such payment date; provided, however, that such installments of Base Rent shall not exceed **30%** of all Surplus Cash for the applicable year. Any shortfall in the Base Rent actually paid by Tenant which is less than the scheduled Base Rent amount due to the limitation of the prior sentence shall accrue, together with five percent (5%) annual interest thereon (compounded monthly), and be payable to Landlord with one or more future installments of Base Rent until fully recovered by Landlord, subject to the annual limitation of **30%** of all Surplus Cash set forth above.

(b) **Adjustments to Base Rent.** On **January 2, 2041**, and on each **15th** anniversary thereof, Base Rent shall undergo a market adjustment such that annual Base Rent is equal to five percent (5%) of the value of the land included in the Property ("**Land Value**") as of the applicable Base Rent adjustment date referenced above. For purpose of the preceding sentence, Land Value shall be the fair market value of the land included in the Property (i.e., the price at which such Property would be sold for cash by a willing seller, not compelled to sell, to a willing, unaffiliated, third-party buyer, not compelled to buy, on a free and clear basis, unencumbered by any financing, assuming such Property is marketed through a customary sales process by an independent, licensed real estate broker), which fair market value shall be determined by an appraisal of the land included in the Property performed by an independent, MAI appraiser unaffiliated with Landlord or Tenant (or their respective Affiliates) who has at least 10 years' experience in the business of appraising property comparable to such Property in the Minneapolis-St. Paul metropolitan area, and is otherwise reasonably approved by Landlord. Tenant shall obtain each such appraisal at its sole cost and expense by no later than 60 days after the applicable adjustment date referenced above and, thereafter, the Parties shall enter into a mutually acceptable supplement to this Lease documenting and confirming the applicable Base Rent as determined by each such appraisal for the subsequent 15-year period under this Lease.

(b) **Financing Fee for Capital Events.** In consideration for Landlord allowing a Capital Event to occur, and in consideration of Landlord's consents and cooperation therein, Tenant shall pay Landlord a Financing Fee equal to **30%** of all Capital Proceeds received by Tenant in

connection with a Capital Event ("Financing Fee"). Tenant shall pay the Financing Fee to Landlord no later than 30 days after the happening of the Capital Event that results in receipt of Capital Proceeds by Tenant.

(c) Reporting. Contemporaneously with Tenant's payment of each installment of Base Rent and each Financing Fee, Tenant shall prepare and deliver to Landlord a statement of Tenant's Surplus Cash or Capital Proceeds for such Lease Year or Capital Event, as applicable, and each such statement shall be prepared by an independent, third-party auditor engaged by Tenant, at Tenant's sole cost and expense. With each such statement, Tenant shall also provide such reasonable supporting documentation as Landlord may reasonably request.

(d) Records. Tenant shall keep at the Project or if in the control of a CPA and electronic backup is available, at such other location in the Twin Cities metropolitan area disclosed to Landlord in writing, an accurate set of books reflecting Tenant's Surplus Cash and Capital Proceeds and shall preserve all books and records as may be needed for an effective audit of Tenant's Surplus Cash and Capital Proceeds. Such books records shall be retained for a period of at least 36 months after the end of the Lease Year to which they relate, or if Landlord shall have begun a special audit in accordance with Section 5(e), for such longer period as may be required to complete such special audit. All such books and records shall be subject to inspection and audit by Landlord at all reasonable times.

(e) Audits. Landlord, its agents, and/or employees shall have the right to make a special audit of all books and records, wherever located, pertaining to Tenant's Surplus Cash and Capital Proceeds. If Tenant's Surplus Cash and Capital Proceeds, as so determined, exceed the figures submitted by Tenant by more than 8.0%, or contain any willful inaccuracies, then Tenant shall pay the cost of such audit. Tenant shall promptly pay to Landlord any deficiency in Base Rent and Landlord shall promptly credit Tenant with any overpayment in Base Rent, as the case may be, which is established by such special audit. The acceptance by Landlord of payments of Base Rent shall be without prejudice to Landlord's right to examine Tenant's books and records.

(f) Additional Rent. Tenant's obligation to pay all amounts due and payable by Tenant as Additional Rent shall accrue as of the Commencement Date and shall be payable on a 30-days current basis if payable to a third party, or otherwise upon Landlord's written demand therefor or the date fixed for payment hereunder, in each case, as provided herein. Tenant's failure to pay any such Additional Rent shall, subject to the terms and conditions hereof, entitle Landlord to the same remedies available to Landlord for nonpayment of Base Rent. Nothing contained herein may be construed as a waiver or diminution of any and all rights or remedies Landlord may have by law or in equity with respect to the continuing occupancy of the Premises by Tenant beyond the expiration or sooner termination of this Lease. Without limitation on other obligations of Tenant which shall survive the expiration or earlier termination of this Lease, except as otherwise expressly set forth in this Lease, the obligations of Tenant to pay Base Rent and Additional Rent as provided herein shall survive the expiration or earlier termination of this Lease.

(g) Payments By Tenant. Tenant shall pay to Landlord, without demand, deductions, set-offs or counterclaims, diminutions, abatements or rebates of whatever kind, nature and description, Base Rent, Additional Rent and any other charges when and as the same shall be due and payable hereunder. All payments and charges required to be made by Tenant to Landlord hereunder shall be payable in United States funds, at the address which is set forth above, or to such other address or in such other manner as Landlord shall specify from time to time by written notice to Tenant. If any rental payment date falls on a day of the month other than the first day of a month or if any rental payment is for a period which is shorter than one month, the rental for any fractional

month shall accrue on a daily basis for the period from the date such payment is due to the end of such calendar month or to the end of the Term at a rate per day which is equal to 1/365 of the subject rent. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis. No payment to or receipt by Landlord of a lesser amount than the amount required to be paid hereunder shall be deemed to be other than on account of the earliest amount of any obligations then due hereunder, notwithstanding any notation, legend or instructions of Tenant to the contrary, which notations, legends or instructions shall be null and void. No endorsement or statement on any check or other communication accompanying a check for payment of any amounts payable hereunder shall be deemed an accord and satisfaction, and Landlord may accept such check in payment without prejudice to Landlord's right to recover the balance of any sums owed by Tenant hereunder or to pursue any other remedy available in this Lease, or under Law, against Tenant.

(h) Net Lease. This Lease shall be deemed and construed to be a "net lease," and, accordingly, anything contained in the provisions of this Lease to the contrary notwithstanding, Landlord shall receive Base Rent free from any charges, assessments, impositions, expenses or deductions of any and every kind or nature whatsoever, and Tenant agrees to pay all costs and expenses of every kind and nature whatsoever, ordinary and extraordinary, arising out of or in connection with the ownership, maintenance, repair, replacement, use and occupancy of the Premises during the Term, or with respect to any interest of Landlord in the Premises, or with respect to any Mortgage, any Permitted Mortgage, any Permitted Financing, or this Lease generally, all of which costs, expenses, liabilities, charges or other sums shall be deemed Additional Rent, except as expressly set forth herein. Except as otherwise expressly provided in this Lease, Landlord shall not be required by any provision of this Lease to render any service or make any payment of any kind to Tenant or any other Person whatsoever.

(i) Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Base Rent, Additional Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Accordingly, if any installment of Base Rent, Additional Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days after such amount is due, then such amount shall bear interest at the Default Rate until paid and Tenant shall pay to Landlord a late charge equal to five percent (5%) of the amount due plus any reasonable attorneys' fees incurred by Landlord by reason of Tenant's failure to pay the same when due hereunder. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of the late payment of amounts owing by Tenant to Landlord hereunder. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner.

(j) Security Deposit. Landlord and Tenant acknowledge that Tenant has not deposited and shall not be obligated to deposit (except as otherwise expressly set forth herein) any sum of money in connection with a security deposit.

(k) Tax on Lease. If federal, state or local law now or hereafter imposes on Landlord any tax, assessment, levy or other charge (other than any income tax) directly or indirectly upon or in connection with: (i) Landlord with respect to this Lease or the value thereof, (ii) Tenant's use or occupancy of the Premises, (iii) the Base Rent, Additional Rent, or any other sum payable under this Lease, (iv) any changes in the beneficial ownership of Tenant, or (v) this transaction, Tenant shall pay the amount thereof as Additional Rent to Landlord upon written demand.

6. **Use of Premises.**

(a) **Nature of Use Generally.** Tenant shall, throughout the Term, continuously use the Property only for the development, construction, operation, repair, and maintenance of the Project, and including, without limitation, the marketing for lease and leasing of the Units to Qualifying Tenants, and such ancillary uses as are reasonably and customarily attendant to such uses, subject to the terms and conditions of this Lease. Tenant shall, during the Term, make available all Units to be rented to households in accordance with the terms and conditions of this Lease, the Regulatory Agreements, Section 42, and the Permitted Financing Documents.

(b) **Affordable Housing Requirements.** Subject to the terms and conditions of Section 6(b)(viii) relating to any Regulatory Agreements, the Premises shall not be used for any purpose other than a multi-family rental housing facility for individuals and/or families with all household members age 55 or older, and related activities meeting the requirements set forth in this Section 6(b), without the prior written approval of Landlord.

(i) **Affordable Units.** Subject to the terms and conditions of Section 6(b)(ii), Landlord covenants that **100%** of the Units will be leased at certain rates specified below (inclusive of utilities and mandatory fees) which are considered affordable to certain low- and moderate-income households. The Units will consist of the following mix of affordability levels:

(1) at least **six (6)** of the Units will be reserved for households who have a combined gross annual income which does not exceed 30% of AMI (each a "30% Unit");

(2) approximately **49** of the Units will be reserved for households who have a combined gross annual income which does not exceed 50% of AMI (each a "50% Unit");

(3) approximately **46** of the Units will be reserved for households who have a combined gross annual income which does not exceed 60% of AMI (each a "60% Unit"); and

(4) no more than **17** of the Units will be reserved for households who have a combined gross annual income which does not exceed 80% of AMI (each an "80% Unit"). Any changes in the affordability levels of the Units set forth herein shall require the prior written approval of Landlord, which such consent will not be unreasonably conditioned, delayed, or withheld.

(ii) **Changes to Affordability Levels.** Any changes in the affordability levels of the Units set forth herein shall require the prior written consent of Landlord, which such consent will not be unreasonably conditioned, delayed, or withheld; provided, however, (A) Tenant shall at all times ensure that the average rental rate for all Units does not exceed the rental limits hereunder for 60% Units, and Landlord may consider any request by Tenant to reduce the average rental rates below such threshold in Landlord sole and absolute discretion, and (B) Landlord acknowledges that the 30% Units are currently subsidized by Housing Support funding from the Minnesota Department of Human Services and Landlord agrees that if such support (or an alternative or replacement housing subsidy) is withdrawn or otherwise not available for any reason outside of Tenant's reasonable control, then Tenant may, following prior written notice to Landlord and

without being in default hereunder, increase rents for the 30% Units up to the rental limits hereunder for 60% Units to account for any reduction of operating income due to the loss of such subsidy so long as Tenant exercises commercially reasonable diligent efforts to obtain reinstatement of such subsidy or an alternative subsidy in order to provide the 30% Units at the rental limits hereunder for 30% Units in accordance with the original financial assumptions for the Project reflected in the Option Agreement and related documents, and upon Tenant's receipt of any such subsidy, Tenant shall thereafter return to renting the 30% Units at the rental limits hereunder for 30% Units.

(iii) Unit Mix. The Units shall be distributed among studio efficiencies (which will be no less than 610 square feet in size), one-bedroom units (which will be no less than 610 square feet in size), and two-bedroom units (which will be no less than 930 square feet in size). There will be **six (6)** studio efficiencies, **90** one-bedroom units, and **22** two-bedroom units. Changes in the distribution of Units set forth herein shall require the prior written approval of Landlord, which such consent will not be unreasonably conditioned, delayed, or withheld.

(iv) Qualifying Tenants. Each Unit shall be leased to and occupied (or held vacant and available for occupancy) for the duration of the Term only by a household who, at initial occupancy, has a combined gross annual income which does not exceed the respective AMI threshold for each type of Unit (each a "Qualifying Tenant") (e.g., each 30% Unit may only be leased to and occupied by a Qualifying Tenant whose gross annual income does not exceed 30% of AMI, etc.). Each subsequent tenant of the Unit must be a Qualifying Tenant.

(v) Rental Rates. Each Unit shall bear annual rents not greater than the rental rate limits for the applicable Qualifying Tenant (adjusted for bedroom count, and including utilities) as determined and announced from time to time by HUD and as published annually by the Minnesota Housing Finance Agency (or any successor agency(ies) administering government affordable housing programs). During the Term, the form of lease to be utilized by Tenant in renting Units will provide that rental rates charged to any tenant of a Unit cannot be increased more than once in any 12-month period. Notwithstanding the forgoing, a change in the utility allowance shall not constitute a change in rental rates.

(vi) Certification of Tenant Eligibility. No Resident household shall be approved by Tenant for initial occupancy of a Unit unless and until Tenant has determined (through verification of income, assets, expenses, and deductions) whether such tenant household is a Qualifying Tenant for the applicable Unit. Each person who is intended to be a Qualifying Tenant will be required at the commencement of the initial lease of a Unit to sign and deliver to Tenant a "Certification of Tenant Eligibility" in a form reasonably approved by Landlord (the "Eligibility Certification"), in which the prospective tenant certifies as to qualifying as an applicable Qualifying Tenant. Eligibility Certifications may be obtained no more than 120 days before a Qualifying Tenant occupies a Unit. In addition, the person will be required to provide whatever other information, documents, or certifications are deemed reasonably necessary by Landlord to substantiate the Eligibility Certification. Eligibility Certifications will be maintained on file by Tenant with respect to each Qualifying Tenant who resides or resided in a Unit for a period of 10 years following the end of the Term. Tenant must re-examine and verify the income of each tenant household living in a Unit annually unless, during such year, no Unit is occupied by a new tenant household whose income exceeds the applicable income limit for Qualifying

Tenants. In addition, no re-certification shall be required if a Qualifying Tenant moves to a different Unit.

(vii) Additional Affordable Housing Requirements.

(1) No security deposit shall be required in excess of the amount of one month of rent in connection with any Unit.

(2) During the final year of the affordability period, new Resident Leases for the Units must be for a term of no less than six months, and such newly leased Units will be subject to all the requirements of this Section 6(b) until the expiration of such new leases.

(3) Tenant shall affirmatively market the Units to one or more traditionally underserved populations as affordable at the rates required hereunder.

(4) Landlord, its agents, and/or employees, shall have the right to make special audits of all books and records, wherever located, pertaining to Tenant's compliance with the requirements of this Section 6(b), including, without limitation, copies of all Resident Leases and Tenant's standard form of Resident Lease. Tenant shall, upon annual invoicing, reimburse Landlord (or its designee administering affordable housing requirements, including, without limitation, the City or the Edina HRA) for third-party expenses related to monitoring of Tenant's compliance with this Section 6(b) (plus any additional costs necessitated by re-inspections for noncompliance) and thereafter be subject to reasonable adjustment from time to time. Such monitoring shall be based on a sampling of 10% of the Units in addition to the files of new Residents, and shall be limited to an inspection of the files related to such units and physical inspection of such units only. The expenses related to such monitoring shall be standard, reasonable, and not materially different than those expenses charged to other similar affordable housing projects on a per-unit basis.

(viii) Relationship to Regulatory Agreements. Notwithstanding any provision contained in this Section 6(b) to the contrary, this Section 6(b) shall be subject and subordinate to the Regulatory Agreements, if such provision contained in this Section 6(b) imperils the viability of the Tax Credits and or the tax-exempt status of the bonds issued with respect to the Project. For so long as any Regulatory Agreement encumbers the Premises, to the extent of any conflict between the terms of any such Regulatory Agreement and the terms of this Section 6(b), the terms of any such Regulatory Agreement shall prevail and such prevailing terms shall be deemed to modify and replace the applicable conflicting terms of this Section 6(b); provided, however, for avoidance of doubt, any more restrictive income, rent, and/or affordability requirements or covenants pertaining to leasing of Units to Residents set forth herein shall control over any corresponding less restrictive requirements or covenants in any Regulatory Agreement. If all Regulatory Agreements are terminated prior to the expiration of the Term, then the requirements of this Section 6(b) will continue in full force and effect in accordance with their original terms until the expiration of the Term. Other than any Regulatory Agreement, Tenant has not and will not, without the prior written consent of Landlord, execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof and that, in any event, the requirements of this Section 6(b) are paramount and controlling

as to the rights and obligations set forth herein and supersede any other document's provisions in conflict herewith.

(c) Compliance with Legal Requirements, Insurance Requirements, and Other Covenants. Tenant, throughout the Term and at its sole expense, in connection with its use of the Premises, shall

(i) comply with: (A) all Legal Requirements, (B) all Insurance Requirements, and (C) all Permitted Financing Documents, all if and to the extent that any of the provisions of the Legal Requirements, the Insurance Requirements, and/or the Permitted Financing Documents relate to any or all of the Premises or the use or manner of use thereof, whether any of the foregoing are foreseen or unforeseen, or are ordinary or extraordinary;

(ii) keep in force throughout the Term all licenses, consents, and permits required from time to time by all applicable Legal Requirements necessary to permit the Premises to be used in accordance with this Lease;

(iii) pay, or cause to be paid, when due, all personal property taxes, income taxes, license fees, and other taxes assessed, levied, or imposed upon Tenant or any other person in connection with the operation of any business upon the Premises or its use thereof in any other manner;

(iv) not take or fail to take any action, as the result of which action or failure to act, Landlord's estate, right, title, or interest in and to any or all of the Premises might be impaired;

(v) not to use the Premises for any disorderly or unlawful purpose;

(vi) use commercially reasonable efforts to prevent any action by any Residents from committing or maintaining any nuisance or unlawful conduct on or about the Premises;

(vii) use commercially reasonable efforts to prevent any action by any Resident that would cause Tenant to violate any of the covenants and conditions of this Lease with respect to the Premises;

(viii) upon reasonable prior notice from Landlord, take reasonable action, if necessary, to abate any action by any Resident that would cause Tenant to violate this Lease; and

(ix) not, nor shall Tenant permit Tenant's Related Parties or any party acting upon Tenant's behalf, or any other third party, to bring, generate, handle, store, use, or dispose of any Hazardous Substances at the Premises, except in the normal course of operating the Premises consistent with industry standards and all Legal Requirements. Tenant will, during the entire Term, comply with all Legal Requirements of any Governmental Agency concerned with the storage, treatment, generation, transportation, processing, handling, production, or disposal of any Hazardous Substance. The presence of any Hazardous Substances that Landlord has not consented to pursuant to this Lease or that Tenant has not maintained in accordance with the provisions of this Section 6(c)(ix) shall be considered a Hazardous Condition pursuant to this Section 6(c)(ix), and Landlord

shall have all of the rights and remedies set forth in Section 14, in addition to all other rights and remedies provided in this Lease or at law or in equity, provided that Tenant shall have a right to cure such Hazardous Condition, subject to the terms and conditions of this Section, until the expiration of the period allowed by applicable Legal Requirements or applicable Governmental Agency for the cure of such Hazardous Condition. If Tenant, Tenant's Related Parties, or any party acting upon Tenant's behalf, discovers, at any time, the presence of any Hazardous Substance or materials on, in, or under the Premises except as permitted under this Lease, Tenant shall: (A) immediately disclose to Landlord and to all appropriate Governmental Authorities, in accordance with all applicable Legal Requirements, the presence of any Hazardous Substances or materials or the release or threatened release of any Hazardous Substances or materials onto, on, in, above, or under the Premises occurring after the Commencement Date of this Lease; and (B) subject to any other obligations of Landlord set forth in this Lease, promptly undertake and diligently pursue to completion, at its sole cost and expense, all necessary, appropriate, and legally authorized or required removal and/or remediation work with respect to such presence, release, or threatened release of any Hazardous Substances or materials onto, on, in, above, or under the Premises, provided that Tenant shall not undertake such removal and/or remediation work without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned, or delayed.

(d) Management Agent. The Management Agent for the Project shall be selected by Tenant. The initial Management Agent will be **Ecumen**, a Minnesota nonprofit corporation. A Management Agent other than Ecumen is subject to the reasonable approval of Landlord. The Management Agent shall be retained pursuant to the Management Agreement which, other than the initial Management Agreement with Ecumen, shall be subject to Landlord's reasonable approval. Tenant will ensure that the Management Agreement will hold the Management Agent responsible to Tenant for management of the Project in accordance with the terms of this Lease. The Management Agreement will contain provisions allowing access by Landlord, upon reasonable prior notice, to books and records maintained by the Management Agent relating to the Project.

7. Taxes, Operating Expenses, Utilities.

(a) Payment of Taxes. Commencing on the Commencement Date, Tenant: (i) shall pay any and all Taxes payable with respect to the Premises during the Term, as and when due to the appropriate Governmental Authority, and before any penalty is incurred for late payment; (ii) shall deliver to Landlord, upon request, the receipted bill for such Taxes within 10 days after payment of same; and (iii) if any Taxes are permitted to be paid in installments, Tenant shall pay said installments on or before the date upon which any interest, penalty, fine, or other cost is imposed upon said payments.

(b) Delivery of Bills and Notices. Each Party to this Lease shall deliver to the other, promptly after such Party's receipt, the originals of any and all bills for Taxes and notices of assessments or reassessments made, or to be made, for the purpose of levying any Taxes. If the Premises are not now treated as a separate tax lot or lots by the assessing authority, Landlord shall, upon Tenant's request and at Tenant's sole expense, cooperate with Tenant's efforts to have the Premises so treated.

(c) Failure to Pay Taxes. If Tenant shall fail to pay any Taxes before the same become delinquent, or as otherwise required hereunder, Landlord, at its election, may pay such Taxes (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the

amount so paid by Landlord shall be repayable to Landlord by Tenant within 30 days after Landlord's demand therefor, together with interest thereon at the Default Rate.

(d) Proceedings to Contest. Subject to, and except as provided in, the terms, conditions, and restrictions of the Permitted Financing Documents and applicable Legal Requirements, Tenant may, without postponing payment, bring proceedings to contest the validity or the amount of any Taxes, or to recover any amount paid by Tenant, provided that Tenant, before the commencement of any such contest, notify Landlord in writing that Tenant intends to take such action. Tenant shall indemnify and hold harmless Landlord against and from any expense arising out of any such action. Landlord shall, upon written request by Tenant and at Tenant's sole cost and expense, reasonably cooperate with Tenant in taking any such action, provided that Tenant indemnifies and holds harmless Landlord against and from any expense or liability arising out of such cooperation. Furthermore, Tenant, at its expense, may attempt to obtain a lowering of the assessed valuation of the Premises for any year for the purpose of reducing Taxes thereon. In such event, upon Tenant's request, Landlord shall use its reasonable efforts to assist Tenant in such endeavor.

(e) Payment of Operating Expenses.

(i) Tenant's Obligation. Commencing on the Commencement Date, Tenant shall pay, or cause to be paid, directly to the providers of such services, all costs and expenses attributable to or incurred in connection with the development, construction, completion, marketing, leasing, and occupancy of the Premises, including, without limitation: (A) all energy sources for the Premises, such as propane, butane, natural gas, steam, electricity, solar energy, and fuel oil; (B) all water, sewer, and trash disposal services; (C) all maintenance, repair, replacement, and rebuilding of the Premises including, without limitation, all Unit Equipment; (D) all landscaping, maintenance, repair, and striping of all parking areas; (E) all insurance premiums relating to the Premises in compliance with the Insurance Requirements and/or all applicable Legal Requirements, including, but not limited to, fire and extended coverage, public liability insurance, and all risk insurance; and (F) the cost and expenses of all capital improvements or repairs (whether structural or non-structural) required to maintain the Project in good order and repair and otherwise in accordance with this Lease and the Permitted Financing Documents.

(ii) Permits and Licenses. Tenant shall procure, or cause to be procured, at Tenant's sole cost and expense, any and all permits, licenses, or other authorizations required pursuant to all applicable Legal Requirements, for the lawful and proper installation and maintenance upon the Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying any such service to the Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, will join with Tenant in any application required for obtaining or continuing any such services.

(f) Utilities. Commencing on the Commencement Date, Tenant shall pay, or cause to be paid, as Additional Rent, to respective utility companies, all utility charges incurred with respect to the Premises, including, but not limited to, utility charges for water, electricity, gas, sewage, telephone, and other such utilities as shall be separately metered to Tenant. Tenant further agrees to contract for, and pay to the appropriate entity, all charges for waste and other garbage removal from the Premises. If Tenant fails to pay any of the foregoing when due, Landlord shall have the right, upon 30 days' notice to Tenant, to pay the same and collect the amount thereof from Tenant in the same manner as Base Rent. Notwithstanding the foregoing, Landlord shall have the right to

pay any utility charges directly to the applicable utility companies, and Tenant shall be obligated to reimburse Landlord for any such payments as Additional Rent hereunder. Landlord and Tenant acknowledge and agree that Landlord will not be responsible for providing any utilities or other services to the Premises.

8. **Repairs and Maintenance.** Tenant shall, throughout the Term and at its sole cost and expense: (a) take good care of the Premises and keep it in first class order and condition; (b) keep and maintain all of the Premises in a clean and orderly condition, free of accumulation of dirt, rubbish, snow, and ice; and (c) promptly make any and all repairs, ordinary or extraordinary, foreseen or unforeseen, to the Premises (including, but not limited to, the landscaping thereon) as are necessary to maintain the Premises in such condition and otherwise in compliance with this Lease, the Permitted Financing Documents and all applicable Legal Requirements and Insurance Requirements, and replace or renew the same where necessary to maintain the condition described herein, and the good appearance, of the Premises and to prevent or eliminate physical deterioration thereof (using replacements at least equal in quality and usefulness to the original improvements, equipment or things so replaced) (including, but not limited to, any and all such repairs to the plumbing, heating, ventilating, air condition, electrical, and other systems for the furnishing of utilities or services to the Premises), and Landlord shall have no obligation hereunder as to the same. Tenant shall not commit or permit waste on the Premises.

If Tenant shall fail to comply with the foregoing requirements, Landlord, upon at least 30 days prior written notice (except in the case of an emergency, when only such notice as is reasonable under the circumstances shall be required), effect such maintenance and repair, and the cost thereof, together with a 5% administrative fee of the costs and expenses incurred, shall be due and payable as Additional Rent to Landlord within 30 days after written demand, which written demand shall be accompanied by a reasonably detailed breakdown of the actual costs incurred by Landlord in connection with such maintenance and repair and supporting documentation. For purposes of this Lease, an “emergency” means situations in which there is an imminent threat to persons and/or property within the Premises.

Nothing in this Section 8 shall be deemed to impose any duty upon Landlord to make any such repair or take any such action, and Landlord’s performance thereof shall not constitute a waiver of Landlord’s right under this Lease to have Tenant perform such work. Landlord may, while taking any such action upon the Premises, store therein any and all necessary materials, tools, and equipment, and Tenant shall have no liability to Landlord for any damage to or destruction of any such materials, tools, and equipment, except if and to the extent, that such damage or destruction is proximately caused by the negligence of Tenant or Tenant’s Related Parties. Landlord shall not in any event be liable to Tenant for any inconvenience, annoyance, disturbance, loss of business, or other damage sustained by Tenant by reason of the making of such repairs or the taking of such action, or on account of the bringing of materials, supplies, and equipment onto the Premises during the course thereof, and Tenant’s obligations under the provisions of this Lease shall not be affected thereby.

9. **Landlord’s Right of Entry.** Subject to the rights of any Resident under a Resident Lease, Landlord and its authorized representatives shall be entitled to enter upon the Project, the Units and the Premises at any time during Tenant’s reasonable hours with reasonable notice, or without notice in the event of emergency, to: (i) inspect the Premises; and (ii) make any repairs thereto and/or take any other action therein which is required by Legal Requirements or which Landlord is permitted to make by any provision of this Lease.

10. **Insurance and Indemnification.**

(a) **General.** At all times during the Term, Tenant shall comply, and cause its Contractors and Management Agent to comply, with the Insurance Requirements set forth on

Exhibit C; provided, however, that all of the Insurance Requirements shall be subject to the terms and provisions of the Permitted Mortgages, and where there is a conflict between the Insurance Requirements and the insurance requirements in the Permitted Mortgages, the Permitted Mortgages shall govern, and where there is a conflict in the insurance requirements of the Permitted Mortgages, the insurance requirements of the First Permitted Mortgage shall control.

(b) Indemnification of Landlord.

(i) In addition to all other indemnifications provided in this Lease, and not in limitation thereof, Tenant shall, to the fullest extent provided by law, indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold Landlord and Landlord's Related Parties harmless from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, penalties, fines, costs, liabilities, interest or losses (including, without limitation, reasonable outside attorneys' fees and expenses incurred in enforcing this indemnity), consultant fees, and expert fees (collectively, "Claims, Damages and Fees") arising out of or relating to: (A) Tenant's use, occupancy, conduct, operation, or management of the Premises; (B) any work or thing whatsoever done or not done on the Premises; (C) any breach by Tenant or Tenant's Related Parties of any provision of this Lease or any negligent or bad faith act(s) or omission(s) or the negligent performance of any provision of this Lease by Tenant, Tenant's Related Parties, or any other person or entity for which Tenant may be responsible, including, without limitation, any Contractor; (D) any negligent, intentionally tortious act or omission, or any other act or omission of Tenant or Tenant's Related Parties, during the Term; (E) any injury to or death of any person, or damage to any property, occurring on the Premises during the Term (whether or not such event results from a condition existing before the execution of this Lease), or resulting in the termination of this Lease; and (F) any default or breach by Tenant of any of the Permitted Financing Documents, whether or not such default or breach is claimed or asserted by the applicable holder thereof and is not cured within the period allowed by such Permitted Financing Documents, and from and against all expenses and liabilities incurred in connection with any such claim or any action or proceeding brought thereon (including, but not limited to, reasonable and customary fees of attorneys', investigators and experts).

(ii) The obligations, indemnities and liabilities of Tenant pursuant to this Section 10(b) shall not extend to any liability to the extent caused by the gross negligence, intentional misconduct, fraud, or breach of the provisions of this Lease by Landlord or Landlord's Related Parties. Any provisions or limits of insurance set forth in this Lease shall not limit Tenant's liability under this Section 10(b). Tenant's obligations pursuant to this Section 10(b) shall survive termination or expiration of this Lease by one (1) year. Tenant's agreement under this Section is provided regardless of whether any such claim(s) is asserted during, or after the expiration of, the Term or any earlier termination of this Lease, but excludes any liability, claim of liability or expense caused prior to the Commencement Date. Tenant's liability under this Section 10(b) shall survive the expiration or earlier termination of this Lease by one (1) year.

(iii) Tenant further agrees that, during the Term, Landlord and Landlord's Related Parties shall not be liable for any damage or liability of any kind, or for any injury to or death of Persons or damage to property of Tenant or any other Person from any cause whatsoever by reason of any work, labor, or materials performed or delivered to, or connected to the use, occupancy, or enjoyment of the Premises by Tenant or any Person

holding under Tenant. Tenant does hereby indemnify and hold Landlord and Landlord's Related Parties harmless from all claims, actions, demands, costs, and expenses and liability whatsoever, including reasonable attorneys' fees, on account of any such real or claimed damage or liability, and from all liens, claims, and demands occurring in or at the Premises, or arising out of the construction, use, occupancy, or enjoyment of the Premises and its facilities, or any repairs or alterations which Tenant may make upon the Premises, or occasioned in whole or in part by any act or omission of Tenant or Tenant's Related Parties. Tenant's agreement excludes any indemnification of Landlord against damage or injury occasioned solely by the gross negligence or willful misconduct of Landlord or Landlord's Related Parties (but Tenant will indemnify Landlord and Landlord's Related Parties against damage or injury which are not occasioned solely by the gross negligence or willful misconduct of Landlord or Landlord's Related Parties).

(iv) Tenant acknowledges that Landlord is not required to provide security for Persons or property in or about the Premises. Tenant hereby waives and releases any claim against Landlord for injury to or death of any Person and any property damage arising out of, or attributable to, any criminal activity in or about the Premises, specifically including, but not limited to, vandalism, theft, burglary, robbery, rape, murder, or assault. Tenant shall take all commercially reasonable measures to prevent unauthorized entry to the Premises and to prevent injury or damage to Persons or property at all time prior to the completion of the construction of the Project.

(v) Tenant hereby agrees to indemnify, protect, defend and hold Landlord and Landlord's Related Parties harmless from any and all claims, causes of actions and suits for injury to or death of any of Tenant's Related Parties or Residents resulting from criminal activities in or about the Premises, including all costs, reasonable attorneys' fees and expenses incurred. Tenant shall defend any such claim, cause of action, or suit made or brought against Landlord or Landlord's Related Parties at Tenant's sole expense.

(vi) In addition to all other indemnities provided in this Lease, and not in limitation thereof, Tenant shall, to the fullest extent provided by law, indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold Landlord and Landlord's Related Parties harmless from and against any and all Claims, Damages and Fees arising during the Term (including such matters that arise during the Term but are discovered after the expiration or earlier termination of the term) from the use, storage, release, discharge, handling, or presence of any Hazardous Substance, located on, in, above, or under the Premises or the Units, in violation of any applicable Legal Requirement, or otherwise pertaining to public health or employee health and safety, to the extent that such Claims, Damages and Fees arise out of the acts or omissions of Tenant, Tenant's Related Parties, or any other Person or entity for which Tenant may be responsible, including, without limitation, any Contractor. Without limitation of the foregoing, this indemnification will include any and all costs (including reasonable attorneys' fees) incurred due to any environmental assessment, cleanup, removal, or restoration mandated by any Governmental Authority and the removal of any liens affecting any property of the indemnitee as a result of such legal action. The foregoing indemnification shall survive the termination of this Lease or the dissolution of Tenant.

(c) Increase in Risk. Tenant shall not do or permit to be done any act or thing as a result of which either: (i) any policy of insurance of any kind covering any or all of the Premises or any liability of Landlord in connection therewith may become void or suspended, or (ii) the insurance risk under any such policy would (in the opinion of the insurer thereunder) be increased,

and if such insurance is maintained by Landlord, shall pay as Additional Rent the amount of any increase in any premium for such insurance resulting from any breach of such covenant, within 10 days after Landlord notifies Tenant in writing of such increase.

11. **Casualties and Condemnation.**

(a) **Fire and Other Casualties.**

(i) **Restoration of the Project.** If any or all of the Project is damaged or destroyed by an accident or event which could not have been foreseen or avoided, such as a fire or earthquake (a "Casualty"), Tenant shall immediately notify Landlord and promptly commence and complete the Restoration of the Project with reasonable diligence, subject to reasonable delays related to (A) the adjustment of losses as to casualty/hazard insurance proceeds (the "Proceeds") for such purposes, (B) the disbursement of such Proceeds to Tenant, including any such disbursement by Permitted Mortgagees in accordance with this Lease and the Permitted Financing Documents, and (C) Tenant's diligent, good faith efforts to obtain replacement Permitted Financing in order to complete such Restoration, if any Permitted Mortgagee(s) apply any such Proceeds to indebtedness secured by the Permitted Mortgages in accordance with the Permitted Financing Documents or if additional Permitted Financing is necessary to complete the Restoration. In connection with any Restoration, Tenant shall cause the Premises to be returned, as nearly as possible, to its value, condition, and character immediately before the occurrence of the Casualty. Such Restoration shall also be performed in accordance with the Final Plans and Specifications which shall have been approved in writing by Landlord, which approval will not be unreasonably withheld, conditioned, or delayed. Any failure by Tenant to comply the terms and conditions of this Section with respect to Restoration of the Premises shall be a default hereunder, subject to applicable notice and cure rights under Section 14 before such default becomes an Event of Default; provided, however, Landlord shall not terminate this Lease due to any such Event of Default until any available Proceeds are distributed to, or otherwise held in trust for the benefit of, the Permitted Mortgagees in accordance with the Permitted Financing Documents.

(ii) **Disbursement of Proceeds.** All Proceeds (other than any Proceeds that are separately paid on account of any damage to or destruction of Tenant's own personal property, which shall be paid to Tenant) payable as a result of such casualty under policies of insurance held by or for the account of Tenant pursuant to Exhibit C, and received by Tenant, shall be paid to Tenant from time to time as such Restoration progresses, to pay or reimburse Tenant for the cost of such Restoration. Proceeds shall be provided to Tenant upon Tenant's written request, accompanied by evidence reasonably satisfactory to Landlord and any such Permitted Mortgagees, that an amount equal to the amount requested is then due and payable or has been paid, and is properly a part of such cost. Tenant shall also provide evidence reasonably satisfactory to such parties that the net Proceeds not yet advanced will be sufficient to complete such Restoration and, if the same are not sufficient to complete such Restoration, Tenant has deposited the shortfall in a federally insured bank or trust company approved by Landlord and the Permitted Mortgagees having an office in the State where the Project is located, and having executed a depository agreement with Landlord and the Permitted Mortgagees, as applicable. Upon receipt by Landlord and any such Permitted Mortgagee of evidence reasonably satisfactory to them that such Restoration has been completed, and the cost thereof paid in full; and that no mechanics' liens, material men's or similar lien for labor or materials supplied in

connection therewith may attach to the Premises, the balance, if any, of such Proceeds shall be paid to Tenant or as it may direct.

(iii) Application of Proceeds on Termination. Anything in this Lease to the contrary notwithstanding, upon the expiration or earlier termination of this Lease before such Restoration is completed free and clear of any such liens, all Proceed shall first be applied to completing such Restoration as otherwise provided herein, and, thereafter, any Proceeds not applied to the cost of such Restoration shall be paid, subject to the rights of the Permitted Mortgagee, as their interests may appear, first to Tenant, up to the cost of the Project, plus any amounts due to the Investor in accordance with the terms of the Partnership Agreement, and then to Landlord.

(iv) No Termination. No total or partial damage to, or destruction of, any or all of the Project shall entitle Tenant to surrender or terminate this Lease, nor relieve Tenant from its liability hereunder to pay Base Rent, any Additional Rent and all other sums and charges which are otherwise payable by Tenant under this Lease, or from any of its other obligations under this Lease, and Tenant hereby waives any right now or hereafter conferred upon it by statute or otherwise, on account of any such damage or destruction, to surrender this Lease, to quit or surrender any or all of the Project, or to have any suspension, diminution, abatement, or reduction of the Base Rent or any Additional Rent or other sum payable by Tenant hereunder. However, if Landlord has, on account of any such Rent or other sum, received for its own account the proceeds of any rent insurance pursuant to the provisions of this Lease, Tenant shall be entitled to a credit against its obligations to pay such Rent and other sums, by applying such credit toward the unpaid installments of Base Rent in the order in which they fall due.

(v) Right to Participate and Control; Permitted Mortgages, Generally.

(1) Notwithstanding any of the foregoing to the contrary, First Permitted Mortgagee shall have the right to supervise and control the receipt and disbursement of Proceeds, participate in any proceedings and settlement discussions related to a Casualty, and participate in adjustment of losses as to Proceeds. Where there is a conflict between the terms of this Section 11(a) and the terms of the Permitted Mortgages, the Permitted Mortgages shall govern, and where there is a conflict in the terms of the Permitted Mortgages, the terms of the First Permitted Mortgage shall control.

(2) Without limiting the foregoing, it is acknowledged and agreed that Landlord may not receive any Proceeds until Restoration is complete or the indebtedness secured by the Permitted Mortgages has been paid in full.

(b) Condemnation.

(i) Notice of Taking. Upon receipt by either Landlord or Tenant of notice of the institution of any proceedings for the taking or condemnation of all or a portion of the Project by any Governmental Authority, or any other Person under the right of eminent domain (a "Taking"), the Party receiving such notice shall promptly give written notice thereof to the other and such other Party may also appear in such proceeding and be represented by counsel, who may be counsel for the Party receiving such notice.

(ii) Termination of Lease. Landlord and Tenant agree that, in the event of a Taking such that Tenant reasonably determines that the Premises cannot continue to be operated, at reasonable cost, for its then current use, then, subject to the rights and only after receipt of the written consent of all Permitted Mortgagees, this Lease shall, at Tenant's sole option, terminate as of the effective date of the Taking.

(iii) Continuation of Lease and Determination of Value of Award. Landlord and Tenant agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 11(b)(ii), this Lease shall continue in effect as to the remainder of the Premises and Tenant shall promptly commence and complete the Restoration of the remaining portion of the Project with reasonable diligence to the extent of any Net Condemnation Award. Such Restoration shall result in the Project's being returned, as nearly as possible, to its value, condition, and character immediately before such damage or destruction. Such Restoration shall be substantially in accordance with the Final Plans and Specifications, subject to the prior written approval of Landlord.

(iv) Temporary Taking. If there shall be a temporary Taking of a year or less with respect to all or any part of the Premises or of the Leasehold Estate, then the Term shall not be reduced and Tenant shall continue to pay all Rents and other charges required herein, without reduction or abatement thereof at the times herein specified.

(v) Award and Priority of Payment. If there is a Taking, whether whole or partial, and any Net Condemnation Award is disbursed other than for Restoration, the same shall be disbursed as follows: (A) to Permitted Mortgagees in order of priority; (B) to Landlord in the amount equal to the fair market value of the Property taken, exclusive of improvements; (C) to Tenant in the amount equal to the fair market value of Tenant's interest (minus the amount paid to Landlord); and (D) to Landlord for the reversionary interest.

(vi) Right to Participate and Control; Permitted Mortgages, Generally. Notwithstanding any of the foregoing to the contrary, First Permitted Mortgage shall have the right to supervise and control the receipt and disbursement of condemnation awards and participate in any condemnation proceedings and settlement discussions. Where there is a conflict between the terms of this Section 11(b) and the terms of the Permitted Mortgages, the Permitted Mortgages shall govern, and where there is a conflict in the terms of the Permitted Mortgages, the terms of the First Permitted Mortgage shall control.

(vii) No Waiver. No provisions in this Lease limit the rights of either Landlord or Tenant to seek compensation from a condemning authority as provided by applicable Legal Requirements.

12. Assignment and Subletting.

(a) Generally. This Lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord and Tenant, subject to the terms, conditions, and restrictions regarding any Transfer set forth in this Section 12. Any attempted Transfer in violation of this Lease shall be null and void.

(b) Prohibited Transfers. Except for Permitted Transfers (defined below), Tenant agrees for itself and its successors and assigns in interest hereunder that it shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned,

or delayed, subject, however, to the provisions of Section 12(c): (i) cause a Transfer of this Lease or any of its rights under this Lease as to all or any portion of the Premises, or the occupancy or use thereof, or any legal, beneficial or economic interest in Tenant, or (ii) make or permit any voluntary or involuntary total or partial sale, lease, assignment, conveyance, mortgage, pledge, encumbrance or other Transfer of any or all of the Premises or the occupancy or use thereof, other than in accordance with the terms and conditions of this Lease, applicable Legal Requirements, and the Permitted Financing Documents (including but not limited to: (A) any sale at foreclosure or by the execution of any judgment of any or all of Tenant's rights hereunder; or (B) any Transfer by operation of law). Any Person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever hereunder against Landlord, and Landlord shall have no duty to recognize any Person claiming under or through the same.

(c) Conditions to Consent. Notwithstanding anything in Section 12(b) to the contrary, among other reasons Landlord may have to reasonably withhold, condition, or delay consent to a Transfer by Tenant, in no event shall Landlord be deemed to have acted unreasonably in withholding, conditioning, and/or delaying any such consent, unless Landlord is provided adequate assurances in Landlord's opinion:

(i) that the proposed transferee has a good reputation in the local business community and is creditworthy, each in accordance with generally acceptable commercial standards; and

(ii) that the proposed transferee has managerial and operational skills and experience, in each case, the same or better as those of the existing Tenant, specifically, without limitation, in regards to complying with the requirements of Section 6(b) [Affordable Housing Requirements].

Additionally, Landlord may withhold, condition, and/or delay its consent to any proposed Transfer in its sole discretion if any Event of Default by Tenant then exists.

(d) No Waiver. Except as otherwise provided herein, if this Lease shall be sublet or assigned, or if the Premises or any part thereof be sublet or occupied by any Person or Persons other than Tenant, Landlord may, after default by Tenant, collect rent from the assignee, subtenant, or occupant and apply the net amount collected: to the Rent herein reserved, but no such assignment, subletting, occupancy, or collection of rent shall be deemed a waiver of the covenants in this Section 12, nor shall it be deemed acceptance by Landlord of the assignee, subtenant, or occupant as a tenant, or a release of Tenant from the full performance by Tenant of all the terms, conditions, and covenants of this Lease.

(e) Assumption of Lease. Each permitted assignee or transferee of Tenant shall assume and be deemed to have assumed the obligations of Tenant, under this Lease to be performed, or arising or accruing, on and after the effective date of such assignment or other Transfer and shall be and remain liable jointly and severally with Tenant, for the payment of Base Rent and Additional Rent, and for the due performance of all the terms, covenants, conditions, and agreements herein contained on Tenant's part to be performed for the Term. Notwithstanding anything to the contrary contained herein, no Transfer shall be binding on Landlord unless such transferee or Tenant shall deliver to Landlord a duplicate original of the instrument of assignment or other Transfer which contains a covenant of assumption by the transferee of all of the obligations aforesaid and shall obtain from Landlord the aforesaid written consent, prior thereto. No assignment or other Transfer in whole or in part of this Lease shall release Tenant or any assignee or other transferee of Tenant of its continuing liability under this Lease. Tenant shall reimburse Landlord on demand for any

costs that may be reasonably and actually incurred by Landlord in connection with any such assignment.

(f) Approved Transfers. Notwithstanding the foregoing, the following Transfers shall not require Landlord's prior written consent except to the extent expressly set forth in this Lease (each a "Permitted Transfer");

(i) Permitted Mortgages, subject to and in accordance with the terms and conditions of Section 13;

(ii) Leases of Units to Residents under Resident Leases;

(iii) The admission of an Investor as a limited partner of Tenant, provided that Tenant provides the Landlord with such information and documentation as reasonably required by the Landlord to confirm the completion of such Transfer and that the such Transfer meets the requirements of a Permitted Transfer;

(iv) A Transfer to an Affiliate of Tenant, provided that Tenant provides the Landlord with such information and documentation as reasonably required by the Landlord to confirm the completion of such Transfer and that the such Transfer meets the requirements of a Permitted Transfer;

(v) With respect to the Investor and to any Person that holds a non-Controlling Interest in Tenant (A) a Transfer of a non-Controlling Interest in said Person or (B) a Transfer of its non-Controlling Interest in Tenant (including without limitation any sale, transfer, conveyance or assignment to an affiliate of the Investor or an entity controlled by an affiliate of the Investor or an entity controlled by an affiliate of the Investor), subject to the terms and conditions of the Permitted Financing Documents and the Regulatory Agreements, and provided that Tenant: (1) provides Landlord with contemporaneous written notice of such Transfer; and (2) certifies to Landlord that the successor entity remains obligated to fund its equity contribution to Tenant in accordance with the terms of the approved organizational documents of Tenant;

(vi) The exercise by the Investor of rights pursuant to the Partnership Agreement to remove the general partners of Tenant and appoint the Investor or an Affiliate thereof as general partner of Tenant so long as the Investor gives prior written notice to Landlord of such removal and appointment; provided that Landlord's consent shall be required for the appointment of any substitute general partner to extend beyond a 90-day period, such 90-day period will commence on the date of notice, such 90-day period may be extended for an additional 90 days; provided Landlord's consent will be required for the appointment of any permanent replacement general partner or substitute general partner in order to extend beyond a 90-day period; and

(vii) The purchase by Tenant's general partner, or by one of Tenant's co-general partners, of the initial Investor's limited partner interest in Tenant pursuant to Section 6.5.1 of the Partnership Agreement, or the purchase by one of Tenant's co-general partners of the other co-general partner's interest in Tenant.

(g) Transfers and Encumbrances by Landlord.

(i) Landlord is permitted to transfer and/or assign all or part of Landlord's Estate and/or its interest under this Lease to the City, the Edina HRA, or another Affiliate of Landlord, in each case, without Tenant's, any Investor's or any Permitted Mortgagee's consent; provided, however, any such assignment shall be subject to all of the terms of this Lease. Any other transfer of all or part of Landlord's Estate and/or its interest under this Lease shall require the consent of Tenant and the First Permitted Mortgagee, not to be unreasonably withheld, conditioned, or delayed.

(ii) Landlord represents and warrants that there are no existing mortgages, deeds of trust, easements, liens, security interests, encumbrances and/or restrictions encumbering Landlord's Estate other than the Permitted Encumbrances. Landlord's Estate may not be subject to any encumbrances or liens other than the Permitted Encumbrances without the prior written approval of the First Permitted Mortgagee, such approval not to be unreasonably withheld, conditioned, or delayed. Without limiting the foregoing, such approval may be conditioned upon such an encumbrance providing that it is and shall remain subject and subordinate at all times during the Term in lien, operation, and otherwise to this Lease and the First Permitted Mortgage.

(iii) In the event that Landlord sells, conveys, or otherwise transfers its interest in the Project, whether voluntarily, involuntarily, by foreclosure (or by deed in lieu of foreclosure) of a mortgage, or by operation of law or otherwise, then this Lease shall remain in full force and effect and shall not be terminated except in accordance with the provisions of this Lease. In the event of such a transfer, Tenant hereby agrees that it will attorn to and recognize any successor to Landlord's interest in the Premises as the new Landlord under this Lease, and Tenant hereby covenants and agrees that it will execute any instruments required by such successor evidencing the same.

13. **Permitted Mortgages.**

(a) **Generally.**

(i) In addition to any other rights herein granted, Tenant is hereby given the right to grant a Permitted Mortgage or other security interest in Tenant's interest in this Lease and the Premises, to each Permitted Mortgagee only and in the order of lien priority as set forth on **Exhibit D**, subject to the terms and conditions of this Lease. Such Permitted Mortgages shall be subordinate and subject to the terms and conditions of this Lease. Notwithstanding anything to the contrary, Tenant shall be entitled, subject to the prior written consent of Landlord, which consent shall not be unreasonably, withheld, conditioned, or delayed, to refinance the Permitted Financing or incur additional indebtedness in order to maintain or renovate the Project as safe and decent housing for the Residents thereof. No Permitted Mortgage or any extension, modification, or amendment thereof, or any other lien or encumbrance on the Leasehold Estate, shall be a lien or encumbrance upon the estate or interest of Landlord in and to the Project or any part thereof.

(ii) In the event of any conflict between the terms of this **Article 13** and any other terms of this Lease, the terms of this **Article 13** will control.

(b) **Rights of Permitted Mortgagee.** Provided Tenant or each Permitted Mortgagee sends to Landlord a copy of its Permitted Mortgage, together with written notice specifying the name and address of each such Permitted Mortgagee (and Landlord acknowledges that it has

received the names and addresses of the Permitted Mortgagees holding Permitted Mortgages set forth on Exhibit D), then so long as each such Permitted Mortgage shall remain unsatisfied of record or until written notice of satisfaction is given by the holder of such Permitted Mortgage to Landlord, the following provisions shall apply with respect to each of the Permitted Mortgagees in the order of their respective lien priorities, as they are set forth on Exhibit D, unless Landlord is notified in writing to the contrary:

(i) Landlord shall not, in the absence of an uncured Event of Default of Tenant under this Lease, disturb the possession, interest, or quiet enjoyment of Tenant.

(ii) Except as otherwise permitted by the terms of a Permitted Mortgage, neither Tenant acting alone, nor Landlord and Tenant acting jointly, shall cancel, surrender, or accept surrender of this Lease, or amend or modify any term or condition of this Lease, without in each case obtaining the prior written consent of the required Permitted Mortgagees, which consent shall not be unreasonably withheld, conditioned or delayed, and no merger shall result from the acquisition by, or devolution upon, any one entity of the fee and the leasehold estates in the Premises.

(iii) Provided that Landlord has received prior written notice of their current addresses, Landlord shall, upon delivery to Tenant of any notice of a default or an Event of Default hereunder, simultaneously and in the same manner deliver a copy of such notice to each Permitted Mortgagees.

(iv) Upon receipt of a notice of a default or Event of Default from Landlord (except in the case of an emergency), the Permitted Mortgagees shall have the greater of (A) the same time period provided to Tenant under this Lease or (B) for monetary defaults, 15 days, and for non-monetary defaults, 60 days, after the receipt of notice of an Event of Default from Landlord, to remedy or cause to be remedied any alleged Event of Default on the part of Tenant, provided that if any such non-monetary Event of Default cannot, with the exercise of reasonable diligence, be remedied within such period, then so long as such Permitted Mortgagee(s) commences taking action to remedy such Event of Default within such 60-day period and thereafter continues with reasonable diligence to obtain such remedy with the exercise of reasonable diligence for an additional period of no more than an additional 90 days, Landlord shall accept such performance by or at the instigation of such Permitted Mortgagee(s) as if same had been done by Tenant. Each notice of default or Event of Default given by Landlord will clearly state (1) if monetary, the amounts claimed due under this Lease, (2) if non-monetary, the nature of the Event of Default and the remedy required under this Lease, and (3) in either case, whether Landlord has a right to terminate this Lease based on the alleged Event of Default. Nothing contained in this Section 13 shall require any Permitted Mortgagee to cure any Event of Default by Tenant under this Lease. The time period provided to the Permitted Mortgagees hereunder shall not expand any time period provided to Tenant under this Lease for curing its monetary and non-monetary Events of Default.

(v) Upon notice from Landlord of the termination of this Lease following an Event of Default, the Permitted Mortgagees shall also have the separate right to postpone and extend the specified date for the termination of this Lease, as fixed by Landlord in its notice of termination, for a period of not more than 12 months; provided, however, that the Permitted Mortgagees shall, within 30 days from the receipt of such notice, cure or cause to be cured any then-existing monetary Events of Default and within 30 days shall have commenced or caused to commence the remedy of all non-monetary Events of Default

which are not personal to Tenant and which are reasonably susceptible of being cured by the Permitted Mortgagees, and meanwhile pay or cause to be paid the Rent and to perform the covenants of this Lease which are not personal to Tenant and which are reasonably susceptible of being performed by the Permitted Mortgagees, and provided further that the Permitted Mortgagees shall forthwith take steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Permitted Mortgages or otherwise and shall prosecute the same to completion with reasonable diligence. If at the end of said 12-month period the Permitted Mortgagees shall be actively engaged in steps to acquire or sell Tenant's interest in this Lease, the time of the Permitted Mortgagees to comply with this provisions shall be amended for such period as shall be reasonably necessary to complete such steps with reasonable diligence and meanwhile pay or cause to be paid the Rent and to perform all other covenants of this Lease with reasonable diligence and meanwhile pay or cause to be paid the Rent, and to perform all other covenants of this Lease which are not personal to Tenant and which are reasonably susceptible of being performed by the Permitted Mortgagee. If the Permitted Mortgagees are prohibited from commencing or prosecuting foreclosure or other appropriate proceedings by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy, debtor rehabilitation or insolvency proceedings involving Tenant, the said 12-month period shall be extended for the period of such prohibition, provided that the Permitted Mortgagees shall diligently attempt to remove any such prohibition and meanwhile pay or cause to be paid Rent, and to perform all other covenants of this Lease which are not personal to Tenant and which are reasonably susceptible of being performed by the Permitted Mortgagees. If Tenant's interest is acquired or sold as aforesaid by foreclosure of the Permitted Mortgages or otherwise during said 12-month period, as same may be extended as aforesaid, the intended termination of this Lease by Landlord under the aforesaid notice will be automatically nullified and this Lease will continue as if said notice of termination had never been given.

(c) New Lease. In the event of termination of this Lease for any reason other than a post-Casualty termination or post-Taking termination with the express prior written consent of the Permitted Mortgagees, Landlord will promptly notify the Permitted Mortgagees of such termination and the amount of the sums then due to Landlord under this Lease, and the First Permitted Mortgagee shall have the right to have Landlord enter into a new lease of the Premises with the First Permitted Mortgagee or its nominee or designee, containing substantially the same terms and conditions as set forth in this Lease, in accordance with provisions (i) through (v) below. In the event the First Permitted Mortgagee does not exercise such right, the other Permitted Mortgagees in order of lien priority shall have the right to have Landlord enter into a new lease of the Premises enter into a new lease of the Premises with such Permitted Mortgagee or its nominee or designee. The Permitted Mortgagee electing to exercise such right, whether the First Permitted Mortgagee or another Permitted Mortgagee, is referred to herein as the "Electing Permitted Mortgagee".

(i) The Electing Permitted Mortgagee or its nominee or designee shall be entitled to such new lease if the Electing Permitted Mortgagee or its nominee or designee shall make written request to Landlord for such new lease on or before the date which is 30 days after the date on which the Electing Permitted Mortgagee shall have received the notice from Landlord of such termination and if such written request is accompanied by the Electing Permitted Mortgagee's agreement to pay to Landlord within 30 days after the execution and delivery of the new lease all sums then due and owing to Landlord under this Lease, including, without limitation, all amounts of Rent and Additional Rent due and owing up to and including the date of such new lease, and within 60 days, commences or

cause to be commenced the remedy of the non-monetary defaults under this Lease, to the extent any requirements are then in default and are which are not personal to Tenant and which are reasonably susceptible of being cured by the Electing Permitted Mortgagee, and to prosecute or cause the prosecution of same to completion with reasonable diligence.

(ii) The term of such new lease shall equal the unexpired Term as if this Lease had not been terminated, effective as of the date of such termination, and shall incorporate therein the Rent and Additional Rent charges at the rate set forth in this Lease, and the other terms, provisions, covenants, options, and agreements contained herein.

(iii) Such new lease shall have the same lien priority as this Lease with respect to any mortgage or other lien, charge, or encumbrance of Landlord's Estate.

(iv) The Electing Permitted Mortgagee or its nominee or designee as tenant under the new lease shall have the same right, title, and interest in and to the Premises as Tenant has under this Lease. Before the Permitted Mortgagee or its nominee or designee takes possession of the Premises, the Permitted Mortgagee shall pay or cause to be paid the entire amount of the then existing due and payable Rent, if any.

(v) The conveyance or assignment by the Electing Permitted Mortgagee or its nominee or designee of its interest as tenant under the new lease and the Premises shall require the consent of Landlord, in Landlord's reasonable discretion.

(d) Permitted Mortgagee Liability. Any liability of a Permitted Mortgagee and its assigns to Landlord is limited to the value of the Leasehold Estate.

(e) Particular Rights of Tenant Requiring Consent.

(i) Landlord acknowledges that the following Tenant rights (if applicable) may not be exercised by Tenant without the express prior written consent of the First Permitted Mortgagee in accordance with the applicable Permitted Financing Documents between Tenant and the First Permitted Mortgagee:

(1) Any right of Tenant to treat this Lease as terminated in the event of Landlord's bankruptcy under Section 365(h)(A)(i) of Chapter 11 of the U.S. Bankruptcy Code or any successor statute;

(2) Any right of Tenant to modify, restate, terminate, surrender or cancel this Lease, except surrender of the Premises at the expiration of the Term;

(3) Any right of Tenant to subordinate its interests under this Lease and to a subsequent mortgage of Landlord's Estate granted by Landlord

(ii) Any exercise of the above rights of Tenant without the prior consent of the Permitted Mortgagees will be void at the option of the mortgagee under the Permitted Mortgagees.

(f) Foreclosure or Transfer in Lieu of Foreclosure. Landlord acknowledges and agrees that:

(i) Tenant's interest in the Lease and the Premises may be transferred by foreclosure or a transfer in lieu of foreclosure to a nominee of the foreclosing Permitted Mortgagee.

(ii) Each foreclosing Permitted Mortgagee (or Permitted Mortgagee nominee taking title to the Leasehold Estate through or in lieu of foreclosure) and its subsequent assignees will only be liable for acts or omissions of Tenant taking place during the period in which such party (A) is a mortgagee in possession, (B) has assumed the Lease in writing, or (C) holds title to the Leasehold Estate, and such successor will be deemed to have been automatically released by Landlord for liability relating to the Lease arising prior to such event listed in (A) through (C); except, any such Permitted Mortgagee, its nominee, or its subsequent assign, shall be liable for (1) all sums then due and owing to Landlord under this Lease, including, without limitation, all amounts of Rent and Additional Rent due; and (2) any act or omission of Tenant that is continuing in nature, and (3) any self-help or counterclaim rights expressly set forth in this Lease. A Permitted Mortgagee shall not have any liability under this Lease until it (I) is a mortgagee in possession, (II) has assumed the Lease in writing, or (III) holds title to the Leasehold Estate.

(g) Delay in Termination for Certain Defaults; Permitted Mortgagee Successor. If there is an Event of Default which is personal to Tenant and which is not reasonably susceptible of being cured by the Permitted Mortgagees, then this Lease can only be terminated by Landlord in accordance with, and subject to the terms and conditions of Section 13(b)(v), and nothing in this Article 13 shall require any Permitted Mortgagee or its designee as a condition to the exercise of rights provided under this Article 13 to cure any such Event of Default of Tenant, but subject to the terms and conditions of Section 13(b)(v). Notwithstanding any provisions to the contrary in this Lease, Landlord agrees (without waiving any rights that Landlord may have against any former Tenant) that: (i) any Permitted Mortgagee (or nominee thereof) that succeeds to the leasehold estate and becomes a successor Tenant hereunder shall not be responsible for any then-existing indemnification by the former Tenant for its actions; and (ii) failure by such Permitted Mortgagee to assume such existing indemnification obligations of the former Tenant shall not constitute a basis for not recognizing such Permitted Mortgagee as the successor Tenant.

(h) Priority of Rights The rights granted to Permitted Mortgagees pursuant to this Article 13 or elsewhere in this Lease shall be exercisable by Permitted Mortgagees in the same priority as the liens of their respective Permitted Mortgages.

(i) Acknowledgment of Mortgagees By extending any credit or other indebtedness to Tenant or the Premises secured by a Mortgage, the holder of any such Mortgage (including, without limitation, each Permitted Mortgagee), acknowledges that it has read and understood the terms and conditions of this Lease as they pertain to any such financing and any such Mortgage and agrees to be bound by the same in the same manner as if such holder was a signatory to this Lease for such purposes.

14. Default.

(a) Tenant's Defaults. The occurrence of any of the following events shall constitute an event of default (each, an "Event of Default"):

(i) if Tenant shall fail to pay Base Rent and/or Additional Rent to Landlord when the same is due and payable under the terms of this Lease and such failure shall

continue for a period of 10 days after written notice thereof has been given to Tenant by Landlord; or

(ii) if Tenant shall fail to perform any other duty or obligation imposed upon it pursuant to this Lease and such failure shall, except in the case of an emergency, continue for a period of 30 days after written notice thereof has been given to Tenant by Landlord, unless such Event of Default cannot be reasonably remedied within 30 days after Tenant's receipt of Landlord's notice, in which event Tenant shall have no more than 60 days from the expiration of the original 30-day period, within which to cure the Event of Default. In the case an Event of Default shall constitute or create an emergency, Tenant shall commence immediately to cure such default and Tenant shall continue to cure such default until it is completely cured, without regard to any cure period contained in this Section 14; or

(iii) if Tenant abandons or vacates the Premises or any portion of the Premises for a period of 60 consecutive days; or

(iv) if Tenant shall Transfer or otherwise encumber the Premises, in whole or in part, without the prior written consent of Landlord, except as provided in Section 12 or as otherwise specified herein; or

(v) if Tenant shall use the Premises for any purpose other than the purposes set forth in this Lease, including, without limitation Tenant's failure to comply with the requirements of Section 6(b) [Affordable Housing Requirements], subject to the cure period in clause (ii).

(vi) if at any time any representation or warranty made by Tenant herein shall prove to be incorrect in any material respect when made, or when deemed to have been repeated and it is not cured within 30 consecutive calendar days after written notice from Landlord, or such longer time as may be necessary to cure;

(vii) if Tenant shall create or fail to prevent a Hazardous Condition; or, permit a Hazardous Condition to continue at the Premises and fail to cure a Hazardous Condition in accordance with Section 6(c)(ix); or

(viii) the occurrence of Tenant's Bankruptcy; or

(ix) the interest of Tenant in the Premises shall be sold under execution or other legal process; or

(x) Tenant shall fail to assume or reject this Lease within 90 days after an order for bankruptcy relief has been entered against Tenant; or

(xi) There has been an uncured default by Tenant beyond applicable notice, cure and/or grace periods under any the Permitted Financing Documents or any Regulatory Agreement.

(b) Notice. If an Event of Default occurs, Landlord shall not exercise any right or remedy on account thereof, which it holds under this Lease or applicable Legal Requirements, unless and until Landlord gives written notice thereof to Tenant, Investor, and to each Permitted Mortgagee at the addresses set forth in Exhibit D. The notice must identify the specific covenants,

statutes, executive orders, regulations, or contractual provisions alleged to have been violated; identify the specific events, actions, failure to act, or conditions that constitute the alleged Event of Default; and provide a specific timeframe for Tenant to cure the Event of Default, taking into consideration the nature of the default, which specific timeframe for Tenant to cure the Event of Default shall be reasonably determined by Landlord in accordance with the terms of this Lease.

(c) Investor Cure Rights. Landlord shall send written notice to the Investor (at the address specified in Section 16 hereof) of any default under this Lease (the "Investor Cure Notice"), and Investor shall have the right but not the obligation to cure Tenant's default on the following basis (collectively, the "Investor Cure Rights"):

(i) Investor shall have 10 days after receipt of such notice to cure a non-payment of any sum due under this Lease;

(ii) Investor shall have 30 days after receipt of such notice to cure any other Event of Default;

(iii) if an Event of Default is susceptible to cure, but is incapable of being cured within 30 days, Investor shall have such additional time as is necessary, but no longer than 90 days, to cure such Event of Default provided Investor has commenced to cure such default and is diligently proceeding to cure such Event of Default;

(iv) if Investor makes any such payment or otherwise cures such Event of Default, Landlord shall accept such action as curing the respective Event of Default;

(v) if Investor cannot cure an Event of Default without removing Tenant's general partner and assuming control of Tenant, Landlord will toll its exercise of remedies during the period Investor is diligently attempting to remove Tenant's general partner, for a period not to exceed 120 days, as long as Investor is diligently and continuously pursuing such removal;

(vi) if Investor removes Tenant's general partner, Investor will not be required to cure prior Events of Default of Tenant's general partner that are not capable of being cured by Investor, such as the Bankruptcy of such general partner.

If Investor does not exercise the Investor Cure Rights, notwithstanding anything to the contrary contained herein, Landlord shall retain the right to enforce all remedies contained in this Lease for an Event of Default.

(d) Landlord's Rights on Event of Default. If an Event of Default occurs, and such Event of Default is not cured by a Permitted Mortgagee or Investor as provided herein, Landlord may take any or all of the following actions:

(i) re-enter and repossess any or all of the Premises and any or all improvements thereon and additions thereto; and/or

(ii) terminate this Lease by giving written notice of such termination to Tenant, which termination shall be effective as of the date of such notice or any later date therefor specified by Landlord therein. Landlord shall not be deemed to have accepted any abandonment or surrender by Tenant of any or all of the Premises or Tenant's Leasehold Estate under this Lease unless Landlord has so advised Tenant expressly and in writing,

unless Landlord has reentered or re-let any or all of the Premises or exercised any or all of Landlord's other rights under this Section 14 or applicable Legal Requirements. On the date specified in Landlord's notice, Tenant's right to possession of the Premises will cease and the Leasehold Estate conveyed by this Lease upon Tenant and the other portions of the Premises shall vest in Landlord without any further action required to be undertaken by Landlord; and/or

(iii) in Landlord's own name, re-let any or all of the Premises with or without any additional premises, for any or all of the remainder of the Term. Anything in this Lease or applicable Legal Requirements to the contrary notwithstanding, Landlord shall not have any duty or obligation to re-let any or all of the Premises as the result of any Event of Default, or any liability to Tenant or any other Person for any failure to do so or to collect any rent or other sum due from any such re-letting. In addition, Tenant shall have no right in or to any surplus which may be derived by Landlord from any such re-letting, if the proceeds of such re-letting exceed any Rent, installment thereof or other sum owed by Tenant to Landlord hereunder. Tenant's liability under this Lease shall not be diminished or affected by any such failure to re-let or the giving of any such initial or other concessions or "free rent" or reduced rent periods in the event of any, such re-letting. Tenant hereby waives any and all rights which it may have under applicable Legal Requirements, the exercise of which would be inconsistent with this subparagraph; and/or

(iv) cure such Event of Default in any other manner; and/or

(v) pursue any combination of such remedies, and/or any other right or remedy available to Landlord, on account of such Event of Default under this Lease and/or at law or in equity.

(e) Tenant's Agreements.

(i) No such expiration or termination of this Lease, or summary dispossession proceedings, abandonment, re-letting, bankruptcy, re-entry by Landlord or vacancy, shall relieve Tenant of any of its liabilities and obligations under this Lease (whether or not any or all of the Premises are re-let), and Tenant shall remain liable to Landlord for all damages resulting from any Event of Default, including, but not limited to, any damage resulting from the breach by Tenant of any of its obligations under this Lease to pay Rent and any other sums which Tenant is obligated to pay hereunder.

(ii) If an Event of Default occurs and is continuing beyond applicable notice and cure periods, Tenant shall, immediately on its receipt of a written demand therefor from Landlord, reimburse Landlord for: (A) all expenses (including but not limited to any and all repossession costs, management expenses, operating expenses, legal expenses and reasonable attorneys' fees) incurred by Landlord: (1) in curing or seeking to cure any Event of Default; and/or (2) in exercising or seeking to exercise any of Landlord's rights and remedies under this Lease and/or at law or in equity on account of any Event of Default; and/or (3) otherwise arising out of any Event of Default; and/or (4) (regardless of whether it constitutes an Event of Default) in connection with any action, proceeding or matter of the types referred to in this Section 14(e)(ii); plus (B) interest on all such expenses, at the Default Rate, all of which expenses and interest shall be Additional Rent and shall be payable by Tenant immediately on demand therefor by Landlord.

(f) Default by Landlord.

(i) Events of Default. Landlord shall be in default of this Lease if it fails to perform any provision of this Lease that it is obligated to perform or if any of Landlord's representations or warranties is untrue, and if the failure to perform or the failure of such representation or warranty is not cured within 60 days after written notice of the default has been given to Landlord, provided, however, that if any such failure cannot reasonably be cured within such 60-day period, then Tenant shall not have the right to exercise its remedies pursuant to Section 14(f)(ii) so long as Landlord promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time; provided, however, that such period shall not extend for more than 120 days after the date of Tenant's notice to Landlord.

(ii) Right to Cure; Tenant's Remedies. Subject to Section 14(g), if Landlord shall have failed to cure a default by Landlord after expiration of the applicable time for cure of a particular default, Tenant, at its election, but without obligation, therefor (i) may seek specific performance of any obligation of Landlord, after which Tenant shall retain, and may exercise and enforce, any and all rights that Tenant may have against Landlord as a result of such default, (ii) from time to time without releasing Landlord in whole or in part from the obligations to be performed by Landlord hereunder, may cure the default at Landlord's cost, and/or (iii) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable out-of-pocket, documented costs incurred by Tenant in order to cure such a default by Landlord shall be due immediately from Landlord, together with interest at the Default Rate, and may be offset against any amounts due from Tenant to Landlord. Notwithstanding anything herein to the contrary, in no event shall Tenant be entitled to terminate this Lease due to an uncured Landlord default hereunder.

(g) Notices. Notices given by Landlord under Section 14(b) or by Tenant under Section 14(f) shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant or Landlord, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

15. **Representations and Warranties.**

(a) Landlord's Representations and Warranties. As a material inducement to Tenant to enter into this Lease and the transactions and the agreements contemplated hereby, Landlord represents and warrants to Tenant that, as of the Commencement Date of this Lease:

(i) Landlord: (A) is the owner of a fee simple estate in and to the Property, subject to the operation and effect of and only of the Permitted Encumbrances; and (B) has the full right, power, and authority to enter into this Lease and thereby to lease the Property;

(ii) Tenant will have quiet and peaceful possession of the Property during the Term so long as all of Tenant's obligations hereunder are timely performed, except if and to the extent that such possession is terminated pursuant to any provision of this Lease;

(iii) the entry by Landlord into this Lease with Tenant and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreement relating to the Property to which Landlord is a party or by which it is bound, including, without limitation, the Permitted Encumbrances; Nothing in this Lease

shall be deemed to impose on Landlord any liability on account of any act or failure to act by any Person other than Landlord (or, where expressly so provided herein, Landlord's Related Parties).

(b) Tenant's Representations and Warranties. As a material inducement to Landlord to enter into this Lease and the transactions and the agreements contemplated hereby, Tenant represents and warrants to Landlord that, as of the Commencement Date of this Lease:

(i) Tenant is a limited partnership organized and in good standing under the laws of the state of Minnesota;

(ii) The execution of this Lease and the performance by Tenant of its obligations hereunder shall not conflict with any other agreements to which Tenant is a party nor shall it be in conflict with any federal, state or local laws, rules, or regulations applicable to Tenant;

(iii) No officer or executive of Tenant has ever been convicted of a felony and is not presently the subject of a complaint or indictment charging a felony;

(iv) No officer or executive of Tenant has been suspended, debarred, or otherwise restricted by any Governmental Authorities from doing business with such Governmental Authorities; and

(v) Neither Tenant nor its affiliates has defaulted on an obligation covered by a surety or performance bond, nor has been subject of a claim under an employee fidelity bond.

(c) Changes to Representations and Warranties. Tenant shall be required to notify Landlord in writing immediately if any of the above representations and warranties become untrue.

16. **Miscellaneous.**

(a) Notices. Except as otherwise expressly provided in this Lease, a notice, demand, or other communication under this Lease by any party to any other shall be in writing and shall be sufficiently given or delivered if it is dispatched by reputable overnight courier, sent registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and addressed to:

Tenant at: 4040 West 70th Street Apartments, LP
3530 Lexington Avenue North
Shoreview, Minnesota 55126
Attn: Morshed Alam

with a copy to: Ecumen
3530 Lexington Avenue North
Shoreview, MN 55126
Attn: Ecumen General Counsel

and a copy to: Winthrop & Weinstine, P.A.
Attention: Norm Jones

225 South Sixth Street, Suite 3500
Minneapolis, MN 55402

Landlord at: Edina Housing Foundation
4801 50th Street
Edina, MN 55424
Attn: President

with a copy to: City of Edina
4801 West 50th Street
Edina, MN 55424
Attn: Affordable Housing Development
Manager

with a copy to: Dorsey & Whitney LLP
Attention: Alex Sellke
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402

Investor: R4 CVMN Acquisition LLC
780 Third Avenue, 16th Floor
New York, NY 10017
Attention: Marc D. Schnitzer

with a copy to: Holland & Knight LLP
31 West 52nd Street
New York, NY 10019
Attention: Alan S. Cohen

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

(b) Complete Understanding. This Lease represents the complete understanding between the Parties as to the subject matter hereof, the Premises, the Units, the rest of the Improvements, the Unit Equipment, or the rest of the Premises, and the rights and obligations of the Parties as to the same, and supersedes all prior negotiations, representations, guaranties, warranties, promises, statements, or agreements, either written or oral, between the Parties as to the same. No inducements, representations, understandings, or agreements have been made or relied upon in the making of this Lease, except those specifically set forth in this Lease. Neither Party has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Lease which is not set forth herein.

(c) Access. Tenant agrees to grant a right of access to Landlord and any of its authorized representatives, with respect to any books, documents, papers, or other records related to this Lease and the Premises.

(d) Amendment. Subject to the rights of Permitted Mortgagee's hereunder, this Lease may be amended by mutual agreement of Landlord and Tenant, provided that all amendments must be in writing and signed by both Parties.

(e) No Waiver. No Party shall be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing. No such waiver made in any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right. No action taken or not taken by Landlord under any provision of this Lease (including, but not limited to, Landlord's acceptance of the payment of Rent after an Event of Default occurs) shall operate as a waiver of any right to be paid a late charge or of any other right or remedy which Landlord would otherwise have against Tenant on account of such Event of Default under this Lease or applicable Legal Requirements.

(f) Governing Law, Jurisdiction, Venue and Waiver of Trial by Jury. All matters, whether sounding in tort or in contract, relating to the validity, construction, performance, or enforcement of this Lease shall be controlled by, interpreted and determined in accordance with the laws of the state of Minnesota without regard to its conflict and choice of law provisions. Any litigation arising out of this Lease shall be venued exclusively in Hennepin County District Court, Fourth Judicial District, state of Minnesota and shall not be removed therefrom to any other federal or state court. Landlord and Tenant hereby consent to personal jurisdiction and venue in the foregoing court. Landlord and Tenant hereby waive trial by jury for any litigation arising out of this Lease.

(g) Attorneys' Fees. If either Party commences litigation against the other for the enforcement of the provisions hereof or for damages for the breach of this Lease, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may be incurred.

(h) Interpretation; Construing Various Words and Phrases. Wherever it is provided in this Lease that a party "may" perform an act or do anything, it shall be construed that such party "may, but shall not be obligated to," so perform or so do. The following words and phrases shall be construed as follows: (i) "at any time" shall be construed as "at any time or from time to time;" (ii) "Any" shall be construed as "any and all;" (iii) "Including" or "include" shall be construed as "including but not limited to", "include without limitation"; (iv) "e.g." or "for example" shall be construed as including the term; and (v) "Will" and "shall" shall each be construed as mandatory. The words "herein," "hereof," "hereunder," "hereinafter" and words of similar import shall refer to this Lease as a whole and not to any particular Section or subsection, unless the context indicates otherwise. Forms of words in the singular, plural, masculine, feminine, or neuter shall be construed to include the other forms as context may require.

(i) Independent Covenants. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any set-off of the Minimum Rent, Additional Rent, or other amounts owing hereunder against Landlord; provided, however, that the foregoing shall in no way impair the right of Tenant to commence a separate action against Landlord for any violation by Landlord of the provisions hereof.

(j) Time of Essence. Time shall be of the essence of this Lease, except that, whenever the last day for the exercise of any right or the discharge of any obligation hereunder falls on a Saturday, Sunday, or statutory holiday, the Party having such right or obligation shall have until 7:00 p.m. local time on the next succeeding day which is not a Saturday, Sunday, or statutory holiday to exercise such right or discharge such obligation.

(k) Headings. The headings of the Sections, subsections, paragraphs, and subparagraphs hereof are provided herein for and only for convenience of reference, and shall not be considered in construing their contents.

(l) Construction. As used herein, all references made (i) in the neuter, masculine, or feminine gender shall be deemed to have been made in all such genders, (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well, and (iii) to any Section, subsection, paragraph, or subparagraph shall be deemed, unless otherwise expressly indicated, to have been made to such Section, subsection, paragraph, or subparagraph of this Lease.

(m) Exhibits. Each writing or instrument referred to as being attached to this Lease as an Exhibit, or otherwise designated as an Exhibit to this Lease, is hereby expressly made a part of this Lease.

(n) Severability. No determination by any court, governmental, or administrative body or agency or otherwise that any provision of this Lease or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of: (i) any other such provision; or (ii) such provision in any circumstance not controlled by such determination. Each such provision shall remain valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable Legal Requirements.

(o) Conflicts. Except as otherwise provided herein, in the event of a conflict between any requirement contained in this Lease (or between any requirement contained in any document referred to in this Lease, including any Permitted Mortgage) and applicable Legal Requirements, the applicable Legal Requirements shall in all instances be controlling. In the event of a conflict between any applicable Legal Requirements, the most restrictive requirement shall control.

(p) Commissions. Each Party to this Lease hereby represents and warrants to the other that, in connection with the leasing of the Premises hereunder, it has not dealt with any real estate broker, agent, or finder, and there is no commission, charge, or other compensation due on its account. Each Party shall defend, indemnify, and hold harmless the other against and from any liability, claim of liability, or expense arising out of any inaccuracy in such Party's representation.

(q) Counterparts. This Lease may be executed in any number of counterparts and all of such counterparts shall constitute one and the same Lease.

(r) Liability of Landlord. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in this Lease and/or the Premises subject to the terms and conditions of Section 12(g), and Tenant agrees that in the event of any such transfer, if any such transferee assumes all of Landlord's obligations and liabilities arising from and after the date of such transfer by way of an assignment and assumption agreement reasonably satisfactory to Tenant, then Landlord shall automatically be released from all liability under this Lease accruing after the date of transfer and Tenant agrees to look solely to the transferee thereof for the performance of Landlord's obligations hereunder after the date of transfer; provided, however, Landlord shall remain liable and shall not be released from any and all obligations and liabilities arising under this Lease before the date of such transfer. If Landlord shall fail to perform any covenant, term, or condition of this Lease upon Landlord's part to be performed, and if as a consequence of such default Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment and levied thereon against the right, title, and interest of Landlord in the Project, subject, nevertheless, to the rights of

any prior existing fee mortgagee, and neither Landlord, its shareholders nor any of their respective officers, directors, or Affiliates shall be personally liable for any deficiency, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all Persons claiming by, through, and under Tenant.

(s) No Presumption Against Drafter. This Lease has been freely negotiated by both Parties. In any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either Party by virtue of that Party having drafted this Lease or any portion hereof.

(t) Further Documents. Landlord and Tenant agree to execute such other and further documents as Landlord and Tenant shall deem necessary or proper for the consummation of the transaction contemplated by this Lease.

(u) Estoppel Certificate. Each Party hereto covenants and agrees, at any time and from time to time, as reasonably requested by the other Party, upon not less than 30 days' prior notice, to execute, acknowledge, and deliver to the other a statement in writing certifying that this Lease is unmodified and, if such be the case, in full force and effect (or if there have been, modifications, that the same is in full force and effect, if such be the case, as modified and stating the date of each such modification), certifying the dates to which the Base Rent and Additional Rent and other charges, if any, have been paid, and stating whether or not, to the best knowledge of the signer, the other Party is in default in performance of any of its obligations under this Lease, and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered pursuant hereto may be relied upon by others with whom the Party requesting such certificate may be dealing.

(v) Memorandum of Lease. Except as otherwise permitted in this Section, neither this Lease nor any other writing with respect to this Lease may be recorded without the express written consent of Landlord. The Parties shall execute and acknowledge the Memorandum of Lease, in the form attached hereto as **Exhibit F**, which Tenant shall cause to be immediately recorded in the Land Records at Tenant's expense. Upon the expiration of the Term, at the request of Landlord, Tenant shall execute a quitclaim termination of its Leasehold Estate and a quitclaim deed of its interest in the Premises, in each case, to Landlord.

(w) Purchase Option Landlord hereby acknowledges and consents to the general partners Interest Purchase Option as defined in and pursuant to Section 6.5.1 of the Partnership Agreement.

17. **Landlord Right of First Refusal.** Tenant hereby grants to Landlord a right of first refusal (the "**Right of First Refusal**") to purchase the Leasehold Estate on the same terms that Tenant is willing to accept from a third party. Landlord may exercise the Right of First Refusal at any time during the term of this Lease. Before accepting a bona fide third party offer to sell all or any part of the Leasehold Estate (each, an "**Offer**"), Tenant shall provide written notice to Landlord accompanied by copy of such Offer (each, an "**Offer Notice**"). If Landlord, within 30 days after receipt of the Offer Notice, provides written notice to Tenant of its election to exercise its Right of First Refusal with respect to the Offer, Tenant shall sell and convey the Leasehold Estate, or such portion thereof as is subject to the Offer, to Landlord on the same terms and conditions as stated in such Offer. If Landlord does not notify Tenant within said 30 day period of its election to exercise the Right of First Refusal, Tenant thereafter shall have the right to sell and convey the Leasehold Estate to the proposed purchaser on the same terms and conditions as stated in the Offer. If there is a material modification or amendment to the Offer, or in the event the sale of the Leasehold Estate

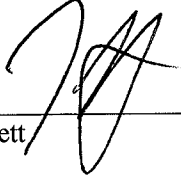
is not consummated pursuant to the Offer within 180 days after the date of Landlord's receipt of the Offer Notice, then Tenant shall not sell and convey the Leasehold Estate or any part thereof until Landlord is again given an opportunity to exercise the Right of First Refusal. This Right of First Refusal shall not apply if the proposed purchaser is an Affiliate of Tenant.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each Party has executed this Lease or caused it to be executed on its behalf by its duly authorized representatives, the day and year first above written.


LANDLORD:

East Edina Housing Foundation,
a Minnesota nonprofit corporation

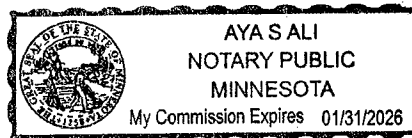
By: 
Name: Jeffrey Huggett
Title: President

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 22 day of June, 2022 by Jeffrey Huggett, the President of East Edina Housing Foundation, a Minnesota nonprofit corporation, on behalf of the nonprofit corporation.



Notary Public



TENANT:

4040 West 70th Street Apartments, LP,
a Minnesota limited partnership

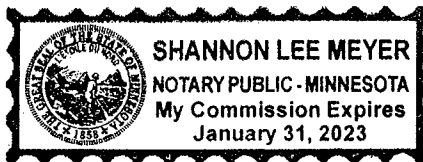
By: Ecumen Edina Affordable Housing, LLC, a
Minnesota limited liability company, its
Managing General Partner

Morshed Alam

By: _____
Name: Morshed Alam
Its: Treasurer

STATE OF Minnesota)
) ss.
COUNTY OF Ramsey)

The foregoing instrument was acknowledged before me this 24th day of June, 2022 by Morshed Alam, the Treasurer of Ecumen Edina Affordable Housing, LLC, a Minnesota limited liability company, the Managing General Partner of 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, on behalf of the limited partnership.



Shannon Lee Meyer
Notary Public

Exhibit A

Legal Description

Tract C, Registered Land Survey No. 1365, Hennepin County, Minnesota

Torrens Property

Exhibit B

Permitted Encumbrances

1. Real estate taxes and special assessments, if any, due and payable in the second half of 2022 and thereafter, a lien not yet due and payable.
2. Sanitary Sewer easement(s) over the Land as shown on the recorded plat of South Office Park First Addition, and as shown on the recorded plat of Replat of Lot 2, Block 1, South Office Park First Addition.
3. City of Edina Resolution No. 2021-44, approving preliminary rezoning, filed July 07, 2021, as Document No. 5853667.

The resolution was filed a second time on July 7, 2021, as Document No. 5853782.

4. City of Edina Resolution No. 2021-96, approving final rezoning, filed December 08, 2021 as Document No. 5904203.
5. Site Improvement Performance Agreement dated _____, filed _____ as Document No. _____, by and between City of Edina, Minnesota and 4040 West 70th Street Apartments, LP (as successor to Cornelia View Apartments, LLC)/
6. Declaration dated _____, filed _____ as Document No. _____, by 4040 West 70th Street Apartments, LP, a Minnesota limited partnership in favor of Nine Mile Creek Watershed District.
7. Memorandum of Redevelopment Agreement dated _____, filed _____ as Document No. _____, referring to that certain unrecorded Redevelopment Agreement by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, dated _____.
8. Assessment Agreement dated _____, filed _____ as Document No. _____, by and between Housing and Redevelopment Authority of Edina, Minnesota and 4040 West 70th Street Apartments, LP, a Minnesota limited partnership.
9. Regulatory Agreements.
10. Matters which would be disclosed by a current, accurate survey of the Property.

Exhibit C

Insurance Requirements

1. Obligation to Insure. During the Term, Tenant shall keep and maintain in force, at no cost or expense to Landlord, the following insurance, all of which shall be provided by companies and/or agencies approved to do business in the State of Minnesota, provided, however, that all of the following requirements shall be subject to the terms and provisions of the Permitted Financing Documents, and where there is a conflict between the requirements below and the requirements in the Permitted Financing Documents, the Permitted Financing Documents shall govern, and where there is a conflict in the Permitted Financing Documents, the documents provided by the First Permitted Mortgagee shall control.

(a) Property Insurance. "All risk" insurance covering all risks of physical loss or damage to any of the Premises, with liability limits of not less than 100% of the "full replacement value" thereof, which insurance shall be provided by Tenant upon the Commencement Date. Such policies shall be broad form and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief and storm, including an Inflation Guard endorsement, if available. Perils customarily excluded from all risk insurance, e.g., earthquake and flood, may be excluded. The term "full replacement value" shall exclude the cost of excavation, foundations and footings. The amount of such insurance shall be adjusted by reappraisal of the Project by the insurer or its designee not more than once every five (5) years after Project completion during the Term, if requested in writing by Landlord. Contents (personal property) is to be insured for full replacement cost. Flood coverage is to be provided if the Project is located in a "special flood hazard area" (as defined below), or is designated as "flood prone" under the regulations for the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973; and the limit is to be the full replacement cost value of the Project. Pollution Clean-up and Removal Coverage is to be provided under the property policy subject to a sublimit of no less than \$100,000.

(b) Business Interruption. Business Interruption / Loss of Rents / Extra Expense insurance covering all income earned by Tenant for the Project, including rental income for a period of 12 months and extended period of indemnity endorsement for 90 days.

(c) General Liability Insurance. Commercial general liability covering loss or damage resulting from accidents or occurrences on or about or in connection with the Premises or any work, matters or things under, or in connection with, or related to this Lease, with the following limits:

- (i) \$2,000,000 general aggregate per project
- (ii) \$2,000,000 products-completed operations aggregate
- (iii) \$1,000,000 per occurrence bodily injury and property damage liability
- (iv) \$1,000,000 personal injury and advertising injury liability
- (v) \$50,000 fire damage (per fire) to rented property
- (vi) \$5,000 medical payments

An ISO-based occurrence form CGL policy (CG 00 01 or its equivalent) shall be used. Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited

to, operations, contractual, elevators, owner's and contractor's protective, products and completed operations.

(d) Automobile Liability Insurance. Automobile liability insurance with combined single limit liability of not less than \$1,000,000 per accident. An ISO Business Auto form CA 00 01, or its equivalent shall be used. Insurance shall include coverage for owned, leased, hired, and non-owned vehicles used in the course of employment for the named insured.

(e) Workers' Compensation; Employer's Insurance. Tenant shall maintain (i) workers' compensation insurance to meet its statutory obligation and to provide benefits for employees with claims of bodily injury or occupational disease (including resulting death), and employer's liability coverage with limits of not less than \$1,000,000.00 for each employee and each disease, with such policy to be in compliance with the statutory requirements of the Workers Compensation Act of the State of Minnesota and (ii) Employer's Liability limits of not less than \$1,000,000 for bodily injury by accident and not less than \$1,000,000 per person and in the annual aggregate for bodily injury by disease covering all persons employed by Tenant in connection with the Premises and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Landlord or Tenant.

(f) Umbrella/Excess Liability Insurance. Tenant shall maintain umbrella/excess liability insurance in the amount of \$5,000,000 each occurrence and \$5,000,000 annual general aggregate limit. Coverage must be no less broad than the underlying CGL, Vehicle and Employers Liability policies required above.

(g) Builders' Risk Insurance. As of the Commencement Date, during the course of any alteration, rehabilitation or reconstruction of the Project, the cost of which exceeds \$250,000 (in 2022 Equivalent Dollars), Tenant shall provide builders' risk insurance written on an "All Risk" basis using a completed value Builder's Risk form, providing replacement cost coverage equal to amount of the initial general contract amount, plus value of subsequent general contract modifications and labor performed and materials or equipment supplied by others, as well as other portions of the Work stored off site or in transit, insuring the interests of Landlord, Tenant and any contractors and subcontractors

2. General Requirements. All policies described in this Exhibit C shall include Landlord and Tenant, together with Permitted Mortgagees, as additional insureds, as their respective interests may appear, to be provided under ISO Endorsement CG 20 26, or its equivalent. All policies described in this Exhibit C shall contain: (a) the agreement of the insurer to give Landlord and Permitted Mortgagees, as applicable, a minimum of 10 days' notice in before cancellation for non-payment of premium or non-renewal and a minimum of 30 days' notice before cancellation for all others reasons; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Landlord using CG 20 01, or its equivalent; (c) a provision that no act or omission of Tenant shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; (d) a waiver by the insurer of all rights of subrogation against Landlord and its authorized parties in connection with any loss or damage thereby insured against; and (e) terms providing that any loss covered by such insurance may be adjusted with Landlord and Tenant according to their interests in the Premises, but shall, to the extent required by the Permitted Financing Documents, be payable to the holder of the First Permitted Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Tenant to repair or restore, as set forth in Section 11 of this Lease.

3. Evidence of Insurance. Certificates of insurance for all insurance required to be maintained by Tenant at the Commencement Date under this Exhibit C shall be furnished by Tenant to Landlord on

or before the date of this Lease. Certificates (Acord 25 for Liability, Acord 27 or 28 for property)/binders (Acord 75) are to identify the named insured and additional insureds as outlined herein and shall reference the complete and accurate property address in the "description section" of the insurance certificate. Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by this Lease at any time.

4. Acceptability of Insurers. All insurers must be A- or better rated according to A.M. Best & Company with a Financial Size Category rating by A.M. Best of VIII or higher, or such other rating as may be reasonably acceptable to Landlord.

5. Failure to Maintain. If Tenant fails to maintain such insurance, Landlord, at its election, may procure such insurance as may be necessary to comply with the above requirements (but shall not be obligated to procure same), and Tenant agrees to repay to Landlord as Additional Rent the cost of such insurance.

6. Adjustments in Coverage Amounts. Except as otherwise provided in this **Exhibit C**, the minimum coverage amounts set forth herein shall be adjusted from time-to-time in Landlord's commercially reasonable judgment, exercised in good faith and consistent with then-prevailing industry standards for comparable project (and no less frequently than every 10th anniversary of the Commencement Date) such the minimum coverages provide herein are adjusted to such minimum amounts in 2022 Equivalent Dollars.

Notwithstanding anything to the contrary in this Lease, if as of the date hereof, the excess liability insurance policy carried by Tenant does not conform to Landlord's additional insured status requirements of this **Exhibit C**, it shall not be a default under this Lease, provided that, promptly after the date hereof (and in any event by **August 1, 2022**), Tenant obtains modifications to such coverage as necessary to conform to this **Exhibit C**, by rider or otherwise, to the extent such modifications are commercially available, and provides evidence of the same to Landlord.

Exhibit D

Permitted Financing

Order of Priority of Permitted Mortgages and Names and Addresses of Permitted Mortgagees

Order of Priority:

First Permitted Mortgage:

Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Filing, by Tenant, in favor of Hennepin County Housing and Redevelopment Authority, as Beneficiary, the rights of are being assigned contemporaneously to U.S. Bank Trust Company, National Association (as the "Fiscal Agent") for the benefit of Allianz Life Insurance Company of North America (as the "Funding Lender")

Allianz Life Insurance Company of North America, as Funding Lender
c/o R4 Capital Funding LLC
780 Third Avenue, 16th Floor
New York, New York 10017
Attention: Tara Nussbaum

and

U.S. Bank Trust Company, National Association, as Fiscal Agent
60 Livingston Avenue, Third Floor
EP-MN-WS3C
Saint Paul, Minnesota 55107
Attention: Angela Davis

Second Permitted Mortgage:

Combination Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement, and Fixture Financing Statement, by Tenant, in favor of Housing and Redevelopment Authority of Edina, Minnesota, as Mortgagee

Housing and Redevelopment Authority of Edina, Minnesota
4801 West 50th Street
Edina, Minnesota 55424
Attention: Executive Director

Third Permitted Mortgage:

Combination Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement, and Fixture Filing Statement, by Tenant, in favor of City of Edina, Minnesota, as Mortgagee (Metropolitan Council Livable Communities Demonstration Account (LCDA))

City of Edina, Minnesota
4801 West 50th Street

Edina, Minnesota 55424
Attention: City Manager

Fourth Permitted Mortgage:

Combination Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement, and Fixture Filing Statement, by Tenant, in favor of City of Edina, Minnesota, as Mortgagee (Metropolitan Council Local Housing Incentives Account (LHIA))

City of Edina, Minnesota
4801 West 50th Street
Edina, Minnesota 55424
Attention: City Manager

Fifth Permitted Mortgage:

Combination Leasehold Mortgage, Assignment of Rents and Leases, Security Agreement, and Fixture Filing Statement, by Tenant, in favor of Hennepin County Housing and Redevelopment Authority, as Mortgagee (MC L608/Hennepin County, Affordable Housing Incentive Fund)

Hennepin County Housing and Redevelopment Authority
701 Fourth Avenue South, Suite 700
Minneapolis, Minnesota 55415-1843
Attention: Housing Director

Not Secured by Mortgage:

Development Fee payable to Cornelia View Developers, LLC pursuant to the Development Agreement and by and between Tenant and Cornelia View Developers, LLC dated the date of the Partnership Agreement, and subject to the terms and conditions of the Partnership Agreement.

Exhibit E

Regulatory Agreements

1. Regulatory Agreement dated and recorded in Land Records on or about an even date herewith, by and among Hennepin County Housing and Redevelopment Authority, as Governmental Lender; U.S. Bank Trust Company, National Association, as Fiscal Agent; 4040 West 70th Street Apartments, LP, as Borrower
2. Declaration of Covenants and Restrictions (Affordable Housing) dated and recorded in Land Records on or about an even date herewith, by 4040 West 70th Street Apartments, LP in favor of the Housing and Redevelopment Authority of Edina, Minnesota
3. Declaration of Covenants and Restrictions (Affordable Housing Incentive Fund Program) dated and recorded in Land Records on or about an even date herewith, by 4040 West 70th Street Apartments, LP in favor of the Hennepin County Housing and Redevelopment Authority

Exhibit F

Form of Memorandum of Lease

MEMORANDUM OF GROUND LEASE
(4040 West 70th Street, Edina, Minnesota)

This MEMORANDUM OF GROUND LEASE, entered into as of July 1, 2022, is by and between EAST EDINA HOUSING FOUNDATION, a Minnesota nonprofit corporation ("Landlord"), as landlord, and 4040 WEST 70TH STREET APARTMENTS, LP, a Minnesota limited partnership ("Tenant"), as tenant.

RECITALS:

A. Landlord and Tenant have entered into a certain Ground Lease Agreement, dated as of July 1, 2022 (the "Ground Lease"), whereby Landlord has agreed to lease to Tenant the land described in **Exhibit A** hereto (the "Land") having an address of 4040 West 70th Street, Edina, Minnesota, together with the improvements situated or to be situated thereon (the "Leased Property") to Tenant, for the development, construction, and operation of a project, consisting of 118 housing units and other ancillary improvements forming a 100% age-restricted affordable housing community.

B. The parties wish to give notice of the existence of the Ground Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Landlord and Tenant have entered into the Ground Lease to lease the Leased Property.
2. The term of the Ground Lease commences on **July 1, 2022** and expires on **July 1, 2121**.
3. This Memorandum of Ground Lease has been executed and delivered by the parties for the purpose of recording and giving notice that a contractual relationship for the leasing of the Leased Property has been created between Landlord and Tenant in accordance with the terms, covenants and conditions of the Ground Lease.
4. The terms and conditions of the Ground Lease are incorporated by reference into this Memorandum of Ground Lease as if set forth fully herein.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum of Ground Lease as of the date first above written.

EAST EDINA HOUSING FOUNDATION,
a Minnesota nonprofit corporation

By: _____

Name: _____

Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2022 by _____, the _____ of East Edina Housing Foundation, a Minnesota nonprofit corporation, on behalf of the nonprofit corporation.

Notary Public

[Signature Page – Memorandum of Ground Lease]

**4040 WEST 70TH STREET APARTMENTS, LP, a
Minnesota limited partnership**

By: Ecumen Edina Affordable Housing, LLC, a
Minnesota limited liability company, its Managing
General Partner

By: _____
Name: Morshed Alam
Its: Treasurer

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022 by Morshed Alam, the Treasurer of Ecumen Edina Affordable Housing, LLC, a Minnesota limited liability company, the Managing General Partner of 4040 West 70th Street Apartments, LP, a Minnesota limited partnership, on behalf of the limited partnership.

Notary Public

THIS DOCUMENT WAS DRAFTED BY:
Dorsey & Whitney LLP (ACS)
50 South Sixth Street, Suite 1500
Minneapolis, MN 55402-1498

[Signature Page – Memorandum of Ground Lease]

EXHIBIT A

LEGAL DESCRIPTION

Tract C, Registered Land Survey No. 1365, Hennepin County, Minnesota

Torrens Property



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY

4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VI.C.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Action

Subject: Certificate of Completion - Brainerd Enterprises LLC
dba Mann Theatres

ACTION REQUESTED:

Approve the Certificate of Completion for the scope of work required by Brainerd Entertainment, LLC dba Mann Theatres.

INTRODUCTION:

The fully restored and revitalized Edina Theater opened to the public on September 30, 2022.

The operator (Brainerd Entertainment, LLC dba Mann Theatres) will be seeking reimbursement for a portion of their renovation expenses this fall. Reimbursement up to \$351,000 is available in accordance with the September 7, 2022 forgivable loan agreement.

This Certificate of Completion is provided to recognize that the work has been completed and that loan proceeds can be issued upon confirmation of costs.

Staff recommends that this Certificate be executed.

ATTACHMENTS:

Certificate of Completion - Brainerd Entertainment

Edina Theater Revitalization Project
3911 West 50th Street Edina MN 55424

CERTIFICATE OF COMPLETION

WHEREAS, Brainerd Entertainment, LLC, a Minnesota limited liability company, dba Mann Theatres (“the Borrower”), is the tenant of the facility on the property in the County of Hennepin and State of Minnesota described on Exhibit A hereto and made a part hereof (the “Property”); and

WHEREAS, the Property (shown in Exhibit A) is subject to the provisions of a certain Loan Agreement (the “Agreement”), dated as of September 7, 2022, between the Borrower and the Edina Housing and Redevelopment Authority; and

WHEREAS, the Borrower has fully and duly performed all of the covenants and conditions of Borrower under the Agreement with respect to the completion of the Project (as defined in the Agreement);

NOW, THEREFORE, it is hereby certified that all requirements of the Borrower under the Agreement with respect to the completion of the Project have been completed and duly and fully performed, and this instrument is to be conclusive evidence of the satisfactory termination of the covenants and conditions of the Agreement as they relate to the completion of the Project. All other covenants and conditions of the Agreement, including the covenants and conditions related to the Loan, shall remain in effect and are not terminated hereby.

Dated this 17th day of November, 2022.

**EDINA HOUSING AND REDEVELOPMENT
AUTHORITY**

By _____
James B. Hovland, Chair

And _____
James Pierce, Secretary

Exhibit A Certificate of Completion

Property

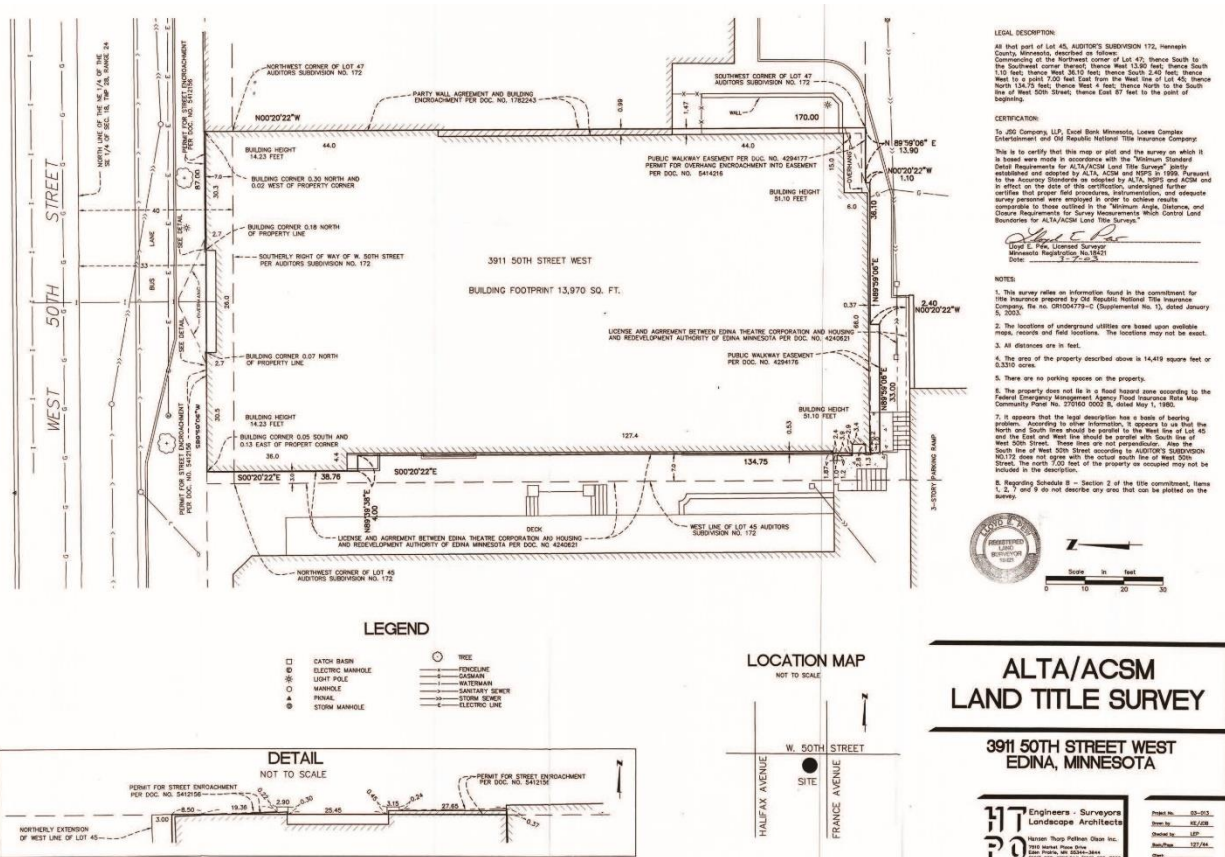
The real property and interests in such property located in the County of Hennepin, State of Minnesota and described as follows:

Common Address: 3911 West 50th Street

Legal Description

All that part of Lot 45, AUDITOR'S SUBDIVISION 172, Hennepin County, Minnesota, described as follows:
Commencing at the Northwest corner of Lot 47; thence South to the Southwest corner thereof; thence West 13.90 feet; thence South 1.10 feet; thence West 36.10 feet; thence South 2.40 feet; thence West to a point 7.00 feet East from the West line of Lot 45; thence North 134.75 feet; thence West 4 feet; thence North to the South line of West 50th Street; thence East 87 feet to the point of beginning.

Parcel ID Number
1802824410052





Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VII.A.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Action

Subject: Loan Agreement with Edina Chamber of Commerce

ACTION REQUESTED:

Approve Loan Agreement with Edina Chamber of Commerce to establish the Edina Innovation Lab at 7201 Metro Avenue.

INTRODUCTION:

This item pertains to funding to support renovation and re-occupancy of a portion of vacant commercial property. This type of funding is possible using the SPARC program.

When completed, the space will host a small business development facility that hosts the Edina Innovation Lab. This program will be operated by the Edina Chamber of Commerce.

The HRA's special legal counsel has prepared a Loan Agreement based on the terms discussed in October. The terms have been modified to address concerns previously noted by the HRA Board.

Representatives from the Chamber will present the proposal for HRA consideration. Staff has been working collaboratively with the Chamber on this effort and recommends that the Loan Agreement be approved.

ATTACHMENTS:

Staff Report

Loan Agreement - Chamber of Commerce

Chamber letter - request for loan

Chamber presentation - request for loan



Housing and Redevelopment Authority
Established 1974

Date: November 17, 2022

To: Chair and Commissioners of Edina Housing & Redevelopment Authority

From: Bill Neuendorf, Economic Development Manager

Subject: Loan Agreement with the Edina Chamber of Commerce

Information / Background:

The City's guiding documents promote a strong and vibrant business community. *Vision Edina* (page 10) urges the City to take strategic actions to "support the development of a start-up or entrepreneurial climate in the city..." This *Vision* also encourages the community to "consider the inclusion of incubators or co-working spaces ...".

Edina's Comprehensive Plan (pages 10-15 and 10-16) sets several goals related to the business development and entrepreneurship in Edina ...

- "... create a vibrant and attractive location for corporate headquarters, technology companies and other businesses..."
- "Retain, attract and support employment opportunities in innovative and creative industries..."
- "Support strong public-private alliances..."
- "Work with Hennepin County's Open to Business to promote technical assistance services available to small businesses"

While the Covid-19 pandemic and subsequent hybrid work environment has reshaped many aspects of the business community, it is more important than ever to continue on with the promotion of a strong and vibrant business community in Edina.

City staff has visited several comparable facilities and met with colleagues in nearby communities who are working on similar efforts.

The Edina Chamber of Commerce has supported the Edina business community since 1972. The Chamber intends to establish the Edina Innovation Lab to support businesses in Edina as they transition out of the pandemic to grow and innovate. After a successful pilot program in a temporary facility, they are actively engaged in a fundraising campaign to establish funds for operational expenses of the Innovation Lab.

The Chamber considered several locations for the new program and selected an office building at 7201 Metro Boulevard. This 40-year old building is mostly vacant but is undergoing extensive remodeling and is poised to become fully leased in 2023. The owners have modernized the common areas to be more appealing to emerging companies and their employees. The individual tenant suites are still under construction.

The high cost of construction created a hurdle for the Chamber of Commerce and the Edina Innovation Lab. The Chamber has been unable to secure a traditional construction loan for the leased space. They have requested the HRA provide an interest-bearing construction loan using available monies in the SPARC fund. The SPARC fund is sourced from unallocated tax increment that expires in 2025. These monies can be used for construction projects that create short-term or permanent jobs.

Evaluation:

Staff has worked collaboratively with the Chamber to shape this small business program. Terms of a construction loan were negotiated with three intentional outcomes:

- Provide funding to allow the program to be established and thrive
- Structure the loan so that repaid funds can be used to establish a revolving loan fund to support additional investment in the future
- Create jobs and job opportunities

The general terms were discussed at the October 13, 2022 HRA Board meeting. The suggestions offered and concerns raised were incorporated into the Loan Agreement.

The HRA's special counsel – Dorsey and Whitney prepared a Draw Down Loan Agreement based on the terms as modified.

The Board of the Chamber of Commerce is poised to execute construction contracts and the multi-year lease by year end 2022 if the HRA provides the construction financing. Occupancy is expected in Q2 2023.

Staff Recommendation:

While this is the first time in recent history that the HRA has loaned monies to an independent business organization, other Minnesota municipalities have provided business funding for many years.

The creation of the Edina Innovation Lab presents an opportunity for the HRA to actively promote entrepreneurship and small business development in Edina. This one-time investment allows the program to begin without ongoing operational support from the HRA.

Staff recommends approval of this Agreement.

DRAW-DOWN LOAN AGREEMENT

Between

EDINA HOUSING AND REDEVELOPMENT AUTHORITY

And

EDINA CHAMBER OF COMMERCE ASSOCIATION, INC.
D/B/A EDINA INNOVATION LAB

for the

EDINA INNOVATION LAB PROJECT AT 7201 METRO BOULEVARD

Dated as of November 17, 2022

This Document Was Drafted By:

DORSEY & WHITNEY LLP (GIT)
Suite 1500
50 South Sixth Street
Minneapolis, Minnesota 55402

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS.....	1
1.01. Definitions.....	1
ARTICLE 2 REPRESENTATIONS AND WARRANTIES.....	4
2.01. HRA Representations.....	4
2.02. Borrower Representations.....	4
2.03. Use of Property	5
2.04. Damage or Destruction	5
2.05. Submission and Approval of Evidence of Financing	5
ARTICLE 3 THE PROJECT	5
3.01. Timing; Scope of Work and Renovation Plans.....	5
3.02. Certificate of Completion	6
3.03. Progress Reports	6
3.04. Access to Property	7
ARTICLE 4 DEFENSE OF CLAIMS; INSURANCE.....	7
4.01. Defense of Claims.....	7
4.02. Insurance	8
ARTICLE 5 DRAW-DOWN LOAN FOR REIMBURSEMENT OF EXPENSES.....	8
5.01. Development Costs	8
5.02. Terms of the Loan; Loan for Qualified Costs.....	8
5.03. Conditions Precedent to Provision of Loan Disbursement.....	9
5.04. Satisfaction of Conditions Precedent.....	9
5.05. Forgiveness for Private Fundraising; Requirements.....	10
5.06. Forgiveness for Special Programming; Requirements	10
5.07. Loan Satisfaction	12
5.08. Additional Conditions.....	12
5.09. Notice of Default.....	13
5.10. Legal and Administrative Expenses.....	13
ARTICLE 6 PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER	13
6.01. Transfer of Property and Assignment.....	13
6.02. Termination of Limitations on Transfer	13

ARTICLE 7 EVENT OF DEFAULT; FEES	13
7.01. Events of Default	13
7.02. Remedies on Default	14
7.03. No Remedy Exclusive	15
7.04. Waivers	15
7.05. Agreement to Pay Attorneys' Fees	15
ARTICLE 8 GENERAL PROVISIONS	16
8.01. Conflicts of Interest; HRA Representatives Not Individually Liable	16
8.02. Equal Employment Opportunity	16
8.03. Restrictions on Use	16
8.04. Titles of Articles and Sections	16
8.05. Business Subsidies Act	16
8.06. Term of Agreement	16
8.07. Provisions Surviving Termination	17
ARTICLE 9 ADMINISTRATIVE PROVISIONS	17
9.01. Notices and Demands	17
9.02. Counterparts	17
9.03. Binding Effect	17
9.04. Severability	17
9.05. Amendments, Changes and Modifications	18
9.06. Further Assurances and Corrective Instruments	18
9.07. Captions	18
9.08. Applicable Law	18
EXHIBIT A PROPERTY	
EXHIBIT B GO-AHEAD LETTER	
EXHIBIT C TENANT IMPROVEMENTS FOR THE PROJECT	
EXHIBIT D SCOPE OF WORK; QUALIFIED COSTS	
EXHIBIT E CERTIFICATE OF CONSTRUCTION COMPLETION	
EXHIBIT F CERTIFICATE OF FORGIVENESS (PRIVATE FUNDRAISING)	
EXHIBIT G CERTIFICATE OF FORGIVENESS (SPECIAL PROGRAMMING)	
EXHIBIT H FORM OF MASTER NOTE	
EXHIBIT I FORM OF REQUISITION CERTIFICATE	
EXHIBIT J FORM OF SATISFACTION	

DRAW-DOWN LOAN AGREEMENT

THIS Draw-Down Loan Agreement (this “Agreement”), made and entered into as of this 17th day of November, 2022, between the Edina Housing and Redevelopment Authority, a political subdivision of the State of Minnesota (the “HRA”), and Edina Chamber of Commerce Association, Inc., a Minnesota nonprofit corporation, d/b/a Edina Innovation Lab (the “Borrower”).

WITNESSETH:

WHEREAS, the building located at 7201 Metro Boulevard in the City of Edina, Minnesota (the “Building”), was formerly part of the national corporate headquarters for Regis Corporation until it was sold in 2019 to CREFIV-CCRP Metro Boulevard Edina, LLC (the “Owner”); and

WHEREAS, the Building has remained vacant since the sale in 2019; and

WHEREAS, significant investment is needed to transform the single-user office Building into a facility that can successfully accommodate multiple tenants, and the re-occupancy of the outdated Building was slowed by the COVID-19 pandemic; and

WHEREAS, the Owner is investing more than \$7 million into the site to stabilize and renovate the common areas in hopes of attracting new tenants, and each office floor of the Building has been cleared and the common areas re-oriented to accommodate multiple tenants; and

WHEREAS, any tenants are responsible for reconstructing their respective suite; and

WHEREAS, the Borrower was established in 1972 and its mission is, in part, to advance the general welfare and prosperity of Edina, Minnesota so that its citizens and all areas of its business community have the ability to prosper; and

WHEREAS, the Borrower intends to: enter into a seven (7) year lease with the Owner (the “Lease”); build out and reconstruct the unfinished suite #520 consisting of approximately 4,157 rentable square feet in the Building; and establish a new business accelerator-type program – the Edina Innovation Lab – in the Building (the “Project”); and

WHEREAS, the Borrower intends to enter into contractual obligations with HGA Architects for design services, MP Johnson Construction, Inc for general contracting, City Center Real Estate Services, LLC for project management services and other vendors for related services, materials and equipment to construct the Project; and

WHEREAS, the Borrower is hampered by the high costs to build out the unfinished space, and without financial assistance from the HRA, the Borrower’s efforts to construct the Project would not be possible; and

WHEREAS, execution of the Lease and construction contracts are contingent upon pledge of financial support from the HRA;

WHEREAS, the HRA believes the Project is in the best interest of the City and desires to assist in providing financial support for the Project; and

WHEREAS, pursuant to the temporary authority for use of increment granted by Minnesota Statutes, Section 469.176, subdivision 4n (the “Act”), on October 28, 2021, the HRA adopted, and on November 16, 2021, the City approved a written spending plan for unobligated tax increment monies for the Southdale 2 TIF District, Pentagon Park TIF District, and 70th and Cahill TIF District (the “Spending Plan”);

WHEREAS, pursuant to the Act, the HRA will, pursuant to the terms set forth herein, provide a draw-down loan of unobligated tax increment revenue to the Borrower to assist in financing the Project.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual obligations set forth in this Agreement, the parties hereto hereby agree as follows:

ARTICLE 1
Definitions

1.01. Definitions.

In this Agreement, unless a different meaning clearly appears from the context:

“Act” means Minnesota Statutes, Section 469.176, subdivision 4n.

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

“Borrower” means Edina Chamber of Commerce Association, Inc., a Minnesota nonprofit corporation, d/b/a Edina Innovation Lab.

“Building” means the building located at 7201 Metro Boulevard in the City of Edina, Minnesota.

“Business Subsidies Act” means M.S., Sections 116J.993 through 116J.995.

“Certificate of Completion” means a certification in the form attached hereto as Exhibit E, to be provided to the Borrower pursuant to this Agreement.

“Certificate of Forgiveness” means a certification in either the forms attached hereto in Exhibit F, as it relates to private fundraising, or in Exhibit G, as it relates to Special Programming, to be provided to the Borrower pursuant to this Agreement.

“Certificate of Satisfaction” means a certification in the form attached hereto in Exhibit J to be provided to the Borrower pursuant to this Agreement.

“City” means the City of Edina, Minnesota.

“Construction Contract” means that certain agreement between Borrower and Contractor for construction of the Project.

“Contractor” means MP Johnson Construction, Inc.

“County” means the Hennepin County, Minnesota.

“Default Notice” means written notice from the HRA to the Borrower setting forth the Event of Default and the action required to remedy the same.

“Disbursement” shall mean any disbursement of the Loan effected, pursuant to one or more draws, under this Agreement from the HRA to the Borrower, for the purpose of defraying the Qualified Costs incidental to the construction of the Project.

“Disbursement Note” means the document requesting disbursements from the HRA of all or part of the amount of the Note in substantially the form of *Appendix A* to Exhibit H attached hereto.

“Event of Default” means as any of the events set forth in Section 7.01 hereof.

“Facility” means the portion of the Building the Borrower shall build out and reconstruct and establish the Edina Innovation Lab.

“Go-Ahead Letter” means Developer’s letter to the HRA, substantially in the form attached as Exhibit B stating that Developer is prepared to proceed with the construction of the Project.

“HRA” means the Edina Housing and Redevelopment Authority.

“Indemnified Parties” shall have the meaning set forth in Section 4.01 herein.

“Lease” means the lease agreement between the Owner and the Borrower.

“Legal and Administrative Expenses” means the fees and expenses incurred by the HRA in connection with review and analysis of the development proposed under this Agreement, the preparation of this Agreement including, but not limited to, attorney and municipal advisor fees and expenses.

“Loan” means a draw-down loan from the HRA to the Borrower, to be evidenced by the Note, in the principal amount up to \$800,000 but not to exceed the Qualified Costs as defined herein and shown in Exhibit D hereto.

“MBE” means a minority-owned business enterprise that is based in the State and is at least fifty-one (51) percent owned by one or more minority persons, and has its management and daily business operations controlled by one or more minority persons who own it.

“M.S.” means Minnesota Statutes.

“Note” means the Master Note (Edina Innovation Lab Project), evidencing the Loan, to be executed by the Borrower and delivered to the HRA, the form of which is attached hereto as Exhibit H.

“Owner” or “Landlord” means CREFIV-CCRP Metro Boulevard Edina, LLC, a Minnesota limited liability company.

“Owner Contribution” means funds contributed by the Owner toward the construction of the Project, including a portion of the Qualified Costs and a portion of the Fixtures, Furnishings and Equipment (FFE) costs as defined in the Lease.

“Project” means the build out and reconstruction of a portion of the unfinished space in the Building for establishment of a new business accelerator-type program – the Edina Innovation Lab – in the Building as generally shown in Exhibit C.

“Property” means real property located at 7201 Metro Boulevard, Edina, Minnesota 55439 aka Parcel Identification No. 09-116-21-21-0016 and as legally described in Exhibit A.

“Qualified Costs” means costs incurred by Borrower in connection with the Project, which are shown on Exhibit D to this Agreement. The Owner Contribution shall not be considered a Qualified Cost.

“Requisition for Funds” means the form attached hereto as Exhibit I to be utilized by the Borrower in obtaining disbursement of the Loan from the HRA as construction of the Project progresses.

“Renovation Plans” means the plans, specifications, drawings and related documents for the renovation work to be performed by the Borrower on the Property.

“Scope of Work” means the description of the work activities, deliverables, and timeline for the Project as described in Exhibit D hereto.

“Section” means a Section of this Agreement, unless used in reference to M.S.

“Special Programming” shall have the definition provided in Section 5.06(b) of this Agreement.

“Spending Plan” means the written spending plan for unobligated tax increment monies for the Southdale 2 TIF District, Pentagon Park TIF District, and 70th and Cahill TIF District adopted by the HRA on October 28, 2021, and approved by the City on November 16, 2021.

“State” means the State of Minnesota.

“Termination Date” means the earlier of the date (i) the Loan is paid in full, or (ii) the date this Agreement is terminated or rescinded in accordance with its terms.

“Unavoidable Delay” means a failure or delay in a party’s performance of its obligations under this Agreement, or during any cure period specified in this Agreement which does not entail the mere payment of money, not within the party’s reasonable control, including but not limited to acts of God, governmental agencies, the other party, strikes, labor disputes (except disputes which could be resolved by using union labor), fire or other casualty, lack of materials, or declarations of any state, federal or local government, pandemics, epidemics (including the COVID-19 virus); provided that within ten (10) days after a party impaired by the delay has actual (as opposed to constructive) knowledge of the delay it shall give the other party notice of the delay and the estimated length of the delay, and shall give the other party notice of the actual length of the delay within ten (10) days after the cause of the delay has ceased to exist. The parties shall pursue with reasonable diligence the avoidance and removal of any such delay. Unavoidable Delay shall not extend performance of any obligation unless the notices required in this definition are given as herein required.

“WBE” means a women-owned business enterprise that is based in the State and is at least fifty-one (51) percent owned by one or more women, and has its management and daily business operations controlled by one or more women who own it.

ARTICLE 2
Representations and Warranties

2.01. HRA Representations.

The HRA makes the following representations to the Borrower:

(a) The HRA has the power under State law to enter into this Agreement and carry out its obligations hereunder.

(b) Upon request by the Borrower, the HRA will provide Borrower with a statement showing each payment, the remaining amounts of unpaid interest, if any, and principal.

2.02. Borrower Representations.

The Borrower represents and warrants that:

(a) Borrower is a nonprofit corporation under the laws of the State of Minnesota and has power to enter into this Agreement and has duly authorized, by all necessary corporate action, the execution and delivery of this Agreement.

(b) Borrower will, subject to and as required by Agreement, complete the Project in accordance with the terms of this Agreement, and all applicable local, state and federal laws and regulations.

(c) At such time or times as may be required by law, the Borrower will have complied with all local, state and federal environmental laws and regulations applicable to the Project, and will have obtained any and all necessary environmental reviews, licenses and clearances. The Borrower has received no written notice from any local, state or federal official that the activities of the Borrower or the HRA with respect to the Property may be or will be in violation of any environmental law or regulation. The Borrower has no actual knowledge of any facts the existence of which would cause it to be in violation of any local, state or federal environmental law, regulation or review procedure with respect to the Property.

(d) Neither the execution or 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 by, limited by, conflicts with, or results in a breach of, any restriction, agreement or instrument to which the Borrower is now a party or by which the Borrower is bound.

(e) The Borrower has no actual knowledge that any member of the Board of the HRA, or any other officer of the HRA or the City has any direct or indirect financial interest in the Borrower, the Property, or the Project.

(f) The Borrower will use commercially reasonable efforts to obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely

manner, all requirements of all local, state and federal laws and regulations which must be obtained or met in connection with the Project. Without limitation to the foregoing, the Borrower will request and seek to obtain from the City all necessary variances, conditional use permits and zoning changes related to the Project.

(g) The Borrower has been unable to secure construction financing through traditional banking institutions and would not undertake the Project without the financial assistance to be provided by the HRA pursuant to this Agreement.

(h) Apart from the assistance to be provided under this Agreement, the Borrower shall pay all standard charges and fees due with respect to real estate developments and allocable to the Property under City ordinances and the City code, including but not limited to special assessments for local improvements, maintenance district assessments, commercial waste hauling charges, sewer and water use charges, building permit fees, plat fees, inspection fees, storm water fees and the like charged against the Property in accordance with the Lease.

2.03. Use of Property. The Borrower's use of the Property shall be subject to and in compliance with all of the conditions, covenants, restrictions and limitations imposed by this Agreement and the Lease, and all applicable laws, ordinances and regulations. The Borrower hereby represents and warrants that to its knowledge there is no existing event or circumstance that would hinder the Project as contemplated by this Agreement.

2.04. Damage or Destruction. Upon any damage or destruction of the Facility, or any portion thereof, by fire or other casualty, during the term of the Lease and before the Termination Date, should the Owner decide to commence or cause to be commenced the process required to repair, reconstruct and restore the damaged or destroyed Facility, or portion thereof, the Borrower shall use commercially reasonable efforts to remain a tenant in the Facility. If, upon such damage or destruction of the Facility, Borrower decides not to remain a tenant in the Facility, and vacates the Facility prior to delivery of a Certificate of Completion, the HRA shall not be required to provide the Loan contemplated herein.

2.05. Submission and Approval of Evidence of Contracts and Lease that are Contingent on HRA Financing. No later than the issuance of the building permit for the Project, Borrower shall provide the HRA with the Go-Ahead Letter in substantially the form in Exhibit B hereto.

ARTICLE 3 The Project

3.01. Timing; Scope of Work and Renovation Plans. At the HRA's request, the Borrower shall make available to the HRA for review Renovation Plans for the Project.

(a) Time is of the essence for completion of the Project and occupancy of the Facility. It is anticipated that the Borrower will enter into construction contracts for the Project by December 31, 2022; substantially complete construction of the project by May 31, 2023; and move in and occupy the Facility by June 30, 2023.

(b) Subject to Unavoidable Delay, Borrower shall cause the construction to be initiated by January 2, 2023 and the Project to be completed and the Facility to be occupied in accordance with the terms of the Scope of Work described in Exhibit D and this Agreement by June 30, 2023. The executive director of the HRA is hereby authorized to, in his or her discretion, provide an extension in writing of up to ninety (90) days of the (i) construction commencement date or the (ii) completion and occupancy date provided in this paragraph.

(c) All work with respect to the Project shall be in substantial conformity with the Scope of Work.

(d) The Borrower shall not interfere with, or construct any improvements over, any public street or utility easement without the prior written approval of the HRA. All connections to public utility lines and facilities shall be subject to approval of the HRA (in accordance with City code) and any applicable private utility provider. Except for public improvements, which are undertaken by the HRA or other governmental body and assessed against benefited properties, all street and utility installations, relocations, alterations and restorations shall be at the Borrower's expense and without expense to the HRA. The Borrower, at its own expense, shall replace any public facilities or utilities damaged during the Project by the Borrower or its agents or by others acting on behalf of or under the direction or control of the Borrower.

3.02. Certificate of Completion.

(a) Upon the Borrower's request following the HRA's certification that the Project has secured its final inspections and is fit for occupancy and the Project is completed to the reasonable satisfaction of the HRA, the HRA will furnish the Borrower with a Certificate of Completion for the Project, in substantially the form attached hereto as Exhibit E, as conclusive evidence of satisfaction and termination of the agreements and covenants of this Agreement with respect to the obligations of the Borrower to complete the construction of the Project and to occupy the suite. The furnishing by the HRA of such Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Borrower or Owner to any Mortgagee. Such Certificate of Completion shall not serve as conclusive evidence of satisfaction and termination of the Loan.

(b) If the HRA shall refuse or fail to provide a Certificate of Completion following the Borrower's request, the HRA shall, within ten (10) days after the Borrower's request, provide the Borrower with a written statement specifying in what respects the Borrower has failed to complete the Project in accordance with this Agreement, or is otherwise in default, and what measures or acts will be necessary, in the reasonable opinion of the HRA, for the Borrower to obtain the Certificate of Completion.

3.03. Progress Reports. Until the Certificate of Completion is issued for the Project, the Borrower shall provide to the HRA by the end of each month a written report as to the actual progress of construction, which report shall, at minimum, (i) summarize the work completed by

narrative description; (ii) provide an approximate percentage of the Project completed; and (iii) identify any challenges jeopardizing occupancy of the Facility by June 30, 2023.

3.04. Access to Property. The Borrower agrees to permit the HRA and any of its officers, employees or agents access to the Property at all reasonable times for the purpose of inspection of all work being performed in connection with the Project; provided, however, that the HRA shall not have an obligation to inspect such work.

ARTICLE 4 Defense of Claims; Insurance

4.01. Defense of Claims.

(a) The Borrower shall indemnify and hold harmless the HRA, its governing body members, officers, and agents including the independent contractors, consultants, and legal counsel, servants and employees thereof (hereinafter, for the purposes of this Section, collectively the “Indemnified Parties”) for any expenses (including reasonable attorneys’ fees), loss (excluding consequential, special or punitive damages except to the extent payable to third parties by any Indemnified Parties), damage to property, or death of any person occurring at or about, or resulting from any defect in, the Project; provided, however, the Borrower shall not be required to indemnify any Indemnified Party for any claims or proceedings arising from any negligent, intentional misconduct, or unlawful acts or omissions of such Indemnified Party, or from expenses, damages or losses that are eligible to be reimbursed by insurance. Promptly after receipt by the HRA of notice of the commencement of any action in respect of which indemnity may be sought against the Borrower under this Section 4.01, such person will notify the Borrower in writing of the commencement thereof, and, subject to the provisions hereinafter stated, the Borrower shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to the HRA) and the payment of expenses insofar as such action shall relate to any alleged liability in respect of which indemnity may be sought against the Borrower. The Borrower shall provide the HRA evidence of the commencement of such defense within five (5) business days of the notification to Borrower described in the previous sentence. The HRA shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Borrower unless the employment of such counsel has been specifically authorized by the Borrower. Notwithstanding the foregoing, if the HRA has been advised by independent counsel that there may be one or more legal defenses available to it which are different from or in addition to those available to the Borrower, the Borrower shall not be entitled to assume the defense of such action on behalf of the HRA, but the Borrower shall be responsible for the reasonable fees, costs and expenses (including the employment of counsel) of the HRA in conducting their defense. The Borrower shall not be liable to indemnify any person for any settlement of any such action effected without the Borrower’s consent. The omission to notify the Borrower as herein provided will not relieve the Borrower from any liability which they may have to any Indemnified Party pursuant hereto, otherwise than under this Section.

(b) The Borrower agrees to protect and defend the Indemnified Parties, and further agrees to hold the aforesaid harmless, from any claim, demand, suit, action or other proceeding whatsoever by any person or entity arising or purportedly arising from the actions or inactions of the Borrower (or other persons acting on its behalf or under its direction or control) under this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, and operation of the Project; provided that this indemnification shall not apply to the warranties made or obligations undertaken by the HRA in this Agreement or to any actions undertaken by the HRA which are not contemplated by this Agreement but shall, in any event, apply to any pecuniary loss (excluding consequential, special or punitive damages except to the extent payable to third parties by any of the Indemnified Parties) or penalty (including interest thereon from the date the loss is incurred or penalty is paid by the HRA at a rate equal to the prime rate) as a result of the Project, as constructed and operated by the Borrower, or to violate limitations as to the use of the revenues therefrom as set forth in the Act.

(c) All covenants, stipulations, promises, agreements and obligations of the HRA contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the HRA and not of any governing body member, officer, agent, servant or employee of the HRA, as the case may be.

4.02. Insurance. The Borrower will, at its expense, carry such type and amount of insurance concerning the contents of the Facility as is required under the Lease, and the HRA shall be named as additional insured on the Borrower's insurance policies. The Borrower is required in the Go-Ahead Letter to provide certificates of insurance to the HRA certifying the same, and for the full term of the Lease, the Borrower shall provide annually to the HRA the updated certificates of insurance reflecting the annual renewals of such insurance.

ARTICLE 5

Draw-Down Loan for Reimbursement of Expenses

5.01. Development Costs. The Borrower has agreed to and shall be responsible to pay all of its respective costs of the Project, as herein provided. However, the HRA, in order to encourage the Borrower to proceed with the Project, and to assist the Borrower in paying the costs thereof, is willing to provide the Loan for reimbursement of Qualified Costs, as permitted by the Act, that the Borrower has incurred for the Project.

5.02. Terms of the Loan; Loan for Qualified Costs.

The HRA agrees to loan the Borrower unobligated incremental property taxes for the Borrower to reimburse Qualified Costs the Borrower has incurred for Project. The Loan shall be evidenced by the execution by the Borrower of the Note and delivery to the HRA. The Loan is subject to the following terms and conditions.

(a) The total principal amount of the Loan shall not exceed \$800,000. The actual principal amount of the Loan shall be identified in the Master Note shown in Exhibit H.

(b) Repayment of the Loan shall be amortized over the seven (7) year term of the Lease.

(c) Loan payments shall occur at least twice annually on July 1 and January 2 of each year until the Loan is paid in full.

(d) The Loan is prepayable by the Borrower at any time without penalty.

(e) The Loan shall bear interest at a per annum rate equal to two percent (2.00%) and shall accrue on the principal amount of the Loan disbursed pursuant to one or more Notes or Disbursement Notes starting on the date that is the earlier of (i) the date when the Certificate of Completion is delivered to the Borrower by the HRA; or (ii) June 30, 2023, and such interest shall be payable on the "Payment Dates" specified in the Note.

(f) Any principal forgiveness pursuant to Sections 5.05 and 5.06 shall only decrease the outstanding principal amount of the Loan actually disbursed and shall not forgive any interest incurred on such disbursed amounts.

(g) If a necessary principal and interest payment is not made by the Borrower to the HRA within fifteen (15) days of a specified Payment Date, a late fee of 5% of the outstanding balance (but not to exceed the maximum late charge allowed by law) shall be charged to the Borrower.

(h) Any payments on the Note from Borrower to HRA shall be from sources of funds of the Borrower other than the loaned unobligated incremental property taxes. The Note is not secured by a mortgage on the Building or Facility or any other collateral.

(i) The HRA shall make no more than six (6) Disbursements upon the submission by the Borrower of no more than six (6) Requisition for Funds in substantially the same form as Exhibit I hereto and a Disbursement Note in substantially the same form as *Appendix A* to Exhibit H hereto. The HRA shall have no obligation to issue additional Notes or provide other funds other than unobligated incremental property taxes in order to make Disbursements contemplated by this Agreement and the Master Note.

(j) The HRA shall not be obligated to provide the Loan to the Borrower subsequent to the termination of this Agreement as provided in Section 8.06 hereof.

5.03. Conditions Precedent to Provision of Loan Disbursement.

As described in Section 5.02(g) above, upon payment by the Borrower of Qualified Costs for the Project, the Borrower will deliver to the HRA a Requisition of Funds and a Disbursement Note, each executed by the Borrower. Thereafter, after inspection of the Requisition of Funds and the Disbursement Note, the HRA will provide to the Borrower the requested Disbursement.

5.04. Satisfaction of Conditions Precedent. Notwithstanding anything to the contrary contained herein, the HRA's obligation to reimburse the Borrower for Qualified Costs shall be subject to satisfaction, or waiver in writing by the HRA, of all of the following conditions precedent:

- (a) the conditions precedent in Section 5.03 hereof have been satisfied; and
- (b) the Borrower shall not be in default under the terms of this Agreement beyond any applicable cure period.

5.05. Forgiveness for Private Fundraising; Requirements; Certificate of Forgiveness.

(a) Up to \$150,000 in principal amount of the Disbursements to the Borrower shall be forgiven by the HRA based upon the success of the private fundraising campaign for operating and programming costs.

(b) In order to qualify for forgiveness in this Section, at least \$200,000 must be secured in private funds from non-governmental sources.

(c) The amount of principal forgiveness will be one-half (1/2) the amount of private fundraising the Borrower receives for the Project. *For example, if the Borrower raises \$200,000 privately, \$100,000 in principal amount will be forgiven by the HRA. If \$300,000 or more is raised privately, a maximum of \$150,000 in principal amount will be forgiven.*

(d) The forgiven principal amount of the Disbursements will be measured at a time requested by the Borrower, which time shall be (i) no earlier than the date the Borrower has made its final Requisition of Funds; and (ii) no later than the 5-year anniversary of Certificate of Completion, upon which time a request for principal forgiveness is forfeited by the Borrower.

(e) Upon request by the Borrower, the HRA shall provide the Borrower a Certificate of Forgiveness in substantially the form of Exhibit F hereto.

(f) Any Loan amounts paid repaid to the HRA by the Borrower shall be from sources of funds of the Borrower other than the loaned unobligated incremental property taxes.

5.06. Forgiveness for Special Programming; Requirements; Certificate of Forgiveness.

(a) Up to \$100,000 in principal amount of the Disbursements to the Borrower (in up to two tranches of \$50,000 each for an eligible and successful cohort) may be forgiven by the HRA based upon the success of implementation of Special Programming (as described in this Section 5.06) by the Borrower.

(b) The initial program operated by the Borrower from the Edina Innovation Lab is entitled “Businesses Innovating & Growing” (“B.I.G.”). B.I.G. is intended to be a 6-month program bringing together a cohort of 8 to 12 business leaders who will participate in group trainings twice monthly, with a curriculum that includes general business concepts such as marketing, finance, scaling, and decision-making (the “Special Programming”). The amount of principal forgiveness will be in the discretion of the executive director of the HRA and subject to the following criteria:

- i. The Borrower must notify the HRA in advance they intend to implement a Special Programming cohort;
- ii. The Borrower must identify the outreach efforts that are to be applied to attract the members of the Special Programming cohort who may not otherwise be engaged using traditional methods of outreach. If applicable, the partner organization helping with outreach shall be identified;
- iii. Of the business leaders included in a Special Programming cohort, at least fifty percent (50%) shall be owners or employees of a MBE or a WBE.
- iv. The curriculum of the Special Programming cohort shall be the same as other cohorts with the exception that particular content be adapted to address the unique business conditions and challenges of the cohort.
- v. Upon completion of the cohort, the Borrower shall notify the HRA of the number of cohort members that satisfactorily completed the program. At least 90% of the original cohort members are required to complete the program to achieve a tranche of this forgiveness requirement.

(c) Upon notification of (b)i and ii, the Executive Director of the HRA has 15 business days to confirm that the minimum expectations have been satisfied. If the Executive Director or designee has not responded within this time period, the cohort shall be considered eligible for forgiveness.

(d) Upon completion of the approved cohort, the Borrower shall notify the HRA of the final makeup of the cohort, including the number of owners or employees of a MBE or WBE, that participated in and completed the curriculum. If at least 90% of the participants completed the curriculum and if at least 50% of the participants are owners or employees of MBE or WBE, the requirement for forgiveness shall be satisfied.

(e) The forgiven principal amount of the Disbursements will be measured at a time requested by the Borrower, which time shall be (i) no earlier than the date the Borrower has made its final Requisition of Funds; and (ii) no later than the 5-year anniversary of Certificate of Completion, upon which time a request for principal forgiveness is forfeited by the Borrower.

(f) Upon request by the Borrower, the HRA shall provide the Borrower a Certificate of Forgiveness in substantially the form of Exhibit G hereto.

(g) Any Loan amounts repaid to the HRA by the Borrower shall be from sources of funds of the Borrower other than the loaned unobligated incremental property taxes.

5.07. Loan Satisfaction. Upon repayment by the Borrower to the HRA of the full principal amount of the Loan disbursed (and not forgiven) and all interest accrued thereon, the HRA shall deliver to the Borrower a Certificate of Satisfaction of the Loan in substantially the form included herein as Exhibit J. Such Certificate of Satisfaction shall indicate that that all requirements of the Borrower under this Agreement with respect to the Loan have been completed and duly and fully performed, and such Certificate of Satisfaction is to be conclusive evidence of the satisfactory termination of the covenants and conditions of this Agreement as they relate to the Loan. Such Satisfaction is required to be delivered no later than November 17, 2022, which is a the date seven (7) years after issuance of the Loan .

5.08. Additional Conditions. The following are additional conditions the Borrower must abide by for the term of this Agreement. Failure to abide by these conditions, without a written consent or waiver from the HRA, shall constitute an Event of Default under Section 7.01:

(a) The Borrower shall maintain the programming of the Edina Innovation Lab for the full term of the Lease;

(b) All Facility appliances should be Energy Star rated or equivalent to reduce energy consumption;

(c) Other agencies providing economic development services to City of Edina businesses (such as SBA and Open to Business) shall be allowed to conduct meetings in the shared areas of the tenant space during normal business hours at no charge when space is available and not otherwise programmed;

(d) The City and the HRA must be identified as the ‘founding sponsors’ or equivalent with recognition in print, on the website and in prominent signage located in the entrance or common area of Facility.

(e) In addition to the City’s representative on the Borrower’s Board of Directors, the executive director of the HRA shall be permitted to appoint at least one member of the advisory team of the Innovation Lab to guide programming and outreach that is relevant to the City’s business community. Such appointment shall occur within thirty (30) days of nomination by the executive director of the HRA.

(f) Upon the completion of each calendar year (but no later than March 1st), the Borrower shall submit a summary report of the previous year’s operations to the HRA. This report shall include the number of participants, including details such as: type of business, city where business is located, and gender and race of participants. The report shall also identify other programs conducted as part of the Edina Innovation Lab intended to support the local business community. The report shall also summarize the annual revenue and expenses of the Edina Innovation Lab.

(g) Upon an Event of Default herein that remains uncured or , the HRA shall have the first right to sublease all or a portion of the Facility. The Borrower shall ensure that the Lease includes a provision permitting the HRA to sublease the Facility in such an instance.

5.09. Notice of Default. Whenever the HRA shall deliver any notice or demand to the Borrower with respect to any breach or default by the Borrower in its obligations or covenants under this Agreement, the HRA shall at the same time forward a copy of such notice or demand to each investor, lender, or holder of any permitted mortgage, lien or other similar encumbrance at the last address of such holder shown in the records of the HRA. Each such investor, lender, or holder shall have the right, at its option, to cure or remedy such breach or default and to add the cost thereof to the mortgage debt and the lien of its mortgage; provided that if the breach or default is with respect to construction of the Project, nothing contained in this Agreement shall be deemed to permit or authorize such holder, either before or after foreclosure or action in lieu thereof, to undertake or continue the construction or completion of the Project without first having expressly assumed the obligation to the HRA, by written agreement satisfactory to the HRA, to complete the construction the Project in accordance with the plans and specifications therefor and this Agreement. Any such holder who shall properly complete the construction of the Project shall be entitled, upon written request made to the HRA, to a certification by the HRA to such effect in the manner provided in Section 3.03.

5.10 Legal and Administrative Expenses. The HRA agrees to pay all Legal and Administrative Expenses that are incurred in connection with the negotiating, approval and documentation of this Agreement.

ARTICLE 6

Prohibitions Against Assignment and Transfer

6.01. Transfer of Property and Assignment. Borrower will not assign its interest in the Lease to any third party without the prior consent of the HRA. Provided that no Event of Default exists hereunder, any such approved assignment shall release the Borrower from its obligations hereunder upon execution and delivery to the HRA by the transferee or assignee of an instrument in form and substance satisfactory to the HRA by which the assignee assumes the obligations of the Borrower hereunder.

Except as set forth in the immediately preceding paragraph, in the absence of specific written agreement by the HRA to the contrary, no approval of any assignment by the HRA thereof with respect to any assignment shall be deemed to relieve the Borrower, or any other party bound in any way by this Agreement or otherwise with respect to the completion of the Project, from any of their obligations with respect thereto.

6.02. Termination of Limitations on Transfer. The provisions of Section 6.01 shall terminate at such time as the Certificate of Forgiveness has been issued by the HRA under Section 3.03 of this Agreement with respect to the Project; provided, however, that any assignment of the payments to be made to the Borrower under Section 5.02 may only be assigned as permitted under Section 5.02 hereof.

ARTICLE 7

Event of Default; Fees

7.01. Events of Default. Subject to Unavoidable Delay, 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 (unless the context otherwise provides), any one or more of the following events which occurs and continues for more than thirty (30) days after written notice by the defaulting party of such default (and the term “default” shall mean any event which would with the passage of time or giving of notice, or both, be an “Event of Default” hereunder):

- (a) Failure of the Borrower to complete the Project as required hereunder.
- (b) Failure of the Borrower to pay to the HRA any amounts required to be paid by the Borrower hereunder.
- (c) Failure of the Borrower or the HRA to observe and perform any other material covenant, condition, obligation or agreement on its part to be observed or performed hereunder.
- (d) Filing of any voluntary petition in bankruptcy or similar proceedings by the Borrower; general assignment for the benefit of creditors made by the Borrower or admission in writing by the Borrower of inability to pay its debts generally as they become due; or filing of any involuntary petition in bankruptcy or similar proceedings against the Borrower which are not dismissed or stayed within sixty (60) days.
- (e) Failure of the Borrower to abide by the additional conditions set forth in Section 5.06.

7.02. Remedies on Default. In the event the HRA desires to exercise any of its rights or remedies as provided herein or otherwise available to the HRA at law or in equity, the HRA shall first provide written notice to Borrower setting forth with specific particularity the Event of Default and the action required to cure or remedy the same (the “Default Notice”). Borrower or any transferee or assignee under Section 6.01 hereof, shall have thirty (30) days from receipt of a Default Notice to cure or remedy the Event of Default specified in the Default Notice, or such longer period as may be reasonably required to complete the cure as soon as reasonably possible under the circumstances. If, following Borrower’s receipt of a Default Notice, Borrower does not cure or remedy the Event of Default therein specified within the time provided above, the HRA may take any one or more of the following actions at any time prior to Borrower’s curing or remedying the Event of Default:

- (a) Suspend its performance under this Agreement until it receives assurances from Borrower, deemed reasonably adequate by the HRA, that Borrower will cure its default and continue its performance under this Agreement.
- (b) In the case of a material default that is not cured within a reasonable period of time, terminate all rights of Borrower under this Agreement.
- (c) Withhold the Certificate of Completion.
- (d) Withhold the Certificate of Forgiveness.
- (e) Sublease the Facility.

- (f) Demand an accelerated or modified repayment term.
- (g) Take ownership of equipment, furnishings and other items not part of the leasehold improvements required to remain at the property.
- (h) Take a controlling interest in the Edina Innovation Lab, including rights to the name, logo, data, archives, etc.
- (i) Take whatever action at law or in equity may appear necessary or desirable to the HRA to enforce performance and observance of any obligation, agreement, or covenant of Borrower under this Agreement.

In the event the HRA should fail to observe or perform any covenant, agreement or obligation of the HRA on their part to be observed and performed under this Agreement, Borrower may take any one or more of the following actions:

- (a) Suspend its performance under this Agreement until it receives assurances from the HRA deemed adequate by Borrower, that the HRA will cure its default and continue its performance under this Agreement.
- (b) In the case of a material default that is not cured within a reasonable period of time, terminate all rights of the HRA under this Agreement.
- (c) Take whatever action at law or in equity may appear necessary or desirable to Borrower to enforce performance and observance of any obligation, agreement, or covenant of the HRA under this Agreement.

7.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the HRA, or to the Borrower 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 HRA, or Borrower to exercise any remedy reserved to them, it shall not be necessary to give notice, other than such notice as may be required under this Agreement.

7.04. Waivers. All waivers by any party to this Agreement shall be in writing. If any provision of this Agreement is breached by any party and thereafter waived by another 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.

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

ARTICLE 8
General Provisions

8.01. Conflicts of Interest; HRA Representatives Not Individually Liable. No member, official, employee, or consultant or employee of a consultant of the HRA shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official, consultant or the consultant's employees or employee participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is directly or indirectly interested. No member, official, consultant or consultant's employee, or employee of the HRA shall be personally liable to Borrower, or any successor in interest, in the event of any default or breach by the HRA or for any amount which may become due to Borrower or successors or on any obligations under the terms of this Agreement. No member, official, consultant or consultant's employee, or employee of the Borrower shall be personally liable to the HRA, or any successor in interest, in the event of any default or breach by the Borrower or for any amount which may become due to the HRA on any obligations under the terms of this Agreement.

8.02. Equal Employment Opportunity. Borrower, for itself and its successors and assigns, agrees that during the construction of the Project it will comply with any applicable affirmative action and nondiscrimination laws or regulations.

8.03. Restrictions on Use. Borrower agrees for itself, and its successors and assigns, and every successor in interest to the Property, or any part thereof, that Borrower, and such successors and assigns, shall devote the Property to, and only to and in accordance with, the uses specified in this Agreement and other agreements entered into between the Borrower and the HRA, and shall not discriminate upon the basis of race, color, creed, religion, national origin, sex, marital status, disability, status with regard to public assistance, sexual orientation, and familial status in the sale, lease, or rental or in the use or occupancy of the Property or any improvements erected or to be erected thereon, or any part thereof.

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

8.05. Business Subsidies Act. Since the Borrower is a non-profit with fewer than 100 full-time equivalent positions, this transaction is exempt from business subsidy reporting under the Business Subsidies Act. Therefore, the Loan is not a business subsidy, and the parties will not enter into a business subsidy agreement pursuant to the Business Subsidies Act.

8.06. Term of Agreement. This Agreement shall terminate on the Termination Date; it being expressly agreed and understood that the provisions of this Agreement are intended to survive the expiration and satisfaction of any security instruments placed of record contemporaneously with this Agreement, if such expiration and satisfaction occurs prior to Termination Date, as stated in this Section 8.06.

8.07. Provisions Surviving Termination. Sections 4.01 and 7.05 hereof shall survive any termination, rescission, or expiration of this Agreement with respect to or arising out of any event, occurrence, or circumstance existing prior to the date thereof.

ARTICLE 9
Administrative Provisions

9.01. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under this Agreement by any party to another party shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally as follows:

- (a) in the case of Borrower, addressed to or delivered personally to:

Edina Chamber of Commerce
3300 Edinborough Way
Suite 650
Edina, MN 55435
Attn: Executive Director

AFTER JUNE 30, 2023:
Edina Chamber of Commerce
7201 Metro Boulevard
Suite 520
Edina, MN 55439
Attn: Executive Director

- (b) in the case of the HRA, addressed or delivered personally to:

Edina Housing and Redevelopment Authority
4801 W 50th Street
Edina, MN 55424
Attention: Scott Neal, Executive Director

The HRA and the Borrower, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications should be sent.

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

9.03. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the HRA and the Borrower and their respective successors and assigns.

9.04. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

9.05. Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by written amendment authorized and executed by the HRA and the Borrower. The Chair and HRA Secretary are authorized to execute and deliver amendments and any documents related to this Agreement on behalf of the HRA.

9.06. Further Assurances and Corrective Instruments. The HRA and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property or the Project or for carrying out the expressed intention of this Agreement.

9.07. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope of intent of any provisions or Sections of this Agreement.

9.08. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota without giving effect to the conflicts-of-laws principles thereof.

EDINA HOUSING AND REDEVELOPMENT
AUTHORITY

And _____
Secretary

The foregoing instrument was acknowledged before me on this ____ day of _____, 2022, by _____, the Chair, and _____, the Secretary, of the Edina Housing and Redevelopment Authority, a Minnesota municipal corporation, on behalf of the corporation.

Notary Public

EDINA CHAMBER OF COMMERCE
ASSOCIATION, INC., A MINNESOTA NON-
PROFIT CORPORATION, D/B/A EDINA
INNOVATION LAB

By: _____
Signature

Its: _____
Title

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me on this ____ day of _____, 2022, by _____, the _____ of Edina Chamber of Commerce Association, Inc., a Minnesota Non-profit corporation, d/b/a Edina Innovation Lab.

IN WITNESS WHEREOF, I have set my hand and my official seal this ____ day of _____, 2022.

Notary Public

EXHIBIT A

PROPERTY

The real property and interests in such property located in the County of Hennepin, State of Minnesota and described as follows:

Common Address: 7201 Metro Boulevard, Suite #520, Edina, Minnesota, 55439

Legal Description

Parcel 1:

Lot 1, Block 1, Martens 1st Addition, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract and Torrens property

Note: The Torrens portion being more particularly described as follows:

Par 1: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Outlot A, Metro Place.

Par 2: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Government Lot 1, Section 9, Township 116, Range 21, except that part thereof embraced within Outlot A, Metro Place.

The registered portion of the property is evidenced by Certificate of Title No. 1496208.

Parcel ID Number

09-116-21-21-0016

EXHIBIT B

GO-AHEAD LETTER

[Date]

Executive Director/ Housing and Redevelopment Authority of Edina, MN
4801 West 50th Street
Edina, Minnesota 55424

Dear [_____]:

This letter is submitted pursuant to Section 2.05 of that certain Draw-Down Loan Agreement by and between the HOUSING AND REDEVELOPMENT AUTHORITY OF EDINA, MINNESOTA, a public body corporate and politic organized and existing under the laws of the State of Minnesota (the “Authority”); and the EDINA CHAMBER OF COMMERCE ASSOCIATION, INC., a Minnesota nonprofit corporation, d/b/a Edina Innovation Lab (the “Borrower”), dated as of November 17, 2022 (the “Agreement”), and is provided as the “Go-Ahead Letter” thereunder. Capitalized terms used in this letter and not defined herein have the meaning given to them in the Agreement.

In accordance with Section 2.05 of the Agreement, Borrower hereby represents, warrants, and certifies to the Authority that:

- (i) The Borrower’s Board of Directors has authorized execution of the Lease, contracts and Loan Agreement;
- (ii) the Lease has been entered into between the Owner and the Borrower and is effective and enforceable according to its terms;
- (iii) the Construction Contract has been entered into between the Owner and the Contractor and is effective and enforceable according to its terms and
- (iv) the Authority has been named as an additional insured on the Borrower’s insurance policies in accordance with the Agreement and corresponding certificates of insurance have been provided to the Authority certifying the same.

Sincerely,

By: _____

Print Name

Its: _____

Title

TENANT IMPROVEMENTS FOR THE PROJECT

HGA

120 N. 2nd St., Suite 500, St. Paul, MN 55101
 (612) 222-1411, Fax (612) 222-1412
 In Minnesota call 1-800-368-3630



THE 'E'
720 METRO BLVD
EDINA, MN 55439

EDINA CHAMBER
OF COMMERCE -
INNOVATION LAB

NOT FOR
CONSTRUCTION

[illegible]

PRICING PLAN

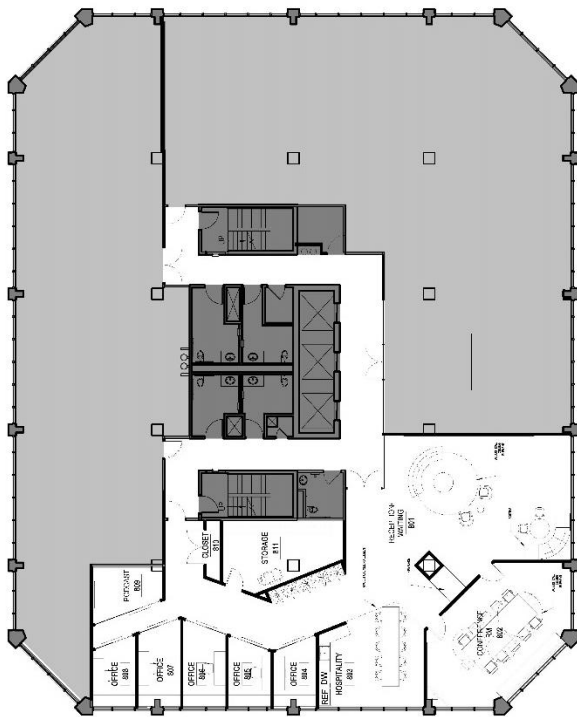
DATE: August 9, 2022

PP.101

©COPYRIGHT 1991 ARMIT, GELER AND ALGERI-WILSON, INC.

EDINA CHAMBER OF COMMERCE INNOVATION LAB - PRICING PLAN

- [illegible]



EDINA CHAMBER OF COMMERCE - INNOVATION LAB

EXHIBIT D

SCOPE OF WORK; QUALIFIED COSTS

SCOPE OF WORK:

Description: The build out and reconstruction of a portion of the unfinished space in the Building (Suite #520) for establishment of a new business accelerator-type program – the Edina Innovation Lab – in the Building. Improvements to be made include those documented in Exhibit C (Tenant Improvements for the Project) and as further detailed in the various construction documents and Construction Contract.

Timing:

- Construction commencement by December 2022
- Substantial project completion by May 2023
- Facility Occupancy by June 2023

QUALIFIED COSTS: All construction required to deliver the tenant space as shown in Exhibit C (Tenant Improvements for the Project), including walls, ceilings, floor finishes, plumbing, electrical, ventilation; permanent built-in equipment, cabinets and furnishings. The design costs, permits and construction management expenses shall also be Qualified Costs.

Ineligible Expenses: furnishings (such as loose tables and chairs), equipment (such as coffee machines), supplies, decorations, computers, monitors and related office materials. The Owner Contribution shall not be a Qualified Cost.

Note: The total principal amount of the Loan to reimburse the Borrower for Qualified Costs of the Project will be in an amount up to \$712,000.00, but shall not exceed the Qualified Costs.

Construction Expenses Eligible for HRA Loan	Cost Estimate
Construction costs to rebuild tenant space	\$579,000
construction project management	\$29,000
design documents	\$40,000
contingency	\$95,000
construction cost escalation	\$57,000
Total =	\$800,000

EXHIBIT E

CERTIFICATE OF CONSTRUCTION COMPLETION

WHEREAS, Edina Chamber of Commerce Association, Inc., a Minnesota non-profit corporation, d/b/a Edina Innovation Lab (“the Borrower”), is the tenant of the facility on the property in the County of Hennepin and State of Minnesota described on Exhibit A hereto and made a part hereof (the “Property”); and

WHEREAS, the Property (shown in Exhibit A) is subject to the provisions of a certain Draw-Down Loan Agreement (the “Agreement”), dated as of November 17, 2022, between the Borrower and the Edina Housing and Redevelopment Authority; and

WHEREAS, the Borrower has obtained lien waivers or similar evidence that the qualified costs have been paid in full; and

WHEREAS, the Borrower has fully and duly performed all of the covenants and conditions of Borrower under the Agreement with respect to the completion of the Project (as defined in the Agreement);

NOW, THEREFORE, it is hereby certified that all requirements of the Borrower under the Agreement with respect to the completion of the Project have been completed and duly and fully performed, and this instrument is to be conclusive evidence of the satisfactory termination of the covenants and conditions of the Agreement as they relate to the completion of the Project. All other covenants and conditions of the Agreement, including the covenants and conditions related to the Loan, shall remain in effect and are not terminated hereby.

Dated this ____ day of _____, 2022.

EDINA HOUSING AND REDEVELOPMENT
AUTHORITY

By _____
Executive Director

Exhibit A to Certificate of Construction Completion

Property

The real property and interests in such property located in the County of Hennepin, State of Minnesota and described as follows:

Common Address: 7201 Metro Boulevard, Suite #520, Edina, Minnesota, 55439

Legal Description

Parcel 1:

Lot 1, Block 1, Martens 1st Addition, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract and Torrens property

Note: The Torrens portion being more particularly described as follows:

Par 1: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Outlot A, Metro Place.

Par 2: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Government Lot 1, Section 9, Township 116, Range 21, except that part thereof embraced within Outlot A, Metro Place.

The registered portion of the property is evidenced by Certificate of Title No. 1496208.

Parcel ID Number

09-116-21-21-0016

EXHIBIT F

CERTIFICATE OF FORGIVENESS
PRIVATE FUNDRAISING FOR ONGOING OPERATIONS

WHEREAS, Edina Chamber of Commerce Association, Inc., a Minnesota non-profit corporation, d/b/a Edina Innovation Lab (“the Borrower”), is the tenant of the facility on the property in the County of Hennepin and State of Minnesota described on Exhibit A hereto and made a part hereof (the “Property”); and

WHEREAS, the Property (shown in Exhibit A) is subject to the provisions of a certain Draw-Down Loan Agreement (the “Agreement”), dated as of November 17, 2022, between the Borrower and the Edina Housing and Redevelopment Authority (the “HRA”); and

WHEREAS, pursuant to the Agreement, the HRA provided a Loan to the Borrower evidenced by a certain Note and Disbursement Notes (as such terms are defined in the Agreement); and

WHEREAS, the Borrower has fully and duly performed all of the covenants and conditions of Borrower under the Agreement with respect to the Project and the Loan; and

WHEREAS, pursuant the Agreement, the principal amount of the Loan disbursed is subject to forgiveness by the HRA (i) up to \$150,000 for certain private fundraising by the Borrower (“Private Fundraising”); and (ii) up to \$100,000 for certain special programming by the Borrower (“Special Programming”), as described in the Agreement; and

WHEREAS, the City has received evidence from the Borrower of Private Fundraising in the amount of \$_____ (the “Private Fundraising Amount”); and

WHEREAS, the principal forgiveness shall be \$_____, which amount is equal to or less than \$150,000 and is half of the Private Fundraising Amount; and

WHEREAS, the Developer has delivered to the City its final Requisition of Funds, and \$_____ in total principal amount of the Loan has been Disbursed to Borrower (the “Disbursed Amount”);

WHEREAS, to date, \$_____ of the Disbursed Amount has been forgiven for Private Fundraising, which amount is no greater than \$150,000, and

WHEREAS, to date, \$_____ of the Disbursed Amount has been forgiven for Special Programming, which amount is no greater than \$100,000; and

WHEREAS, \$_____ of the Disbursed Amount remains unforgiven (the “Unforgiven Disbursed Principal Amount”).

NOW, THEREFORE, it is hereby certified that:

1. \$_____ of the Unforgiven Disbursed Principal Amount is being forgiven by the HRA (the "Forgiven Amount").
2. All requirements of the Borrower under the Agreement with respect to the Project and Loan have been completed and duly and fully performed, and this instrument is to be conclusive evidence of the satisfactory termination of the covenants and conditions of the Agreement as they relate to the Forgiven Amount of the Note, and the Forgiven Amount of the Note is hereby fully forgiven and satisfied.
3. \$_____ of the Unforgiven Disbursed Principal Amount remains outstanding and remains the obligation of the Borrower to repay.

Dated this ____ day of _____, 20__.

EDINA HOUSING AND REDEVELOPMENT
AUTHORITY

By _____
Executive Director

Exhibit A to Certificate of Forgiveness (Private Fundraising)

The real property and interests in such property located in the County of Hennepin, State of Minnesota and described as follows:

Common Address: 7201 Metro Boulevard, Suite #520, Edina, Minnesota, 55439

Legal Description

Parcel 1:

Lot 1, Block 1, Martens 1st Addition, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract and Torrens property

Note: The Torrens portion being more particularly described as follows:

Par 1: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Outlot A, Metro Place.

Par 2: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Government Lot 1, Section 9, Township 116, Range 21, except that part thereof embraced within Outlot A, Metro Place.

The registered portion of the property is evidenced by Certificate of Title No. 1496208.

Parcel ID Number

09-116-21-21-0016

EXHIBIT G

CERTIFICATE OF FORGIVENESS
SPECIAL PROGRAMMING

WHEREAS, Edina Chamber of Commerce Association, Inc., a Minnesota non-profit corporation, d/b/a Edina Innovation Lab (“the Borrower”), is the tenant of the facility on the property in the County of Hennepin and State of Minnesota described on Exhibit A hereto and made a part hereof (the “Property”); and

WHEREAS, the Property (shown in Exhibit A) is subject to the provisions of a certain Draw-Down Loan Agreement (the “Agreement”), dated as of November 17, 2022, between the Borrower and the Edina Housing and Redevelopment Authority (the “HRA”); and

WHEREAS, pursuant to the Agreement, the HRA provided a Loan to the Borrower evidenced by a certain Note and Disbursement Notes (as such terms are defined in the Agreement); and

WHEREAS, the Borrower has fully and duly performed all of the covenants and conditions of Borrower under the Agreement with respect to the Project and the Loan; and

WHEREAS, pursuant the Agreement, the principal amount of the Loan disbursed is subject to forgiveness by the HRA (i) up to \$150,000 for certain private fundraising by the Borrower (“Private Fundraising”); and (ii) up to \$100,000 for certain special programming by the Borrower (“Special Programming”), as described in the Agreement; and

WHEREAS, the City has received evidence from the Borrower of special programming; and

WHEREAS, the principal forgiveness shall be \$_____; and

WHEREAS, the Developer has delivered to the City its final Requisition of Funds, and \$_____ in total principal amount of the Loan has been Disbursed to Borrower (the “Disbursed Amount”);

WHEREAS, to date, \$_____ of the Disbursed Amount has been forgiven for Private Fundraising, which amount is no greater than \$150,000, and

WHEREAS, to date, \$_____ of the Disbursed Amount has been forgiven for Special Programming, which amount is no greater than \$100,000; and

WHEREAS, \$_____ of the Disbursed Amount remains unforgiven (the “Unforgiven Disbursed Principal Amount”).

NOW, THEREFORE, it is hereby certified that:

1. \$_____ of the Unforgiven Disbursed Principal Amount is being forgiven by the HRA (the "Forgiven Amount").
2. All requirements of the Borrower under the Agreement with respect to the Project and Loan have been completed and duly and fully performed, and this instrument is to be conclusive evidence of the satisfactory termination of the covenants and conditions of the Agreement as they relate to the Forgiven Amount of the Note, and the Forgiven Amount of the Note is hereby fully forgiven and satisfied.
3. \$_____ of the Unforgiven Disbursed Principal Amount remains outstanding and remains the obligation of the Borrower to repay.

Dated this ____ day of _____, 20__.

EDINA HOUSING AND REDEVELOPMENT
AUTHORITY

By _____
Executive Director

Exhibit A to Certificate of Forgiveness (Private Fundraising)

The real property and interests in such property located in the County of Hennepin, State of Minnesota and described as follows:

Common Address: 7201 Metro Boulevard, Suite #520, Edina, Minnesota, 55439

Legal Description

Parcel 1:

Lot 1, Block 1, Martens 1st Addition, according to the recorded plat thereof, and situate in Hennepin County, Minnesota.

Abstract and Torrens property

Note: The Torrens portion being more particularly described as follows:

Par 1: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Outlot A, Metro Place.

Par 2: That part of Lot 1, Block 1, Martens 1st Addition, embraced within Government Lot 1, Section 9, Township 116, Range 21, except that part thereof embraced within Outlot A, Metro Place.

The registered portion of the property is evidenced by Certificate of Title No. 1496208.

Parcel ID Number

09-116-21-21-0016

EXHIBIT H
FORM OF MASTER NOTE

No. R-1

\$800,000

UNITED STATES OF AMERICA
STATE OF MINNESOTA

(EDINA INNOVATION LAB PROJECT)

PRINCIPAL AMOUNT: EIGHT HUNDRED THOUSAND DOLLARS

This Note is issued pursuant to the provisions of that certain Draw-Down Loan Agreement, dated as of November 17, 2022, as the same may be amended from time to time (the “Loan Agreement”), between the Edina Housing and Development Authority (the “Owner”) and Edina Chamber of Commerce Association, Inc., a Minnesota non-profit corporation, d/b/a Edina Innovation Lab (the “Borrower”). Terms used herein but not otherwise defined, shall have the meaning attributed to them in the Loan Agreement.

The Borrower for value received, promises to pay, to the extent and in the manner hereinafter provided, to the Owner, the principal sum of **eight hundred thousand** dollars (**\$800,000**), or so much thereof as may have been disbursed less the principal portion of the Loan that has been forgiven (if any), in semi-annual installments payable on each July 1st and January 2nd (each being a “Scheduled Payment Date”), commencing the July 1st, 2023, and to pay interest on each Scheduled Payment Date on so much of the principal amount of the debt as (i) may be disbursed from time to time as provided in the Loan Agreement and (ii) remains unpaid, until the principal amount hereof is paid or has been provided for. Interest shall accrue at the rate of two percent (2.0%) per annum (calculated on the basis of a 360-day year of twelve thirty-day months). The repayment schedule amortizes the principal over the seven year term of the Lease.

Principal and Interest Payments. Interest shall accrue only on the aggregate amount of this Master Note which has been disbursed under the Loan Agreement and shall begin accruing on the date that is the earlier of (i) the date when the Certificate of Completion is delivered to the Borrower by the Owner; or (ii) June 30, 2023. Disbursements of the proceeds of this Master Note shall be made in accordance with the Loan Agreement by the execution by the Borrower of one or more Disbursement Notes in the form attached hereto as Appendix A. Principal, interest and any premium due under this Master Note will be paid on a Scheduled Payment Date by wire payment, or by check or draft mailed the last business day prior to the payment date to the person in whose name this Master Note is registered, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. Installment payments shall be applied first to interest and then to a reduction of outstanding principal.

Prepayment. This Master Note is subject to prepayment in whole at any time at the option of the Borrower without penalty.

Late Fees. The Borrower shall pay to the Owner on each Scheduled Payment Date all amounts necessary to pay principal and interest then due and any past due installment. If a necessary principal and interest payment is not made by the Borrower to the Owner within fifteen (15) calendar days of a specified Scheduled Payment Date, a late fee of 5% of the outstanding balance (but not to exceed the maximum late charge allowed by law) shall be charged to the Borrower.

Forgiveness. This Note is subject to partial principal forgiveness by the Edina Housing and Development Authority (the "Owner") pursuant to the terms of the Loan Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed by the manual signatures of the _____ of the Borrower and has caused this Note to be dated as of _____, 2022.

EDINA CHAMBER OF COMMERCE
ASSOCIATION, INC., A MINNESOTA
NONPROFIT CORPORATION, D/B/A EDINA
INNOVATION LAB

By: _____
Signature

Its: _____
Title

Appendix A to Exhibit H (MASTER NOTE)

DISBURSEMENT NOTE

(EDINA INNOVATION LAB PROJECT)

No. _____

\$ _____

For value received, Edina Chamber of Commerce Association, Inc, a Minnesota nonprofit corporation, d/b/a Edina Innovation Lab (the “Borrower”), and pursuant to the \$800,000 Master Note (Edina Innovation Lab Project), dated November 17, 2022 (the “Master Note”), requests from the Edina Housing and Development Authority (the “HRA”), the disbursement of \$_____, which when added to the previous disbursements made pursuant to the Master Note represents a total disbursement made as of the date of this Disbursement Addendum to Master Note (the “Disbursement Addendum”) in the sum of \$_____.

The Borrower hereby acknowledges itself indebted to and promises to pay to the order of the HRA on the amount disbursed hereunder and any other amounts disbursed under the Master Note, on or before the date of maturity of the Master Note, with interest payable on the amount disbursed hereunder from the date of this Disbursement Note at the rate set forth in the Master Note.

This Disbursement Note shall be subject to the terms and provisions of the Master Note.

IN WITNESS WHEREOF, the Borrower, has caused this Disbursement Addendum to be executed by the _____ of said Borrower on the date of this Disbursement Addendum, which is _____.

By _____

Title _____

EXHIBIT I

FORM OF REQUISITION CERTIFICATE

TO: Edina Housing and Development Authority (the “HRA”)

FROM: Edina Chamber of Commerce Association, Inc., a Minnesota nonprofit corporation,
d/b/a Edina Innovation Lab (the “Borrower”)

RE: **\$800,000** Draw-Down Loan

This represents Requisition Certificate No. __ in the total amount of \$_____ to pay those Qualified Costs of the Project detailed in the schedule attached.

The undersigned certifies that:

1. The expenditures for which moneys are requisitioned hereby represent Qualified Costs that have been paid or are due and not yet included in a previous requisition and have been properly recorded on the Borrower’s books.
2. The moneys requisitioned hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for its funds actually advanced for the Qualified Costs of the Project.
3. Delivered herewith are copies of invoices or other appropriate documentation supporting the payments or reimbursements requested.
4. No Default or Event of Default under the Draw-Down Loan Agreement, dated November 17, 2022 (the “Agreement”), between the HRA, and the Borrower has occurred and continues.

Capitalized terms used but not defined herein shall have the meanings given in the Agreement.

Executed this ____ day of _____, _____.

**Edina Chamber of Commerce Association, Inc.,
a Minnesota nonprofit corporation, d/b/a Edina
Innovation Lab**

By: _____
Signature

Its: _____
Title

Requisition Certificate No. ____

Date: _____

Amount: \$_____

Cumulative Amount Requested to Date: \$_____

[Attach Invoices for Qualified Costs]

EXHIBIT J

CERTIFICATE OF LOAN SATISFACTION

WHEREAS, the Edina Housing and Redevelopment Authority (the “HRA”) and the Edina Chamber of Commerce Association, Inc., d/b/a Edina Innovation Lab (the “Borrower”), are parties to that certain Draw-Down Loan Agreement (the “Agreement”), dated as of November 17, 2022, between the Borrower and the HRA, pursuant to which the HRA provided a loan in the total principal amount \$[_____] (the “Loan”), as evidenced by a Master Note and certain Disbursement Notes (as such terms as described in the Agreement); and

WHEREAS, the HRA has forgiven a total amount of \$[_____] as evidenced by executed Certificate(s) of Forgiveness dated _____; and

WHEREAS, the Borrower has fully repaid to the HRA the principal amount of the Loan and the required interest thereon.

NOW, THEREFORE, it is hereby certified that all requirements of the Borrower under the Agreement with respect to the Loan have been completed and duly and fully performed, and this instrument is to be conclusive evidence of the satisfactory termination of the covenants and conditions of the Agreement as they relate to the Loan.

Dated this ____ day of _____, 20_____.

EDINA HOUSING AND REDEVELOPMENT
AUTHORITY

By _____
Executive Director



November 17, 2022

Executive Director/Housing and Redevelopment Authority of Edina, MN
4801 West 50th Street
Edina, MN 55424

Dear HRA Executive Director and Committee Members,

The Edina Chamber of Commerce is embarking on an exciting endeavor to support small business growth and development, the Edina Innovation Lab. Attached is a detailed description of the project.

We are respectfully requesting HRA funding support for the Innovation Lab. This project is directed by the Edina Chamber of Commerce, a 50-year-old nonprofit with a mission to create an environment in which businesses can prosper in our community. We have the connections; we have the knowledge, and we have the fortitude to create a program that will be the envy of other communities. What we don't have is the collateral to secure a construction loan from a commercial lender for the space necessary to conduct our business.

We met with four financial institutions and while they feel our concept is worthwhile, our efforts to secure funding for the buildout of our office space was not fruitful. The funding we are requesting from the HRA will strictly be used for the buildout of the office space. Revenue required for ongoing operations of the Edina Innovation Lab will be supported through fees paid by businesses participating in the Lab as well as an ongoing fundraising campaign to create an endowment fund. After kicking off our campaign on November 1, we've already received over \$200,000 in pledges.

We are requesting a loan amount not to exceed \$800,000 to complete construction.

We appreciate your time and consideration of our request for HRA funding. We are confident in and excited about the long-term future of the Edina Innovation Lab. You'll see more on our projected revenues in our five-year budget forecast. The support of the HRA will help us get over the construction hurdle.

Sincerely,

A handwritten signature in blue ink that reads "Lori Syverson".

Lori Syverson
President



EDINA INNOVATION LAB PROGRAM OVERVIEW FOR FUNDING CONSIDERATION BY EDINA HRA

The Edina Innovation Lab is an initiative of the Edina Chamber of Commerce. The new program launched in July 2022 and is designed to help existing businesses grow and innovate and remain sustainable in the ever-changing business environment.

In the Innovation Lab, we do more than just talk about business theory and case studies. The Innovation Lab provides an immersive and collaborative environment where business owners bring a challenge to the Lab with the task of developing a road map to help them move forward. Ideally, they take the first steps while in the Lab where there is support and guidance.

Participants learn from renowned leaders, ask questions, discover new perspectives, and gain real world knowledge and insights they can put into practice immediately. This is a place where learning is hands-on, and participants apply their learnings directly to their unique business to see immediate results.

The primary program offered through the Innovation Lab is called BIG, Businesses Innovating & Growing. Participants are sole proprietors and small and medium size businesses ready to take their business to the next level.

Business owners will complete the six-month experiential program with a foundational understanding of what it takes to operate a successful and growing business in a fast-paced, changing environment of the 21st century. Participants will then take the program knowledge and develop an individualized plan to grow and innovate their business over the next year. Each cohort meets two-hours, twice a month for six months. With the completed space, we will be able to run multiple cohorts at one time and begin additional programming that includes leadership and purpose.

Each BIG cohort has a maximum of ten participant businesses, offering individuals the opportunity to develop meaningful and trusting relationships. Without a dedicated space we can run one cohort at a time. Once the new space is completed, we'll run three cohorts that first year and increase it to eight cohorts the following year. More space means more cohorts which means more revenue. Individuals who complete the BIG program have the option of participating in a monthly "alumni" activity.

The curriculum is designed to be flexible, addressing each of the business's specific needs. These are group learning activities with a curriculum covering the essential business fundamentals, along with deeper dives into tools and programs that meet those specific needs. The fundamentals include the following.

- Finance
- Marketing
- Relationship Management
- Sales
- Human-Centered Design
- Legal
- Accounting
- Purpose
- Leadership
- Media Marketing Strategies
- Employment Recruitment
- Human Resources

Pilot Program launched in July 2022 July, when welcomed the first cohort of nine businesses and ten individuals into the program. Each business has a different hurdle to clear before they can grow their business. The goal of the Innovation Lab is to provide clarity and guidance on how to clear the hurdles and move forward.

Participants are excited with their progress and report the following:

- “The Innovation Lab helped me develop a plan to expand my Edina business nationally. “
- Two participants had a difficult time getting their financials in order. Without financial organization, they were not able to develop a sustainable plan to move forward. One completed their financial housecleaning and the other will have the work complete by the end of 2022. They now have the time and structure to develop a plan to take their business to the next level.
- “The Innovation Lab helped me see that my purpose in life can be aligned with my business. Having a successful business is one thing but having a successful business that brings personal fulfillment is life affirming.”
- “The Innovation Lab confirmed the direction I was going to grow my business but also helped empower me to hire the right people in the right roles.”

The pilot is undeniably successful but also shows us the importance of expanding our space. In order to meet our financial targets, we need to add more cohorts to the program and our current space restrictions do not allow us to expand. With input from city staff, we reviewed the potential of 11 different sites in Edina. After careful consideration, together we determined it was more cost-effective to buildout open space rather than retrofitting other space.

Hours of operation

General Lab hours vary according to the events schedule but typically is open 8:30 am to 4:30 pm Monday through Friday or as needed for special events. Each cohort of the BIG programs run two-hours, twice a month and the time of day varies.

Trade Area

While our area of focus is the City of Edina, any business can participate in the Innovation Lab.

Target Customer

The business must have a minimum of three years of successful operation. These are businesses that have successfully contributed to the economy of our community. The founder must be committed to putting in the work to move the organization forward. Our program is based on applying learnings immediately to see the best results.

The Edina Innovation Lab Difference

The Edina Innovation Lab stands out from Minnesota incubators and accelerators in that we welcome and support established businesses in all industry sectors. We do this while keeping to the tenants of the city's Comprehensive Plan and the Edina Chamber's strategic plan to build the base of technology and wellbeing businesses in Edina.

Our second cohort of businesses includes two businesses in the health and wellbeing space.

Edina Businesses Post-Covid

For decades, Edina has enjoyed a robust business community, but the pandemic changed that for many small business owners. Government assistance including the PPP loans gave business the lifeline they needed to survive. But as we emerged through the other side of Covid, organizations are not seeing a return to the "normal" of pre-pandemic.

Government funding gave businesses a fish but didn't teach them how to fish for long term survival. The Edina Innovation Lab teaches them how to fish and how to pivot and remain relevant in the new normal. In addition to understanding what they need to do in the short term to be successful, the tools they learn will teach them how to adapt to future challenges and opportunities.

Hennepin County has an extensive program to assist small and medium size business owners. Elevate Business is only open to Hennepin County businesses and provides access to specialized advisors and support to "tackle a problem." Topic-driven webinars are also available.

- Business advising up to 25-hours
- Peer-to-peer roundtables- sharing best practices and problem solving
- Topic-driven webinars

SCORE- Watch low or no-cost webinars, attend local workshops or complete online, interactive courses to gain new business knowledge and skills. In-person classes are limited and may not address specific business needs. Online sessions are pre-taped and do not provide an opportunity for interaction.

Metropolitan Consortium of Community Developers (MCCD)

Open to Business is another community partner that is welcome to use the Innovation Space to meet with Edina businesses.

Open to Business provides free, confidential business counseling to current and prospective entrepreneurs. Our experienced consultants work with small business owners to access the technical assistance and financing options they need to succeed. Cities and counties including Edina, pay to participate in this program. Open to Business does not provide the same one-on-one, customized programming businesses receive in the Innovation Lab.

Staffing

The Innovation Lab employs one full time and one part time staff member. We anticipate hiring one additional full time individual in year two as the BIG programs expands.

Marketing of the Edina Innovation Lab will begin with a dedicated office space. Marketing focus in year one will be on the BIG program and will increase as we add leadership and purpose programming.

Contact Information

Formal name of business

Edina Chamber of Commerce Association

Informal (dba) business name

Edina Innovation Lab

Address of business (in Edina)

Currently: 3300 Edinborough Way, Suite 650, Edina

New location with estimated move-in date of April 1, 2023.

7201 Metro Blvd.

Edina 55439

Business phone number and website

952-806-9060

Edinainnovationlab.com

Name, telephone & email of main contact person

Lori Syverson, president

lori@edina.org

952-806-9063

Prepared November 7, 2022

Construction Expenses Eligible for HRA Loan	Cost Estimate	Notes
Construction costs to rebuild tenant space	\$579,000	August 23, 2022 contractor proposal
construction project management	\$29,000	5% of construction cost
design documents	\$40,000	HGA Architects - estimated at 7% of constr costs
contingency	\$95,000	scope changes and other construction changes TBD
construction cost escalation	\$57,000	10% estimated cost increase
Total =	\$800,000	

Funding Source	Amount	Notes
Tenant Equity	\$0	In kind contribution in management, oversight and planning; also in kind investment for pilot program
Anticipated Landlord Contribution	\$145,495	\$35 x 4,157 Sq Ft (minimum amount - might be higher if less is needed for FFE)
Anticipated HRA Loan Amount	\$654,505	Not to exceed \$800k
Total =	\$800,000	

Other Start Up Expenses - NOT eligible for HRA Loan		
FFE, basic	\$62,355	landlord contribution (up to \$15 per Sq Ft maximum, if needed)
FFE, enhanced	\$38,645	Edina Chamber and in kind donations from local furniture sources
Total =	\$101,000	

Updated 11-9-2022

Edina Innovation Lab - 5-year Operating Forecast

	2023	2024	2025	2026	2027	Notes
Revenue						
BIG Program Fees	\$180,000	\$300,000	\$360,000	\$480,000	\$480,000	Assumes 3 to 8 cohorts of 10 participants annually @ \$6,000 each
Special Event Sponsorship and Other Program Fees	\$20,000	\$20,000	\$25,000	\$30,000	\$35,000	Anticipate 2 or more special events annually in partnership with area universities and others collaborative partners; initial topics include: Focus on Purpose and Women Business owners breaking the glass ceiling; other topics TBD
General Program Partnerships	\$299,000	\$150,000	\$150,000	\$150,000	\$150,000	Initial multi-year fundraising effort to raise \$1.0 million from local stakeholders and business supporters to establish endowment and scholarship fund
Individual Business Consulting	\$0	\$10,000	\$20,000	\$30,000	\$50,000	Staff will offer consulting services to individual businesses to address specific needs that are beyond BIG
Total Revenue	\$499,000	\$480,000	\$555,000	\$690,000	\$715,000	

Expenses						
Staff Compensation	\$120,000	\$185,000	\$250,000	\$300,000	\$350,000	Includes one full-time dedicated staff person plus one part-time staff person; includes salary and benefits; this may change overtime depending on programming and fundraising
Loan Repayment	\$55,000	\$109,000	\$109,000	\$109,000	\$109,000	\$9,091/mo based on 712,000k loan at 2% simple interest - assumes payments begin July 1st 2023
Rent / CAM	\$32,000	\$63,000	\$67,000	\$66,000	\$70,000	Total monthly rent is \$9353 with annual escalation; Lab to pay about 50% (\$5,333) with balance paid by Chamber of Commerce and Explore Edina; includes typical cleaning 3x per week
Accounting	\$12,000	\$12,600	\$13,230	\$14,023	\$14,864	Assumption \$1,000 per month exclusively for Lab
Legal	\$6,000	\$0	\$0	\$0	\$0	Assumption \$500 per month for first year
Marketing/ Advertising	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	Assumption \$1,000 per month; specific marketing effort will change as needed over time
Utilities	\$0	\$0	\$0	\$0	\$0	included in rent/CAM
Copier	\$800	\$800	\$800	\$800	\$800	Total cost approx \$2,400 split by Chamber and Explore; \$67 per month attributed to Lab
Phones	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	Total cost approx \$5,400 split by Chamber and Explore; \$150 per month attributed to Lab
Internet	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	Total cost approx \$3,600 split by Chamber and Explore; \$87 per month attributed to Lab
Insurance	\$2,000	\$2,500	\$3,000	\$35,000	\$4,000	Assumption \$167 per month for Lab; additional costs borne by Chamber and Explore
Subscriptions	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	Assumption \$1,500 beginning of the year; industry and economic reports
Software	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	Purchase 2 additional licenses for new users
IT	\$1,524	\$1,575	\$1,600	\$1,625	\$1,650	Total cost approx \$4,600 split by Chamber and Explore; \$128 per month attributed to Lab
Computers	\$3,000	\$0	\$0	\$0	\$0	Purchase 2 new machines in 2023
Program Supplies	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	misc program expenses including: office supplies, consumable items, food/bev for group meetings; staff training, etc
Total Expenses	\$268,464	\$410,615	\$480,770	\$562,588	\$586,454	

Updated November 9, 2022



A presentation to:

City of Edina- HRA Board

A Shared Vision



Edina Chamber Launching Innovation Hub \$100K in ARPA Funding Will Help Establish Program to Assist Businesses

EBBIE TOWNSEND
The Edina Chamber of Commerce's 50th anniversary, and it was supposed to be a year of celebrations: the biggest yet, special events and cheering a new accelerator program aimed to help growing businesses.

COVID-19 changed all that. When the pandemic shut everything down in 2020, the Chamber lost more than 50 of its 410 members as businesses scrambled to cut costs to survive. All the fundraisers and social events were either canceled or virtual. President Lori Syversen said the Chamber's revenue plummeted about 40 percent.

"Where we are, the Chamber of Commerce people turn to in times of crisis, we were one of those businesses," Syversen said.

The Chamber's leadership got to work, turning out to businesses to find what they needed most. Stopgap measures like the federal Paycheck Protection Program or CARES Act funding helped many businesses afloat, but they still needed help adapting to new business models that emerged from the pandemic. "We were telling us, 'We survived the two years, but we don't think we can survive the next two,'" Syversen said. "We are being forced to change how we do things, and they are not sure how to do that."

The Chamber shifted its business accelerator into the Edina Innovation Hub, a \$100,000 in American Rescue Act (ARA) funding from the City of Edina to launch it later this year.

Explaining the hub, Syversen and Chamber Board of Directors Chairman Steve Blewud cited the parallel about feeding a man a fish and you feed him for a day. Teach him to catch a fish and you feed him for a lifetime.



President Lori Syversen and Board Chairman Steve Blewud are optimistic the Edina Chamber of Commerce's new Edina Innovation Hub will give local businesses the skills to thrive. (Photo by Dan Resig)

"I can be the best cupcake baker in the world, but if I don't know how to market cupcakes in today's environment, my business won't succeed," Blewud said as a made-up example.

Businesses, whether they are new or have been around for 20 years, will come to the hub with a problem, or problems. The hub will have them working one-on-one with experts to learn skills – from accounting to marketing to online sales – so they can succeed on their own. While the Chamber is already doing some of this work, the hub will have a physical space for learning. In addition to core business functions, topical training will be offered, like dealing with staffing during the "Great Resignation."

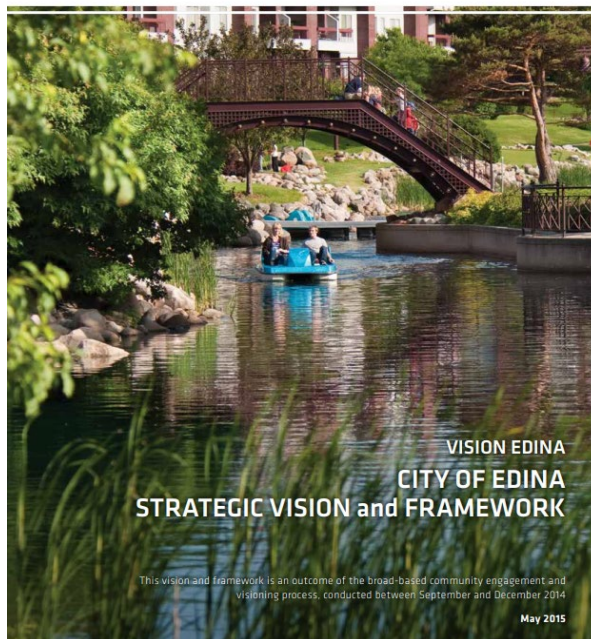
The Chamber is already seeing an influx of new members eager to participate in the hub. Bill Neuendorf, the City's Economic Development Manager, hailed the hub as an excellent idea to help businesses.

Gone are the days when Chambers of Commerce could rely on a few events where business cards were exchanged and call it a success. The Edina Chamber starting off its 50th anniversary by becoming the Chamber of the future, working in hand to ensure businesses succeed and to draw new businesses to the Celebrations can wait.

"I'm very excited and as proud as I've ever been to be a Chamber member now," Blewud said.

Learn more about the Edina Chamber of Commerce at EdinaChamber.com.

City of Edina



This vision and framework is an outcome of the broad-based community engagement and visioning process, conducted between September and December 2014

May 2015



Edina Businesses Post-Covid



Innovation Lab Supports Small Business





The Future of Edina Business

MINNPOST, July 2022

Addressing Minnesota's start-up ecosystem

"Yet, it's not enough to just produce new companies- those companies must also survive and grow past their critical early years to contribute to the state's economy."



City of Edina Mission and Vision

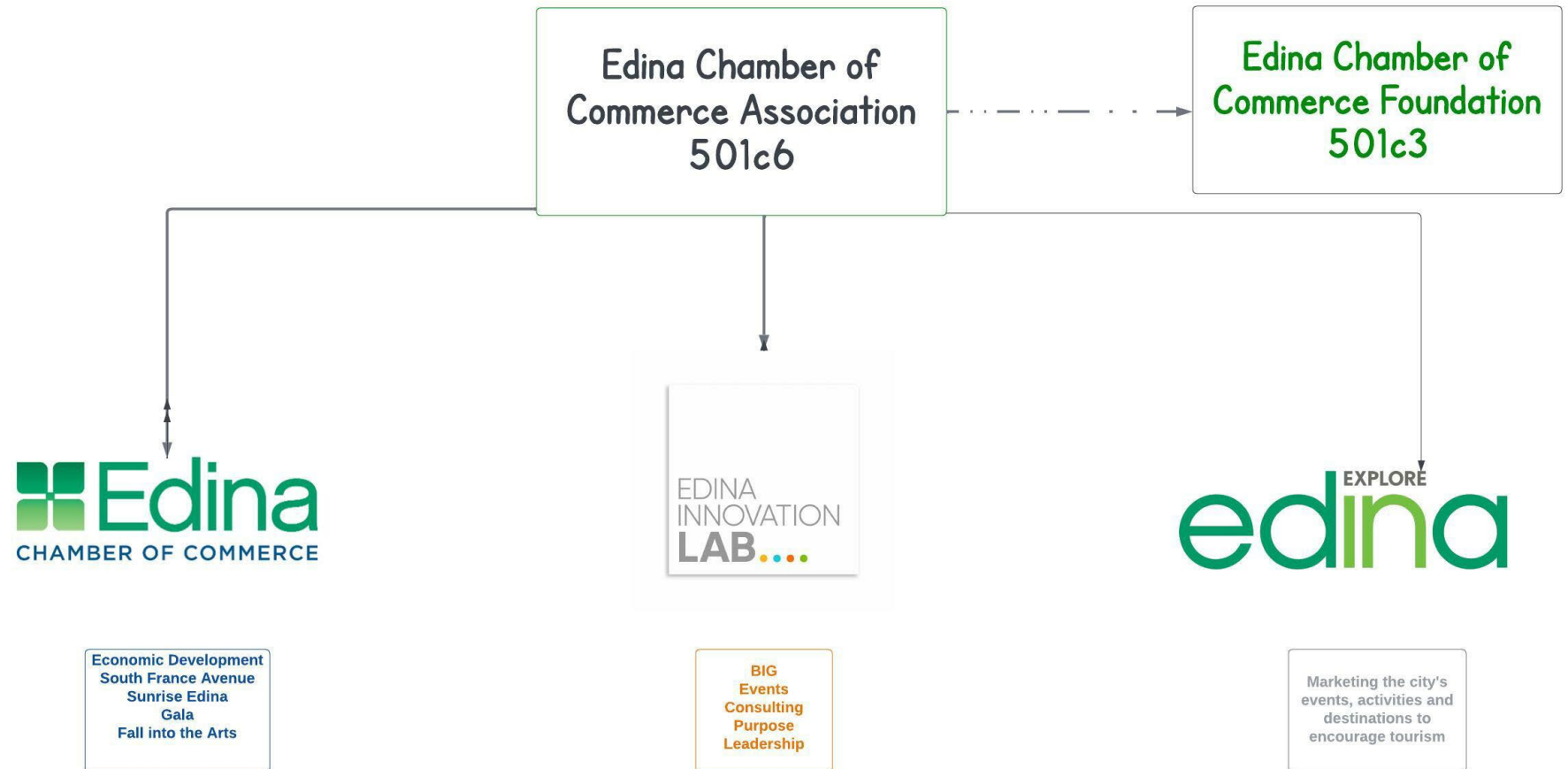
- Live, Work, Play, & Thrive
IN
- Nodes & Modes Environment



What is the Edina Innovation Lab.

The Edina Innovation Lab is a place- where business owners create a roadmap to grow and innovate their business, taking it to the next level.

Governance.





Who Participates?

- Owners & leadership in any business sector
- Focus is Edina businesses and business owners with intent to support economic vitality in the city

Curriculum.

Experiential based learning customized to the needs of each cohort. Examples include finance, marketing, human resources, strategic thinking and more.



Programs.



Accelerator

Big helps businesses struggling with growth and change. We create an environment that allows for problem solving through discovering untapped resources, creating sustainable solutions while engaging with fellow professionals.



Purpose

We all have a purpose, here we help you to discover it. This lab helps you build a purpose statement, how to implement your plan and ways to engage and inspire people alongside your journey.



Connectors

Connections can transform ideas into businesses. Igniting relationships by engaging with fellow professionals that not only build businesses but your community.



Leadership

Cultivating an environment that brings out the best in people, the Lab has curated a leadership council that believes in sharing their skills to better yours and inspiring the next generation of leadership



BIG.01

Beth Grant Interiors
Brave Girl International
Buttermilk Basin
Coccinella
Devine Shine
Inherited Stories
LSE Architects
Rachael Michael Stylist
VueFinder Optical
edinainnovationlab.com





How the Innovation Lab Stands Apart.

- Fill a need in Edina and the Twin Cities
- Sustainable
- Ability to pivot



Strategic Partnerships.

- SCORE
- Open to Business
- Hennepin County- Elevate Business & County Commissioner LaTondresse
- Edina Public Schools



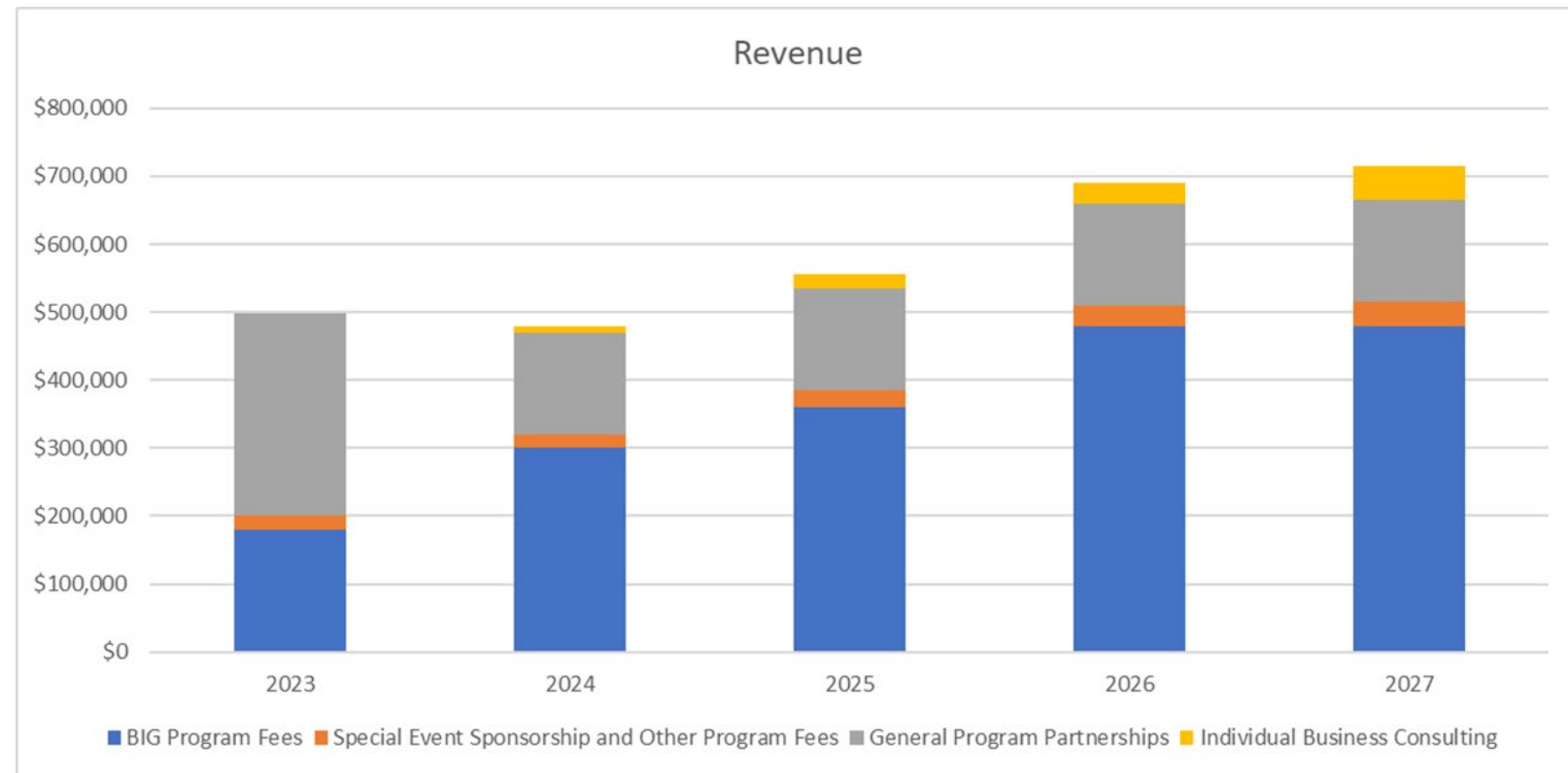
Where Innovation Happens- Space.

- Location
- Economies of scale
- Buildout vs teardown vs as is

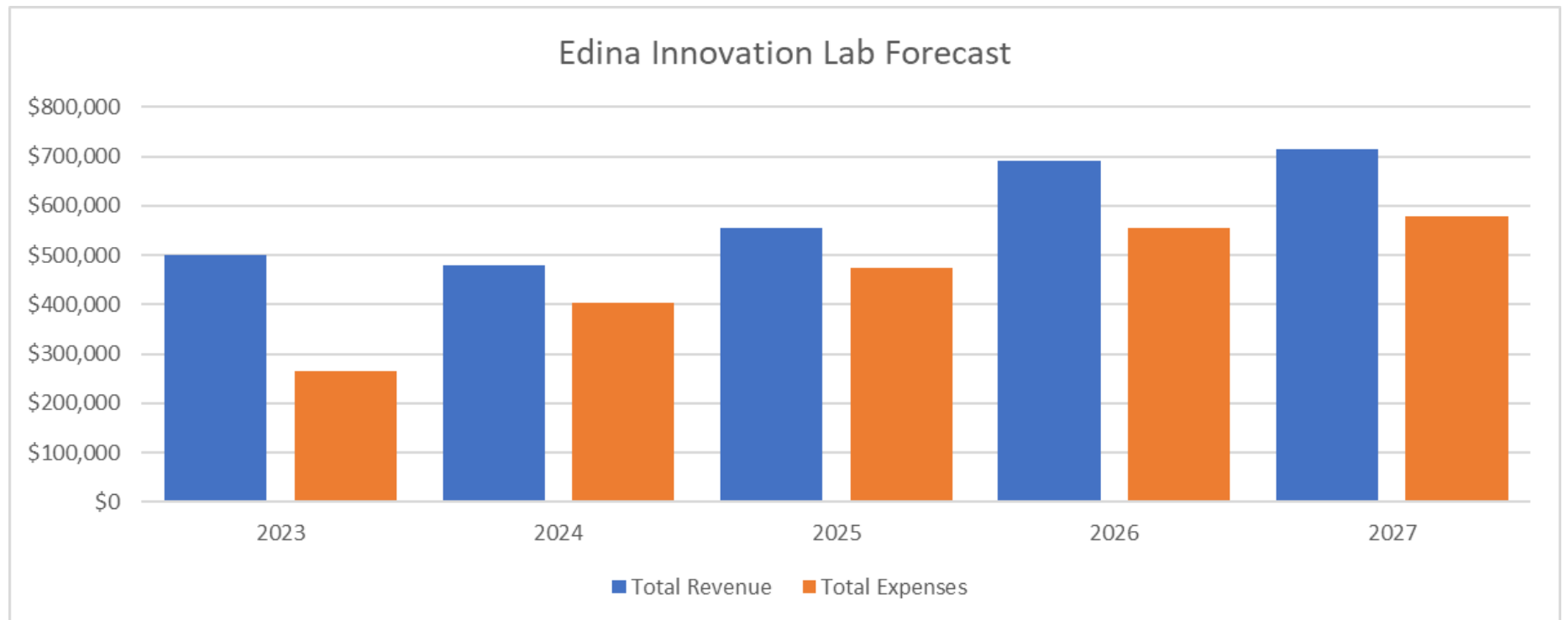
Construction Expenses Eligible for HRA Loan	Cost Estimate	Notes
Construction costs to rebuild tenant space	\$579,000	August 23, 2022 contractor proposal
construction project management	\$29,000	5% of construction cost
design documents	\$40,000	HGA Architects - estimated at 7% of constr costs
contingency	\$95,000	scope changes and other construction changes TBD
construction cost escalation	\$57,000	10% estimated cost increase
Total =	\$800,000	
Funding Source	Amount	Notes
Tenant Equity	\$0	In kind contribution in management, oversight and planning; also in kind investment for pilot program
Anticipated Landlord Contribution	\$145,495	\$35 x 4,157 Sq Ft (minimum amount - might be higher if less is needed for FFE)
Anticipated HRA Loan Amount	\$654,505	Not to exceed \$800k
Total =	\$800,000	
Other Start Up Expenses - NOT eligible for HRA Loan		
FFE, basic	\$62,355	landlord contribution (up to \$15 per Sq Ft maximum, if needed)
FFE, enhanced	\$38,645	Edina Chamber and in kind donations from local furniture sources
Total =	\$101,000	
		Updated 11-9-2022

Edina Innovation Lab - 5-year Operating Forecast						
	2023	2024	2025	2026	2027	Notes
Revenue						
BIG Program Fees	\$180,000	\$300,000	\$360,000	\$480,000	\$480,000	Assumes 3 to 8 cohorts of 10 participants annually @ \$6,000 each
Special Event Sponsorship and Other Program Fees	\$20,000	\$20,000	\$25,000	\$30,000	\$35,000	Anticipate 2 or more special events annually in partnership with area universities and others collaborative partners; initial topics include: Focus on Purpose and Women Business owners breaking the glass ceiling; other topics TBD
General Program Partnerships	\$299,000	\$150,000	\$150,000	\$150,000	\$150,000	Initial multi-year fundraising effort to raise \$1.0 million from local stakeholders and business supporters to establish endowment and scholarship fund
Individual Business Consulting	\$0	\$10,000	\$20,000	\$30,000	\$50,000	Staff will offer consulting services to individual businesses to address specific needs that are beyon BIG
Total Revenue	\$499,000	\$480,000	\$555,000	\$690,000	\$715,000	
Expenses						
Staff Compensation	\$120,000	\$185,000	\$250,000	\$300,000	\$350,000	Includes one full-time dedicated staff person plus one part-time staff person; includes salary and benefits; this may change overtime depending on programming and fundraising
Loan Repayment	\$55,000	\$109,000	\$109,000	\$109,000	\$109,000	\$9,091/mo based on 712,000k loan at 2% simple interest - assumes payments begin July 1st 2023
Rent / CAM	\$32,000	\$63,000	\$67,000	\$66,000	\$70,000	Total monthly rent is \$9353 with annual escalation; Lab to pay about 50% (\$5,333) with balance paid by Chamber of Commerce and Explore Edina; includes typical cleaning 3x per week
Accounting	\$12,000	\$12,600	\$13,230	\$14,023	\$14,864	Assumption \$1,000 per month exclusively for Lab
Legal	\$6,000	\$0	\$0	\$0	\$0	Assumption \$500 per month for first year
Marketing/ Advertising	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	Assumption \$1,000 per month; specific marketing effort will change as needed over time
Utilities	\$0	\$0	\$0	\$0	\$0	included in rent/CAM
Copier	\$800	\$800	\$800	\$800	\$800	Total cost approx \$2,400 split by Chamber and Explore; \$67 per month attributed to Lab
Phones	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	Total cost approx \$5,400 split by Chamber and Explore; \$150 per month attributed to Lab
Internet	\$1,040	\$1,040	\$1,040	\$1,040	\$1,040	Total cost approx \$3,600 split by Chamber and Explore; \$87 per month attributed to Lab
Insurance	\$2,000	\$2,500	\$3,000	\$35,000	\$4,000	Assumption \$167 per month for Lab; additional costs borne by Chamber and Explore
Subscriptions	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	Assumption \$1,500 beginning of the year; industry and economic reports
Software	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	Purchase 2 additional licenses for new users
IT	\$1,524	\$1,575	\$1,600	\$1,625	\$1,650	Total cost approx \$4,600 split by Chamber and Explore; \$128 per month attributed to Lab
Computers	\$3,000	\$0	\$0	\$0	\$0	Purchase 2 new machines in 2023
Program Supplies	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	misc program expenses including: office supplies, consumable items, food/bev for group meetings; staff training, etc
Total Expenses	\$268,464	\$410,615	\$480,770	\$562,588	\$586,454	Updated November 9, 2022

Programming Revenue.



Revenue vs Expenses.





What are other cities doing?

- Bloomington
- Rochester
- Other Minnesota Communities



“Economic development isn’t about handouts. It’s about building for the future.”



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VII.B.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Action

Subject: Updated Tax Increment Financing Policy

ACTION REQUESTED:

Approve the updated policy to be followed when considering the use of Tax Increment Financing.

INTRODUCTION:

This item pertains to the future use of Tax Increment Financing in Edina. The policy was last updated in 2011.

Staff recommends the policy be updated to reflect current practice of using TIF only when necessary to deliver public benefits. After approval by the HRA, this item will be forwarded to the City Council for formal adoption.

ATTACHMENTS:

Staff Report - TIF policy

TIF Policy - Update Nov 2022

New Edina TIF Policy - proposed updates 11-16-2022 redline

New Edina TIF Policy - proposed updates 11-16-2022 clean

STAFF REPORT



Housing and Redevelopment Authority
Established 1974

Date: November 17, 2022

To: Chair and Commissioners of Edina Housing & Redevelopment Authority

From: Bill Neuendorf, Economic Development Manager

Subject: Updated Tax Increment Financing Policy

Information / Background:

The use of public financing tools like Tax Increment Financing is governed by Minnesota Statute. The application of interpretation is governed by local policy. Edina's TIF Policy was written in 2011.

Staff recommends that the policy be updated to clarify the application of the TIF Statute on redevelopment projects and affordable housing projects in Edina.

Evaluation:

Staff has evaluated past and current practices in Edina and has also reviewed policy of other jurisdictions. Based on preliminary input from the Housing and Redevelopment Authority, the updated policy reflects the intention that most redevelopment projects be privately financed and that TIF only be used in exceptional cases to achieve public benefits over and above increases in the property tax base.

The City's guiding documents including Vision Edina, Comprehensive Plan, Small Area Plans, Design Guidelines, Sustainability policy and Affordable Housing policy were incorporated into the new TIF policy.

The updated policy was reviewed by the HRA's financial advisor and legal advisor. Input was also solicited from a variety of staff divisions including: Planning, Housing, Economic Development, Building Construction, Equity, Community Engagement, Sustainability and Parks/Recreation.

Staff Recommendation:

The proposed policy strengthens the City's position when TIF is requested and establishes a higher bar when TIF is used. Staff recommends approval of this updated policy.

Note: after HRA consideration, this policy will also be presented to the City Council for final adoption.



**Proposed for
Adoption**
11-17-2022

- ☒ City Council
- ☐ City-Wide
- ☐ Department

Approved: 2011
Revised: [Click here to enter a date.](#)

Tax Increment Financing Policy

BACKGROUND

The City of Edina has statutory authority to use Tax Increment Financing (TIF) pursuant to Minnesota State Statutes Section 469.174-469.1799 (the TIF Act). TIF uses the increased property taxes generated by new real estate development within defined geographic districts to pay for certain costs associated with new development (including but not limited to affordable housing) as well as related public infrastructure and public realm spaces.

The City's mission is "...to provide effective and valued public services, maintain a sound public infrastructure, offer premier public facilities and guide the development and redevelopment of lands, all in a manner that sustains and improves the health and uncommonly high quality of life enjoyed by our residents and businesses." (Source: 2015 Vision Edina).

The land within the City boundaries has been substantially built-out for more than a decade and many of the older properties are in the "redevelopment" phase. In order to construct a new structure, an older structure that is unsound, outdated, or obsolete must typically be removed.

In most cases, development projects in Edina are privately funded using traditional debt and equity sources. From time-to-time, however, the City has found it necessary to provide financial support for development projects that deliver outstanding benefits to the community and that could not be accomplished without public financial involvement.

As early as the 1980s, the City used TIF to help deliver desired commercial and multifamily development served by public infrastructure elements including roads, sidewalks, utilities, public parking, and public realm spaces like parks and plazas. TIF was essential to construct the commercial, residential and public elements at Edinborough Park and Centennial Lakes Park (including affordable housing). TIF was also essential to fund public parking at 50th and France and to transform the Grandview District from an industrial area to a mixture of residential, commercial and civic uses with public parking. Historically, the use of TIF in Edina has not applied the full breadth of authority allowed by the TIF Act.

PURPOSE OF POLICY

While most redevelopment projects in Edina are privately financed, on certain occasions, the City may find it necessary to provide financial support in order to overcome unusual hurdles and to achieve extraordinary benefits to the general public. The purpose of this policy is to:

- Limit the use of TIF to only projects that deliver extraordinary permanent benefits to the general public.
- Establish criteria and guidelines for where new TIF Districts are established and how incremental taxes are utilized in Edina.
- Ensure that TIF is used in a transparent, consistent and equitable manner to provide value to the community.
- Ensure that TIF is used to deliver both short-term and long-term improvements that are a benefit to the general public in Edina.

This policy provides guidance to developers, property owners, staff, and the community at large regarding Edina's use of Tax Increment Financing as a public finance tool to attract and support high quality development that contributes to a strong property tax base and to the high quality of life in Edina. For the purpose of this policy, the "City" shall also mean the Edina Housing and Redevelopment Authority (HRA), which assists in a variety of housing, redevelopment, and economic development activities for the City of Edina.

PUBLIC BENEFITS PURSUED WITH TIF

Edina's Comprehensive Plan establishes guidance for the anticipated changes in land use and related systems for the next decade. Most land use changes are anticipated to occur in commercial and industrial areas. Many of the preferred outcomes identified in the Comprehensive Plan include changes to transform single use sites to mixed uses that provide a strong tax base, improved connectivity and access for drivers, bicyclists and pedestrians. When necessary, TIF can be used to achieve many benefits to the community, including:

- Transformational change of properties in a manner compatible with Comprehensive Plan, Small Area Plans, Development Framework, Sustainability Policy, New Multifamily Affordable Housing Policy and other Guidelines adopted by the City
- Improvements to the multi-modal transportation network, including roads and infrastructure for motor vehicles, pedestrians, bicyclists and transit
- Public realm improvements, including green space and placemaking elements including landscaping, streetscaping and public art
- Public parking facilities that provide shared parking resources for more than one property
- Improvements to public utility networks; including potable water, fire protection, storm sewer and

sanitary sewer

- Stormwater retention and detention systems that benefit more than one property
- Removal of substandard buildings that may have a blighting effect on the community
- Preservation of buildings that are historically or culturally significant to the community
- Remediation of environmental contamination
- Creation and retention of long-term affordable housing at a variety of below-market price points
- Creation and retention of permanent employment opportunities

PROCEDURAL CONSIDERATION OF TIF

- 1) Authority rests with City Council. Consideration to establish a new TIF District shall be at the sole discretion of the City Council. Administration and determine of specific uses of incremental property taxes generated therein shall be at the discretion of the City Council or HRA. Since each development project is unique, the use of TIF shall be considered on a case-by-case basis.
- 2) The Edina Housing and Redevelopment Authority shall provide initial direction regarding the potential use of TIF, shall review the Term Sheet that identifies the proposed use of TIF on each project and shall review and approve the contractual documents such as TIF Agreements.
- 3) Eligible Applicants. Only current property owners or developers that have site control are eligible to apply for TIF. Evidence of site control shall be provided in the TIF Application.
- 4) Negotiation of TIF terms. After the TIF Application is submitted, the developer shall negotiate financing terms only with the City Manager, HRA Executive Director or designee. The prepared terms and proposed contract shall then be presented to the HRA Board and the City Council as a whole.
- 5) Application Form. Developers that request TIF shall submit a completed application in a form approved by the City Manager or HRA Executive Director. The application shall identify the anticipated financing sources, including equity, type of debt, external grants/contributions, and the amount and type of TIF support requested to resolve the financing gap. A complete development sources and uses pro forma shall be submitted, as well as an operating pro forma based on a stabilized project. The application shall include calculations that identify the financing gap. This information is required to determine the “but for” test required under the TIF Act. The application shall also identify extra-ordinary costs to develop the project in Edina and shall also identify the exceptional public benefits that could be delivered if the project is completed. The Application shall also address other criteria identified in this document.

- 6) Application Fee. The application fee shall be \$10,000. Fifty percent (50%) of the fee shall accompany the initial application. The remaining fifty percent (50%) shall be due after the confirmation of a Term Sheet and prior to the preparation of full contractual documents. Application fees are non-refundable.
- 7) Use of Third-party Expert Advisors. Expert advisors shall be engaged by the HRA as necessary to ensure compliance with the TIF Act and to provide expertise to supplement the abilities and capacity of staff. Typical advisors have expertise in TIF law, public sector development finance, general development finance, property inspection as it pertains to TIF, and real estate valuation, among other redevelopment topics. All advisors shall be contracted to the HRA and shall uphold the interests of the HRA and the City while providing service.
- 8) Developer Responsible for Fees. The developer shall be solely responsible for the payment of third expenses pertaining to the developer's request for TIF support from the time of the request to the delivery of the Certificate of Completion. Prior to preparation of the Term Sheet, the applicant shall submit to the City a deposit equal to the total estimated costs for legal and consultant fees. These funds will be held in a non-interest-bearing escrow and the City will draw upon these funds to pay all related expenses. Additional funds may be necessary if the scope of the work changes beyond the initial expectation. Any unused balance shall be returned to the developer upon completion of the process. The developer shall also be solely responsible for any costs related to requested amendments to the TIF District or TIF Agreements.
- 9) Initial Staff Response and Notification of HRA Board. City staff shall review and evaluate the Application for compliance with the City's policies. Soon after receipt of a TIF Application, staff should advise the Edina HRA about the TIF request including the potential public benefits delivered if TIF would be provided. Staff will then seek approval to engage third party advisors to fully vet the merits of the TIF request.
- 10) Preparation of Term Sheet. Staff shall prepare a Term Sheet that summarizes the key terms by which TIF could be used for the project. The Term Sheet shall be submitted to the Edina HRA for review and consideration. The Term Sheet should generally be considered after preliminary zoning approval is obtained. The HRA should provide verbal indication whether they are agreeable to preparation of binding contracts (commonly known as TIF Agreements) based on the Term Sheet.
- 11) Creation of TIF District. After consideration of the Term Sheet, staff shall begin the process of establishing a TIF District to achieve the goals outlined in the Term Sheet.
- 12) TIF Agreement. Staff shall work with legal and financial advisors to prepare complete and binding legal agreements based on the Term Sheet. The TIF Agreement should be considered by the HRA Board and/or the City Council after final zoning approval is obtained.
- 13) The provision of TIF is contingent upon receiving all other necessary project approvals from the City.

FINANCIAL REPORTING AND TRANSPARENCY

- 1) The City shall submit all required reports on the use of Tax Increment Financing to Hennepin County and the Minnesota Office of the State Auditor using the format provided by those agencies.
- 2) Year in Review Report. Each year, staff shall publish a report that summarizes the use of TIF written in plain English style. This report shall include the following information for each active TIF District: start and end dates, debt and contractual obligations, tax collection status, tax base status, and other pertinent information. This report shall also quantify outcomes when TIF is used to achieve public benefits. This report should be delivered to the Edina HRA in January and shall be made available to the applicable School District(s) and to the general public upon request.
- 3) The City shall post general information on the use of TIF in Edina on the City website.

ESTABLISHMENT OF TIF DISTRICTS

- 1) Preparation of TIF Plan. The HRA's Financial Advisor shall prepare the TIF Plan to satisfy the requirements of Minnesota TIF Statutes. The TIF Plan should be written in plain English style. The TIF Plan should describe the intended redevelopment and/or housing outcomes and should identify how the use of TIF will help achieve community goals as defined in the Comprehensive Plan and related plans.
- 2) Type of District. The type of District established shall be determined by the City Council in accordance with the limitations contained in Minnesota Statute.
- 3) Boundaries and Term. The boundaries of each new district should be as small as necessary to achieve the development goals of the subject properties and adjacent public areas. When establishing a new TIF District, the shortest statutory term to achieve the desired outcomes should be considered. A longer term should be considered when pooling is desired.
- 4) Impact on Municipal Services. The impact of the proposed project on the City's delivery of services, capital expenditures and operating expenditures shall be taken into consideration prior to the adoption of a TIF Plan.
- 5) Fiscal Disparities. Projects utilizing TIF are responsible for paying their share of the Fiscal Disparities contribution from the property taxes generated from the project and within the boundaries of the District.
- 6) Community engagement. The City shall follow standard protocol and processes for collecting community input on every proposed TIF district. At a minimum, this typically includes advance notice, online engagement and in person public meetings.
- 7) Input from School District and County. A draft of the TIF plan shall be provided to Hennepin County and to the school district where the district is located for review and comment prior to the public hearing.

- 8) Establishment of District. Unless unique circumstances apply, establishment of a TIF District should coincide with the execution of one or more TIF Agreements capable of satisfying the outcomes identified in the TIF Plan.
- 9) Early De-certification. Within one year after the 5-year statutory deadline, the City should consider early decertification of the District if no debts or contractual obligations for the incremental taxes remain. Within one year after all debts and obligations have been satisfied, the City should consider whether to de-certify the District early. Consideration should be given to the potential benefits from pooling available funds before the District is de-certified.

EXPECTATIONS FOR TIF SUPPORTED REDEVELOPMENT PROJECTS

- 1) Site Plan. The site plan for any project supported with TIF shall be designed to substantially follow the regulations and guidelines as adopted in Edina's Comprehensive Plan, Small Area Plans, Development Framework and (as applicable) Southdale Design Experience Guidelines. The expected quality and nature of site plan improvements is highest when TIF is contributed. Redevelopment projects supported with TIF shall fully satisfy each of the following aspects as described in adopted plans and guidelines:
 - a. Subdivision of superblocks to establish a transportation grid with blocks approximately 200 ft by 200 ft or as appropriate for the size of the property
 - b. Creation of new streets, sidewalks and trails to allow through traffic by the general public (recognizing that redevelopment of neighboring parcels may be necessary to complete the through route)
 - c. Creation of new public realm spaces including streetscaping, lighting and public art
 - d. Minimum building setbacks (such as 30 ft and 50 ft) are considered "build to" lines
 - e. Applicable street room typologies implemented
 - f. Massing, recessed upper floors, building articulation, and fenestration provided
 - g. Perimeter spaces that front a public street or similar route with public easement shall be occupiable and activated. Storage, parking, and utility spaces shall be kept to the bare minimum along public routes

City Council shall make the final determination of whether the site plans adequately abide by the Comprehensive Plan and other adopted plans and guidelines to warrant the use of TIF.

- 2) Exterior Finish Materials. The types of finish materials on portions of the building directly visible from a street or other public realm space shall comply with Edina's City Code. For TIF supported projects, a high degree of stone, brick and other natural materials is preferred.

- 3) Public Realm Experience. A vibrant and welcoming public realm experience is essential for every project supported with TIF. Examples of contributing elements include (but are not limited to): sidewalks wider than required by City Code, public plaza, public seating areas, integrated transit shelters, landscaping, hardscaping, commercial storefronts and residential walk-up units that directly engage the public realm areas. Under the TIF Act, reimbursement through TIF for public realm amenities will need to be reviewed on a case-by-case basis, but will be required even if not subject to TIF reimbursement.
- 4) Public Art. Projects supported with TIF shall incorporate permanent public art as an integral part of the public realm experience. Each public art installation shall be secured with an easement that provides for the maintenance and permanence of the art element by the owner. The public art elements shall be consistent with those contained in the approved site plans. Additional art elements may be required when TIF is contributed. Examples of additional art elements include but are not limited to: sculptures, murals, sidewalk poetry, water features, light and sound displays, and rotating art installations. City Council shall make the final determination of whether the quantity and type of public art elements warrant the use of TIF. Under the TIF Act, reimbursement through TIF for public art will need to be reviewed on a case-by-case basis, but public art will be required even if not subject to TIF reimbursement.

Members from the Edina community shall be engaged as part of the artist-selection process and/or the art-selection process. The developer shall make the final art selection keeping in mind the recommendation and input from the community members.

- 5) Public dedication or public easements. All public benefits in TIF supported projects shall either be owned by the City or HRA, dedicated to the City or be secured with permanent easements (to the City) or restrictive covenants to ensure that the public has long-term access to and long-lasting benefits from the improvements.
- 6) Affordable Housing Units. Multi-family development projects supported with TIF should incorporate any required affordable units into the site, as opposed to providing the prescribed contribution to Edina's Affordable Housing Trust Fund.
- 7) Parking. Only those parking stalls that are available to the general public throughout all times of the day and year shall be considered to be supported with TIF. Parking stalls that are dedicated for the exclusive use by residents or tenants will not be eligible for TIF support. The public parking stalls shall be easily identified as public parking with exterior signage near the entrance and wayfinding signage on the site.
- 8) Environmental Sustainability. Edina's Sustainable Buildings Policy shall apply to all projects supported with TIF. For TIF-supported projects, the applicable Sustainable Building Rating System shall be LEED Silver or better. Electrification of heating systems and/or on-site renewable energy generation are preferred in TIF-supported projects; projects should achieve at least 2 total LEED points between Grid Harmonization and Renewable Energy credits. Certification of the completed building(s) shall be required and compliance shall be renewed (by the owner) throughout at least the term of the TIF District at the frequency identified by the certifying agency.

- 9) Collaborative Partnerships. The developer should engage local neighborhood groups and other community and regional organizations to provide the highest reasonable level of collaboration to ensure a successful project. Community partners could include business and trade associations, private and non-profit groups and associations, governmental agencies and similar stakeholders and benefactors. Evidence of effective engagement should be provided in the TIF Application. This collaborative approach is also helpful to secure grants from other agencies.
- 10) Mitigation of Construction Disruption. As part of the Go-Ahead letter by which the developer commits to proceed with the project and prior to the site preparation and construction, a Construction Mitigation Plan (CMP) shall be submitted to the City that identifies the developer's and general contractor's strategies to address the inconveniences that occur to the neighbors and general public during the construction period. Topics to be addressed in CMP include: milestones and methods to provide advance notice to neighbors; off-street parking for contractors and suppliers; delivery routes for construction vehicles; queuing locations for large vehicles serving the construction site; temporary street, lane or sidewalk closures; temporary detours for vehicles, pedestrians, bicycles and transit vehicles; construction site security; and strategies to mitigate dust, vibrations and noise. The CMP must also identify the responsible person to be contacted by neighbors when questions or problems occur. Phone number and email address of the responsible job site person shall be made available.
- 11) Actions to Promote Diversity and Equity in Redevelopment. The development and construction of projects with TIF support shall include best efforts by the developer and general contractor to provide employment opportunities for people that are under-represented in the construction field, including women and people of color. Similar efforts shall be made to structure contracts so that businesses owned by people under-represented in the construction industry (including majority women-owned, majority minority owned, certified MBE, WBE and VBE) have a fair and realistic opportunity to provide goods and services to the project.

The developer's plan and strategy to achieve these goals (commonly referred to as Equity and Inclusion Outreach Plan or EIOP) shall be included in the TIF Agreement. The plan shall identify employment and contracting goals for women and people of color. The plan must also include an intentional strategy to pursue and achieve these goals to the greatest extent practical. The plan shall also include the developer's and general contractor's practices to pursue equity, including how they participate in workforce development programs and similar activities in the Twin Cities.

Standards and recommendations from State of Minnesota Department of Human Rights, Hennepin County and similar local and regional agencies and trade associations shall be considered as guidance when identifying these goals and strategies.

As a condition of the Certificate of Completion, the developer shall report on the implementation of the plan as well as the outcomes. Penalties shall apply when the developer fails to make a good faith effort to implement this plan.

USE OF TIF IN EDINA

- 1) TIF to deliver public benefits. TIF will only be used to enable a developer to complete a project that delivers exceptional public benefits. An increase in property tax base alone is not sufficient to warrant the use of TIF.
- 2) TIF may be considered to encourage, stimulate, and attract desirable development and/or redevelopment of a scale and quality that would not occur without the use of TIF.
- 3) Requests for TIF support after preliminary zoning has been granted may result in changes to the preliminary site plan to comply with this TIF policy. Any delays or costs due to a re-review are the sole responsibility of the developer.
- 4) TIF should be used only to fill a financial gap that is unable to be satisfied by traditional equity and debt sources. TIF assistance will not be provided to projects that have the financial feasibility to proceed without the use of TIF. TIF will not be provided solely to provide an excessive contingency to the project or broaden a developer's profit margins on a project.
- 5) Developer's Capital Stack. TIF should be considered the last money into the deal for market-rate projects provided with TIF support. This includes multi-family housing where 20% or fewer of the units are affordably priced in accordance with Edina's multifamily affordable housing policy.
- 6) Pay as You Go TIF Notes. TIF should only be provided to developers of market-rate projects on a pay-as-you-go basis. In certain cases, up-front or other forms of assistance may be considered by the City but will be at the sole discretion of the City Council or HRA.
- 7) Interest Rate. The interest paid on TIF Notes shall be consistent with the typical interest rate paid in the marketplace for the type of project. The interest rate paid on the TIF Note should not exceed the interest rate underwritten for the permanent financing.
- 8) The City reserves the right to approve or reject the use of TIF, the amount of TIF, and the total term, on a case by case basis, taking into consideration established policies, project criteria, and demand on services in relation to the potential benefits from the project. Deviations from this policy shall be allowed if specifically approved by the City Council or HRA.
- 9) Impact on City Services. TIF will not be used to support development projects that place excessive demands on municipal services or other capital or operating expenditures of the City.
- 10) Financial Analysis. The applicant shall provide to the City and its financial advisor all information necessary to conduct a financial analysis of the proposed project. This information must be complete and accurate. Falsification or manipulation of the financial information shall be terms for immediate disqualification of consideration.
- 11) Financial Returns to Developer. The financial returns to the developer shall be within the typical industry norms for the type and scale of the project. The use of TIF shall be limited to increasing the returns to the lower level of the normal range.

- 12) Projections of Incremental Taxes. The Financial Advisor shall use realistic projections for the value of incremental taxes generated over time. The amount of TIF pledged shall not exceed the amount projected to be generated from the completed project.
- 13) Prior to approval of the Term Sheet, the developer shall provide any surveys, required market and financial feasibility studies, appraisals, environmental studies, soil boring information for the project, and other information or data that the City or its legal and financial consultants may require in order to proceed with an independent underwriting. Such information is subject to the Minnesota Government Data Practices Act and may be public information at the time of submission. Proprietary information will be kept non-public to the extent allowed by Minnesota statute.
- 14) Financial Guarantees. In the event that a type of TIF support other than Pay-as-you-go Note is used, the developer shall provide adequate financial guarantees to ensure completion of the project and the repayment of the tax increment financing in the event that the project fails to be completed. Types of guarantees may include, but are not limited to, assessment agreements, insurance, letters of credit, etc.
- 15) Developer experience and capacity. Any developer requesting TIF shall demonstrate past success in real estate development as well as specific capability in the type and scale of development proposed. As part of the TIF Application, the developer shall submit a list of critical members of the development team that identifies professional qualifications and references.
- 16) Inflated Fees not acceptable. The developer fees, soft costs and operating expenses included in the pro forma must be reasonable and typical for the industry. Inflated fees, unreasonable expense categories and excessive contingencies will not be accepted.
- 17) Look back. The TIF agreement will include “look back” provisions to ensure that the TIF was actually needed and shall include early termination of TIF Note payments and/or “claw back” provisions if it is determined that TIF was not needed at the level identified in the TIF Agreement. The clawback provision may be waived for tax-credit and similar affordable housing developments.
- 18) Real Estate Transactions. TIF shall not be used when land acquisition costs exceed market land costs. Acquisition costs shall be scrutinized to ensure that the purchase price is fair and reasonable in relation to recent comparable transactions. If deemed necessary by the City, a current real estate appraisal prepared by an independent appraiser selected by the City shall be provided to validate the fair market value of the land in as-is condition. A high purchase price alone is not sufficient to warrant the use of TIF.
- 19) New and Retained Job Opportunities. When jobs are created or retained, preference should be given to jobs that are not currently located within the City. TIF will not be used for projects that would give a significant financial advantage over similar businesses located in the City.
- 20) Maximum TIF contribution. The principal amount of TIF shall be justified by the “but for” evaluation and shall not exceed the value of exceptional public benefits delivered by the completed market rate project.

- 21) Delivery of TIF Note(s). TIF Notes shall only be delivered to the developer (and be interest-bearing and payable) after the completion of the full project, delivery of the public easements, issuance of Certificate of Occupancy, certification of final costs, documentation of final equity and inclusion outcomes and other key parameters identified in the TIF Redevelopment Agreement. A Certificate of Completion shall be issued by the City/HRA to confirm completion of all TIF related requirements.
- 22) Park Dedication Fees. When TIF is used to support development of new outdoor publicly available spaces such as public plaza, public courtyard or similar public space, the value of such spaces shall not be deducted from any Park Dedication Fees due from the market-rate redevelopment project.
- 23) Grant Funding. Grant funding from other agencies shall be pursued when TIF is used for a development project. The amount of TIF provided may be reduced depending on the amount of grant funding received. The total grant funding received shall be included in the pro formas when the “look back” is calculated.
- 24) Business Subsidy Laws. The City will require compliance with the State of Minnesota Business Subsidy Laws in Minnesota Statutes, Section 116J.993 through 116.997, unless the project meets one of the business subsidy exceptions.
- 25) Pooling. When pooled TIF funds are available from a different TIF District, their use should be prioritized to provide affordable housing in a greater amount, longer term, or lower target income than what is usually achieved using other City policies. Other uses of pooled funds shall be at the direction of the City Council or HRA.

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**Proposed for
Adoption**

11-17-2022

(Includes minor edits from posted version)

- ☒ City Council
- ☐ City-Wide
- ☐ Department

Approved: 2011
Revised: [Click here to enter a date.](#)

Tax Increment Financing Policy

BACKGROUND

The City of Edina has statutory authority to use Tax Increment Financing (TIF) pursuant to Minnesota State Statutes Section 469.174-469.1799 (the TIF Act). TIF uses the increased property taxes generated by new real estate development within defined geographic districts to pay for certain costs associated with new development (including but not limited to affordable housing) as well as related public infrastructure and public realm spaces.

The City's mission is "...to provide effective and valued public services, maintain a sound public infrastructure, offer premier public facilities and guide the development and redevelopment of lands, all in a manner that sustains and improves the health and uncommonly high quality of life enjoyed by our residents and businesses." (Source: 2015 Vision Edina).

The land within the City boundaries has been substantially built-out for more than a decade and many of the older properties are in the "redevelopment" phase. In order to construct a new structure, an older structure that is unsound, outdated, or obsolete must typically be removed.

In most cases, development projects in Edina are privately funded using traditional debt and equity sources. From time-to-time, however, the City has found it necessary to provide financial support for development projects that deliver outstanding benefits to the community and that could not be accomplished without public financial involvement.

As early as the 1980s, the City used TIF to help deliver desired commercial and multifamily development served by public infrastructure elements including roads, sidewalks, utilities, public parking, and public realm spaces like parks and plazas. TIF was essential to construct the commercial, residential and public elements at Edinborough Park and Centennial Lakes Park (including affordable housing). TIF was also essential to fund public parking at 50th and France and to transform the Grandview District from an industrial area to a mixture of residential, commercial and civic uses with public parking. ~~Historically, the use of TIF in Edina has not applied the full breadth of authority allowed by the TIF Act. Historically, Edina has taken a more restrictive view on the use of TIF than allowed by Minnesota Statute.~~

PURPOSE OF POLICY

While most redevelopment projects in Edina are privately financed, on certain occasions, the City may find it necessary to provide financial support in order to overcome unusual hurdles and to achieve extraordinary benefits to the general public. The purpose of this policy is to:

- Limit the use of TIF to only projects that deliver ~~extraordinary~~ permanent benefits to the general public that are better than the minimum established in City Code.
- Clarify that the use of TIF in Edina will be more limited than allowed by Minnesota Statute
- Establish criteria and guidelines for where new TIF Districts are established and how incremental taxes are utilized in Edina.
- Ensure that TIF is used in a transparent, consistent and equitable manner to provide value to the community.
- Ensure that TIF is used to deliver both short-term and long-term improvements that are a benefit to the general public in Edina.

This policy provides guidance to developers, property owners, staff, and the community at large regarding Edina's use of Tax Increment Financing as a public finance tool to attract and support high quality development that contributes to a strong property tax base and to the high quality of life in Edina. For the purpose of this policy, the "City" shall also mean the Edina Housing and Redevelopment Authority (HRA), which assists in a variety of housing, redevelopment, and economic development activities for the City of Edina.

PUBLIC BENEFITS PURSUED WITH TIF

In addition to the Minnesota TIF Statutes, Edina applies an additional expectation that the use of TIF will deliver permanent benefits to the general public other than tax base growth. Edina's Comprehensive Plan establishes guidance for the anticipated changes in land use and related systems for the next decade. Most land use changes are anticipated to occur in commercial and industrial areas. Many of the preferred outcomes identified in the Comprehensive Plan include changes to transform single use sites to mixed uses that provide a strong tax base, improved connectivity and access for drivers, bicyclists and pedestrians. When necessary, TIF can be used to achieve many benefits to the community, including:

- Transformational change of properties in a manner compatible with Comprehensive Plan, Small Area Plans, Development Framework, Sustainability Policy, New Multifamily Affordable Housing Policy and other Guidelines adopted by the City
- Improvements to the multi-modal transportation network, including roads and infrastructure for motor vehicles, pedestrians, bicyclists and transit

- Public realm improvements, including green space and placemaking elements including landscaping, streetscaping and public art
- Public parking facilities that provide shared parking resources for more than one property
- Improvements to public utility networks; including potable water, fire protection, storm sewer and sanitary sewer
- Stormwater retention and detention systems that benefit more than one property
- Removal of substandard buildings ([as defined in MN Statute](#)) that may have a blighting effect on the community
- Preservation of buildings that are historically or culturally significant to the community
- Remediation of environmental contamination
- Creation and retention of long-term affordable housing at a variety of below-market price points
- Creation and retention of permanent employment opportunities

PROCEDURAL CONSIDERATION OF TIF

- 1) Authority rests with City Council. Consideration to establish a new TIF District shall be at the sole discretion of the City Council. Administration and determine of specific uses of incremental property taxes generated therein shall be at the discretion of the City Council or HRA. Since each development project is unique, the use of TIF shall be considered on a case-by-case basis.
- 2) Preparation of TIF documents. The Edina Housing and Redevelopment Authority shall provide initial direction regarding the potential use of TIF, shall review the Term Sheet that identifies the proposed use of TIF on each project and shall review and approve the contractual documents such as TIF Agreements.
- 3) Eligible Applicants. Only current property owners or developers that have site control are eligible to apply for TIF. Evidence of site control shall be provided in the TIF Application.
- 4) Negotiation of TIF terms. After the TIF Application is submitted, the developer shall negotiate financing terms only with the City Manager, HRA Executive Director or designee. The prepared terms and proposed contract shall then be presented to the HRA Board and the City Council as a whole.
- 5) Application Form. Developers that request TIF shall submit a completed application in a form approved by the City Manager or HRA Executive Director. The application shall identify the anticipated financing sources, including equity, type of debt, external grants/contributions, and the amount and type of TIF support requested to resolve the financing gap. A complete development sources and uses pro forma shall

be submitted, as well as an operating pro forma based on a stabilized project. The application shall include calculations that identify the financing gap. This information is required to determine the “but for” test required under the TIF Act. The application shall also identify extra-ordinary costs to develop the project in Edina and shall also identify the exceptional public benefits that could be delivered if the project is completed. The Application shall also address other criteria identified in this document.

- 6) Application Fee. The application fee shall be \$10,000. Fifty percent (50%) of the fee shall accompany the initial application. The remaining fifty percent (50%) shall be due after the confirmation of a Term Sheet and prior to the preparation of full contractual documents. Application fees are non-refundable.
- 7) Use of Third-party Expert Advisors. Expert advisors shall be engaged by the HRA as necessary to ensure compliance with the TIF Act and to provide expertise to supplement the abilities and capacity of staff. Typical advisors have expertise in TIF law, public sector development finance, general development finance, property inspection as it pertains to TIF, and real estate valuation, among other redevelopment topics. All advisors shall be contracted to the HRA and shall uphold the interests of the HRA and the City while providing service.
- 8) Developer Responsible for Fees. The developer shall be solely responsible for the payment of third expenses pertaining to the developer’s request for TIF support from the time of the request to the delivery of the Certificate of Completion. Prior to preparation of the Term Sheet, the applicant shall submit to the City a deposit equal to the total estimated costs for legal and consultant fees. These funds will be held in a non-interest-bearing escrow and the City will draw upon these funds to pay all related expenses. Additional funds may be necessary if the scope of the work changes beyond the initial expectation. Any unused balance shall be returned to the developer upon completion of the process. The developer shall also be solely responsible for any costs related to requested amendments to the TIF District or TIF Agreements.
- 9) Initial Staff Response and Notification of HRA Board. City staff shall review and evaluate the Application for compliance with the City’s policies. Soon after receipt of a TIF Application, staff should advise the Edina HRA about the TIF request including the potential public benefits delivered if TIF would be provided. Staff will then seek approval to engage third party advisors to fully vet the merits of the TIF request.
- 10) Preparation of Term Sheet. Staff shall prepare a Term Sheet that summarizes the key terms by which TIF could be used for the project. The Term Sheet shall be submitted to the Edina HRA for review and consideration. The Term Sheet should generally be considered after preliminary zoning approval is obtained. The HRA should provide verbal indication whether they are agreeable to preparation of binding contracts (commonly known as TIF Agreements) based on the Term Sheet.
- 11) Creation of TIF District. After consideration of the Term Sheet, staff shall begin the process of establishing a TIF District to achieve the goals outlined in the Term Sheet.
- 12) TIF Agreement. Staff shall work with legal and financial advisors to prepare complete and binding legal

agreements based on the Term Sheet. The TIF Agreement should be considered by the HRA Board and/or the City Council after final zoning approval is obtained.

- 13) Building and Zoning Approvals. The provision of TIF is contingent upon receiving all other necessary project approvals from the City.

FINANCIAL REPORTING AND TRANSPARENCY

- 1) Mandatory Reporting. The City shall submit all required reports on the use of Tax Increment Financing to Hennepin County and the Minnesota Office of the State Auditor using the format provided by those agencies.
- 2) Year in Review Report. Each year, staff shall publish a report that summarizes the use of TIF written in plain English style. This report shall include the following information for each active TIF District: start and end dates, debt and contractual obligations, tax collection status, tax base status, and other pertinent information. This report shall also quantify outcomes when TIF is used to achieve public benefits. This report should be delivered to the Edina HRA in January and shall be made available to the applicable School District(s) and to the general public upon request.
- 3) Website. The City shall post general information on the use of TIF in Edina on the City website.

ESTABLISHMENT OF TIF DISTRICTS

- 1) Preparation of TIF Plan. The HRA's Financial Advisor shall prepare the TIF Plan to satisfy the requirements of Minnesota TIF Statutes. The TIF Plan should be written in plain English style. The TIF Plan should describe the intended redevelopment and/or housing outcomes and should identify how the use of TIF will help achieve community goals as defined in the Comprehensive Plan and related plans.
- 2) Type of District. The type of District established shall be determined by the City Council in accordance with the limitations contained in Minnesota Statute.
- 3) Boundaries and Term. The boundaries of each new district should be as small as necessary to achieve the development goals of the subject properties and adjacent public areas. When establishing a new TIF District, the shortest statutory term to achieve the desired outcomes should be considered. A longer term should be considered when pooling is desired.
- 4) Impact on Municipal Services. The impact of the proposed project on the City's delivery of services, capital expenditures and operating expenditures shall be taken into consideration prior to the adoption of a TIF Plan.
- 5) Fiscal Disparities. Projects utilizing TIF are responsible for paying their share of the Fiscal Disparities

contribution from the property taxes generated from the project and within the boundaries of the District.

- 6) Community engagement. The City shall follow standard protocol and processes for collecting community input on every proposed TIF district. At a minimum, this typically includes advance notice, online engagement and in person public meetings.
- 7) Input from School District and County. A draft of the TIF plan shall be provided to Hennepin County and to the school district where the district is located for review and comment prior to the public hearing.
- 8) Establishment of District. Unless unique circumstances apply, establishment of a TIF District should coincide with the execution of one or more TIF Agreements capable of satisfying the outcomes identified in the TIF Plan.
- 9) Early De-certification. Within one year after the 5-year statutory deadline, the City should consider early decertification of the District if no debts or contractual obligations for the incremental taxes remain. Within one year after all debts and obligations have been satisfied, the City should consider whether to de-certify the District early. Consideration should be given to the potential benefits from pooling available funds before the District is de-certified.

EXPECTATIONS FOR TIF SUPPORTED REDEVELOPMENT PROJECTS

- 1) Site Plan. The site plan for any project supported with TIF shall be designed to substantially follow the regulations and guidelines as adopted in Edina's Comprehensive Plan, Small Area Plans, Development Framework and (as applicable) Southdale Design Experience Guidelines. The expected quality and nature of site plan improvements is highest when TIF is contributed. Redevelopment projects supported with TIF shall fully satisfy each of the following aspects as described in adopted plans and guidelines:
 - a. Subdivision of superblocs to establish a transportation grid with blocks approximately 200 ft by 200 ft or as appropriate for the size of the property
 - b. Creation of new streets, sidewalks and trails to allow through traffic by the general public (recognizing that redevelopment of neighboring parcels may be necessary to complete the through route)
 - c. Creation of new public realm spaces including streetscaping, lighting and public art
 - d. Minimum building setbacks (such as 30 ft and 50 ft) are considered "build to" lines
 - e. Applicable street room typologies implemented
 - f. Massing, recessed upper floors, building articulation, and fenestration provided
 - g. Perimeter spaces that front a public street or similar route with public easement shall be occupiable and

activated. Storage, parking, and utility spaces shall be kept to the bare minimum along public routes

City Council shall make the final determination of whether the site plans adequately abide by the Comprehensive Plan and other adopted plans and guidelines to warrant the use of TIF.

- 2) Exterior Finish Materials. The types of finish materials on portions of the building directly visible from a street or other public realm space shall comply with Edina's City Code. For TIF supported projects, a high degree of stone, brick and other natural materials is preferred.
- 3) Public Realm Experience. A vibrant and welcoming public realm experience is essential for every project supported with TIF. Examples of contributing elements include (but are not limited to): sidewalks wider than required by City Code, public plaza, public seating areas, integrated transit shelters, landscaping, hardscaping, commercial storefronts and residential walk-up units that directly engage the public realm areas. Under the TIF Act, reimbursement through TIF for public realm amenities will need to be reviewed on a case-by-case basis, but will be required even if not subject to TIF reimbursement.
- 4) Public Art. Projects supported with TIF shall incorporate permanent public art as an integral part of the public realm experience. Each public art installation shall be secured with an easement that provides for the maintenance and permanence of the art element by the owner. The public art elements shall be consistent with those contained in the approved site plans. Additional art elements may be required when TIF is contributed. Examples of additional art elements include but are not limited to: sculptures, murals, sidewalk poetry, water features, light and sound displays, and rotating art installations. City Council shall make the final determination of whether the quantity and type of public art elements warrant the use of TIF. Under the TIF Act, reimbursement through TIF for public art will need to be reviewed on a case-by-case basis, but public art will be required even if not subject to TIF reimbursement.

Members from the Edina community shall be engaged as part of the artist-selection process and/or the art-selection process. The developer shall make the final art selection keeping in mind the recommendation and input from the community members.
- 5) Public dedication or public easements. All public benefits in TIF supported projects shall either be owned by the City or HRA, dedicated to the City or be secured with permanent easements (to the City) or restrictive covenants to ensure that the public has long-term access to and long-lasting benefits from the improvements.
- 6) Affordable Housing Units. Multi-family development projects supported with TIF should incorporate any required affordable units into the site, as opposed to providing the prescribed contribution to Edina's Affordable Housing Trust Fund.
- 7) Public Parking. Only those parking stalls that are available to the general public throughout all times of the day and year shall be considered to be supported with TIF. Parking stalls that are dedicated for the exclusive use by residents or tenants will not be eligible for TIF support. The public parking stalls shall be easily identified as public parking with exterior signage near the entrance and wayfinding signage on the site.

- 8) Environmental Sustainability. Edina's Sustainable Buildings Policy shall apply to all projects supported with TIF. For TIF-supported projects, the applicable Sustainable Building Rating System shall be LEED Silver or better. Electrification of heating systems and/or on-site renewable energy generation are preferred in TIF-supported projects; projects should achieve at least 2 total LEED points between Grid Harmonization and Renewable Energy credits. Certification of the completed building(s) shall be required and compliance shall be renewed (by the owner) throughout at least the term of the TIF District at the frequency identified by the certifying agency.
- 9) Collaborative Partnerships. The developer should engage local neighborhood groups and other community and regional organizations to provide the highest reasonable level of collaboration to ensure a successful project. Community partners could include business and trade associations, private and non-profit groups and associations, governmental agencies and similar stakeholders and benefactors. Evidence of effective engagement should be provided in the TIF Application. This collaborative approach is also helpful to secure grants from other agencies.
- 10) Mitigation of Construction Disruption. As part of the Go-Ahead letter by which the developer commits to proceed with the project and prior to the site preparation and construction, a Construction Mitigation Plan (CMP) shall be submitted to the City that identifies the developer's and general contractor's strategies to address the inconveniences that occur to the neighbors and general public during the construction period. Topics to be addressed in CMP include: milestones and methods to provide advance notice to neighbors; off-street parking for contractors and suppliers; delivery routes for construction vehicles; queuing locations for large vehicles serving the construction site; temporary street, lane or sidewalk closures; temporary detours for vehicles, pedestrians, bicycles and transit vehicles; construction site security; and strategies to mitigate dust, vibrations and noise. The CMP must also identify the responsible person to be contacted by neighbors when questions or problems occur. Phone number and email address of the responsible job site person shall be made available.
- 11) Fair Labor standards. The developer and general contractor shall certify that all applicable state and federal labor laws have been satisfied. Failure to comply with applicable state and federal labor laws shall be considered a default with appropriate penalties.
- 12) Actions to Promote Diversity and Equity in Redevelopment. The development and construction of projects with TIF support shall include best efforts by the developer and general contractor to provide employment opportunities for people that are under-represented in the construction field, including women and people of color. Similar efforts shall be made to structure contracts so that businesses owned by people under-represented in the construction industry (including majority women-owned, majority minority owned, certified MBE, WBE and VBE) have a fair and realistic opportunity to provide goods and services to the project.

The developer's plan and strategy to achieve these goals (commonly referred to as Equity and Inclusion Outreach Plan or EIOP) shall be included in the TIF Agreement. The plan shall identify employment and contracting goals for women and people of color. The plan must also include an intentional strategy to pursue and achieve these goals to the greatest extent practical. The plan shall also include the developer's and general

contractor's practices to pursue equity, including how they participate in workforce development programs and similar activities in the Twin Cities.

Standards and recommendations from State of Minnesota Department of Human Rights, Hennepin County and similar local and regional agencies and trade associations shall be considered as guidance when identifying these goals and strategies.

As a condition of the Certificate of Completion, the developer shall report on the implementation of the plan as well as the outcomes. Penalties shall apply when the developer fails to make a good faith effort to implement this plan.

USE OF TIF IN EDINA

- 1) TIF to deliver public benefits. TIF will only be used to enable a developer to complete a project that delivers exceptional public benefits. An increase in property tax base alone is not sufficient to warrant the use of TIF.
- 2) ~~“But for” Test. Any use of TIF shall be subject to the “but for” test as prescribed in Minnesota Statute; meaning that “but for” the use of TIF, a project of the size, scale and quality proposed would not occur. The public benefits delivered by the project would also not occur on the site without the use of TIF.~~
- 2) ~~TIF may be considered to encourage, stimulate, and attract desirable development and/or redevelopment of a scale and quality that would not occur without the use of TIF.~~
- 3) Final Site Plan Approvals. Requests for TIF support after preliminary zoning has been granted may result in changes to the preliminary site plan to comply with this TIF policy. Any delays or costs due to a re-review are the sole responsibility of the developer.
- 4) Financial Gap. TIF should ~~be used~~ only be considered to fill a financial gap that is unable to be satisfied by traditional equity and debt sources. TIF assistance will not be provided to projects that have the financial feasibility to proceed without the use of TIF. TIF will not be provided solely to provide an excessive contingency to the project or broaden a developer's profit margins on a project.
- 5) Developer's Capital Stack. TIF should be considered the last money into the deal for market-rate projects provided with TIF support. This includes multi-family housing where 20% or fewer of the units are affordably priced in accordance with Edina's multifamily affordable housing policy.
- 6) Pay as You Go TIF Notes. TIF should only be provided to developers of market-rate projects on a pay-as-you-go basis. In certain cases, up-front or other forms of assistance may be considered by the City but will be at the sole discretion of the City Council or HRA.
- 7) Interest Rate. The interest paid on TIF Notes shall be consistent with the typical interest rate paid in the

marketplace for the type of project. The interest rate paid on the TIF Note should not exceed the interest rate underwritten for the permanent financing.

- 8) Deviations from Policy. The City reserves the right to approve or reject the use of TIF, the amount of TIF, and the total term, on a case by case basis, taking into consideration established policies, project criteria, and demand on services in relation to the potential benefits from the project. Deviations from this policy shall be allowed if specifically approved by the City Council or HRA.
- 9) Impact on City Services. TIF will not be used to support development projects that place excessive demands on municipal services or other capital or operating expenditures of the City.
- 10) Financial Analysis. The applicant shall provide to the City and its financial advisor all information necessary to conduct a financial analysis of the proposed project. This information must be complete and accurate. Falsification or manipulation of the financial information shall be terms for immediate disqualification of consideration.
- 11) Financial Returns to Developer. The financial returns to the developer shall be within the typical industry norms for the type and scale of the project. The use of TIF shall be limited to increasing the returns to the lower level of the normal range.
- 12) Projections of Incremental Taxes. The Financial Advisor shall use realistic projections for the value of incremental taxes generated over time. The amount of TIF pledged shall not exceed the amount projected to be generated from the completed project.
- 13) Access to Complete Site and Project Information. Prior to approval of the Term Sheet, the developer shall provide any surveys, required market and financial feasibility studies, appraisals, environmental studies, soil boring information for the project, and other information or data that the City or its legal and financial consultants may require in order to proceed with an independent underwriting. Such information is subject to the Minnesota Government Data Practices Act and may be public information at the time of submission. Proprietary information will be kept non-public to the extent allowed by Minnesota statute.
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- 15) Developer experience and capacity. Any developer requesting TIF shall demonstrate past success in real estate development as well as specific capability in the type and scale of development proposed. As part of the TIF Application, the developer shall submit a list of critical members of the development team that identifies professional qualifications and references.
- 16) Inflated Fees not acceptable. The developer fees, soft costs and operating expenses included in the pro forma must be reasonable and typical for the industry. Inflated fees, unreasonable expense categories and excessive contingencies will not be accepted.

- 17) Look back. The TIF agreement will include “look back” provisions to ensure that the TIF was actually needed and shall include early termination of TIF Note payments and/or “claw back” provisions if it is determined that TIF was not needed at the level identified in the TIF Agreement. The clawback provision may be waived for tax-credit and similar affordable housing developments.
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- 19) New and Retained Job Opportunities. When jobs are created or retained, preference should be given to jobs that are not currently located within the City. TIF will not be used for projects that would give a significant financial advantage over similar businesses located in the City.
- ~~19~~20) Maximum TIF contribution. The principal amount of TIF shall be justified by the “but for” evaluation and shall not exceed the value of exceptional public benefits delivered by the completed market rate project.
- ~~20~~21) Delivery of TIF Note(s). TIF Notes shall only be delivered to the developer (and be interest-bearing and payable) after the completion of the full project, delivery of the public easements, issuance of Certificate of Occupancy, certification of final costs, documentation of final equity and inclusion outcomes and other key parameters identified in the TIF Redevelopment Agreement. A Certificate of Completion shall be issued by the City/HRA to confirm completion of all TIF related requirements.
- ~~21~~22) Park Dedication Fees. When TIF is used to support development of new outdoor publicly available spaces such as public plaza, public courtyard or similar public space, the value of such spaces shall not be deducted from any Park Dedication Fees due from the market-rate redevelopment project.
- ~~22~~23) Grant Funding. Grant funding from other agencies shall be pursued when TIF is used for a development project. The amount of TIF provided may be reduced depending on the amount of grant funding received. The total grant funding received shall be included in the pro formas when the “look back” is calculated.
- ~~23~~24) Business Subsidy Laws. The City will require compliance with the State of Minnesota Business Subsidy Laws in Minnesota Statutes, Section 116J.993 through 116J.997, unless the project meets one of the business subsidy exceptions.
- ~~24~~25) Pooling. When pooled TIF funds are available from a different TIF District, their use should be prioritized to provide affordable housing in a greater amount, longer term, or lower target income than what is usually achieved using other City policies. Other uses of pooled funds shall be at the direction of the City Council or HRA.

###



**Proposed for
Adoption**

11-17-2022

(Includes minor edits from posted version)

- ☒ City Council
- ☐ City-Wide
- ☐ Department

Approved: 2011
Revised: [Click here to enter a date.](#)

Tax Increment Financing Policy

BACKGROUND

The City of Edina has statutory authority to use Tax Increment Financing (TIF) pursuant to Minnesota State Statutes Section 469.174-469.1799 (the TIF Act). TIF uses the increased property taxes generated by new real estate development within defined geographic districts to pay for certain costs associated with new development (including but not limited to affordable housing) as well as related public infrastructure and public realm spaces.

The City's mission is "...to provide effective and valued public services, maintain a sound public infrastructure, offer premier public facilities and guide the development and redevelopment of lands, all in a manner that sustains and improves the health and uncommonly high quality of life enjoyed by our residents and businesses." (Source: 2015 Vision Edina).

The land within the City boundaries has been substantially built-out for more than a decade and many of the older properties are in the "redevelopment" phase. In order to construct a new structure, an older structure that is unsound, outdated, or obsolete must typically be removed.

In most cases, development projects in Edina are privately funded using traditional debt and equity sources. From time-to-time, however, the City has found it necessary to provide financial support for development projects that deliver outstanding benefits to the community and that could not be accomplished without public financial involvement.

As early as the 1980s, the City used TIF to help deliver desired commercial and multifamily development served by public infrastructure elements including roads, sidewalks, utilities, public parking, and public realm spaces like parks and plazas. TIF was essential to construct the commercial, residential and public elements at Edinborough Park and Centennial Lakes Park (including affordable housing). TIF was also essential to fund public parking at 50th and France and to transform the Grandview District from an industrial area to a mixture of residential, commercial and civic uses with public parking. Historically, Edina has taken a more restrictive view on the use of TIF than allowed by Minnesota Statute.

PURPOSE OF POLICY

While most redevelopment projects in Edina are privately financed, on certain occasions, the City may find it necessary to provide financial support in order to overcome unusual hurdles and to achieve extraordinary benefits to the general public. The purpose of this policy is to:

- Limit the use of TIF to only projects that deliver permanent benefits to the general public that are better than the minimum established in City Code
- Clarify that the use of TIF in Edina will be more limited than allowed by Minnesota Statute
- Establish criteria and guidelines for where new TIF Districts are established and how incremental taxes are utilized in Edina.
- Ensure that TIF is used in a transparent, consistent and equitable manner to provide value to the community.
- Ensure that TIF is used to deliver both short-term and long-term improvements that are a benefit to the general public in Edina.

This policy provides guidance to developers, property owners, staff, and the community at large regarding Edina's use of Tax Increment Financing as a public finance tool to attract and support high quality development that contributes to a strong property tax base and to the high quality of life in Edina. For the purpose of this policy, the "City" shall also mean the Edina Housing and Redevelopment Authority (HRA), which assists in a variety of housing, redevelopment, and economic development activities for the City of Edina.

PUBLIC BENEFITS PURSUED WITH TIF

In addition to the Minnesota TIF Statutes, Edina applies an additional expectation that the use of TIF will deliver permanent benefits to the general public other than tax base growth. Edina's Comprehensive Plan establishes guidance for the anticipated changes in land use and related systems for the next decade. Most land use changes are anticipated to occur in commercial and industrial areas. Many of the preferred outcomes identified in the Comprehensive Plan include changes to transform single use sites to mixed uses that provide a strong tax base, improved connectivity and access for drivers, bicyclists and pedestrians. When necessary, TIF can be used to achieve many benefits to the community, including:

- Transformational change of properties in a manner compatible with Comprehensive Plan, Small Area Plans, Development Framework, Sustainability Policy, New Multifamily Affordable Housing Policy and other Guidelines adopted by the City
- Improvements to the multi-modal transportation network, including roads and infrastructure for motor vehicles, pedestrians, bicyclists and transit

- Public realm improvements, including green space and placemaking elements including landscaping, streetscaping and public art
- Public parking facilities that provide shared parking resources for more than one property
- Improvements to public utility networks; including potable water, fire protection, storm sewer and sanitary sewer
- Stormwater retention and detention systems that benefit more than one property
- Removal of substandard buildings (as defined in MN Statute) that may have a blighting effect on the community
- Preservation of buildings that are historically or culturally significant to the community
- Remediation of environmental contamination
- Creation and retention of long-term affordable housing at a variety of below-market price points
- Creation and retention of permanent employment opportunities

PROCEDURAL CONSIDERATION OF TIF

- 1) Authority rests with City Council. Consideration to establish a new TIF District shall be at the sole discretion of the City Council. Administration and determine of specific uses of incremental property taxes generated therein shall be at the discretion of the City Council or HRA. Since each development project is unique, the use of TIF shall be considered on a case-by-case basis.
- 2) Preparation of TIF documents. The Edina Housing and Redevelopment Authority shall provide initial direction regarding the potential use of TIF, shall review the Term Sheet that identifies the proposed use of TIF on each project and shall review and approve the contractual documents such as TIF Agreements.
- 3) Eligible Applicants. Only current property owners or developers that have site control are eligible to apply for TIF. Evidence of site control shall be provided in the TIF Application.
- 4) Negotiation of TIF terms. After the TIF Application is submitted, the developer shall negotiate financing terms only with the City Manager, HRA Executive Director or designee. The prepared terms and proposed contract shall then be presented to the HRA Board and the City Council as a whole.
- 5) Application Form. Developers that request TIF shall submit a completed application in a form approved by the City Manager or HRA Executive Director. The application shall identify the anticipated financing sources, including equity, type of debt, external grants/contributions, and the amount and type of TIF support requested to resolve the financing gap. A complete development sources and uses pro forma shall

be submitted, as well as an operating pro forma based on a stabilized project. The application shall include calculations that identify the financing gap. This information is required to determine the “but for” test required under the TIF Act. The application shall also identify extra-ordinary costs to develop the project in Edina and shall also identify the exceptional public benefits that could be delivered if the project is completed. The Application shall also address other criteria identified in this document.

- 6) Application Fee. The application fee shall be \$10,000. Fifty percent (50%) of the fee shall accompany the initial application. The remaining fifty percent (50%) shall be due after the confirmation of a Term Sheet and prior to the preparation of full contractual documents. Application fees are non-refundable.
- 7) Use of Third-party Expert Advisors. Expert advisors shall be engaged by the HRA as necessary to ensure compliance with the TIF Act and to provide expertise to supplement the abilities and capacity of staff. Typical advisors have expertise in TIF law, public sector development finance, general development finance, property inspection as it pertains to TIF, and real estate valuation, among other redevelopment topics. All advisors shall be contracted to the HRA and shall uphold the interests of the HRA and the City while providing service.
- 8) Developer Responsible for Fees. The developer shall be solely responsible for the payment of third expenses pertaining to the developer’s request for TIF support from the time of the request to the delivery of the Certificate of Completion. Prior to preparation of the Term Sheet, the applicant shall submit to the City a deposit equal to the total estimated costs for legal and consultant fees. These funds will be held in a non-interest-bearing escrow and the City will draw upon these funds to pay all related expenses. Additional funds may be necessary if the scope of the work changes beyond the initial expectation. Any unused balance shall be returned to the developer upon completion of the process. The developer shall also be solely responsible for any costs related to requested amendments to the TIF District or TIF Agreements.
- 9) Initial Staff Response and Notification of HRA Board. City staff shall review and evaluate the Application for compliance with the City’s policies. Soon after receipt of a TIF Application, staff should advise the Edina HRA about the TIF request including the potential public benefits delivered if TIF would be provided. Staff will then seek approval to engage third party advisors to fully vet the merits of the TIF request.
- 10) Preparation of Term Sheet. Staff shall prepare a Term Sheet that summarizes the key terms by which TIF could be used for the project. The Term Sheet shall be submitted to the Edina HRA for review and consideration. The Term Sheet should generally be considered after preliminary zoning approval is obtained. The HRA should provide verbal indication whether they are agreeable to preparation of binding contracts (commonly known as TIF Agreements) based on the Term Sheet.
- 11) Creation of TIF District. After consideration of the Term Sheet, staff shall begin the process of establishing a TIF District to achieve the goals outlined in the Term Sheet.
- 12) TIF Agreement. Staff shall work with legal and financial advisors to prepare complete and binding legal agreements based on the Term Sheet. The TIF Agreement should be considered by the HRA Board and/or the City Council after final zoning approval is obtained.

- 13) Building and Zoning Approvals. The provision of TIF is contingent upon receiving all other necessary project approvals from the City.

FINANCIAL REPORTING AND TRANSPARENCY

- 1) Mandatory Reporting. The City shall submit all required reports on the use of Tax Increment Financing to Hennepin County and the Minnesota Office of the State Auditor using the format provided by those agencies.
- 2) Year in Review Report. Each year, staff shall publish a report that summarizes the use of TIF written in plain English style. This report shall include the following information for each active TIF District: start and end dates, debt and contractual obligations, tax collection status, tax base status, and other pertinent information. This report shall also quantify outcomes when TIF is used to achieve public benefits. This report should be delivered to the Edina HRA in January and shall be made available to the applicable School District(s) and to the general public upon request.
- 3) Website. The City shall post general information on the use of TIF in Edina on the City website.

ESTABLISHMENT OF TIF DISTRICTS

- 1) Preparation of TIF Plan. The HRA's Financial Advisor shall prepare the TIF Plan to satisfy the requirements of Minnesota TIF Statutes. The TIF Plan should be written in plain English style. The TIF Plan should describe the intended redevelopment and/or housing outcomes and should identify how the use of TIF will help achieve community goals as defined in the Comprehensive Plan and related plans.
- 2) Type of District. The type of District established shall be determined by the City Council in accordance with the limitations contained in Minnesota Statute.
- 3) Boundaries and Term. The boundaries of each new district should be as small as necessary to achieve the development goals of the subject properties and adjacent public areas. When establishing a new TIF District, the shortest statutory term to achieve the desired outcomes should be considered. A longer term should be considered when pooling is desired.
- 4) Impact on Municipal Services. The impact of the proposed project on the City's delivery of services, capital expenditures and operating expenditures shall be taken into consideration prior to the adoption of a TIF Plan.
- 5) Fiscal Disparities. Projects utilizing TIF are responsible for paying their share of the Fiscal Disparities contribution from the property taxes generated from the project and within the boundaries of the District.
- 6) Community engagement. The City shall follow standard protocol and processes for collecting community input on every proposed TIF district. At a minimum, this typically includes advance notice, online engagement and in person public meetings.

- 7) Input from School District and County. A draft of the TIF plan shall be provided to Hennepin County and to the school district where the district is located for review and comment prior to the public hearing.
- 8) Establishment of District. Unless unique circumstances apply, establishment of a TIF District should coincide with the execution of one or more TIF Agreements capable of satisfying the outcomes identified in the TIF Plan.
- 9) Early De-certification. Within one year after the 5-year statutory deadline, the City should consider early decertification of the District if no debts or contractual obligations for the incremental taxes remain. Within one year after all debts and obligations have been satisfied, the City should consider whether to de-certify the District early. Consideration should be given to the potential benefits from pooling available funds before the District is de-certified.

EXPECTATIONS FOR TIF SUPPORTED REDEVELOPMENT PROJECTS

- 1) Site Plan. The site plan for any project supported with TIF shall be designed to substantially follow the regulations and guidelines as adopted in Edina's Comprehensive Plan, Small Area Plans, Development Framework and (as applicable) Southdale Design Experience Guidelines. The expected quality and nature of site plan improvements is highest when TIF is contributed. Redevelopment projects supported with TIF shall fully satisfy each of the following aspects as described in adopted plans and guidelines:
 - a. Subdivision of superblocks to establish a transportation grid with blocks approximately 200 ft by 200 ft or as appropriate for the size of the property
 - b. Creation of new streets, sidewalks and trails to allow through traffic by the general public (recognizing that redevelopment of neighboring parcels may be necessary to complete the through route)
 - c. Creation of new public realm spaces including streetscaping, lighting and public art
 - d. Minimum building setbacks (such as 30 ft and 50 ft) are considered "build to" lines
 - e. Applicable street room typologies implemented
 - f. Massing, recessed upper floors, building articulation, and fenestration provided
 - g. Perimeter spaces that front a public street or similar route with public easement shall be occupiable and activated. Storage, parking, and utility spaces shall be kept to the bare minimum along public routes

City Council shall make the final determination of whether the site plans adequately abide by the Comprehensive Plan and other adopted plans and guidelines to warrant the use of TIF.

- 2) Exterior Finish Materials. The types of finish materials on portions of the building directly visible from a street or other public realm space shall comply with Edina's City Code. For TIF supported projects, a high degree of stone, brick and other natural materials is preferred.

- 3) Public Realm Experience. A vibrant and welcoming public realm experience is essential for every project supported with TIF. Examples of contributing elements include (but are not limited to): sidewalks wider than required by City Code, public plaza, public seating areas, integrated transit shelters, landscaping, hardscaping, commercial storefronts and residential walk-up units that directly engage the public realm areas. Under the TIF Act, reimbursement through TIF for public realm amenities will need to be reviewed on a case-by-case basis, but will be required even if not subject to TIF reimbursement.
- 4) Public Art. Projects supported with TIF shall incorporate permanent public art as an integral part of the public realm experience. Each public art installation shall be secured with an easement that provides for the maintenance and permanence of the art element by the owner. The public art elements shall be consistent with those contained in the approved site plans. Additional art elements may be required when TIF is contributed. Examples of additional art elements include but are not limited to: sculptures, murals, sidewalk poetry, water features, light and sound displays, and rotating art installations. City Council shall make the final determination of whether the quantity and type of public art elements warrant the use of TIF. Under the TIF Act, reimbursement through TIF for public art will need to be reviewed on a case-by-case basis, but public art will be required even if not subject to TIF reimbursement.

Members from the Edina community shall be engaged as part of the artist-selection process and/or the art-selection process. The developer shall make the final art selection keeping in mind the recommendation and input from the community members.

- 5) Public dedication or public easements. All public benefits in TIF supported projects shall either be owned by the City or HRA, dedicated to the City or be secured with permanent easements (to the City) or restrictive covenants to ensure that the public has long-term access to and long-lasting benefits from the improvements.
- 6) Affordable Housing Units. Multi-family development projects supported with TIF should incorporate any required affordable units into the site, as opposed to providing the prescribed contribution to Edina's Affordable Housing Trust Fund.
- 7) Public Parking. Only those parking stalls that are available to the general public throughout all times of the day and year shall be considered to be supported with TIF. Parking stalls that are dedicated for the exclusive use by residents or tenants will not be eligible for TIF support. The public parking stalls shall be easily identified as public parking with exterior signage near the entrance and wayfinding signage on the site.
- 8) Environmental Sustainability. Edina's Sustainable Buildings Policy shall apply to all projects supported with TIF. For TIF-supported projects, the applicable Sustainable Building Rating System shall be LEED Silver or better. Electrification of heating systems and/or on-site renewable energy generation are preferred in TIF-supported projects; projects should achieve at least 2 total LEED points between Grid Harmonization and Renewable Energy credits. Certification of the completed building(s) shall be required and compliance shall be renewed (by the owner) throughout at least the term of the TIF District at the frequency identified by the certifying agency.

- 9) Collaborative Partnerships. The developer should engage local neighborhood groups and other community and regional organizations to provide the highest reasonable level of collaboration to ensure a successful project. Community partners could include business and trade associations, private and non-profit groups and associations, governmental agencies and similar stakeholders and benefactors. Evidence of effective engagement should be provided in the TIF Application. This collaborative approach is also helpful to secure grants from other agencies.
- 10) Mitigation of Construction Disruption. As part of the Go-Ahead letter by which the developer commits to proceed with the project and prior to the site preparation and construction, a Construction Mitigation Plan (CMP) shall be submitted to the City that identifies the developer's and general contractor's strategies to address the inconveniences that occur to the neighbors and general public during the construction period. Topics to be addressed in CMP include: milestones and methods to provide advance notice to neighbors; off-street parking for contractors and suppliers; delivery routes for construction vehicles; queuing locations for large vehicles serving the construction site; temporary street, lane or sidewalk closures; temporary detours for vehicles, pedestrians, bicycles and transit vehicles; construction site security; and strategies to mitigate dust, vibrations and noise. The CMP must also identify the responsible person to be contacted by neighbors when questions or problems occur. Phone number and email address of the responsible job site person shall be made available.
- 11) Fair Labor standards. The developer and general contractor shall certify that all applicable state and federal labor laws have been satisfied. Failure to comply with applicable state and federal labor laws shall be considered a default with appropriate penalties.
- 12) Actions to Promote Diversity and Equity in Redevelopment. The development and construction of projects with TIF support shall include best efforts by the developer and general contractor to provide employment opportunities for people that are under-represented in the construction field, including women and people of color. Similar efforts shall be made to structure contracts so that businesses owned by people under-represented in the construction industry (including majority women-owned, majority minority owned, certified MBE, WBE and VBE) have a fair and realistic opportunity to provide goods and services to the project.

The developer's plan and strategy to achieve these goals (commonly referred to as Equity and Inclusion Outreach Plan or EIOP) shall be included in the TIF Agreement. The plan shall identify employment and contracting goals for women and people of color. The plan must also include an intentional strategy to pursue and achieve these goals to the greatest extent practical. The plan shall also include the developer's and general contractor's practices to pursue equity, including how they participate in workforce development programs and similar activities in the Twin Cities.

Standards and recommendations from State of Minnesota Department of Human Rights, Hennepin County and similar local and regional agencies and trade associations shall be considered as guidance when identifying these goals and strategies.

As a condition of the Certificate of Completion, the developer shall report on the implementation of the plan as well as the outcomes. Penalties shall apply when the developer fails to make a good faith effort to implement this plan.

USE OF TIF IN EDINA

- 1) TIF to deliver public benefits. TIF will only be used to enable a developer to complete a project that delivers exceptional public benefits. An increase in property tax base alone is not sufficient to warrant the use of TIF.
- 2) “But for” Test. Any use of TIF shall be subject to the “but for” test as prescribed in Minnesota Statute; meaning that “but for” the use of TIF, a project of the size, scale and quality proposed would not occur. The public benefits delivered by the project would also not occur on the site without the use of TIF.
- 3) Final Site Plan Approvals. Requests for TIF support after preliminary zoning has been granted may result in changes to the preliminary site plan to comply with this TIF policy. Any delays or costs due to a re-review are the sole responsibility of the developer.
- 4) Financial Gap. TIF should only be considered to fill a financial gap that is unable to be satisfied by traditional equity and debt sources. TIF assistance will not be provided to projects that have the financial feasibility to proceed without the use of TIF. TIF will not be provided solely to provide an excessive contingency to the project or broaden a developer’s profit margins on a project.
- 5) Developer’s Capital Stack. TIF should be considered the last money into the deal for market-rate projects provided with TIF support. This includes multi-family housing where 20% or fewer of the units are affordably priced in accordance with Edina’s multifamily affordable housing policy.
- 6) Pay as You Go TIF Notes. TIF should only be provided to developers of market-rate projects on a pay-as-you-go basis. In certain cases, up-front or other forms of assistance may be considered by the City but will be at the sole discretion of the City Council or HRA.
- 7) Interest Rate. The interest paid on TIF Notes shall be consistent with the typical interest rate paid in the marketplace for the type of project. The interest rate paid on the TIF Note should not exceed the interest rate underwritten for the permanent financing.
- 8) Deviations from Policy. The City reserves the right to approve or reject the use of TIF, the amount of TIF, and the total term, on a case by case basis, taking into consideration established policies, project criteria, and demand on services in relation to the potential benefits from the project. Deviations from this policy shall be allowed if specifically approved by the City Council or HRA.
- 9) Impact on City Services. TIF will not be used to support development projects that place excessive demands on municipal services or other capital or operating expenditures of the City.
- 10) Financial Analysis. The applicant shall provide to the City and its financial advisor all information necessary to conduct a financial analysis of the proposed project. This information must be complete and accurate. Falsification or manipulation of the financial information shall be terms for immediate disqualification of consideration.

- 11) Financial Returns to Developer. The financial returns to the developer shall be within the typical industry norms for the type and scale of the project. The use of TIF shall be limited to increasing the returns to the lower level of the normal range.
- 12) Projections of Incremental Taxes. The Financial Advisor shall use realistic projections for the value of incremental taxes generated over time. The amount of TIF pledged shall not exceed the amount projected to be generated from the completed project.
- 13) Access to Complete Site and Project Information. Prior to approval of the Term Sheet, the developer shall provide any surveys, required market and financial feasibility studies, appraisals, environmental studies, soil boring information for the project, and other information or data that the City or its legal and financial consultants may require in order to proceed with an independent underwriting. Such information is subject to the Minnesota Government Data Practices Act and may be public information at the time of submission. Proprietary information will be kept non-public to the extent allowed by Minnesota statute.
- 14) Financial Guarantees. In the event that a type of TIF support other than Pay-as-you-go Note is used, the developer shall provide adequate financial guarantees to ensure completion of the project and the repayment of the tax increment financing in the event that the project fails to be completed. Types of guarantees may include, but are not limited to, assessment agreements, insurance, letters of credit, etc.
- 15) Developer experience and capacity. Any developer requesting TIF shall demonstrate past success in real estate development as well as specific capability in the type and scale of development proposed. As part of the TIF Application, the developer shall submit a list of critical members of the development team that identifies professional qualifications and references.
- 16) Inflated Fees not acceptable. The developer fees, soft costs and operating expenses included in the pro forma must be reasonable and typical for the industry. Inflated fees, unreasonable expense categories and excessive contingencies will not be accepted.
- 17) Look back. The TIF agreement will include “look back” provisions to ensure that the TIF was actually needed and shall include early termination of TIF Note payments and/or “claw back” provisions if it is determined that TIF was not needed at the level identified in the TIF Agreement. The clawback provision may be waived for tax-credit and similar affordable housing developments.
- 18) Real Estate Transactions. TIF shall not be used when land acquisition costs exceed market land costs. Acquisition costs shall be scrutinized to ensure that the purchase price is fair and reasonable in relation to recent comparable transactions. If deemed necessary by the City, a current real estate appraisal prepared by an independent appraiser selected by the City shall be provided to validate the fair market value of the land in as-is condition. A high purchase price alone is not sufficient to warrant the use of TIF.
- 19) New and Retained Job Opportunities. When jobs are created or retained, preference should be given to jobs that are not currently located within the City. TIF will not be used for projects that would give a significant financial advantage over similar businesses located in the City.

- 20) Maximum TIF contribution. The principal amount of TIF shall be justified by the “but for” evaluation and shall not exceed the value of exceptional public benefits delivered by the completed market rate project.
- 21) Delivery of TIF Note(s). TIF Notes shall only be delivered to the developer (and be interest-bearing and payable) after the completion of the full project, delivery of the public easements, issuance of Certificate of Occupancy, certification of final costs, documentation of final equity and inclusion outcomes and other key parameters identified in the TIF Redevelopment Agreement. A Certificate of Completion shall be issued by the City/HRA to confirm completion of all TIF related requirements.
- 22) Park Dedication Fees. When TIF is used to support development of new outdoor publicly available spaces such as public plaza, public courtyard or similar public space, the value of such spaces shall not be deducted from any Park Dedication Fees due from the market-rate redevelopment project.
- 23) Grant Funding. Grant funding from other agencies shall be pursued when TIF is used for a development project. The amount of TIF provided may be reduced depending on the amount of grant funding received. The total grant funding received shall be included in the pro formas when the “look back” is calculated.
- 24) Business Subsidy Laws. The City will require compliance with the State of Minnesota Business Subsidy Laws in Minnesota Statutes, Section 116J.993 through 116J.997, unless the project meets one of the business subsidy exceptions.
- 25) Pooling. When pooled TIF funds are available from a different TIF District, their use should be prioritized to provide affordable housing in a greater amount, longer term, or lower target income than what is usually achieved using other City policies. Other uses of pooled funds shall be at the direction of the City Council or HRA.

###



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY

4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VIII.A.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Information

Subject: Potential Programs for SPARC Fund

ACTION REQUESTED:

No action required. For informational purposes only.

INTRODUCTION:

ATTACHMENTS:

Staff memo - SPARC programs

Economic Development / HRAPhone 952-826-0407 • Fax 952-826-0390 • www.EdinaMN.govHousing and Redevelopment Authority
Established 1974**Date:** November 17, 2022**To:** Chair and Commissioners of the Edina Housing and Redevelopment Authority**From:** Bill Neuendorf, Economic Development Manager**Re: Potential Programs to Support Business Investment with SPARC Funding**

When the \$9.65 million SPARC program was established in 2021, it provided Edina with a unique opportunity to support private investment and economic growth in Edina. These funds can transform underutilized properties, create jobs, enhance the local economy and create benefits to the general public.

The SPARC program can be a useful tool to promote the general economic development goals as described in the 1977 South East Edina Redevelopment Plan, 2015 Vision Edina and 2020 Comprehensive Plan. The SPARC program provides a unique opportunity since Edina does not have a dedicated Economic Development Authority.

The state legislation that enabled the SPARC program allows the HRA to support private investment in several ways:

- by providing improvements to the private development,
- loans or interest rate subsidies to private development,
- assistance in any form to the private development; or
- by making an equity or similar investment in a corporation, partnership, or limited liability company

To date, the HRA has committed or considered support for three projects that would not be viable without HRA intervention. These are summarized below:

Committed and Available Funds			
Project Description	Financial Contribution	Status	Estimated SPARC Balance
Edina Theater	\$351,000 forgivable loan + \$384,827 direct cost	Exterior pavement project complete, building renovation complete, parking improvement contract awarded with 2023 construction; payment to Mann Theatres, paver contractor, concrete contractor and design engineer pending	\$8,914,000
Edina Innovation Lab	\$800,000 loan NTE	Under review	\$8,114,000
Fred 2 Apartment – north-south roadway access	\$2,000,000 grant	HRA consent to general terms, final agreements under review	\$6,114,000

The Southeast Edina Redevelopment Plan, Vision Edina, and the Comprehensive Plan all identify the desire to maintain a strong business community and a strong local economy. In order to maximize the value and benefit of the SPARC funds, staff is evaluating a variety of programs to support a variety of businesses in Edina. At this time, three types of programs are being evaluated. Consideration is being given to establish a revolving loan fund so that these monies can be regenerated and re-used to support other projects in the future.

Based on input from the HRA Board, these potential programs will be further refined before a funding proposal is submitted for approval. HRA participation is only considered when necessary for the financial viability of the project.

Potential Programs to Encourage Redevelopment and Business Investment			
Targeted Business Types	Funding Limits	Anticipated Outcomes	Notes
New small tenants	Grants up to 50% of costs, not to exceed \$25,000	<ul style="list-style-type: none"> • Must create new jobs • Energy efficient improvements (windows, doors, high efficiency HVAC, solar panels) • ADA handicapped access improvements (entry, counters, toilets, etc) 	<ul style="list-style-type: none"> • Improvements should remain in building for 5+ years
New small to medium tenants	Grants or forgivable loans up to 50% of costs; not to exceed \$149,000	<ul style="list-style-type: none"> • Must create new jobs • Any construction – interior or exterior 	<ul style="list-style-type: none"> • Preference given to spaces that have been chronically vacant • Preference given to first-time business owners and under-represented businesses that provide needed goods and services
Medium to large tenants	Loans \$500,000 + (<u>below-market</u> interest rate)	<ul style="list-style-type: none"> • Must create new jobs • Must deliver public benefit • Any construction – interior or exterior 	<ul style="list-style-type: none"> • Intended to establish long-term revolving loan fund that could be helpful for many years • Should align with outcomes in Small Area Plans, Comp Plan or other City document • Need to assess risk level • Need to determine security in case of default • Could be deferred or partially forgiven
	Loans \$500,000 + (<u>market-rate</u> interest)		
	<u>Forgivable</u> loans \$500,000 +		
	<u>Equity</u> investment \$500,000 +		

END



Edina Housing and Redevelopment
Authority
Established 1974

CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY

4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VIII.B.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Information

Subject: HRA Project Status Update

ACTION REQUESTED:

No action required; for informational purposes only.

INTRODUCTION:

An updated Project Status report is attached. This report reflects the current status of projects that fall within the scope of the HRA. The report also identifies projects that staff are working on for future HRA consideration.

ATTACHMENTS:

HRA Project Status 11-17-2022

Edina Housing and Redevelopment Authority
Project Status Update
November 17, 2022

Redevelopment Activities		
Description	Location	Status / Next Steps
Edina Theater – restoration of vacant property	50 & France, 3911 W. 50 th St.	Forgivable Loan Agreement approved. Project is complete. Loan payment is being processed with reimbursement anticipated by 12/31/2022.
Grandview Yard: Applewood Pointe Co-op and Jester Restaurant (formerly Public Works site) – redevelopment of vacant property	Grandview, 5146 Eden Ave.	Preliminary zoning was approved and property is under contract for sale; senior co-op developer is conducting pre-sales meetings; additional site work is pending based on timing of pre-sales. Staff will serve as development manager to prepare the site for sale.
Public roadway improvements, including sidewalks, intersection and pedestrian bridge	Grandview, Eden & Arcadia	Construction nearly complete for TIF-funded construction; new pedestrian bridge is being fabricated with installation anticipated in 2023; anticipate that all work will be completed in 2023
Maison Green Apartments (formerly Perkins) - Redevelopment of commercial property	Grandview, 4917 Eden Ave.	TIF Agreement approved; construction is in progress with completion expected in 2024
Public roadway improvements	Grandview, Eden & Grange	Preliminary engineering work beginning for Eden/Willson/Grange intersection with TIF-funded construction anticipated 2023-2025
Pentagon Village - Redevelopment of commercial property	Pentagon Park, 4815-4901 W. 77th St. and 7710 Computer Ave.	TIF Agreement approved and three TIF Notes issued for completed infrastructure. Work is complete on Lot 1. Lot 2 has been sold for Marriott hotel with ground breaking anticipated in 2023. Lot 3 is under construction for mixed-income apartments. Lot 4 is being considered for new bank. Lot 5 anticipates new office, but no proposal at this time.
The Fred Apartments – Redevelopment of commercial property	Pentagon Park, 4640 to 4660 W. 77 th St.	Construction of the Fred I Apartments is in progress with completion anticipated in 2023. This project is privately funded without TIF assistance.

Redevelopment Activities		
Description	Location	Status / Next Steps
The Fred 2 Apartments – Redevelopment of commercial property with public access roadway	Pentagon Park, 4620 W. 77 th St.	Staff is preparing a TIF Redevelopment Agreement with Solhem to provide financial assistance to the Fred 2 Apartments. Consideration of this funding proposal is anticipated in late 2022. The proposal includes a public easement to connect West 77 th to the Fred Richards Park.
Redevelopment of vacant commercial property	Pentagon Park 4701 W. 77 th St.	A developer submitted a multi-family concept sketch for review in early 2022. This concept appears to have died. The 2.3 acre site remains available for purchase.
Southdale Center – Redevelopment of commercial property	Greater Southdale, 66 th to 69 th St.	Staff continues to engage Simon Properties, Lifetime and Metro Transit to consider how new investment can be brought to the east half of the property while pursuing transformation as envisioned in Southdale Plan and while retaining transit service. TIF is not being considered at this time.
Cornelia View Senior Apartments – redevelopment of commercial property	Greater Southdale 4040 W. 70 th St.	TIF and acquisition documents approved; construction is in progress with completion expected in 2023.
US Bank Site – Redevelopment of commercial property	Greater Southdale 7001 France Ave.	The first phase (new US Bank branch) is under construction with completion anticipated Spring 2023. Construction of new housing and new office anticipated to begin mid 2023.
Redevelopment of vacant property	Greater Southdale 7200-7250 France Ave.	Preliminary zoning approved. Developer reports that TIF will be requested. No request has been made at this time. Public benefits on this site could include shared stormwater and north/south route for vehicles, pedestrians & bicyclists.

Redevelopment Activities		
Description	Location	Status / Next Steps
Southdale Regional Library - Redevelopment of commercial/civic property	Greater Southdale 7001 York Ave.	<p>Hennepin County is beginning the visioning process to rebuild a new regional library on the site and sell the remainder of land for redevelopment. Hennepin County sets the schedule.</p> <p>Edina HRA should consider getting involved to ensure that affordable housing can be financed on portions of this site.</p>
Community Health & Safety Center / Fire Station #2 – Redevelopment of vacant commercial property	Greater Southdale 4401 W. 76 th St.	<p>City staff is reviewing possibilities to subdivide the site to accommodate new City facility while transforming the site based on the Southdale Plan.</p> <p>HRA involvement may be necessary in the future if a portion of the site is made available for private redevelopment.</p>
Edina Innovation Lab – Restoration of vacant commercial property	Hwy 100 Business Park, 7201 Metro Blvd.	<p>Staff is preparing a Loan Agreement to support the Edina Chamber of Commerce's efforts to establish a small business development center in a portion of a vacant office building. Dubbed the "Innovation Lab", this facility will be used to train entrepreneurs and business owners to grow their business in Edina and beyond.</p> <p>HRA funding will be necessary to establish this program. A proposal will be submitted in late 2022. Full-scale operations are anticipated to begin in 2023.</p>
SPARC Program	City-wide	<p>Staff is exploring potential programs to offer to encourage redevelopment and job creation.</p> <p>Initial ideas include: small grants, medium size forgivable loans and larger interest bearing loans. The interest bearing loans could be used to fund a future revolving loan program. A full proposal is anticipated to be discussed in late 2022 or early 2023.</p>

Housing Activities		
Description	Location	Status
Housing Preservation Program	City-wide	Ten houses have been acquired with seven sold to end-buyers. Three are in the process of being rehabilitated. Staff is working with Homes Within Reach to determine next phase.
Home Rehabilitation Program	City-wide	38 applications have been processed. There is available funding for additional applications.
Metro HRA Family Affordable Housing Program	City-wide	All four homes have been acquired and rehabilitated for program participants.
First Generation Down Payment Assistance Program	City-wide	There are six borrowers thus far, with available funding for 14 additional borrowers.
Rental Property Tax Reduction and Resilient Homes Grant Program	City-wide	NOAH building owner training is scheduled for November 30, 2022.

Economic Development Activities		
Description	Location	Status
Small Business Technical Assistance Program (TAP)	City-wide	Providing digital marketing services to 20 local businesses; working with consultants to complete scope in Q1 2023
Maintenance of Public Parking & other public realm elements at 50 th & France	50 th and France	<p>Staff is preparing for HRA-funded landscape improvements to the South Ramp.</p> <p>Staff is working with business owners, Business Association and arts community to consider how public art (murals, sculpture and live events) can be incorporated to attract more customers to the area.</p> <p>Staff is working with property owners to prepare for repairs/improvements to the South parking garage and streetscape in the years ahead.</p>

Economic Development Activities		
Description	Location	Status
		Staff continues to engage with property owners and 50 th & France Business Association to sustain this successful business district.
Maintenance of Public Parking & other public realm elements at Grandview	Grandview	<p>Staff anticipates working with property owners in 2023 to prepare for repairs/improvements to the streetscape.</p> <p>Staff anticipates updating the parking garage maintenance agreement with Jerry's Enterprises in 2023. The current agreement places much of the cost burden on Jerry's while many other properties benefit from this public parking facility.</p>
Engagement with business community	City-wide	Staff continues to engage with Edina Chamber of Commerce and other members of the business community to better understand the needs and concerns of the commercial and industrial sectors.
Tax Increment Policy	City-wide	Staff is preparing updates to the City's policy regarding the use of TIF. The updates are anticipated to be presented for consideration in late 2022.
Business Subsidy Policy	City-wide	Staff is reviewing the current Business Subsidy policy and may present updates for consideration in 2023.
Development Grant Policy	City-wide	Staff is reviewing best-practices for sponsoring grant applications for private development. A new policy may be presented in 2023.



Edina Housing and Redevelopment
Authority
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CITY OF EDINA
HOUSING & REDEVELOPMENT
AUTHORITY
4801 West 50th Street
Edina, MN 55424
www.edinamn.gov

Date: November 17, 2022

Agenda Item #: VIII.C.

To: Chair & Commissioners of the Edina HRA

Item Type:
Report / Recommendation

From: Bill Neuendorf, Economic Development Manager

Item Activity:
Information

Subject: Pentagon Village Lot 4 - Update

ACTION REQUESTED:

No action needed; for informational purposes only.

INTRODUCTION:

The developer of Pentagon Village is under contract to sell Lot 4 to First Bank and Trust. The buyer is a South Dakota based banking corporation with offices currently in Edina and other Minnesota locations.

As a condition of the 2018 TIF Redevelopment Agreement, the HRA must provide reasonable consent when properties are transferred to new owners.

The proposed site plan is being reviewed under the City's typical site plan review process. Final action on the site plan review is anticipated on December 6, 2022.

If the requested site plan changes are approved, staff intends to execute a "Consent to Transfer" document prepared by the HRA's legal counsel.

Please note that no new TIF proceeds are related to this proposed bank. Incremental property taxes from this site have already been pledged to support the construction of the new infrastructure, new public plaza and new public parking elsewhere on the site.



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Date: November 17, 2022

Agenda Item #: VIII.D.

To: Chair & Commissioners of the Edina HRA

Item Type:
Advisory Communication

From: Stephanie Hawkinson, Affordable Housing
Development Manager and Addison Lewis,
Community Development

Item Activity:

Subject: Status Report on Implementing Housing Strategy
Task Force Recommendations

Information

ACTION REQUESTED:

No action required.

INTRODUCTION:

The Housing Strategy Task Force was commissioned by the City Council in 2019 to provide guidance on housing priorities for the City. The result was the Housing Strategy Task Force Report, which was adopted by the HRA on December 10, 2020, followed by approval of the Implementation Plan on August 12, 2021. Both the report and the plan are attached. The purpose of this agenda item is to provide an update on the progress of the implementation plan.

ATTACHMENTS:

Staff Report

Presentation

Housing Strategy Task Force Report

Task Force Implementation Report



Date: November 17, 2022

To: Chair and Commissioners of the Edina Housing and Redevelopment Authority

From: Stephanie Hawkinson, Affordable Housing Development Manager
Addison Lewis, Community Development Coordinator

Subject: Status Report on Implementing Housing Strategy Task Force Recommendations

Information / Background:

The Housing Strategy Task Force was commissioned by the City Council in 2019 to provide guidance on housing priorities for the City. The result was the Housing Strategy Task Force Report, which was adopted by the HRA on December 10, 2020, followed by approval of the Implementation Plan on August 12, 2021. Both the report and the plan are attached. The purpose of this agenda item is to provide an update on the progress of the implementation.

Each strategy in the Implementation Plan is intended to further one of the four priority goals identified in the report.

1. Promote Lifecycle Housing
2. Enable Diverse Housing Stock
3. Reduce Housing Development Costs
4. Encourage Sustainable Design and Technology

The report specifically identified the following new housing goals:

1. Add 992 affordable rental housing units
 - a. 80% affordable rental for general occupancy
 - b. 20% affordable rental for active seniors
2. Add 900 market rate rental housing units for general occupancy
3. Add 360 senior 'independent living' congregate housing units
4. Add 250 owned multi-family housing units
5. Add 200 senior 'assisted living' housing units

Since 2020, the City has made headway in reaching the stated goals. With the approval of the senior Co-op at 5146 Eden, the City has accomplished over 50% of the proposed goals in developing affordable housing

for active seniors and developing housing for Senior Independent living regardless of income. The City has achieved 143% of the stated goal for Market Rate General Occupancy. Where the City is falling short is Assisted Living for Seniors.

Please note that some of the developments fall under more than one category.

Task Force Score Card

	Goals	Approved	% of Goal	Completed	% of Goal
Affordable General Occupancy	794	214	27%	135	17%
Affordable Active Seniors	198	127	64%		0%
Market Rate General Occupancy	900	1291	143%	227	25%
Senior Independent Living	360	204	57%		0%
Owned Multi-Family Units	250	86	34%		0%
Senior Assisted Living Units	200	0	0%		0%

The goal numbers contained within the Task Force report are extrapolated from the Met Council and from the Maxfield Report. The Met Council provides two values – what is needed and what is the goal based on available financial resources. The “need value” is greater than the “goal value”. Likewise, the Maxfield Study includes “demand” numbers that are greater than the number of housing units they deem is feasible.

Therefore, the fact that the number of Market Rate units exceeds the goal is not alarming, as the goal is significantly lower than the 2000+ units needed to meet the demand.

Development Categories

Developments	Affordable General Occupancy	Affordable Active Seniors	Market Rate General Occupancy	Senior Independent Living	Owned Multi-Family Units	Senior Assisted Living Units
4500 France/The Lorient	3		42			
The Bowers			185			
Amundson Flats	62					
The Sound on 76th	70					
Cornelia View		118		118		
Fred 1			408			
Perkins Site	20		176			
7001 France Ave S			270			
Pentagon Apartments	20		180			
4425 Valley View			30			
5146 Eden Co-ops		9		86	86	
TOTAL	175	127	1291	204	86	0

Although single-family is not specifically stated as one of the priority types, the City’s single-family initiatives still contribute towards the total goal of 992 affordable units, add affordable housing opportunities in

neighborhoods where it may not otherwise be possible, and, in the case of owner-occupied units, allow for the building of equity and generational wealth for low-income households. Single-family units also may be more accommodating to larger families/households. Several of the implementation strategies in the Implementation Plan are targeted towards single-family housing.

To achieve these priority goals, the Implementation Plan included four categories for when, and if, the proposed strategies would be accomplished:

1. Strategy items in process;
2. Strategies recommended to include in 2022 Work Plans;
3. Strategies recommended to include in 2023 Work Plans; and
4. Strategies where the City has limited authority to implement.

For the purpose of providing a status update, this report will focus on the first two categories.

Strategy Items in Process

Strategies	Status
Strategy 1A.3: Attract new residents and retain existing residents by preserving and expanding housing options for moderate- and low-income households	<p>Ongoing – The City undertakes numerous initiatives aligned with this strategy. Some examples include:</p> <ul style="list-style-type: none"> • Come Home 2 Edina second mortgage program • Housing Preservation Program / Homes within Reach partnership • Deferred Home Improvement Loan program with Center for Energy and Environment (CEE) • Inclusionary zoning requirement for PUDs • 4d program • Tenant Protection Ordinance • Housing Improvement Area Policy • Provide gap financing
Strategy 1D.2: Encourage the preservation, maintenance, and rehabilitation of existing subsidized and naturally occurring affordable rental and ownership housing (NOAH)	<p>Ongoing – The City has and continues to be a funding partner in numerous housing projects. When the City is a funding partner in affordable housing projects, there is a requirement that units remain affordable for a specified term. The City has limited control over NOAH properties, which could redevelop or be improved at any time such that they are no longer affordable. As an incentive to keep properties affordable, the City offers a Property Tax Reduction and Sustainable Rehab Grant Program (4d program). This program offers a lower tax classification and funds for energy efficiency improvements in exchange for maintaining affordable rents at 60% AMI for 5</p>

	<p>years. The City has one property participating in the program. Staff is looking at ways to better promote the program and make it more appealing.</p> <p><u>The Deferred Home Improvement Loan</u> program is another initiative that aligns with this strategy. This program provides deferred loans to income qualifying applicants to address health, safety, and energy efficiency improvements. Homes must be valued at \$425,000 or less to qualify. This program has been utilized for 37 properties.</p> <p><u>The Housing Preservation Program</u> seeks to preserve existing single-family homes that are moderately affordable (assessed value at \$425,000 or less). Residents with qualifying properties have the option to sell their home to the City if they wish for it to not be a teardown. Homes are placed into a land trust through a partnership with Homes within Reach and sold to income qualifying households. To date, nine houses have been acquired with 6 sold to end-buyers.</p> <p><u>The Housing Improvement Area Policy</u> provides financing for improvements to common areas of owner-occupied condominiums and townhomes. One application has been submitted and is under review.</p>
Strategy 2D.4: Support program(s) for assisting income eligible property owners with rehabilitating their homes to extend the useful life.	Ongoing – As discussed above, the 4d program, Deferred Home Improvement Loan Program, and Housing Improvement Area Policy all seek to provide funding to maintain/preserve/rehabilitate affordable housing.
Strategy 2A.1: Provide zoning flexibility in the specific areas identified for development in the 2040 Comprehensive Plan to streamline the public approval process for minor variances.	<p>Ongoing – Flexibility from strict adherence to the zoning requirements is provided through the PUD process when other development benefits are provided.</p> <p>The City has also made changes to the zoning ordinance to reduce the need for some variances, such as reducing parking minimums.</p> <p>The Planning Commission is currently studying the development review process to see if other improvements could be made. A recommendation to the City Council is expected in early 2023.</p>
Strategy 2A.3: Allow for creative solutions and some flexibility in the	Done – The City adopted an amendment to the parking ordinance on Aug. 16, 2022 which includes incentives for

provision of off-street parking standards for housing. This might include options like shared parking, reduced minimums near transit and activity nodes, or exceptions to structured parking requirements for affordable housing.	developers to reduce parking, including car-share parking, bike parking, and in locations near transit stops. The ordinance reduces the amount of parking required to better align with recent project approvals.
Strategy 3A.1: Fully empower the City's Community Development Department to identify properties for development or redevelopment, analyze projects for both fit with the 2040 Comprehensive Plan Design Guidelines and economic feasibility in prevailing market conditions, balancing these two as needed. Communicate development objectives to developers and encourage the preparation of proposals for development.	Ongoing – Staff does identify potential sites for redevelopment and work with property owners interested in redevelopment by sharing small area plans, studies, comprehensive plan, etc.
Strategy 3A.2: Implement active outreach and recruit developers with a successful track record in providing the housing desired.	Ongoing – This is done when the City has control of the land and can choose the developer through the RFP process. The City cannot dictate the developer for privately owned land.
Strategy 3A.3: Empower the City's Community Development Department to guide developers through the project approval process.	Ongoing – This is the approach taken by staff when working with developers. Developers are encouraged to meet with staff early on to discuss the development review process, requirements, and challenges.
Strategy 3A.4: Provide better guidelines for development requirements, based on location and economic objectives.	Done (mostly) – Detailed guidance is provided for key locations through the small area plans. Small area plans have been completed for 44 th & France, 50 th & France, 70 th & Cahill, The Greater Southdale District, Wooddale & Valley View, and Grandview. The small area plan for the Cahill District is currently in progress and is planned to be completed in early 2023.
Strategy 3B.1: Develop a parking policy that reflects the latest thinking for current and future parking needs, parking construction costs,	Done - The City adopted a new parking ordinance on Aug. 16, 2022 to better align requirements with modern trends. One change was a reduction in the number of stalls required for apartments from 2 spaces per unit to 1.25 minimum and 1.75

<p>sustainability and evolving economic and marketability needs for successful projects.</p>	<p>maximum spaces per unit, consistent with the most recent requests for new apartments in Edina. In mixed use districts, residential parking was reduced from 1.75 spaces per unit to 1 space per unit with a maximum of 1.75 spaces per unit. The City can still provide flexibility through the PUD process, which is typically informed by a parking study.</p>
<p>Strategy 3B.4: Utilize land trusts and land write-downs to secure land for future development projects.</p>	<p>Ongoing – The City has partnered with West Hennepin Affordable Housing Land Trust on 24 single family home projects since 2007.</p> <p>Edina Housing Foundation borrowed funding from the HRA to acquire land and then entered a ground lease to secure 99-year affordability for independent senior housing at 4040 70th St. West (Cornelia View).</p> <p>The City continues to explore opportunities to acquire property for affordable housing as opportunities arise.</p>
<p>Strategy 3B.5: Empower the City's Affordable Housing Development Manager to be responsible for establishing / evaluating the parking, design, and amenity requirements for affordable housing developments to ensure economic viability of these projects.</p>	<p>Ongoing – The Affordable Housing Development Manager reviews and provides a comment letter for all development proposals that include housing.</p>
<p>Strategy 3B.7: Authorize the City, through a public hearing process, to have authority to make property purchases that are consistent with a city development strategy, within a financial limit, to be able to secure control of potential properties for affordable housing development, in an expeditious manner.</p>	<p>Ongoing – As opportunities arise, City staff and the HRA evaluate opportunities to acquire property for affordable housing development. Recent multi-family examples include Cornelia View (118 affordable senior independent living units at 4040 76th St W), Amundson Flats (62 affordable units at 7075 Amundson Ave), and the Sound on 76th (4100 W. 76th St.).</p> <p>The City has also proactively tried to preserve affordable single family homes that may otherwise become teardowns. The City mailed postcards to all single family home owners who's assessed value was less than \$425,000 to notify them of the option to sell their home to the city if they wish for it to be preserved and offered as an affordable home. The City partners with West Hennepin Affordable Housing Land Trust to ensure</p>

	homes remain affordable for 99 years. To date, 6 homes have been preserved and offered to low-income families as a result of the new program and corresponding postcard.
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For category 2, Staff in various departments and working for various Commissions incorporated their assigned strategies into their 2022 Work Plans. Most of the strategies are actively in process or were incorporated into other Work Plan items. Some of the Strategies were not Work Plan items per se, but rather a lens through which Staff completes all our Work Plan items.

2022 Strategies

Strategies	Status
Strategy 1A.1: Prepare a housing implementation plan using a mix of tools to achieve the City's housing goals, including the Comprehensive Plan goal range of 992 to 1,804 affordable units, in the ten-year horizon, with time-bound goals and milestones, to be reviewed on an annual basis.	Ongoing – Staff and the Planning Commission review every housing proposal in the context of its compliance with the Comprehensive Plan. Staff can evaluate proposed development in relation to stated priorities but cannot dictate what private developers bring forward.
Strategy 1A.2: Facilitate the development of “new” housing options such accessory dwelling units to accommodate the diverse needs of people of different ages, household sizes, lifestyle and incomes.	In-process – A committee of the Planning Commission has been studying ADUs since May. The committee plans to present information to the full Commission later this fall and expects to have a recommendation to the City Council before the end of the year or early 2023.
Strategy 1B.1: Support opportunities to accommodate Missing Middle housing within the city, defined as range of multi-unit or clustered housing types compatible in scale with single-family homes	Ongoing – The Comprehensive Plan and zoning ordinance identify areas within the City where missing middle type housing is allowed. The City has supported missing middle housing development by granting flexibility through the PUD process or variances, when variance criteria is met, to support projects that satisfy city goals. The recently approved townhome project at 4404 Valley View Rd is one example of this.
Strategy 1C.1 Support a range of housing options for people with special needs (Developmentally, Physically, or Mentally)	Ongoing – This is somewhat dependent on the developer, as the City has limited site control. Staff was working with the Developer for this type of housing at the St. Peter's site but the development fell through.

<p>Strategy 2B.3: Support the development and preservation of affordable housing throughout Edina where there is access to transit.</p>	<p>Ongoing – Edina has supported higher density near key transit nodes such as 44th & France, 50th & France, and the Greater Southdale District and encouraged developers to include affordable units in developments. The Sound on 76th, Cornelia View, Maison Green (Perkins site), The Lorient, Pentagon Apartments, and 5146 Eden Co-op are all recent examples that included new affordable units and are located near transit.</p>
<p>Strategy 2B.1: Consider zoning amendments in limited areas (such as transitional areas and activity nodes) to allow lot splits for infill, single-family ownership housing, detached or attached (zero lot line), on lots after splitting that are 50' or wider (or 3,500 sf or larger).</p>	<p>Ongoing - The City has considered many requests for lot splits. The Zoning Ordinance requires a minimum lot width of 75 feet or the median lot width within the neighborhood, whichever is greater. In areas where lot widths are less than 75 feet (such as Morningside), lot splits have generally been approved if they are still consistent with the median lot width for the neighborhood. A variance from lot width is still required in this case.</p> <p>On Jan. 19, 2022, the City amended the zoning ordinance to eliminate the requirement for basements on single family homes, reducing the costs for construction.</p>
<p>Strategy 2B.2: Consider amending current R1 zoning to allow attached or detached Accessory Dwelling Units (ADU) such as self-contained “mother-in-law units”. Develop Small Area Plans for extending R2 zoning along Vernon Ave from 169 to Interlachen, France Ave north of Hwy 62, and Valley View from 66th to Hwy 100. Evaluate additional areas for R2 zoning.</p>	<p>In-process – A committee of the Planning Commission has been studying ADUs since May. The committee plans to present information to the full Commission later this fall and expects to have a recommendation to the City Council before the end of the year or early 2023.</p> <p>No progress has been made on evaluating additional areas for R2 zoning specifically; however, it is a proposed 2023 work plan item for the Planning Commission to consider the next “areas of potential change” for the next comprehensive plan update.</p>
<p>Strategy 3B.8: Fully utilize the other options the city has to lower the cost of development and or financing (i.e., rebate on fees, tax exempt bond financing, upgrading to an Economic Development Agency, selling land below market value, reduced property taxes, etc.)</p>	<p>Ongoing – While the majority of development within Edina is privately financed, the City utilizes many tools to fill financing gaps when specific goals are met. Selling land below market value, TIF, reduced development fees and gap funding from the Affordable Housing Trust Fund are the tools most commonly used to reduce development costs.</p> <p>The City waives building permit fees for new single family homes if valued at \$350,000 or less; however, the City has not received any permit applications that meet this threshold.</p>

Strategy 4.1: Encourage alternative energy sources including solar, wind, waste material, and geothermal.	<p>Ongoing – The Climate Action Plan was adopted that incorporates these goals.</p> <p>The City's Sustainable Buildings Policy took effect April 1, 2022, which requires developments to meet a green building standard when a PUD is used or financial assistance is provided from the City.</p>
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As the City owns very little undeveloped land, it is challenging for us to dictate the type of development in particular locations. Rather, we are somewhat dependent upon market forces and the introduction of development proposals by developers. The Planning Commission and Council has the authority to assess the proposals based on the Comprehensive Plan and other policies.

Funding Allocation

Using the Task Force defined goals to determine the allocation of public resources is not a good fit. The Task Force Report pertains to all housing in Edina, regardless of affordability levels. However, public support of housing tends to apply to affordability. In addition, the Report stresses preservation of single-family housing, so there is no stated goal to expand the number. Nonetheless creating affordable single family ownership opportunities is an explicit goal within the Comprehensive Plan.

Therefore, when reviewing requests for gap financing, Staff evaluates each proposal to determine its alignment with the Comprehensive Plan and the Task Force Implementation Plan together with other City policies and plans. For residential developments approved or delivered since the passage of the 2040 Comprehensive plan in 2020, and that received gap financing for the delivery of housing units, \$19,250,618 was awarded from Southdale II TIF pooled funds, the Affordable Housing Trust Fund and to a far lesser extend in tax increment. Most funding was allocated towards the creation of multifamily rental units, with the least amount for NOAH preservation.

	Funds Committed	Units	\$/Unit/Term	% of Total
Multi-Family Rental	\$ 11,137,901	260	\$1,642	58%
NOAH Preservation*	\$ 560,000	29	\$1,353	3%
Single Family Rental	\$ 2,000,000	4	\$16,667	10%
Single Family Rehab	\$ 1,500,000	40		8%
Single Family Ownership	\$ 4,052,717	15	\$2,433	21%
	\$ 19,250,618			

Breakdown of Affordable Residential Financing by Source:

	Southdale II Pooled	AHTF	TIF New Increment
Multi-Family Rental	\$8,086,901	\$750,000	\$2,301,000**
NOAH Preservation	\$350,000	\$210,000	
Single Family Rental	\$2,000,000		
Single Family Rehab		\$1,500,000	
Single Family Ownership		\$4,052,717	
	\$10,436,901	\$6,512,717	\$2,301,000

It is important to note that although single family ownership is an expensive endeavor when reviewing by amount of gap financing needed per unit delivered, if the term of affordability is included, the gap per unit is still greater than what is needed to create an affordable rental unit, but the difference shrinks considerably. For example, the gap per Land Trust home is an average of \$270,000 compared to \$34,286 per unit at the Sound on 76th. When reviewed over the term of affordability, the gap becomes \$2,727/unit/year for a Land Trust home and \$857/unit/year at the Sound, which is still greater but the magnitude is reduced.

Staff will continue evaluating development proposals based on guidance provided by the Comprehensive Plan the Housing Task Force Implementation Plan, and the New Multifamily Affordable Housing Policy prior to seeking approval from the Housing and Redevelopment Authority.

*7008 Sandell and 4d Participation

**100% Affordable developments at 4100 W. 76th St. and 4040 W. 70th Street



The CITY of
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Status Report on Implementing Housing Strategy Task Force Recommendations

October 15, 2022

Background



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- Housing Strategy Task Force formed in June 2019
 - 7 members meeting over 18 months
 - Intended to provide guidance on housing priorities
- Maxfield Housing Market Study completed April 2020
- Housing Strategy Task Force Report adopted by HRA Dec. 10, 2020
- Implementation Plan adopted by HRA Aug. 12, 2021

Priority Goals

1. Promote Lifecycle Housing
2. Enable Diverse Housing Stock
3. Reduce Housing Development Costs
4. Encourage Sustainable Design and Technology



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Goals for New Housing



The CITY of
EDINA

1. Add 992 affordable rental housing units
 - 80% affordable rental for general occupancy
 - 20% affordable rental for active seniors
2. Add 900 market rate rental housing units for general occupancy
3. Add 360 senior independent living, congregate housing units
4. Add 250 owned multi-family housing units
5. Add 200 senior assisted living housing units



Status Towards Goals

	Goals	Approved	% of Goal	Completed	% of Goal
Affordable General Occupancy	794	214	27%	135	17%
Affordable Active Seniors	198	127	64%		0%
Market Rate General Occupancy	900	1291	143%	227	25%
Senior Independent Living	360	204	57%		0%
Owned Multi-Family Units	250	86	34%		0%
Senior Assisted Living Units	200		0%		0%

Developments Assisting Goals



The CITY of
EDINA

Developments	Affordable General Occupancy	Affordable Active Seniors	Market Rate General Occupancy	Senior Independent Living	Owned Multi- Family Units	Senior Assisted Living Units
4500 France/The Lorient	3		42			
The Bowers			185			
Amundson Flats	62					
The Sound on 76th	70					
Cornelia View Apartments		118		118		
Fred 1			408			
Maison Green(Perkins Site)	20		176			
7001 France Avenue South			270			
Pentagon Apartments	20		180			
4425 Valley View			30			
5146 Eden Co-ops		9		86	86	
TOTAL	175	127	1291	204	86	0

Implementation Strategies



The CITY of
EDINA

1. **Strategy items in process**
2. **Strategies recommended to include in 2022 Work Plans**
3. Strategies recommended to include in 2023 Work Plans
4. Strategies where the City has limited authority to implement

Implementation Strategies



The CITY of
EDINA

Strategies	Status
Strategy 1A.3: Attract new residents and retain existing residents by preserving and expanding housing options for moderate- and low-income households	<p>Ongoing – The City undertakes numerous initiatives aligned with this strategy. Some examples include:</p> <ul style="list-style-type: none">• Come Home 2 Edina second mortgage program• Housing Preservation Program / Homes within Reach partnership• Deferred Home Improvement Loan program with Center for Energy and Environment (CEE)• Inclusionary zoning requirement for PUDs• 4d program• Tenant Protection Ordinance• Housing Improvement Area Policy• Provide gap financing

Implementation Strategies



The CITY of
EDINA

Strategies	Status
Strategy 3A.4: Provide better guidelines for development requirements, based on location and economic objectives.	Done (mostly) – Detailed guidance is provided for key locations through the small area plans. Small area plans have been completed for 44 th & France, 50 th & France, 70 th & Cahill, The Greater Southdale District, Wooddale & Valley View, and Grandview. The small area plan for the Cahill District is currently in progress and is planned to be completed in early 2023.

Implementation Strategies



The CITY of
EDINA

Strategies	Status
Strategy 2A.3: Allow for creative solutions and some flexibility in the provision of off-street parking standards for housing. This might include options like shared parking, reduced minimums near transit and activity nodes, or exceptions to structured parking requirements for affordable housing.	Done - The City adopted an amendment to the parking ordinance on August 16 th , 2022, which includes incentives for developers to reduce parking, including car-share parking, bike parking, and in locations near transit stops. The ordinance reduces the amount of parking required to better align with recent project approvals.

Implementation Strategies



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EDINA

Strategies	Status
Strategy 2B.2: Consider amending current R1 zoning to allow attached or detached Accessory Dwelling Units (ADU) such as self-contained “mother-in-law units”. Develop Small Area Plans for extending R2 zoning along Vernon Ave from 169 to Interlachen, France Ave north of Hwy 62, and Valley View from 66 th to Hwy 100. Evaluate additional areas for R2 zoning.	<p>In-process – A committee of the Planning Commission has been studying ADUs since May. The committee plans to present information to the full Commission later this fall and expects to have a recommendation to the City Council before the end of the year or early 2023.</p> <p>No progress has been made on evaluating additional areas for R2 zoning specifically; however, it is a proposed 2023 work plan item for the Planning Commission to consider the next “areas of potential change” for the next comprehensive plan update.</p>

Implementation Strategies



The CITY of
EDINA

Strategies	Status
Strategy 4.1: Encourage alternative energy sources including solar, wind, waste material, and geothermal.	Ongoing – The Climate Action Plan was adopted that incorporates these goals. The City's Sustainable Buildings Policy took effect April 1, 2022, which requires developments to meet a green building standard when a PUD is used or financial assistance is provided from the City.

Funding Allocation for Affordability



The CITY of
EDINA

	Southdale II Pooled	AHTF	TIF New Increment
Multi-Family Rental	\$8,086,901	\$750,000	\$2,301,000
NOAH Preservation	\$350,000	\$210,000	
Single Family Rental	\$2,000,000		
Single Family Rehab		\$1,500,000	
Single Family Ownership		\$4,052,717	
	\$10,436,901	\$6,512,717	\$2,301,000



The CITY of
EDINA

Thank you!





ADVANCING HOUSING PRIORITIES FOR EDINA

Final Report from the
Edina Housing Strategy Task Force

ADOPTED BY THE EDINA HOUSING AND REDEVELOPMENT
AUTHORITY ON DECEMBER 10, 2020



OpenDoors
EDINA



Acknowledgements

Task Force Members

- » Bernadette Hornig, co-chair
- » Daniel Hunt, co-chair
- » Janet Kitui
- » Joe Burke
- » Norm Siekman
- » Steve Brown (*joined January 2020*)
- » Thomas Koon *
- » Feroza Mehta (*served June - November 2019*)

** A special thank you to Task Force member Thomas Koon for providing many of the photos in this report.*

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Table of Contents

Executive Summary	I
Chapter 1: Introduction.....	6
Chapter 2: Housing in Edina – Current and Future	8
Chapter 3:What Shapes Housing in Edina?.....	28
Chapter 4: Recommended Priorities for Edina Housing.....	48
Goals and Strategies.....	49
Priorities for New Housing in Edina.....	53
Concluding Highlights	54
Endnotes	55
Appendices	57
A.I - Getting from Here to There.....	58
A.II – Housing Definitions.....	61
A.III - Housing Affordability and Income Qualifications	66
A.IV - Regional Housing Need and Edina’s Role	68
A.V - References and Sources.....	69
A.VI - Responses to the Report.....	75

Executive Summary

The City of Edina is healthy and thriving. It has and continues to be one of the most sought-after communities in the Twin Cities for people seeking strong schools, lovely neighborhoods, amenities like parks, convenient access to both downtowns, and a high quality of life. The neighborhoods have distinctive character, from “urban villages” like “The Lakes” to low rise townhomes and duplexes to compact, small lot neighborhoods with sidewalks, to large lot estates. The diversity of neighborhood options provides people with a place to call home during different phases of their life, based on income, household size and lifestyle.

As demographics, economics and people’s lifestyle habits change, housing preferences change as well. Edina has a diverse mix of housing types and changes in this mix have occurred and are likely to continue changing. As an example, in 2010 Edina’s housing was 57% single-family and 43% multi-family. In 2019, it was 53% single-family and 47% multi-family. If the projected growth trajectory is realized, it is likely that by the end of 2040 there will be more multi-family units than single-family units resulting in significant change in Edina.

Housing projections in Edina and other Twin Cities communities are guided by a process that starts with the Metropolitan Council. Every 10 years, the Metropolitan Council updates its general growth projections for the Twin Cities region and from these projections, it allocates a growth percentage to each community in the region. Within this allocation is a community’s share of recommended new affordable housing units to help meet the projected regional need. The allocated number of affordable housing units for Edina in this cycle is significant and requires and deserves Edina’s leadership. City staff and volunteer community groups used the housing allocations



to guide housing and land use policies in the Comprehensive Plan update. The policies were also informed by consultant reports, market trends and community engagement. In 2020, the Edina City Council approved the 2040 Comprehensive Plan with a Housing Chapter that provides data, goals, and strategies to advance city housing objectives.

To get additional community engagement and direction on the housing policies in the 2040 Comprehensive Plan, the City Council commissioned this Housing Strategy Task Force in 2019 to provide further guidance around housing priorities for the City. This seven-person task force, composed of individuals with a variety of views and opinions, came together over an 18-month period to develop the recommendations in this report.

The Housing Strategy Task Force has embraced three key Principles to guide housing policy in Edina. These Principles are consistent with key housing themes from the Edina 2040 Comprehensive Plan.

- » **Supply and Growth:** Plan to accommodate projected residential growth.
- » **Housing Choice:** Support the development of a wide range of housing options to meet the diverse needs and preferences for the existing and future Edina community.
- » **Affordability:** Encourage the development and maintenance of diverse housing options affordable to residents at a range of incomes and life stages.

Additionally, these factors influenced the recommendations of the Task Force:

- » Metropolitan Council's allocation of new housing units, particularly affordable units, to individual cities.
- » Comprehensive Housing Market Analysis for the City of Edina, April 2020 [henceforth referred to as the "Maxfield Housing Market Study"]
- » Interviews and reports from developers, planning experts, neighboring cities' staff, and Edina city staff and council members.
- » Task Force desire to support housing policy that is consistent with "community drivers"
- » City and Task Force desire for economic diversity
- » City and Task Force desire for racial and ethnic diversity

The City of Edina commissioned Maxfield Research and Consulting to do a housing market study to examine the city's housing supply and demand, relative to market needs and trends at the local and regional level. The report was completed in April 2020. The report identified "gaps" in the Edina housing stock, where demand far exceeds supply.

Based on the market study, the Comprehensive Plan, and extensive research by the Task Force, this report identifies four priority goals for housing development:

- 1) Promote Lifecycle Housing
- 2) Enable Diverse Housing Stock
- 3) Reduce Housing Development Costs
- 4) Encourage Sustainable Design and Technology

More specifically, this task force recommends five priorities for the provision of new housing in Edina, based on the Edina City Council's approved housing numbers in the 2040 Comprehensive Plan, and further informed by the Maxfield Housing Market Study.

Priorities for New Housing in Edina

- 1) Add 992* affordable rental housing units
 - » 80% affordable rental for general occupancy [see note]
 - » 20% affordable rental for active seniors
- 2) Add 900** market rate rental housing units for general occupancy
- 3) Add 360** senior independent living, congregate housing units
- 4) Add 250** owned multi-family housing units
- 5) Add 200** senior assisted living housing units

*Metropolitan Council

**Maxfield Housing Report

Note: 'General Occupancy' is a term for all housing types, available for purchase or rental by people of any age and ability level. The term is used to differentiate from age-restricted housing for 55+ 'active adults' and senior housing.



Affordable rental at Oak Glen Apartments. Source: <https://www.rent.com/minnesota/edina-apartments>



Market rate rental at The Lorient. Source: Tom Koon.



Senior assisted living and memory care at Yorkshire. Source: Tom Koon.



Owned, multi-family at Halifax condominiums on 50th near France Ave. Source: Tom Koon.

This Task Force recommends the following next steps for the City Council:

- » Solicit additional input from city residents regarding the recommendations in this report. This should include use of the biennial Quality of Life survey of Edina residents in 2021 to test additional questions on housing and obtain statistically valid feedback from a larger sample of residents. In addition, the city should host focus group discussions about these report recommendations and how to advance them when public health measures allow.
- » Evaluate the impact of the increased population and housing growth rate, by housing type, on all areas of the city.
- » Use the five priorities to evaluate new housing proposals when considering additional developments and growth.
- » Evaluate and streamline the current approval process for housing development.
- » Recognize that to achieve the affordable housing goal of 992 units in the next decade, after having built only 98 of the 212 units goal for the past ten years, the Council and City Staff must redouble their current laudable effort and provide the needed financial support and political leadership.

Details, background, and strategies that follow in this report will allow readers to better understand the context and appropriate use of these recommendations. The overarching goal of this report is to provide housing recommendations that will keep Edina healthy and thriving over the next decade.

Working in Special Times

The Task Force wants to note two special circumstances that affected the process of its work, as well as its view of housing in light of economic and socio-political events.

COVID-19: This report was developed during the COVID-19 pandemic, which limited the Task Force's ability to obtain community input through focus group meetings and other means of communication. The Task Force recommends that the goals and recommendations of this report be thoroughly reviewed with the residents of Edina when public health conditions allow. This review can include a better understanding of how the COVID-19 pandemic may influence the future design of housing, at-home workspace, and congregate housing such as senior living.

SPOTLIGHT ON DISPARITIES: The year 2020 was also marked by the social unrest in Minneapolis and across our nation resulting from the killing of George Floyd at the hands of Minneapolis Police. Based on discussions at the regional and state level, there may be greater priority on policies and resource allocation to address racial disparities across systems such as employment and housing. The pandemic and heightened awareness of racial disparities following the George Floyd killing contributed to the context in which the Task Force discussed and evaluated the future of housing in Edina, and will continue to inform future housing priorities in ways that we cannot currently anticipate.



Introduction

Chapter I: Introduction

This report is the culmination of work by the Edina Housing Strategy Task Force, which began meeting in June 2019. The Edina City Council created the Task Force with the following charge:

PURPOSE - Support the City's development of a comprehensive housing strategy.

OBJECTIVE - Gather information, perspectives and provide analysis that assists in the development of a comprehensive housing strategy for the community.

The Task Force had seven members, representing different perspectives and housing experiences in Edina. One member needed to resign, but she was soon replaced with another to maintain a Task Force of seven people. City staff organized and supported the Task Force work, and periodic updates were provided to City Council on Task Force progress. About halfway through the Task Force work, a consultant was engaged to prepare a final report reflecting the Task Force's findings and recommendations.

During its work, the Task Force met 45 times, heard presentations from 10 people (from the Edina Chamber of Commerce, the Edina School District, Metropolitan Council, Center for the American Experiment, and Mapping Prejudice, to name a few), and interviewed 19 people (including developers of affordable, market-rate and senior housing, architects, staff from the Edina school district, and housing and development professionals from nearby cities). The Task Force felt it was very important to have first person presentations and interviews with people to hear a variety of viewpoints and ideas. The Task Force also reviewed dozens of articles, reports, data sets,

and opinion pieces on housing generally and specific to Edina. They discussed points of interest and debated areas of difference.

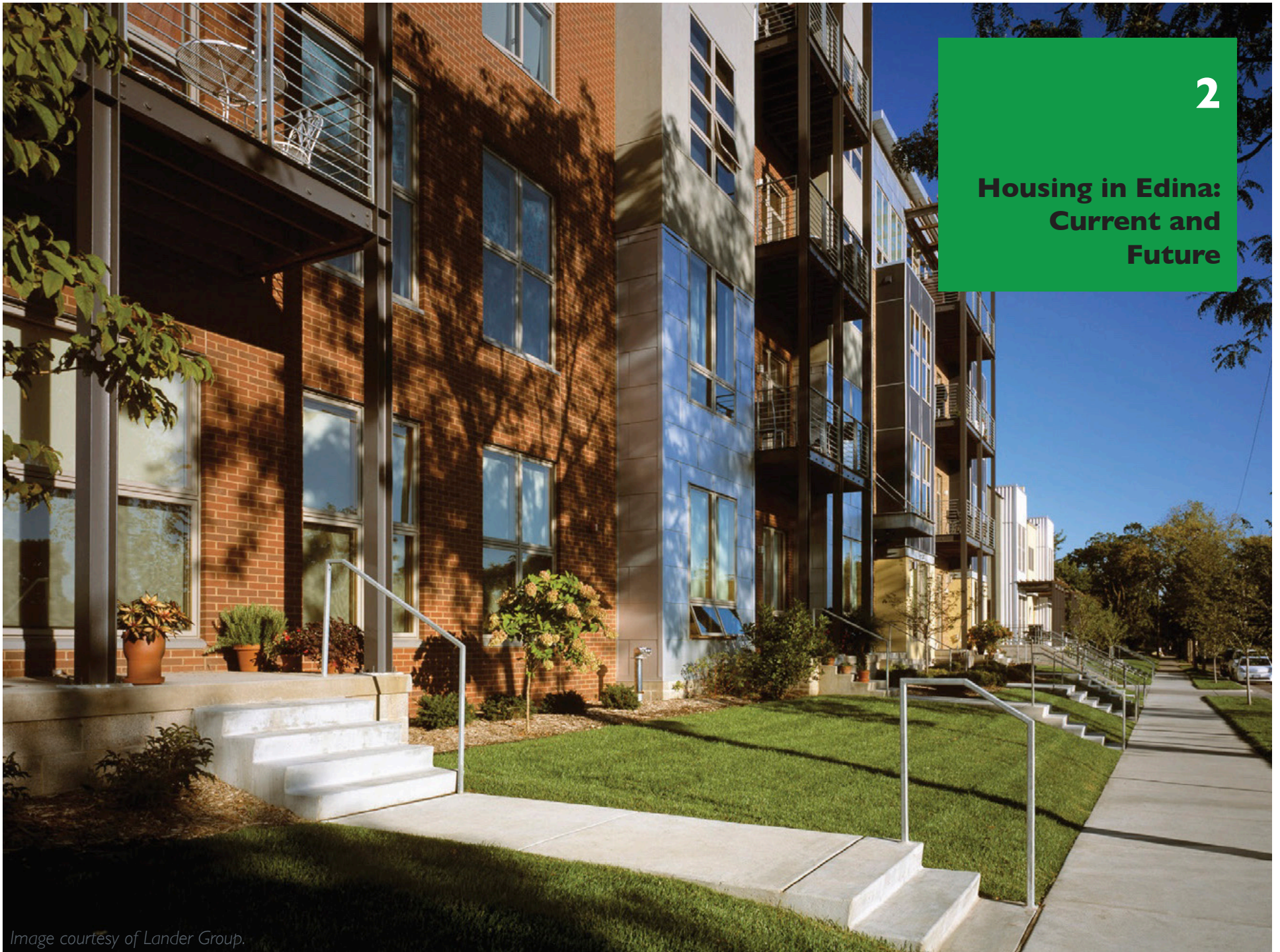
This report provides a synthesis of the group's research, discussions, and topics of shared interest, and recommendations supported by the group. Any single point or item in this report may be viewed a bit differently by each Task Force member, which is healthy and to be expected of a group intended to represent a range of people and ideas in the City of Edina.

This report is organized into three sections:

- » **Housing in Edina – Current and Future**
- » **What Shapes Housing in Edina**
- » **Recommended Priorities for Edina Housing**

Each section builds on the prior section, starting with existing conditions and what is changing, moving to what can influence housing change in Edina, followed by Task Force recommended Goals and Strategies.

This report complements and advances the ongoing work by the City of Edina to proactively address its high-quality mix of housing options.



2

Housing in Edina: Current and Future

Image courtesy of Lander Group.

Chapter 2: Housing in Edina – Current and Future

Edina has the reputation as a desirable place to live with a variety of housing options. The variety of living options provides the foundation for a vibrant city, serving people of different lifestyles, household sizes and incomes.

Housing diversity can be measured in different ways:

- » Housing Type or Style
- » Rental or Ownership
- » Price
- » Assisted or Supportive

Edina housing provides good diversity in a number of these ways and offers more limited options in others. Demographic shifts in Edina, mirroring the United States as a whole, have resulted in an aging population and reductions in family and household sizes. As the age and size of households change, so too does the demand for certain types of housing. If Edina wishes to retain residents with changing housing needs, while attracting new residents who reflect the region's demographic trends, then Edina must consider which policies, programs and regulations will best provide the needed range of housing.



Types of Housing

Opportunity: Enhance Edina’s housing mix with duplexes, triplexes, quads, and townhomes

Edina neighborhoods are primarily composed of single-family homes. 88% of residential land in Edina is used for single-family homes, compared to 12% for multi-family homes.¹ However, due to the greater number of homes per acre in multi-family areas, the 12% of residential land that is multi-family hosts 47% of Edina’s current households. This means that as the City looks to accommodate future growth, it can do so using only a small fraction of the City’s land.

Edina currently offers a good mix of single-family and multi-family housing types, while having relatively few townhomes and 2 - 4-unit housing units. In 2019, the mix of housing types in Edina was:

- » 53% single-family
- » 39% apartments and condos
- » 6% townhomes
- » 2% duplexes, triplexes, and quads

Between 1990 and 2010, the mix of housing types remained fairly consistent, and then began to shift around 2010, with almost all new housing being multi-family. This trend is expected to continue for the foreseeable future.

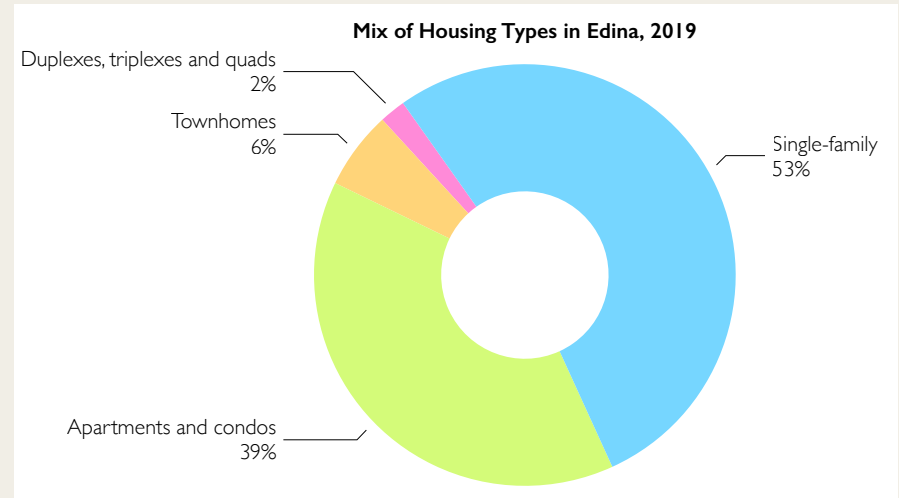


Figure 1: Edina mix of housing in 2019. Source: Metropolitan Council.

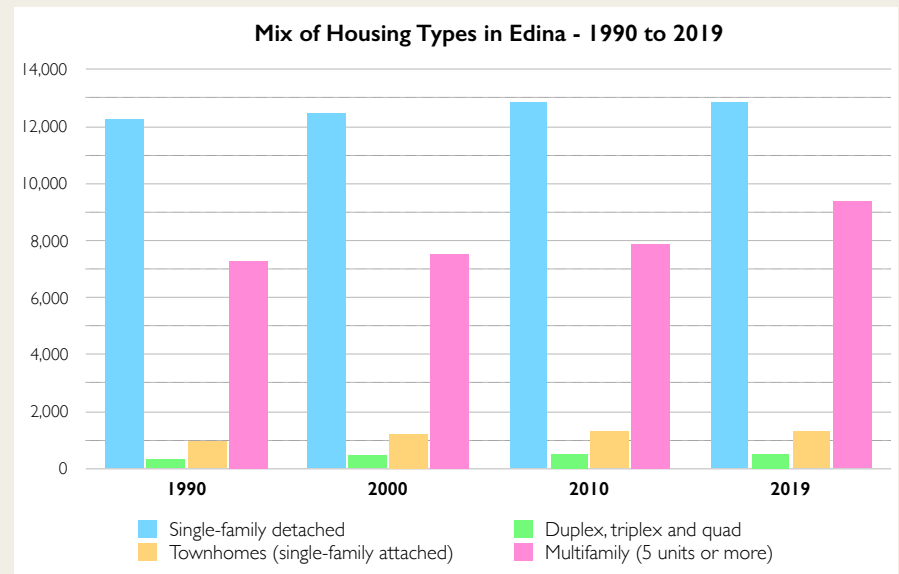


Figure 2: Edina mix of housing since 1990. Source: Metropolitan Council

Single-family detached housing accounts for 53% of Edina’s residential units and occupy 88% of all residential land in the city.



Apartments and condominiums account for 39% of all Edina housing. They are identified as “multi-family” housing, which occupies 12% of Edina’s residential land.



Townhomes account for 6% of Edina housing and are classified as “multi-family”.



Duplexes, triplexes, and quads account for 2% of Edina housing and are classified as “multi-family”.





Figure 3: Continuum of housing types by scale, highlighting “missing middle” types. Source: Opticos Design.

Maintaining a variety of housing and neighborhood options allows people who love Edina to stay there over their lifetime. Long-term residency can deepen community ties, foster strong connections between residents and city institutions, and improve health outcomes for the residents.

“There is strong evidence characterizing housing’s relationship to health. Housing stability, quality, safety, and affordability all affect health outcomes, as do physical and social characteristics of neighborhoods.”

~ *Housing and Health: An Overview of the Literature*²

“Missing middle” housing encompasses housing between the scale of low and high densities, providing both an option to meet needs, and a built form type that can transition between adjacent districts of different levels of scale and intensity. These may include co-housing, duplexes, triplexes, fourplexes, and other smaller scale multi-family types.”

~ *Edina Comprehensive Plan*

“Missing middle” housing is somewhat larger than a single-family structure and smaller than typical multi-family buildings. This scale makes Missing Middle housing adaptable to many residential areas, be they predominantly single-family or multi-family. Missing Middle homes offer the opportunity to create housing variety within neighborhoods, as well as to transition between high density areas and low-density areas.

Missing Middle housing is gaining in market popularity, and Edina’s demographic trends show growth in the areas with greatest preference for these housing types. If Edina wishes to match people’s interest in these housing forms and diversify its housing stock, then it will need to proactively foster them with tools such as focused zoning districts, flexible design standards, targeted finance programs for affordable midsize housing, and outreach to specialized builders.

“With the overall aging of the population, more households are looking for greater convenience and less space in their housing and are selecting twin homes, detached townhomes, and condominiums.

Typically, the target market for owned multi-family housing is empty-nesters and retirees seeking to downsize from their single-family homes.

In addition, professionals, particularly singles and couples without children also seek these products if they prefer not to have the maintenance responsibilities of a single-family home. In many housing markets, younger households also find purchasing owned attached housing more affordable than purchasing new single-family homes.”

~ Maxfield Housing Study 2020

“MISSING MIDDLE” HOUSING is a Housing Diversification Opportunity for Edina



Rental and Ownership

Opportunity: Increase the proportion of housing that is rental and alternative ownership models.

Edina's mix of rental and ownership housing has remained steady for four decades, at around 73% ownership and 27% rental. This homeownership rate is about 10% higher than Hennepin County and about 5% higher than the Twin Cities region.

The proportion of rental housing in Edina has been stable and is similar to the proportion regionally. Therefore, is there any reason for Edina to take an active role in encouraging that mix to change? The answer is 'yes' according to the Maxfield Housing Market Study for Edina, completed in April 2020.

Lifestyle changes impact housing demand. The increasingly busy lives of adults and children has meant less time to maintain a single-family home and lot. Other reasons that people rent include convenience, seasonal residency, and financial considerations. Nationally, the fastest-growing group of renters are high-income people who choose renting over owning.

In addition to rental, market interest in other alternatives to traditional home ownership have grown. More people are exploring options such as cohousing, cooperatives, and land trusts. Cohousing provides unique social amenities such as congregating dining, movie night, or other activities as decided on by the residents. Land trusts and limited equity cooperatives are designed to provide more affordable ownership, with varied ability to benefit from equity if the

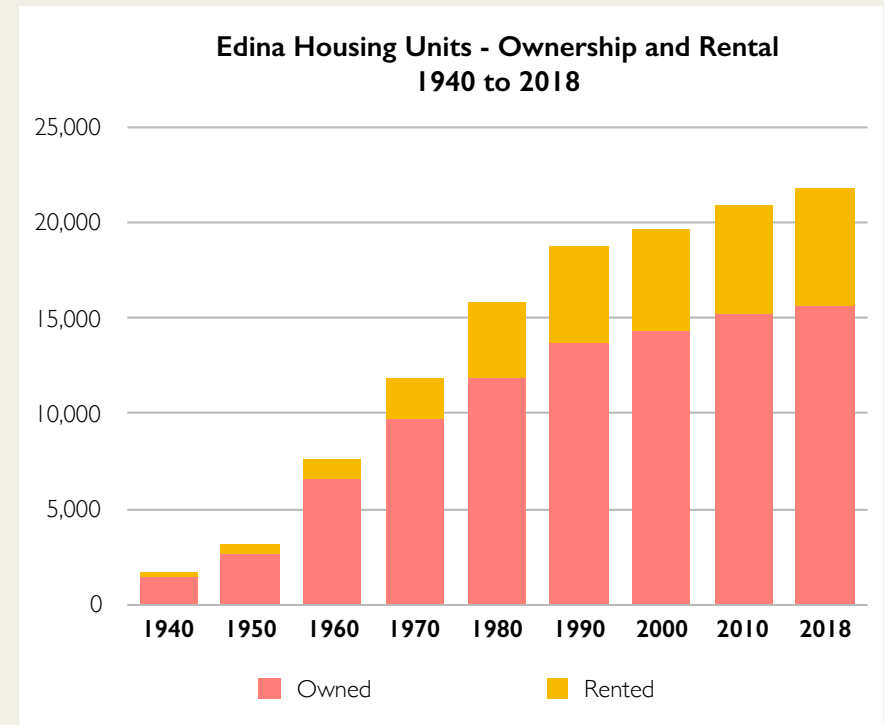


Figure 4: Mix of ownership and rental homes in Edina since 1940. Source: Metropolitan Council / US Census.

property appreciates. Each is described briefly below and can apply to different styles of housing.

COMMUNITY LAND TRUST – A community land trust (CLT) is a nonprofit, community-based organization that provides perpetually affordable homeownership opportunities. In the truest sense, a CLT acquires land and removes it from the speculative, for-profit, real estate market. CLT's hold the land they own "in trust" for 99-years for the benefit of the community by ensuring that it will always

remain affordable for homebuyers.³ The land is leased back to the homeowner through a land lease.

A Local Example - *Since 2007, the City of Edina has supported the West Hennepin [County] Affordable Housing Land Trust (WHAHLT), also known as Homes Within Reach (HWR), through the allocation of some of Edina's Community Development Block Grant program funds.*

Since that time, 14 houses have been placed into a Land Trust to remain affordable for 99-years. HWR establishes affordability by using the Community Land Trust practice to acquire and retain the ownership of real property, rehabilitate, and then sell the improvement (home) to buyers earning less than 80% Area Median Income (AMI).

The HWR Community Land Trust program removes the land value from the mortgage equation to create initial affordability. The home costs less than market rate homes because HWR buyers purchase only the house and enter into a Ground Lease with WHAHLT-HWR to secure the long-term rights and use of the land. This land trust practice offers long-term affordability, where each affordable home will offer homeownership to 7-12 families throughout the life of the lease. The homes are made permanently affordable for work-force homeowners through two contractual provisions embedded in the Ground Lease.⁴

COHOUSING –A multi-family building or cluster of single-family homes with separate living space for households that includes communal areas such as gardens, kitchens, gathering spaces. Cohousing residents consciously commit to living as a community. The neighborhood's physical design encourages both individual space and social contact. Most cohousing communities use some form of consensus as the basis for group decision-making on community expectations, social events, and property care.

COOPERATIVE HOUSING – A legal ownership arrangement where members own a share of the property (rather than an individual unit)

which often includes one or more multi-family buildings or even a group of detached houses owned by the cooperative, and where share owners are members and have rights to occupy one housing unit. Some cooperatives are a “limited equity cooperative.” A limited equity cooperative (LEC) is a cooperative model in which residents commit to resell their share at a price determined by formula—an arrangement that maintains affordability at purchase and over the long term. Cooperative share owners enjoy all the tax advantages of home ownership regarding the deduction of interest and property taxes under State and Federal tax law. In Minnesota, many recent cooperatives have been for seniors.



The [Monterey Cohousing Community](#) in St. Louis Park.

Demand for single-family ownership housing in Edina will remain strong, but opportunities to expand the number of ownership opportunities are extremely limited under current city zoning. The best opportunity to open up single-family options for new households in Edina is through turnover. An increase in rental and alternative ownership housing in Edina will give some existing single-family residents who are ready to downsize the option to move within the community, freeing up their homes for new owners. Without alternatives, people with more limited incomes may remain in their existing single-family home to avoid the cost of new housing and the expense and stress of a move.

An increase in housing options enables the city to better meet the rising demand for rental or alternative ownership housing among empty nesters, seniors, young families, and limited income households who wish to live in Edina.

RENTAL HOUSING AT ALL PRICE LEVELS and ALTERNATIVE OWNERSHIP HOUSING are Housing Diversification Opportunities for Edina



7500 York is a 337-unit, limited equity senior cooperative. Source: Thomas Koon.

Housing Prices

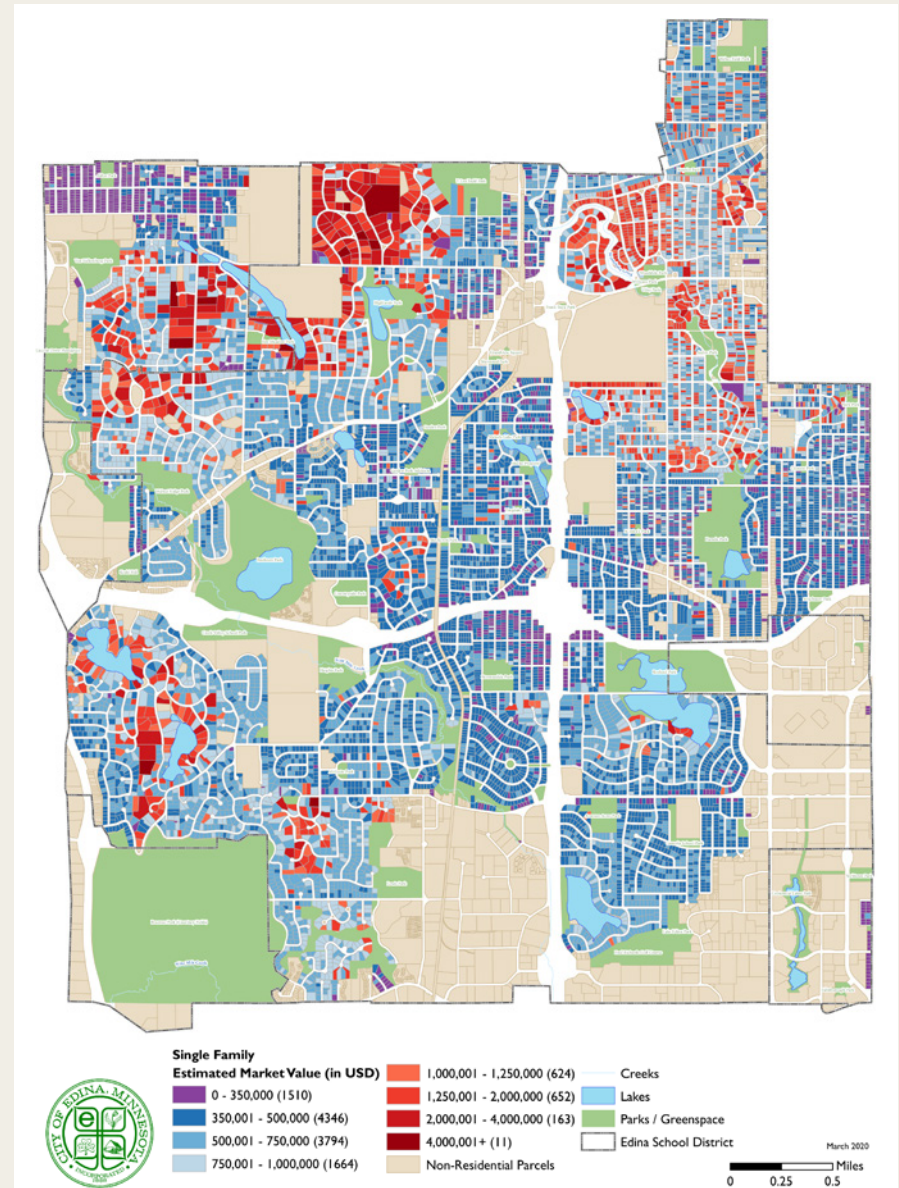
Opportunity: Provide more housing that is affordable to people who make less than average median income.

Edina's desirability has made it one of the most expensive places to live in the region. This map shows the estimated price of single-family homes in Edina. The distribution of single-family housing prices in Edina is:

- 11% - \$1 million or higher
- 43% - \$500,000-\$1 million
- 34% - \$350,000-\$500,000
- 12% - <\$350,000

Map 1 shows homes in Edina color coded by price level, with red at the high end of homes valued over \$1 million and purple at the low end of homes valued at \$350,000 or less. According to the City Assessor, in 2020 the average home value in Edina was \$548,500. In Hennepin County it was \$289,990.⁵

The strong demand for Edina living exceeds the available homes, putting upward pressure on home prices. When neighborhoods become more expensive, the number of people who can afford to live there shrinks and some people move out in search of less expensive housing or cannot afford to move in. Seniors on fixed incomes, young families, and local workers in medium to low wage jobs are disproportionately impacted by this phenomenon.



Map 1 - Estimated single-family home values in 2018. Source: City of Edina.

“In the 2019 Edina Quality of Life survey, 35% of respondents stated the most serious issue facing Edina is housing [including teardowns, overdevelopment and affordability]. Most respondents listed the number of housing options in Edina as fair and the availability of affordable housing as fair to poor.”

~ Maxfield Housing Market Study, 2020

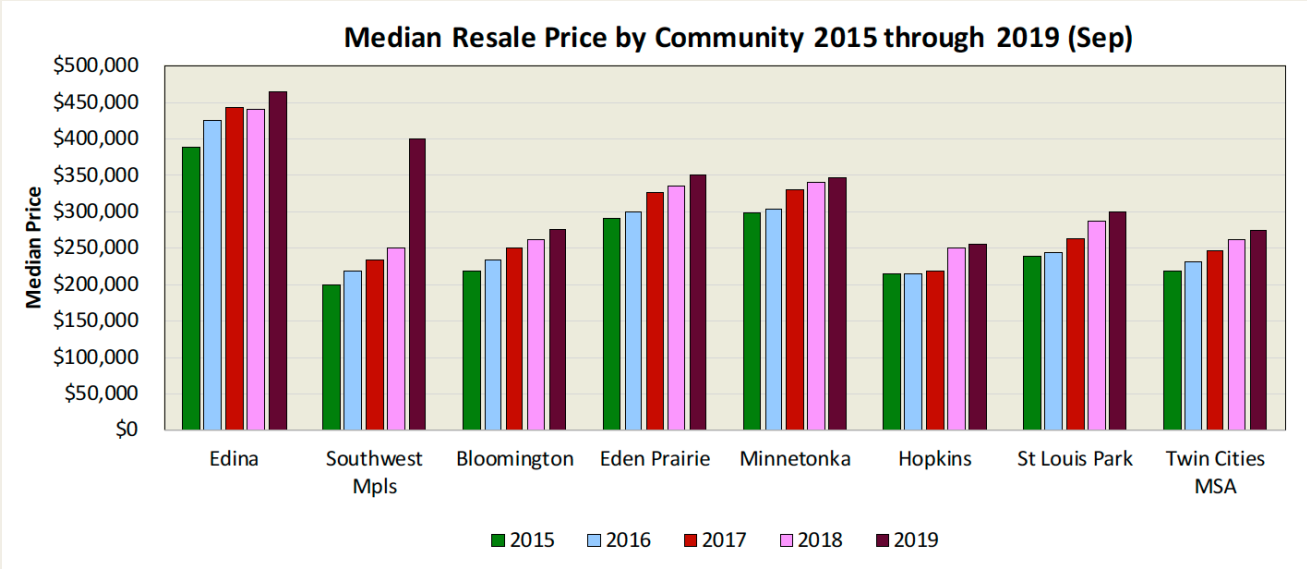
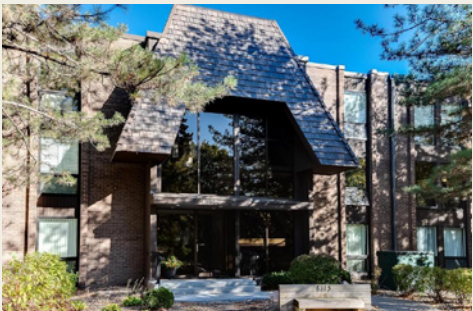


Figure 5: Comparison of Edina home sale prices to other nearby areas. Source: Maxfield Housing Study, page 66.

The availability of entry level or affordable homes has been further impacted by the moderate priced homes being acquired, demolished, and replaced with luxury homes. Between 2008 and 2019, 886 permits were issued for teardowns and replacement houses. The peak was in 2014 when 115 permits were issued. According to the Maxfield Housing Market Study, the average price of a home torn down in Edina has been in the mid \$400,000s and the average value of the replacement house has been \$1.2M. The Task Force recognizes that there is little the City can do to preserve the more moderate priced homes due to private property laws. Nonetheless some programs could be explored to incentivize the preservation of these houses.

There are several ways to talk about the price of housing and housing affordability. Affordability can be defined in the traditional sense, relative to Area Median Income, or it can be thought of in relation to what people are able to pay. Here are some common terms used to talk about the price of housing:



Edina homes for sale in December 2020 priced around \$350,000, the amount considered affordable to a family of four earning the Average Median Income in the Twin Cities region in 2020. Source: Realtor.com.

MARKET RATE - Housing sold or rented on the open real estate market, with no subsidy, program, or contractual obligation that limits the price. “Market rate” does not define housing value, it may be very expensive or very inexpensive, depending on the size, location, quality, age, and other factors.

HOUSING AFFORDABILITY - Housing is defined by HUD, lenders, and other government agencies as ‘affordable’ when it costs 30% or less of the household’s gross income.

The Twin Cities Metropolitan Council measures affordability using Area Median Income (AMI). Affordable Housing may or may not be subsidized and it may or may not have contractual limits on the rent or sales price. Low to moderate income affordability is defined at four levels:

- » Extremely low income (30% or less of AMI, or \$31,000 in 2020))
- » Very low income (30% to 50% of AMI, or \$51,700 in 2020)
- » Low income (50% to 80% of AMI, or \$78,500* in 2020)

* The 80% AMI value is capped at the Area Median Income for the United States as a whole. See Appendix III for more detailed information on affordability thresholds.

NATURALLY OCCURRING (MARKET RATE) AFFORDABLE HOUSING (NOAH) - Homes that are affordable because the market price or rent falls into a range that can be considered affordable to a low- or moderate-income household.

Subsidized Affordable Housing - The Twin Cities Metropolitan Council measures affordability using Area Median Income (AMI). Affordable Housing may or may not be subsidized and it may or may

not have contractual limits on the income of the residents and/ or rent or sales price.

ATTAINABLE HOUSING - Housing that meets affordability thresholds for moderate income households, between 80% and 120% percent of the Area Median Income.

- » Moderate income (\$78,500 to \$118,910 for a family of four in Edina in 2020)

WORKFORCE HOUSING - The National Association of Realtors defines workforce housing as being affordable to workers and close to their jobs. It includes ownership, and rental homes that can be reasonably afforded by a moderate to middle income, critical workforce and located in acceptable proximity to workforce centers.⁶

HOUSING COST BURDEN occurs when a household’s housing costs exceed 30% of the household gross income, regardless of the level of income.

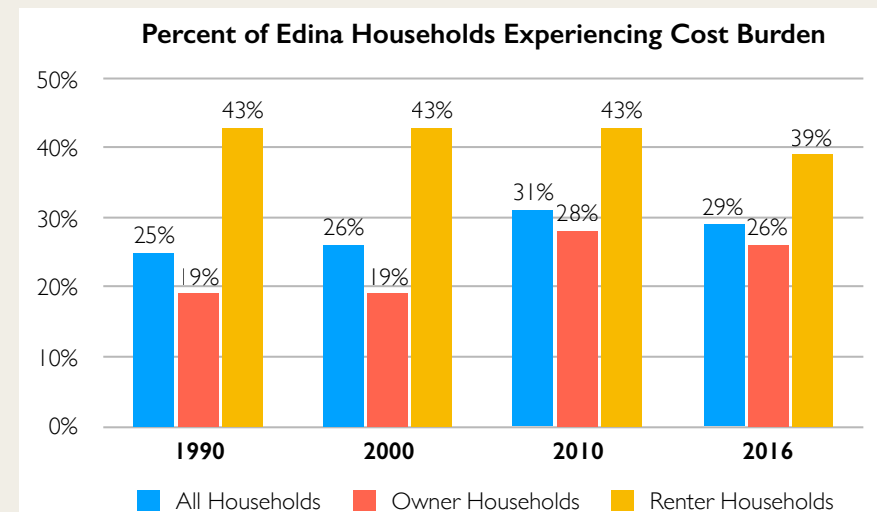


Figure 6: Rates of cost burdened households in Edina. Source: Metropolitan Council / US Census.

- » For renters, housing costs include rent and utilities
- » For owners, housing costs include mortgage principal and interest, property taxes, property insurance, utilities, and other fees.

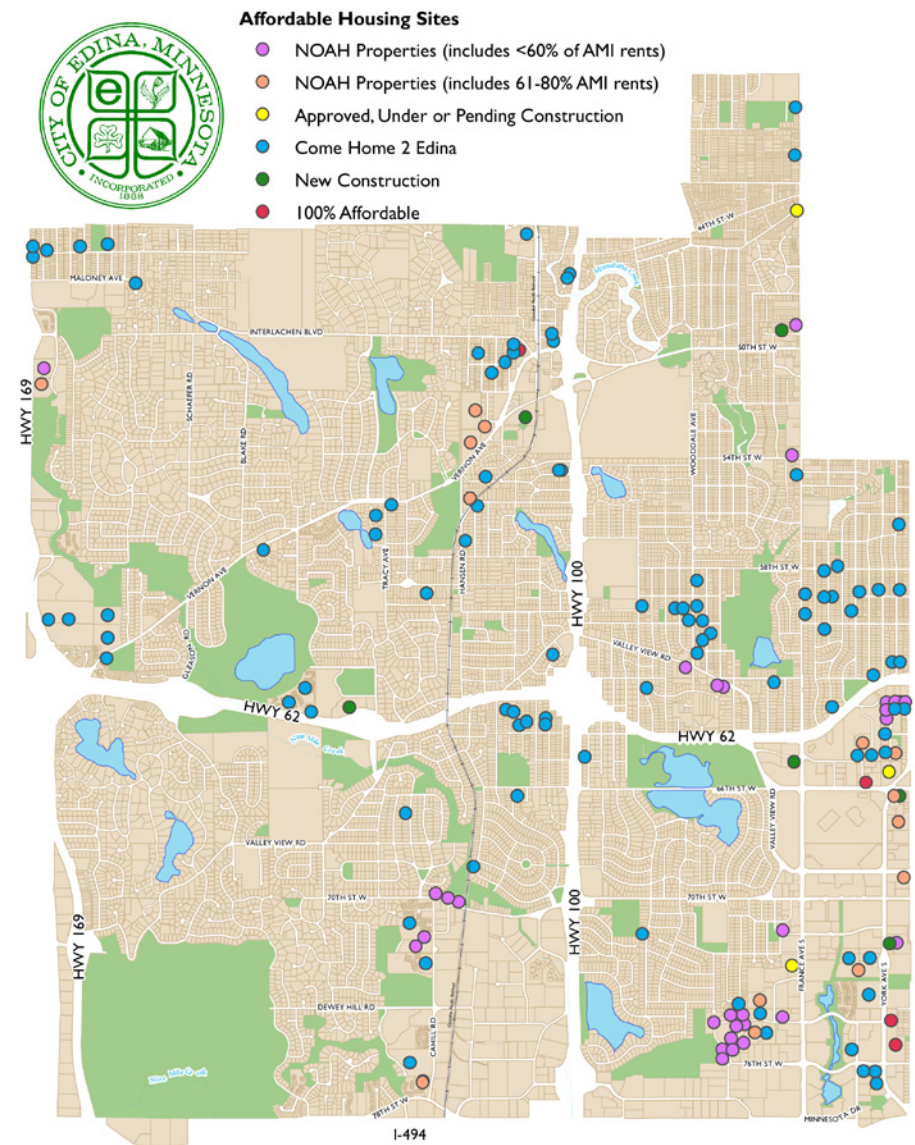
“Americans may choose to spend substantially on housing to live in neighborhoods that provide access to health-promoting features such as schools and parks. However, a lack of affordable housing options can affect families’ ability to make other essential expenses and can create serious financial strains.”

~ Housing and Health: An Overview of the Literature, Lauren Taylor, June 7, 2018⁷

Figure 6 shows that nearly one third of Edina households were cost burdened in 2016. Renters are more likely to experience cost burden in Edina than homeowners. People at any income level can experience cost burden if they pay more than 30% of their income for housing.

For example, if a household’s income is \$100,000, then the household would be classified as “cost burdened” if their annual housing expense exceeded \$30,000, or said another way, if their home cost more than \$370,000 (depending on the interest and term).

This map identifies all existing structures in the city that have affordable units, regardless of how they are financed. It includes a mix of rental and ownership. The pink and orange dots show properties that have a market price that makes them affordable without subsidy (NOAH) to households with annual incomes less than 80% and 60% of the Area Median Income (AMI). Yellow, red, and green dots show subsidized affordable developments contractually obligated to be priced at or below 60% of AMI. The blue dots represent homeowners who received second mortgage



Map 2: Ownership and rental properties affordable to households in Edina making at or below 60% AMI, as of 2020. Source: City of Edina.

financing through the Come Home 2 Edina program. At the time of acquisition, the homes needed to be valued below a certain threshold that has changed over time. When the homes sell there is no obligation to remain affordable.

Here is information about multi-family housing built in Edina between 2010 and 2020

- » 100% of affordable housing options are rental.
- » 7% of the rental units built are affordable.
- » 0% of affordable housing options are ownership.

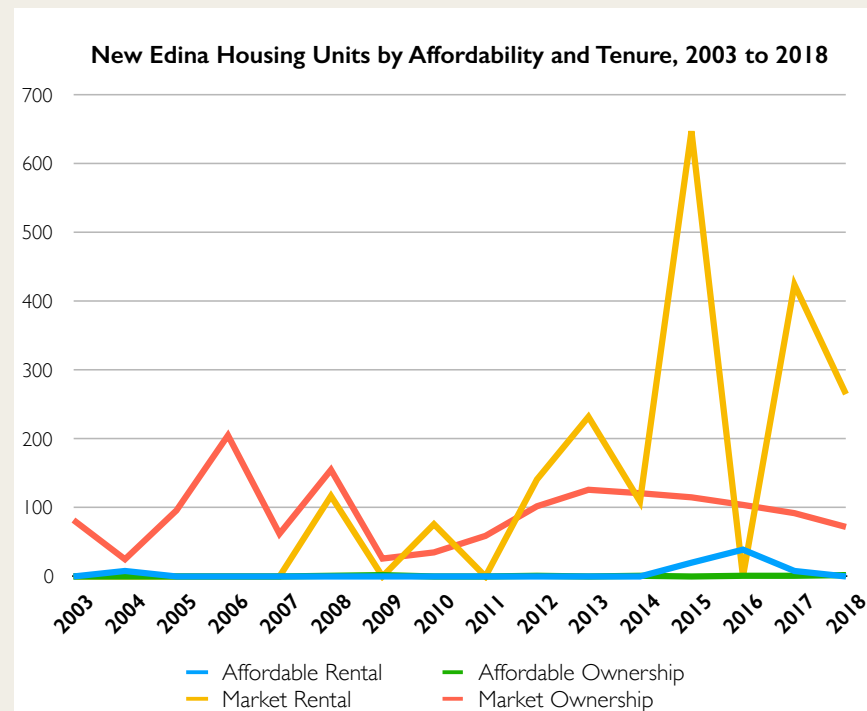


Figure 7: Market and affordable housing units built since 2003. Source: New housing permits in Edina.

Affordable homes, both rental and ownership, tend to be older.

- » 100% of affordable ownership housing was built before 1990 and all are multi-family (condominiums).

Since the 1970s, the pace of adding subsidized affordable units in Edina slowed.

- » 33% were built in the 1960s
- » 38% were built in the 1970s
- » 10% have been built since the year 2000

Of new housing units built in Edina over the 15-year period from 2003 to 2018, 97% were market rate and only 3% were subsidized to make them affordable to people making less than 60% of Area Median Income.

Naturally Occurring Affordable Housing (NOAH) units across the Twin Cities have rising values/rents due to increased demand, including in Edina. Existing homes that were previously affordable at or below the 60% level have increased in price beyond that affordability, decreasing the City's net stock. It is prudent to look at the net stock of affordable units in Edina each year to understand how affordable units being added may or may not replace those that are lost. The City began an annual count of multi-family NOAH properties in 2019, to track trends in the gain or loss of NOAH inventory.

"There is a demand/ need for more modest homes across the Twin Cities and in Edina... particularly housing targeted to entry-level buyers (i.e. low to mid-\$300,000s)."

~ Maxfield Housing Market Study 2020

How New Multi-Family Housing Impacts Nearby Home Values

The potential impact of new housing construction on the value of existing homes is frequently questioned. The most common questions follow, with research findings on each.

1. At a regional level, does increasing the supply of housing in an area help to bring down the price of existing housing, because the increased housing supply reduces the inflationary price pressure of unmet demand?

YES - Economists and policymakers share a consensus that building more homes, and thereby increasing supply, drives down housing prices within a market. New research is emerging on how adding homes affects affordability of homes within a few blocks of new apartments. A 2019 study from the Upjohn Institute⁸ found that on a macro level, such as a metropolitan region, the effect of adding housing units at any price, reduces upward housing cost pressures, making the region's housing more affordable than it would have been without the added housing.

“New market-rate construction loosens the housing market in such areas and, moreover, could do so in less than five years. This implies that market-based strategies can play an important role in improving housing affordability for middle- and low-income households.”

2. At a local level, does the addition of affordable housing decrease the value/cost of nearby properties?

NO - Research⁹ shows that building an apartment building near single-family homes does not decrease their value. In a 2016 article posted on Trulia (a subsidiary of Zillow) entitled “There Doesn’t Go the Neighborhood: Low-Income Housing Has No Impact on Nearby

Home Values,” concluded that in the nation’s 20 least affordable housing markets, low-income housing built during a 10-year span shows no effect on nearby home values. A few years earlier, the locally based Family Housing Foundation concluded the same.

“Whether in the Twin Cities or elsewhere in the country, the evidence is overwhelming: providing quality housing that lower-income families can afford poses no threat to area property values.”

~ “Affordable Rental Housing Does Not Reduce Property Values: Evidence from the Twin Cities” Family Housing Fund study, May 2014

3. At a local level, does adding new market-rate housing drive up the cost/value of nearby rental properties?

IT DEPENDS - Recent studies¹⁰ indicate that adding new apartments has a small, but statistically significant effect on nearby rental properties, lowering their value (rent) slightly immediately after construction. The higher the rent of the nearby units, the more noticeable the short-term price drop will be. The research finds that the impact on very low-rent apartments nearby is mixed, showing both small decreases and small increases in rent following construction of a new apartment nearby.

**MODERATE TO LOW-INCOME
HOMEOWNERSHIP and RENTAL are
Housing Diversification Opportunities
for Edina**



“The City recognizes the need to provide affordable housing in order to create and maintain a diverse population and to provide housing for those who live or work in the City.”

~ Edina Affordable Housing Policy

Assisted and Supportive Housing

Opportunity: Expand housing options for residents seeking specialized design, services, or care.

Thousands of Edina’s residents need some form of support or assistance to maintain their health and home. This includes some seniors on fixed incomes, people with physical and cognitive disabilities, and people who have other barriers to maintaining stable housing without support. The Maxfield Housing Market Study shows that of an estimated 4,883 people in Edina with physical or cognitive disabilities that may impact their housing options, 271 are children under the age of 18, 1,235 are adults 18 to 64 years of age, and 3,377 are over the age of 65. The proportion of Edina residents with disabilities is slightly less than the greater metro area. Edina currently offers limited housing options for this population, which includes the varied levels of direct support some people with disabilities need to live independently.

Assisted Living

“Assisted Living” provides a semi-independent living option for people with disabilities or adults who cannot live independently. This type of housing is an important part of the “Lifecycle Housing” spectrum.

There is no universally accepted definition of an Assisted Living housing development. These properties can provide various levels of care and a diversity of services, ranging from basic board and assistance with household chores, to medication management and bathing assistance and limited Registered Nurse support. They usually

include common areas for socializing. Living space may consist of independent apartments, hotel-like rooms, or congregate living.

Supportive Housing

Supportive Housing tends to be more clearly defined. “Supportive housing combines affordable housing with services to help people who face the most complex challenges to live with stability, autonomy and dignity,” as described by the nonprofit Corporation for Supportive Housing. It is an effective housing model for individuals and families moving out of homeless and who also have serious and persistent issues including chronic physical or mental illness, substance use disorders and disabilities.

While the cost to construct and operate supportive housing is higher than traditional affordable housing, research indicates that supportive



housing reduces use of homeless shelters, hospitals, emergency rooms, jails, and prisons. Research also shows that supportive housing interrupts cycles of homelessness.¹¹ Furthermore, the data shows that the deep development and operating subsidies required to own and manage supportive housing properties are financially neutral or a net benefit to communities.

“Lifecycle housing [offers] a full range of housing options for all stages of life, from starter homes through continuum of care, so people can live their whole lives in Edina as they choose.”

~ Edina Comprehensive Plan

Intersection of Assisted, Supportive, and Affordable Housing

The need for assisted living, supportive and affordable housing options overlap in providing homes for many people with disabilities. People with disabilities tend to have lower incomes than the general population. According to the American Psychological Association and 2015 United States Census Statistics, the typical disabled person in the United States makes 66% of the average median income. A disproportionate number of disabled persons and their households have incomes at or below the 80% Average Median Income limit and need affordable housing. The American Institute for Research noted that disabled Minnesotans with a bachelor's degree had a disparity in income of \$18,000. A Cornell University analysis of 2018 U.S. Census data found that 25% of disabled persons in Minnesota who live outside an institution, live in poverty.

People with disabilities typically have higher medical costs, further straining their household budgets. A higher rate of disabled individuals may not marry or have a significant other, which limits

household wealth and income in the era of two income households. Household expenses are strained by the cost of added therapies, support, learning resources, and medical requirements for a disabled child or adult family member. Households with a severely disabled child may be limited in their income because one parent stays home to care and out of the paying workforce, since needs based daycare may be hard to find. The Minnesota Housing Partnership in 2018 cited that 27% of households in Minnesota with extremely low incomes were disabled. In the United States, nearly 40% of those households with a worst-case housing problem and 43% of those in homeless shelters have a self-reported disability.

In discussions with special education teachers in the Edina Public Schools and statistics around the country there is a noted increase in children diagnosed on the Autism spectrum, other learning disabilities and Attention Deficit Disorder. While these disorders have a large range, many with these diagnoses will have trouble commanding higher incomes in the workforce because of challenges in obtaining advanced education, going through the job interview process, or advancing in careers. Yet these children and their parents' want to live as independently as possible and require affordable or supportive housing.

Those with milder disabilities will need affordable or workforce housing designed for singles or families with children. Those with significant disabilities need age appropriate congregate or supportive housing units. To meet the needs of current and future Edina residents with significant disabilities more housing is needed. The cost to construct and operate supportive housing is higher than average housing, requiring deep development and operating funds and specialized agencies to own and manage the properties.

Assisted and supportive housing is important to meet the needs of current and future Edina residents. In adding these options, it is important to recognize that many of these residents are also income constrained and a significant proportion of these housing types groups will need to be affordable.

“The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Edina: older adult and senior residents can relocate to new age-restricted housing in Edina and existing homes and rental units that were occupied by seniors become available to other households.”

~ Maxfield Housing Market Study 2020

SENIOR AND SUPPORTIVE HOUSING OF ALL TYPES is a Housing Diversification Opportunity for Edina



Avidor is a rental community in Edina for people 55 years and older. Source: Tom Koon.

3

What Shapes Housing in Edina?



Chapter 3: What Shapes Housing in Edina?

The housing that exists in any community is the result of policies and decisions made over time. To influence housing in the future there are a number of options (such as policies, programs, plans, guidelines) that the city can use. Understanding how these options may have been used in the past, how they interact with one another, and how they could be used in the future, will ensure intent and outcome.

This task force has identified the following as forces shaping housing in Edina:

- 1) Policy and Principles
- 2) Community Drivers
- 3) Demographics and Housing Trends
- 4) Regulations
- 5) Financing
- 6) Outreach



I. Policy & Principles

Public feedback about new development proposals can be strong, with people speaking for or against a project based on issues (or perceived issues) such as traffic, environmental impact, and impact on property values. Public officials should consider their constituents' input carefully and measure the issues raised based on what is technically or legally relevant and within city control. In order to meet the city's housing needs into the future, there needs to be the political will to make tough decisions and allow for flexibility and creativity in future developments in Edina.

Past Attitudes and Housing Policies

The history of zoning is based on the premise that some land uses are incompatible with one another, with one use having negative consequences to the health, safety, and welfare of the other use. Zoning provides a legal means to segregate certain uses from one another, such as a heavy industrial use and a residential area.

Edina's Planning Commission frequently reviews zoning requests and studies elements of the zoning code that have unusually high incidents of variance requests. Following adoption of the 2030 Comprehensive Plan around 2010, variance requests for multi-family housing projects became frequent, because the number of limitations in the code made it financially challenging and sometimes impossible to develop projects without variances. These limitations made it particularly difficult to produce affordable housing.

The recently adopted 2040 Comprehensive Plan addressed some of the more prohibitive issues by amending the allowed uses within certain districts. It also identified zoning code revisions that could

reduce the cost of new or rehabilitated housing. The Edina Planning Commission is already studying potential zoning changes, which it could recommend to the City Council.

To help understand where the City should go, it is important to understand where we have been. Separating certain uses from one another makes sense. The question is how much separation is prudent and when does government regulation overstep.

When zoning began in the United States,¹² it was used sparingly. In 1899 Washington D.C. enacted zoning to limit building height. In 1908, Los Angeles adopted zoning to prevent industrial uses from moving into residential areas. However, zoning codes across the country evolved to separate almost all types of uses. Zoning districts were designated for one type of use – industrial, commercial, or residential. That later evolved into districts for subsets of use, such as heavy industrial and light industrial, large scale commercial from neighborhood commercial, and differentiated residential districts by type and density of housing - and race.

“What began as a means of improving the blighted physical environment in which people lived and worked, [became] a mechanism for protecting property values and excluding the undesirables.”

~ Yale Rabin, Urban Planner and Professor

In “[The Color of Law](#),” Richard Rothstein documented 1910 zoning codes that included explicit racial zoning. People of certain races were prohibited from living in certain zones. After this was deemed illegal by the United States Supreme Court in 1917, many zoning codes were written to allow only expensive, large homes on large lots. They also prohibited less expensive duplexes and small

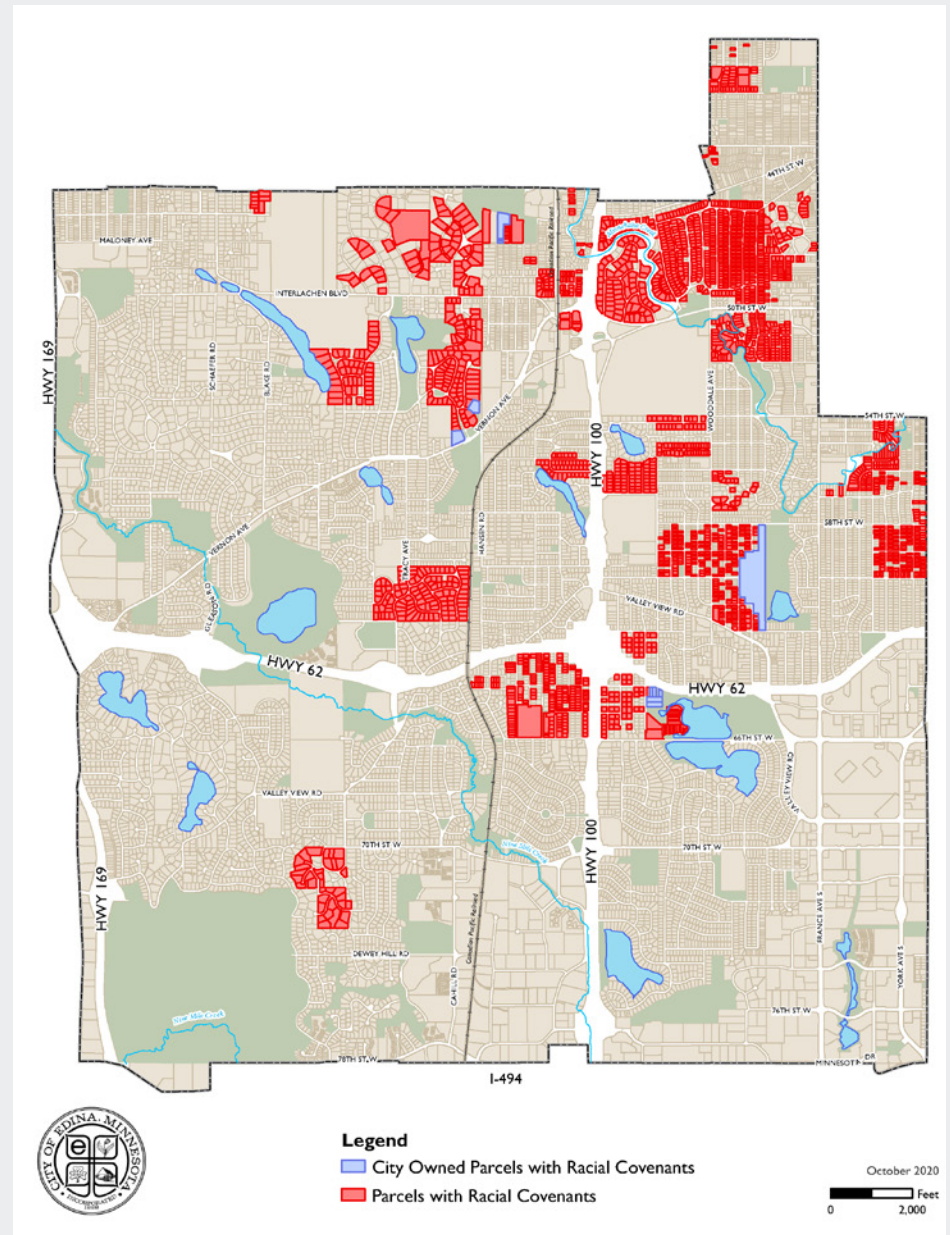
apartment homes. Black people and people of color were systematically excluded from economic opportunity, and zoning rules requiring expensive homes took advantage of economic barriers to separate communities by race. Now called “exclusionary zoning,” these requirements have the effect of pricing out households with lower incomes.

Citing concerns about crime and property value declines from white buyers, some housing developers added clauses to property deeds that included racially restrictive covenants. In Minneapolis, people began using racial covenants to segregate neighborhoods in 1910. The first documented use in property deeds in Edina is in 1916. The [Mapping Prejudice](#) project has documented where racially restrictive covenants were used across Hennepin County. While these covenants are no longer legally enforceable, they have created persistent racial segregation patterns. This map shows lots in Edina that had or still have (unenforceable) racially restrictive covenants.

“Planning that regulated urban development through implementation of master plans and capital improvement programs, as well as through a more subtle sort of “racially informed zoning,” helped to create the racially bifurcated social geography of most contemporary American cities.”

~ Christopher Silver, “The Racial Origins of Zoning in American Cities” 1997¹³

In Edina as elsewhere, local zoning and land use rules directly impact the type, location and price of housing allowed in a community. Requirements on lot size, lot coverage, landscaping, building materials used, and minimum building size all drive the cost of housing.¹⁴ For developers of affordable housing, strict requirements translate to needing a higher level of subsidy per unit to make them home affordable.



Map 3: Parcels in the City of Edina that had or still have racial covenants recorded on the property deed. Source: City of Edina.

Understanding the history of exclusionary housing policy helps people recognize housing regulations that may reinforce patterns of income exclusion. It is a matter of personal opinion whether active zoning measures should be taken to reduce the income segregation created by past housing policies.

Edina's Housing Policy Vision

Edina seeks to be a welcoming, diverse, and inclusive community for all who live, work, and spend time in the city. Furthermore, Edina is committed to creating a community where every person can contribute, thrive, and enjoy the benefits of all that our city has to offer. Edina is committed to ensure that there is no systemic racial discrimination that limits any person from living anywhere that they wish in Edina. Moreover, the City has put processes and resources in place to support the continuing growth of economic diversity by welcoming new residents of varied economic strata. The Task Force believes that the Goals and Strategies that are proposed in this report make a positive contribution to continuing this growth in making Edina an open and welcoming community with housing opportunities for all.

The City of Edina has taken active steps in recent years to provide and support housing for new residents across the economic strata. Prior to the creation of this Task Force, the City of Edina took steps in recent years to articulate and act on its vision and values for housing. The Task Force believes that all of these actions have been instrumental in continuing to make Edina a welcome home for all families.

- » In 2015, the City of Edina passed an Affordable Housing Policy for new multi-family housing developments. This applied to housing proposals that require a zoning change or financial

support. Prior to this policy, the City was behind its prior Comprehensive Plan goal of 212 new affordable units. The 66 West project had been the only affordable housing development in Edina's recent history.

- » In 2016, the City Council of Edina commissioned the Race and Equity Task Force, resulting in the Race and Equity Initiative Final Report and Recommendations, issued on June 26, 2018.
- » In 2018, the City created a new position in the Planning Department and hired its first housing specialist. This staff person, the Affordable Housing Development Manager, is tasked with pursuing and advancing new affordable housing projects in Edina. In 2019, Edina hired its first Race and Equity Coordinator, another step toward becoming a more racially inclusive and equitable community.
- » In 2020, the City Council approved an ordinance amendment that requires all new residential developments with over 20 units to designate some of those as affordable, even if a development does not require city financing or approval as a Planned Unit Development. The housing developer may opt out of including the affordable units if they make payment to the city in lieu of incorporating them. The city can then use these funds to subsidize affordable housing units in future projects.

- » Since the Affordable Housing Development Manager has been retained, the City has taken these additional steps to support affordable housing:
- Passed the Fair Housing Policy
 - Created the Affordable Housing Trust Fund
 - Included Non-discrimination of Housing Choice vouchers and the requirement for an Affirmative Fair Housing Marketing Plan in the Affordable Housing Policy and Ordinance
 - Amended an ordinance to reduce the hookup fees to sewer and water for new developments, if certain conditions are met
 - Adopted a rental housing licensure program
 - Adopted a finance program to help preserve NOAH properties
 - Received grant funds to enhance the tree canopy on affordable housing sites

All of these actions demonstrate Edina's commitment to be a more racially inclusive, equitable and welcoming community.

The Edina Comprehensive Plan

Communities are complex ecosystems influenced by many interrelated factors. Housing is one element in the ecosystem -- shaping and being shaped by other elements. When housing projects are proposed it can be tricky for City policy makers to make data driven housing decisions since housing preferences are often based on personal opinions and lifestyle choices. It is human nature to resist change in your immediate environment, even if you might support it in principle. The NIMBY (Not In My Back Yard) objections of neighbors to projects can occur in any area. In light of this response to projects, it is important that policy makers have clear guidelines for evaluation and decision making. Housing decisions should be vetted through a consistent set of criteria, which take into account the welfare of the entire city. This is where the Edina Comprehensive Plan comes in.

Every 10 years, the State of Minnesota and the Twin Cities Metropolitan Council require each city in the region to update their Comprehensive Plan. The plan sets policies, goals, and strategies in the areas of Land Use, Housing, Transportation, Water, Environment, and other systems. A Comprehensive Plan update requires extensive engagement from the community and is guided by regional growth forecasts from the Metropolitan Council. The City of Edina began its last update process in 2016 and formally approved its new Comprehensive Plan in 2020.

Metropolitan Council Affordable Housing Allocation for Edina

The Metropolitan Council forecasts the anticipated regional demand for new affordable housing units based on forecasted regional household growth by income ranges. The Council then apportions a share of the needed new affordable units across all Twin Cities communities. Each city's portion of meeting the regional need is called its "Allocation".

- » **Met Council's forecasted demand** for affordable housing across the Twin Cities region from 2021 to 2030 is 37,900 units.
- » **Edina's Allocation of new affordable housing to help meet regional need from 2021 to 2030 is 1,804 units.**

The ability to provide affordable housing is based on funding availability from various public sources. The Metropolitan Council recognizes that financial resources for affordable housing from the Federal Government, State, County, Metropolitan Council and City are limited. Based on estimated funding for affordable housing in the region, the Metropolitan Council established a production goal of 992 units for Edina that it thinks is realistic.

This results in a Metropolitan Council goal range for Edina to produce between 992 new affordable housing units (based on anticipated financial feasibility) and 1,804 new affordable housing units (based on anticipated regional need and Edina's share of meeting that need).

Goal Range for New Affordable Housing Units in Edina between 2021 and 2030, as adopted in the Edina 2040 Comprehensive Plan		
Household Income as % of Average Median Income	Edina's Share of New Affordable Housing needed to help meet regional demand*	New Affordable Housing that Edina can supply based on funding availability*
30% AMI and below	751 (42%)	413 (42%)
31% to 50% AMI	480 (26%)	264 (26%)
51% to 80% AMI	573 (32%)	315 (32%)
TOTAL affordable homes	1,804	992

Figure 8: Number of affordable housing units to be added in Edina, per the Edina 2040 Comprehensive Plan.

2. Community Drivers

Community Drivers are those qualities of the Edina community that make it an attractive and inviting place to live - they are those characteristics that drive people to choose Edina as the place to be for them and their families. These are well described by the City's Vision statement:

"Edina holds a well-earned reputation as a city of choice. It is a model of a successful, mature, and progressive urban community, that strives to lead in a modern and evolving world. We maintain our heritage and attractiveness, and afford our residents the highest quality of life, while actively embracing the future."

Thriving communities share a number of things in common -- good schools, stable housing, proximity to jobs, accessible parks, mix of local retail and services, and established neighborhoods. Each of these factors complements the others, in a virtuous cycle. Edina is fortunate to have these elements in place and has benefited economically from rising land values and a strong tax base. We are proud of these traits and intend to make them stronger. It is critical to evaluate the relationship between housing and these key "community drivers." The Task Force considered the following Community drivers:

- » Quality of Life
- » Jobs
- » Schools
- » Location and Transportation
- » Demographics and Market Trends



Quality of Life

Since 2011, the City of Edina has conducted a statistically valid Quality of Life survey every other year. The Quality of Life surveys¹⁵ have, overall, indicated that the residents of Edina believe that Edina is a good to excellent place to live. The top five reasons that residents choose to live in Edina are:

- » Safe Community
- » High performing Schools
- » Desirable Community
- » Distinct Neighborhoods
- » Amenities (e.g. parks library, etc.)

The Quality of Life Survey also asked about people's concerns, such as, "All in all, do you think things in Edina are generally headed in the right direction, or do you feel things are on the wrong track?" Between 2017 and 2019, those who answered the 'wrong track' increased from 22% to 29%. Of these residents, 49% said that one of their primary concerns was "Poor development/overbuilding/density of the city," which was an increase from 26% in 2017.

As the City looks to accommodate additional growth and housing, it is important to better understand this concern and how to address it. Due to public health concerns during the COVID-19 pandemic, the Task Force was not able to do the type of community engagement that is needed to investigate these concerns and to work with people to find solutions.

The Task Force recommends that the concerns related to "poor development/overbuilding/density of the city," be investigated with new questions in the 2021 City of Edina Quality of Life survey and supplemented by focus group discussions when public health safety allows.

Jobs

Edina is uniquely located with excellent proximity to key job centers in the Twin Cities region – including Minneapolis, Bloomington, and St. Paul. As a result, Edina is a convenient place to live for a large share of the region's employees. Edina's central location and employment base also makes it a convenient jobs center for people from around the region. In 2019, Edina was home to 44,899 jobs, across all employment sectors, and 98% of those jobs were filled by non-residents of the community.¹⁶



Employee at Braemar golf course. Source: City of Edina.

Despite its central location, Edina employers may still find it challenging to fill positions, and therefore seek solutions to make it easier for their employees to get to work. Housing is one of those solutions.

"Like employers throughout the MSP region, Edina employers are experiencing talent recruitment challenges and report that prospective employees seek transit access, housing within their household's budget, quality of life amenities and ongoing training and education to remain relevant in their field of expertise."

~ Edina Comprehensive Plan, Economic Competitiveness Chapter

If Edina wants to provide housing options for people who work in the city, then housing options should align with employees' salaries and desired housing types. Edina performed well by this measure for decades, relying on the private market to deliver housing that was affordable to many people who worked in and near the city. Today, the private market struggles to fulfill that role, as the cost of housing continues to rise faster than wages.

Figure 9 shows a few prevalent job sectors that do not pay a wage that allows those employees to afford the average mortgage payment in Edina (based on 30% or less of wages for housing being affordable to a household). Today's young professionals, office workers, construction trades, teachers, firefighters, and health care aides cannot afford the types of homes in Edina that they could a generation ago.

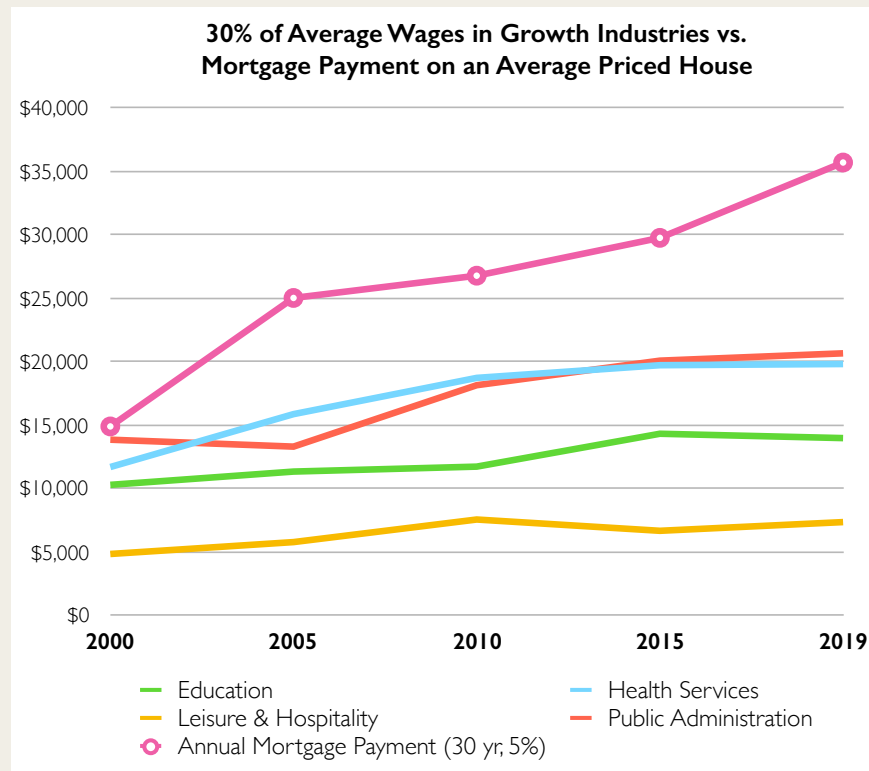


Figure 9: Average wages compared to an average priced home in Edina.
Source: City of Edina.

“Workforce housing gives working families more choice as to what neighborhood they can live in. It also addresses affordability and offers homeownership opportunities for moderate- and middle-income families. Additionally, there are advantages to having employees live in the same community in which they work. This includes decreased traffic and sprawl and shorter commute times for the workers, leading to an improved quality of life. It also may increase the level of community involvement if workers are able to live in the same communities in which they work.”

~ National Association of Realtors¹⁷

Schools

The relationship between housing and local schools is complex. In years past, when neighborhood schools were the primary option for communities, the relationship between local housing and the local school was clear. Neighborhood schools reflected the demographics of the community. The quality of the school was not based on the students themselves, but on the resources available to educate the students.

Today, the school and housing relationship is somewhat complicated. Students in Edina are not limited to attending their neighborhood schools. They can attend public schools, charter schools or private schools. Under the Open Enrollment program, public school students can apply to attend any school in any school district, regardless of home address. Furthermore, the City of Edina straddles three different school districts within its borders (Edina, Hopkins, and Richfield), further disconnecting the relationship between housing location and schools. Within this system, some limiting factors on school choice remain. Private schools are financially out of reach for many families, as they are for families who are unable to drive the child to and from school. Popular schools may be

oversubscribed and hard to get into in the open enrollment system if you live outside the school preference area.

Despite greater school choice today, proximity to high quality local schools remain one of the most important factors that families consider when seeking new housing. Everyone wants a good educational experience for their children and most people prefer to live close to their school. Thus, finding a home near a desired school is important. Unfortunately, the area near the school may lack the type and range of housing affordability families require.

HOUSING TYPE

Edina School District Housing Type by Edina Public Schools Resident Student Yield			
Housing Type	Units*	K-12 Students	K-12 Yield
Single-Family Detached	11,643	6253	0.54
Single-Family Attached**	372	46	0.12
Apartments	2,639	599	0.23
Duplex Units	310	88	0.28
Split Duplex	223	70	0.31
Condominium Units	1690	53	0.03
Total	18,002	7,109	0.39
*As of June 20, 2018			
** Townhomes			

Figure 10: Average number of students per housing type. Source: 2018 report by Edina School District.

The Edina School District did a ‘yield’ analysis to determine which types of housing generated the most students. It found that averaged across the city, a single-family house generates 0.54 students, with

duplexes yielding 0.30 students and apartments yielding 0.23 students. Condominiums yielded a very low 0.03 students.¹⁸

The school district concluded that changes in single-family detached housing stock (newly built units from tear downs and the sales of existing units) have a significant positive effect on resident enrollment in the Edina Public Schools. Edina’s per single-family detached unit student yields look more like a developing area than a first ring suburb. As a built-up city, Edina has the most potential to attract new families and grow the student population in these ways:

- » Allowing subdivision of large lots to build additional single-family homes
- » Adding duplexes and triplexes
- » Adding apartments sized for families
- » Encouraging turnover of single-family homes, which can be assisted with the addition of multi-family housing options in the city.

In addition to single-family homes, apartments, duplexes, and triplexes are important for welcoming and maintaining a diversity of students. When the school district looked specifically at where BIPOC students lived, they found that they come from a diverse range of housing.¹⁹

Location and Transportation

In the recent Edina Quality of Life Survey, people were asked to write in their own words what they liked most about living in Edina. 40% of the comments related to the convenience, accessibility, and walkability of Edina. Transportation options for residents going to work, school and recreation factor heavily into how livable a

community is. Travel time takes time away from other daily activities such as work, family and friends, exercise, rest, and play.

A community with a range of transportation options and proximity to primary destinations, makes it easier for residents of all ages and incomes to pick a transportation mode that works for them and to minimize their time using it. Opportunities to take transit, walk or bicycle between destinations reduces auto dependence and ownership costs. Low-wage workers often have to work two jobs to pay the bills, leaving less time to travel between home and workplaces.

“As transportation costs rise, it is becoming increasingly difficult to make the economic case for “driving until you qualify” [for a reasonably priced mortgage] because these increased costs consume much of the home price savings.”

~ National Association of Realtors²⁰



Source: Tom Koon.

Edina is well served by regional transit, with multiple connections to the north, east and south. Within the city limits, there are transit links to job centers, commercial nodes, and higher density housing areas, but there are few transit connections through and between the low-density single-family neighborhoods. Areas with limited transit access are more car dependent and tend to have higher average daily trips per capita than areas well served by transit.

Shifting the proportion of trips by cars to other modes, even modestly,

will benefit the city through reduced traffic and vehicle emissions. Fewer vehicle trips also means less demand for street infrastructure and maintenance, which can be a significant portion of a city's budget. The recently adopted Edina Comprehensive Plan calls for adding a regional or municipal connector or shuttle bus service to move people to major locations around Edina to lessen dependency on cars. Another means to reduce driving within Edina is to locate new housing near activity nodes that are already well-served by transit, walk and bike infrastructure. Directing residential growth to existing transportation hubs is faster and less costly to the city than expanding multi-modal transportation infrastructure to less dense residential areas. Focusing new housing growth near activity nodes is a central policy in Edina's Comprehensive Plan.

Suburban to Urban

One of Edina's strengths is that it has already established a wide variety of housing options and a wide distribution of housing types. Future planning should continue to accommodate the diverse housing in Edina.

The Metropolitan Council has designated Edina as an “Urban” community. Urban communities are expected to plan for forecasted population and household growth at average densities of at least 10 units per acre for new development and redevelopment. In addition, Urban communities are expected to target opportunities for more intensive development near regional transit at densities and in a manner articulated in the 2040 Transportation Policy Plan.

Communities designated as “Suburban” communities are expected to plan for forecasted population and household growth at average densities of at least 5 units per acre for new development and redevelopment. As a comparison, the cities of Eden Prairie and

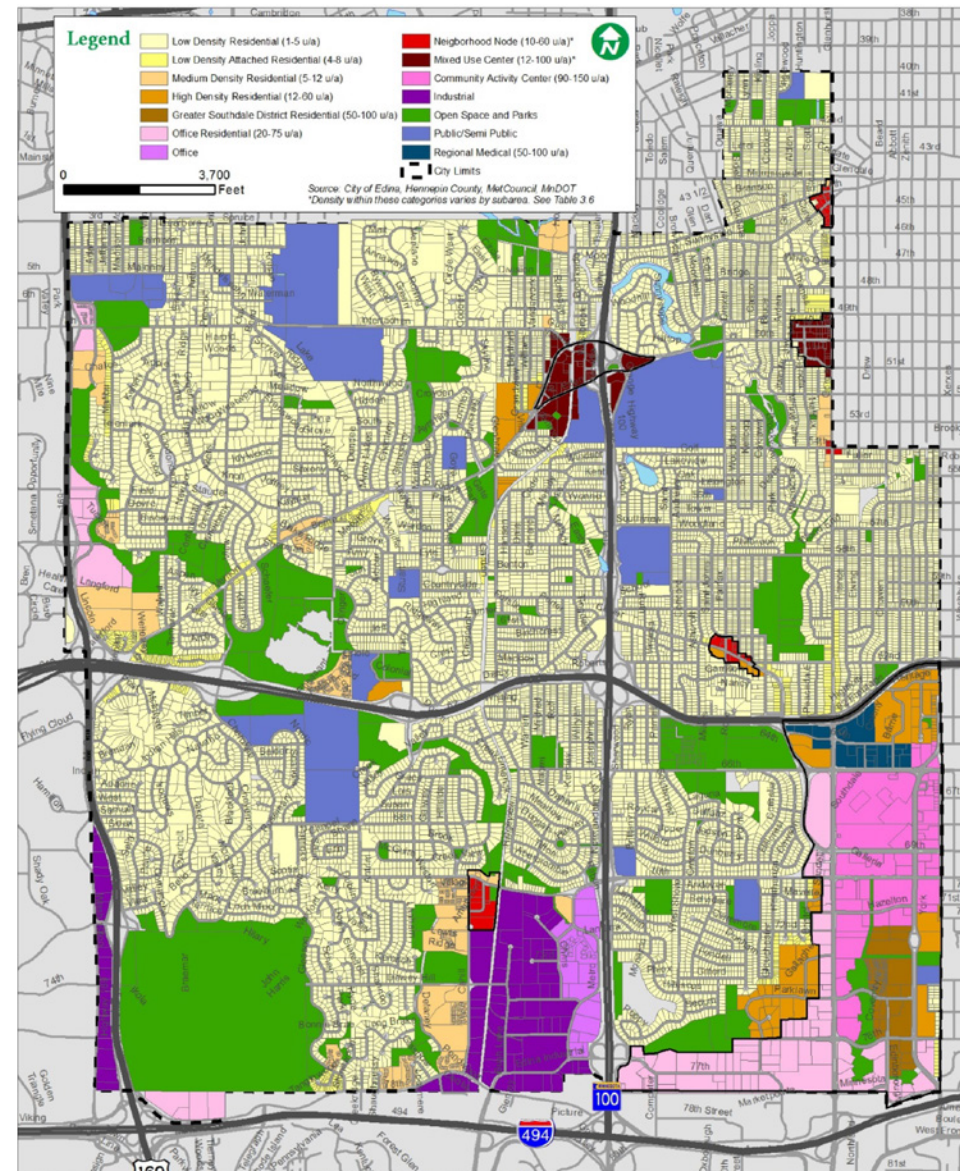
Minnetonka have been designated as Suburban communities by the Metropolitan Council.

As shown in Map 4 - Future Land Use of Edina,²¹ the areas of higher density in Edina are much less than the areas of low density residential, defined as 1-5 housing units per acre. Edina is a unique community in that it has some areas that are urban, in addition to areas that are clearly suburban. The low-density suburban residential areas are essentially fully developed and are not likely targets for redevelopment as compared to high density residential areas.

Given the history and current mix of household units in Edina, when planning for development, Edina must account for the needs of a suburban environment, as well as planning in specific areas for an urban environment.

For examples, the Metropolitan Council recommends the implementation of travel demand management policies that encourage the use of travel options and decrease reliance on single-occupancy vehicle travel. However, since Edina includes large suburban areas, vehicle travel must be accounted for in planning for parking for mixed use and retail areas for the foreseeable future. Development in areas such as the Southdale area should take into consideration appropriate parking requirements specific to the area and driven by market demands.

Residents in the low-density residential areas of Edina will continue to rely on automobile transportation for the foreseeable future and retail parking will need to accommodate the needs of these residents by providing user friendly parking alternatives that meet the needs of single-family residents in a suburban setting.



Map 4: Future Land Use Map for Edina. Source: Edina 2040 Comprehensive Plan.

3. Demographics and Market Trends

This report identifies strategies to implement the housing goals identified in Edina's Comprehensive Plan, and to address the expected gap between natural market growth and the growth in housing demand, as identified in the Maxfield Housing Market Study.

Edina Comprehensive Plan

Figure 11 from the Comprehensive Plan shows growth in Edina's population and households since 1960, and anticipated growth through 2040. After rapid growth in the 1960s, growth in population and households between 1970 and 2010 was modest. Since 2010, the pace of growth has picked up and is expected to continue through 2040.

- » From 1980 to 2010 (30 years), Edina's population grew 4% and the number of households grew 15%.
- » From 2010 to 2040 (30 years), Edina's population is projected to grow 32% and the number of households to grow 44%.

Since the areas in Edina zoned for single-family homes are virtually built out, there is likely to be very little growth in single-family housing units to accommodate future growth. Rather it will take place in multi-unit buildings (duplex, triplex, quad, townhomes, and multi-family housing with five or more units). With this in mind, Edina can anticipate and plan for a change in its housing mix, as shown in Figure 12.

In 2019, housing units in Edina were 53% single-family and 47% multi-family (2+ units). By 2040, based on the projections in the

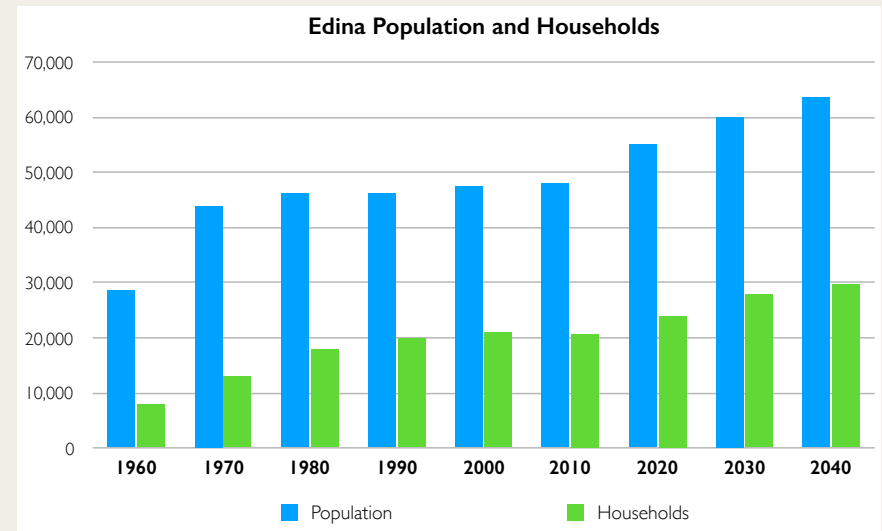


Figure 11: Growth in Edina population and households. Source: Metropolitan Council.

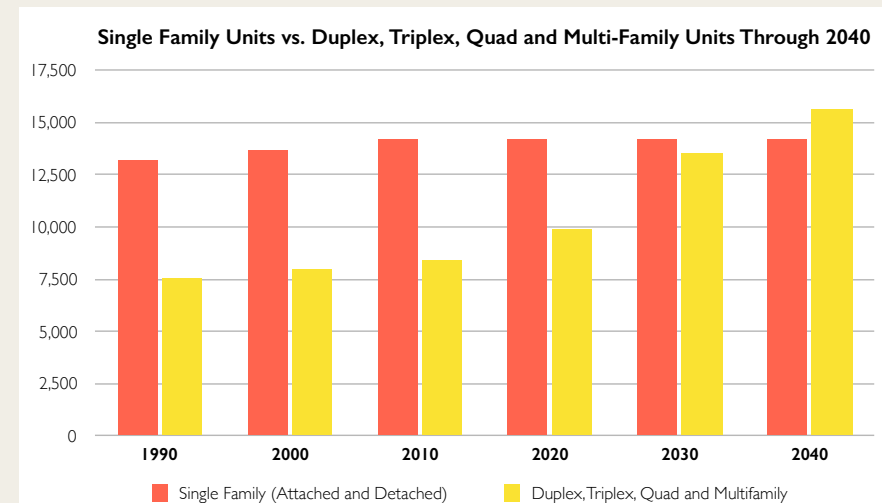


Figure 12: Past and projected mix of single-family and multi-family housing in Edina. Source: US Census and Metropolitan Council.

Comprehensive Plan, the balance will flip, with slightly less than 50% single-family and slightly more than 50% multi-family.

Maxfield Housing Market Study

In 2019, the Edina City Council commissioned a housing market study from Maxfield Research and Consulting to determine the market demand for different types of housing in Edina. The report, titled “Comprehensive Housing Market Analysis for the City of Edina, Minnesota,” was completed in April 2020.

The report includes in depth information and analysis of demographic trends, existing housing in Edina, and anticipated demand. The Maxfield analysis found that housing market demand in Edina exceeds the minimum goals for new housing units identified in the Edina Comprehensive Plan (which were based on Metropolitan Council’s allotment of new units needed in Edina to help meet regional housing needs).

The Maxfield analysis identified the total demand for new housing in Edina as 5,568 units by 2030.²² This exceeds the forecasted growth of 3,700 new homes for Edina, as identified in the Edina 2040 Comprehensive Plan.

Maxfield then analyzed the expected supply of housing in Edina through 2030, compared to the anticipated need for housing in all housing categories. In almost all cases, the level of demand exceeded the expected supply that would be provided under existing market conditions, policies, and regulations in Edina. The difference between supply and demand is considered the market “gap”, where additional efforts are needed by the city to advance specific housing types. The Maxfield report is a must read for anyone who wants to understand more about the expected demand and supply, and the resulting Maxfield recommendations. Maxfield identified housing demand by types of units within the “General Occupancy” categories and the “Senior Housing” categories (Figure 13).

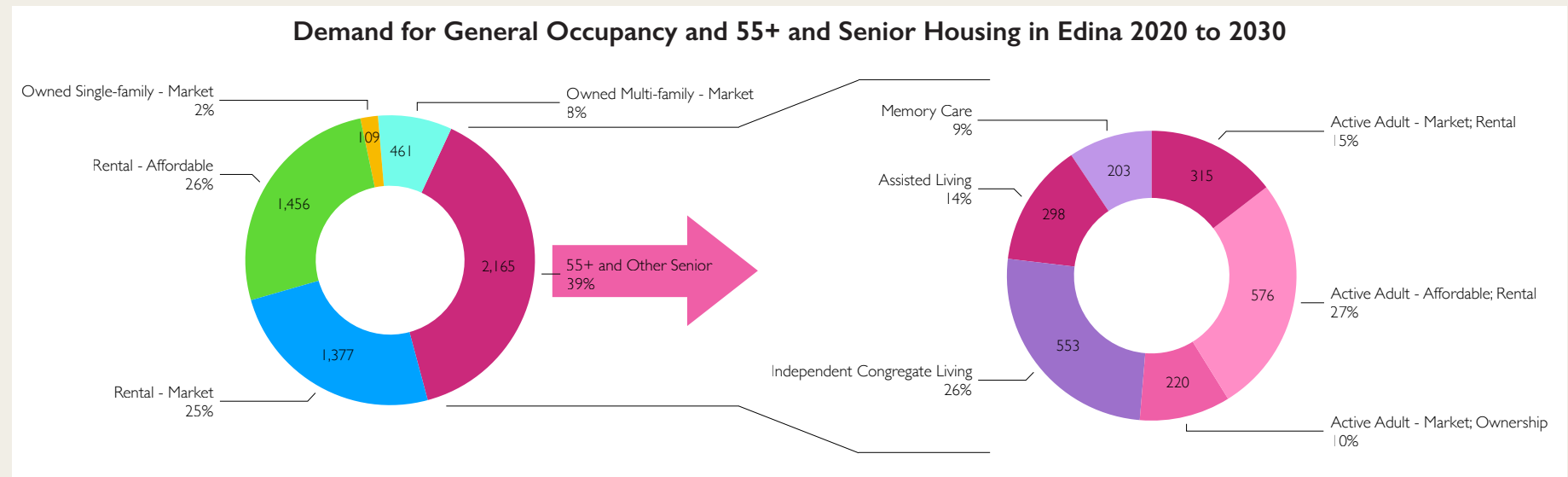


Figure 13: Anticipated demand for housing by type in Edina between 2020 and 2030, with “Senior Housing” types described. Source: Maxfield Housing Study.

4. Land Use Regulations

The strongest tool that a city has to expand or limit housing is land use regulation. Land use rules determine what can be built, where and the process for review and permitting. A city's zoning code, like the Edina code found [here](#), is the primary way a city impacts housing development and redevelopment. Zoning rules identify what can be built, but do not make things happen. For example, two projects that are part of the Southdale office center redevelopment, 7200 France and The Avenue on France, had zoning approval to proceed, but both projects stalled for other reasons. Common reasons that projects fold, despite being allowed under zoning, are lengthy process review by public entities, lack of community support, financing issues, or changes in market demand.

Zoning Rules Impact Housing Costs

Many different costs determine the price of a new single-family or multi-family home. The two biggest expenses for new housing are land purchase and materials/construction costs. [Article “[Why are new apartments so expensive?](#)” available at [Open: Housing](#)] Zoning and land use rules also add significant costs to building homes of all types. These rules might be at the State, regional or city level. At the regional level, the average cost to build a single-family home is affected by the Metropolitan Council's tight MUSA (Metropolitan Urban Service Area) allocation that decreases affordability throughout the region by raising land cost. Fortunately, there are a number of things that can be done at the city level through flexible zoning and streamlined review and approval procedures.

Land Costs

When building a new home, the cost of the land can be substantial. If local zoning requires a large lot for a home, then the price of that new home will be higher from the outset than one allowed on a smaller lot. When a lot is allowed to provide more than one home, the price of the land is split among the homes, reducing the base land price for each unit. The land cost goes down with every additional household. Edina could promote the construction of less expensive homes by allowing smaller lots or allowing multiple homes on a lot in specific areas of the city where the density would be compatible with surrounding land uses.



Here is a list of common zoning requirements, which drive up housing costs or disallow less expensive housing options, ordered from most expensive to least:

- » Requirements for parking – minimum number of spaces; structured parking
- » Prohibitions on mother-in-law apartments, duplexes, triplexes, townhouses, garden, walk-up, or low-rise buildings
- » Restrictive height and density limits
- » Buildings setbacks
- » Mandatory basements
- » Minimum unit or bedroom sizes
- » Exterior finish requirements

Reducing more expensive requirements at the local level does not reduce construction quality since the State Building Code sets quality building standards to ensure safe, durable, and healthy homes.

Just as zoning and land use controls facilitated segregation, they can be re-envisioned and revised to reopen housing choice for a wider range of households by allowing for wider varieties of well-built, less expensive homes. The City of Edina can use its own zoning and land use regulations to help affect the underlying price of housing in Edina, but State and regional land use rules also have an impact.

Review Costs and Fees (Soft Costs)

Once it is determined whether zoning allows a certain type of housing in an area, there are multiple processes to secure permission to build. [Land use approvals](#) may be required, and [building permits](#) are always required. The process of securing land use permits and building permits and the costs of fees imposed on new development add to the cost of building homes. It requires an enormous amount of time for developers and contractors to prepare applications, work with communities and city staff, and attend meetings and hearings. The developer or project sponsor needs to have “control” (ownership) of the land during that process and maintaining that control through holding costs adds more to the expenses the longer the approvals process takes.

Developers report lengthy project review, as well as a lack of community support, as obstacles to development. The Edina Housing Strategy Task Force found this to be the case in a number of interviews it did with developers who have done or tried to do housing projects in Edina.²³ Extended review times increase risk and holding costs, costs which the developer adds to the project, making it more expensive to develop in Edina.

Every city has the ability to structure its development and construction review process to be as efficient as possible, within certain limits. Anything allowed “by right” complies with the zoning code and does not require public notification or review. “By right” reviews are administrative processes at the city level and have some ability to be “fast tracked” if policy and staff capacity allow. Building inspections and permitting are required for all projects and may also be sped up or slowed depending on city policy and staffing. If State inspections and permits are needed, the City has no ability to influence how quickly these are completed.

Proposed projects that require a “variance”, a Conditional Use Permit or a Special Use Permit under City zoning must provide public notice and review to comply with State rules that dictate the minimum and maximum number of days to complete them. Proposed housing projects may also trigger reviews beyond zoning, related to environmental conditions (soil, air, or water), infrastructure improvements, or historic resources, to name a few. These items have State mandated minimum and maximum review days as well, to ensure that the public and interested parties or agencies have adequate time for review.

Cities like Edina can streamline some review processes and waive or eliminate fees to lower housing project costs. Common types of discretionary reviews and fees are preliminary design review, permit fees, and impact fees. Edina has reasonable impact and permit fees compared to comparable Minnesota communities, so its focus for should be on determining which development review requirements support the policy goals of the Edina Comprehensive Plan (such as housing affordability), and which requirements undermine them.

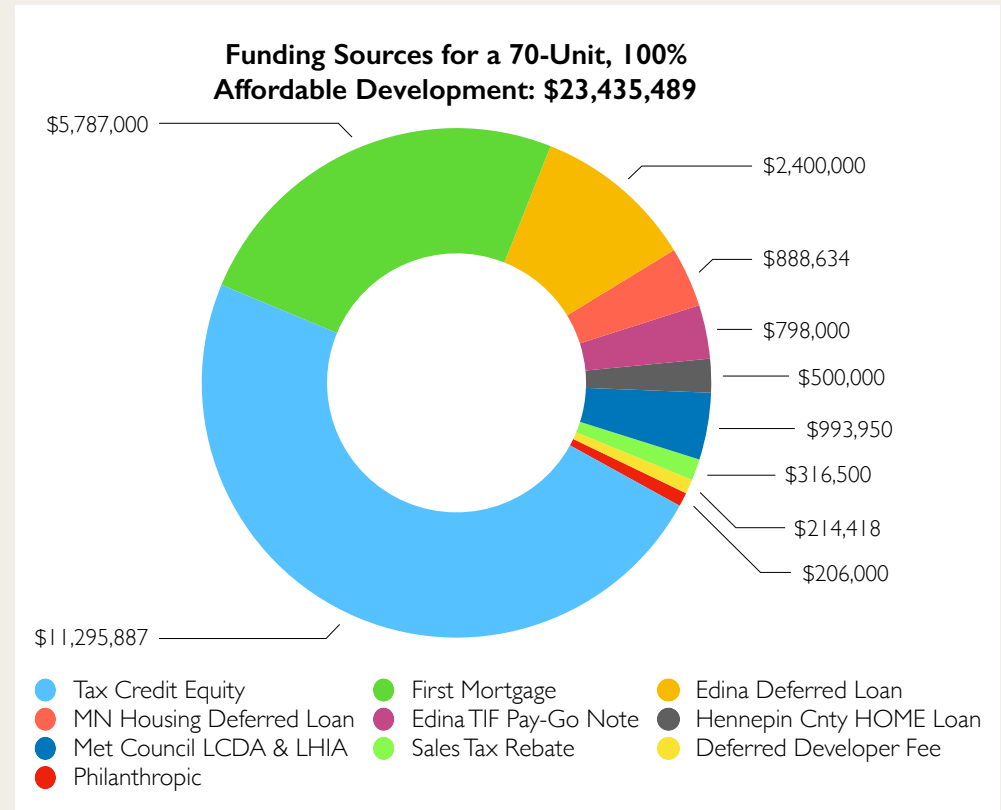


Figure 14: Funding sources for a recent affordable housing project. Source: City of Edina.

5. Financing and Programs

Financing for rent and/ or income-restricted affordable housing is distinct from market rate housing finance. Market rate projects are financed through banks, developer collateral, and investors who rely on operating revenues to pay the mortgage revenue and/or future sale revenue earns a return on their initial investment.

The financing for affordable multi-family development comes from three main sources:

- » First mortgage debt - bank financing, bonds, FHA/ HUD insured
- » Equity - Generated by the sale of Low-Income Housing Tax Credits
- » Public Financing / Soft Debt - payable from surplus cash flow or deferred and payable upon sale or refinance.

Due to the restricted rents, the property income is not sufficient to leverage the bank debt needed to fully finance an affordable housing development. Debt secures a mortgage that pays for 30%-70% of the construction costs, depending on the level of affordability. The remaining 30% and 70% of capital funds required to construct the housing needs to come from other sources, primarily Low-Income Housing Tax Credits and public financing. These sources are limited and highly competitive.

Each state is allocated a certain amount in Low Income Housing Tax Credits (LIHTC) under Section 42 of the IRS Revenue code based on the state's population. Minnesota Housing is the primary conduit for distribution of the credits in Minnesota and is the designated allocator of tax credits for developments in Edina. Therefore, to

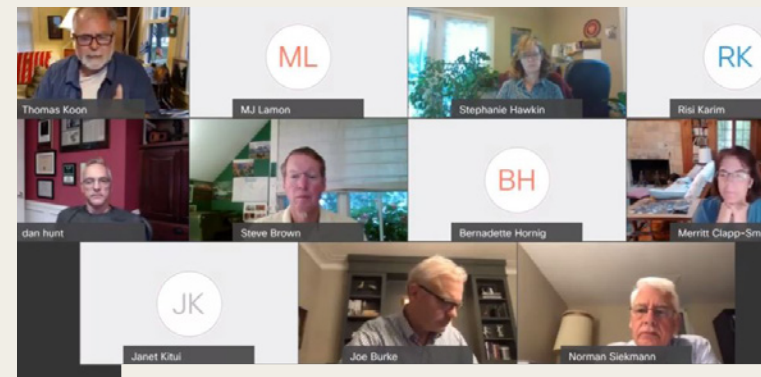
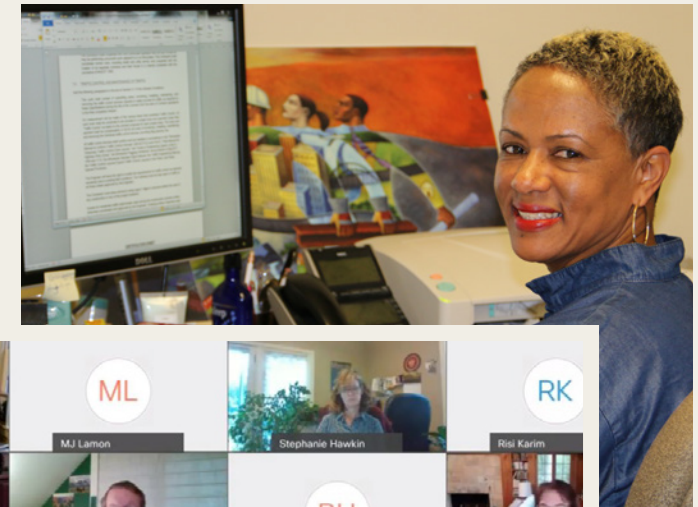
obtain LIHTC a developer applies to Minnesota Housing through a competitive application process. LIHTC are awarded based on a pointing system, so certain criteria must be met as described in their Qualified Allocation Plan. The proposed development with the most points receives the tax credits.

Soft debt can come from a variety of sources including Minnesota Housing, Hennepin County, Metropolitan Council, and the City of Edina. Again, these sources are limited and awarded through a competitive application process. The different funding agencies have their own criteria, so a developer must know how to thread the needle to secure funding from multiple sources. Local support is a key criterion for obtaining awards of LIHTC and all public subsidies. The City of Edina should be prepared to assist developers seeking these sources by providing letters of support and facilitating expedited reviews to control project costs when possible.

6. Outreach, Communication and Dialogue

Like many cities across the nation and in the Twin Cities region, Edina is growing. Growth can be positive in many ways, but there are downsides as well. In either case, growth is a big change for a community and by and large, people are apprehensive about change and how it will impact them. In this way, Edina is experiencing heightened sensitivity and public engagement from the community regarding the change. In the 2019 Edina Quality of Life Survey, respondents were asked how well, if at all, they felt the City does at managing tensions in the community related to residential redevelopment in Edina. Only about half of residents felt the City manages tensions very or somewhat well, which was a decline from 2017 and 2015.²⁴

In Edina today, recently formed grassroots citizen groups are organizing and communicating around specific agendas in regard to growth and the nature of development. These groups represent different perspectives on growth, some in general support and some in general opposition. The groups are increasingly sophisticated, with websites, strong communication networks, visibility at city meetings and hearings, and even registered as formal nonprofits with the State of Minnesota. The increased skill and activity of engaged residents amplifies areas of disagreement between citizens and challenges city leadership and staff to lead and facilitate constructive and respectful public dialogue. It also challenges citizens with different opinions to hone their skills at talking with one another instead of to one another.



4

Recommendations



Image courtesy of Urban Design Associates.

Chapter 4: Recommended Priorities for Edina Housing

Principles

The Edina Housing Strategy Task Force has identified three Principles as foundational to maintaining Edina's strength as a great residential community. These Principles mirror three of the four goal areas in Edina's Comprehensive Plan and serve as the basis for the recommendations in this report.

SUPPLY AND GROWTH: Plan to accommodate projected residential growth.

HOUSING CHOICE: Support the development of a wide range of housing options to meet the diverse needs and preferences for the existing and future Edina community.

AFFORDABILITY: Encourage the development and maintenance of diverse housing options affordable to residents at a range of incomes and life stages.

Two Key Value Statements of the City of Edina

The work of this report is guided by the values of the Edina community. Two key City of Edina values are Equity and Community Engagement:

Equity

As the Edina City Council, we are dedicated to creating an environment in our community where residents have equitable opportunities to participate in their city government and access the City's institutions, facilities, and services.

Our commitment to diversity, equity and inclusion will be a continuous process of learning and adapting to the multiple needs of all in the community, while consistently applying an equity lens in all decisions and interactions. Our vision of a welcoming Edina includes removing systemic and institutional barriers to create opportunities for all in the community to thrive.

Community Engagement

As the Edina City Council, we are dedicated to fostering an engaged community built on a foundation of trust. We will do this by intentionally focusing on equity, diversity and inclusion and creating a dialogue of perspectives. We will build trust by demonstrating our engagement principles of Relationships, Equity, Inclusivity, and Accountability.

- » Relationships: make relationships foundational; strengthen relationships and build new ones; develop a trust between the City and residents
- » Equity: engage with residents where they are; remove barriers for participation; provide multiple options for participation
- » Inclusivity: strive to provide meaningful engagement opportunities; invite underrepresented groups to participate; make all feel welcomed and valued
- » Accountability: plan; do what we say we are going to do; do not change the rules; make a decision; communicate how participation influenced decision

Goals and Strategies

GOAL 1: PROMOTE LIFECYCLE HOUSING

Actively work to create lifecycle housing to support a range of housing options that meet people's preferences and circumstances in all stages of life, such as renters, first-time homebuyers, empty nesters, and seniors.

A) Promote Affordable and Attainable Housing

- 1) Prepare a housing implementation plan using a mix of tools to achieve the City's housing goals, including the Comprehensive Plan goal range of 992 to 1,804 affordable units, in the ten-year horizon, with time-bound goals and milestones, to be reviewed on an annual basis.
- 2) Facilitate the development of "new" housing options such as accessory dwelling units to accommodate the diverse needs of people of different ages, household sizes, lifestyle, and incomes.
- 3) Attract new residents and retain existing residents by preserving and expanding housing options for moderate- and low-income households.
- 4) Promote affordable and workforce housing that includes a range of housing prices and options, based on the principle that those who contribute to the community should have the opportunity to live here.
- 5) Explore directing for a limited period of time, the City's portion of the increased tax value of tear down properties to support Affordable Housing.

B) Promote Missing Middle Housing Production

- 1) Support opportunities to accommodate Missing Middle housing within the city, defined as range of multi-unit or clustered housing types compatible in scale with single-family homes

C) Promote Special Needs Housing

- 1) Support a range of housing options for people with special needs (Developmentally, Physically, or Mentally)
 - a) Families with a disabled member
 - b) Affordable housing for working households with a disabled member
 - c) Assisted living for individuals with disabilities.

D) Encourage Preservation and Promotion of Diverse Housing Stock

- 1) Assist neighborhoods in retaining starter housing stock that can accommodate young families.
- 2) Encourage the preservation, maintenance, and rehabilitation of existing subsidized and naturally occurring affordable rental and ownership housing (NOAH)
- 3) Maintain some of Edina's single-family, lower square footage housing stock.
- 4) Support program(s) for assisting income eligible property owners with rehabilitating their homes to extend their useful life.
- 5) Increase awareness about the range of housing variety that exists in Edina.

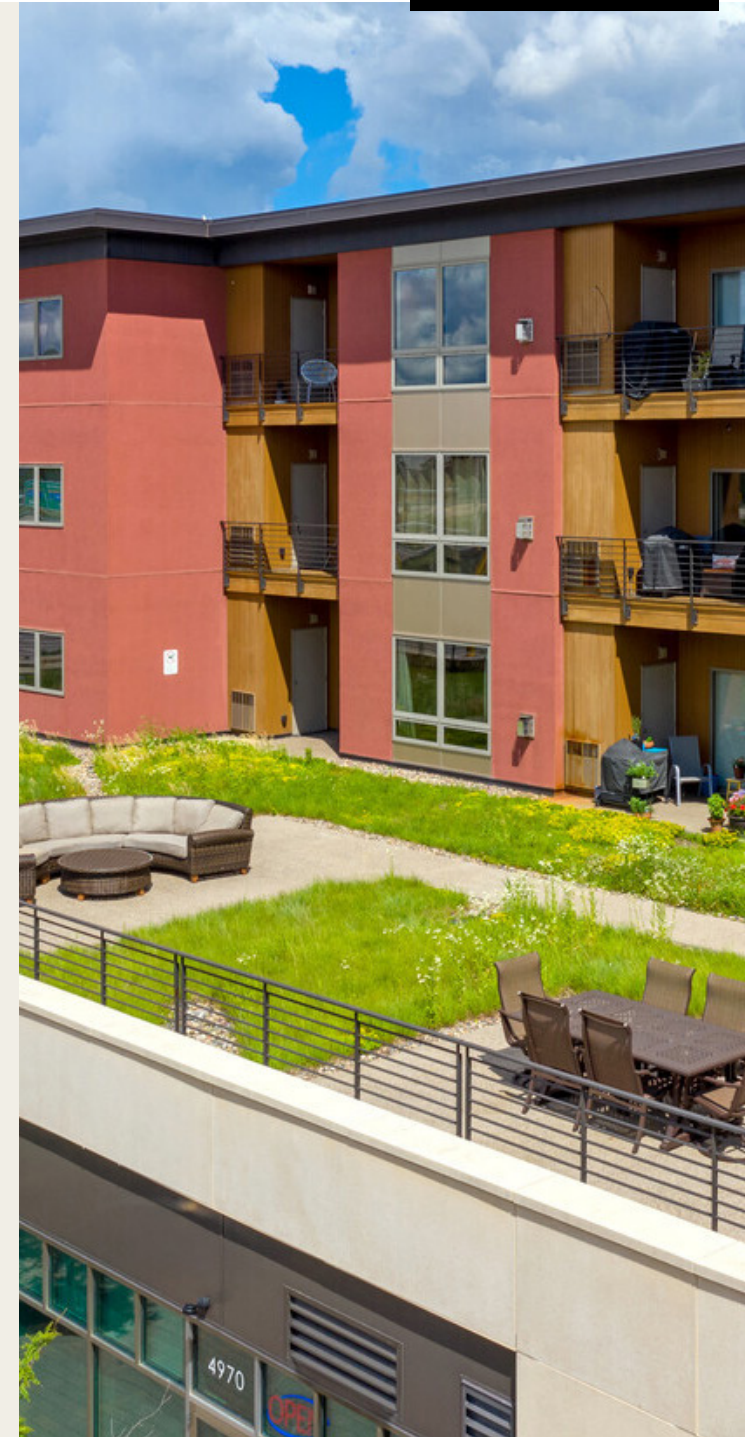
GOAL 2: AMEND LAND USE REGULATIONS TO ENABLE A MORE DIVERSE HOUSING MIX

A) Adjust Zoning Standards for Housing

- 1) Provide zoning flexibility in the specific areas identified for development in the Comprehensive Plan to streamline the public approval process for minor variances.
- 2) Continue to allow teardowns/rebuilds but consider design guidelines and regulations that prevent privacy invasion via window placement and infringement on both active and passive solar energy capture.
- 3) Allow for creative solutions and some flexibility in the provision of off-street parking standards for housing. This might include options like shared parking, reduced minimums near transit and activity nodes, or exceptions to structured parking requirements for affordable housing.

B) Consider Zoning District Amendments to Expand Housing Options

- 1) Consider zoning amendments in limited areas (such as transitional areas and activity nodes) and pursue zoning changes to encourage split lots to allow infill, to allow lot splits for infill, single-family ownership housing, detached or attached (zero lot line), on lots after splitting that are 50' or wider (or 3,500 sf or larger).
- 2) Consider amending current R1 zoning to allow attached or detached Accessory Dwelling Units (ADU) such as self-contained “mother-in-law units”. Develop Small Area Plans for extending R2 zoning along Vernon Ave from 169 to Interlachen, France Ave north of Hwy 62, and Valley View from 66th to Hwy 100. Evaluate additional areas for R2 zoning.
- 3) Support the development and preservation of affordable housing throughout Edina where there is access to transit.



GOAL 3: REDUCE BUILDING COSTS

A) Streamline the Approval Process for Housing Developments Requiring a Variance or Subsidy

- 1) Fully empower the City's Community Development Department to identify properties for development or redevelopment, analyze projects for both fit with the Comprehensive Plan Design Guidelines and economic feasibility in prevailing market conditions, balancing these two as needed. Communicate development objectives to developers and encourage the preparation of proposals for development.
- 2) Implement active outreach and recruit developers with a successful track record in providing the housing desired
- 3) Empower the City's Community Development Department to guide developers through the project approval process.
- 4) Provide better guidelines for development requirements, based on location and economic objectives.
- 5) Simplify the current project approval process. Limit discussion to the variance or Comprehensive Plan amendment issues being raised.
- 6) Conduct semi-annual project review meetings between Staff, City Council and Planning Commission to discuss lessons learned, gain alignment, and determine policy implications of projects completed in the past six months.
- 7) Complete Post-mortem reviews of the current development review process, paying particular attention to assessing the level of quality of resulting developments. Identify what developments

have been delayed or have been negatively impacted by incurring additional costs in the development process due to multiple levels of approvals or ad hoc design and amenity requests.

- 8) Ensure that there is a robust system in place to identify the evolving best practices for managing housing developments being used by other communities. For example, Bloomington, St. Louis Park, Brooklyn Center, or others.

B) Reduce the Cost of Building, Renovating and Financing Quality Housing

- 1) Develop a parking policy that reflects the latest thinking for current and future parking needs, parking construction costs, sustainability and evolving economic and marketability needs for successful projects.
- 2) If underground or covered parking is required, be willing to fund it by Tax Increment Financing (TIF) or other means of subsidy.
- 3) Expand the HRA levy to generate funds that can be leveraged for land acquisition, bridge loans and renovations.
- 4) Utilize land trusts and land write-downs to secure land for future development projects.
- 5) Empower the City's Affordable Housing Development Manager to be responsible for establishing/evaluating the parking, design, and amenity requirements for affordable housing developments to ensure economic viability of these projects.
- 6) Empower the City's Affordable Housing Development Manager and the Director of Community Development to be responsible for parking, design, and amenity requirements for housing

for seniors, people with disabilities and other housing market segments with specific needs.

- 7) Authorize the City, through a public hearing process, to have authority to make property purchases that are consistent with a city development strategy, within a financial limit, to be able to secure control of potential properties for affordable housing development, in an expeditious manner.
- 8) Fully utilize the other options the city has to lower the cost of development and or financing (i.e. rebate on fees, tax exempt bond financing, upgrading to an Economic Development Agency, selling land below market value, reduced property taxes, etc.).
- 9) Explore directing City portion of increment of increased tax value of tear down properties to Affordable Housing Trust Fund.



Solar panels on rooftop of home in the Morningside neighborhood. Photo credit: Tom Koon.

GOAL 4: ENCOURAGE SUSTAINABLE DESIGN AND TECHNOLOGY IN ALL NEW AND SUBSTANTIAL REHABILITATION HOUSING

- 1) Encourage alternative energy sources including solar, wind, waste material, and geothermal.
- 2) Promote active and passive energy efficiency in the design and placement of buildings and trees and educate property owners regarding weatherization and energy efficiency.
- 3) Require shadow studies on new or replacement housing structures to ensure active and passive solar energy use by adjacent properties is not adversely impacted.
- 4) Promote water conservation by homeowners and housing property owners through education about water conserving appliances and fixtures, and reusing wastewater.
- 5) Support mitigation of water runoff by encouraging use of rain gardens, rain barrels, cisterns, permeable driveways and walkways, and appropriate building and landscape design.
- 6) Frequently review housing codes and policies to incorporate new technology regarding alternative energy sources, new energy efficient building practices.
- 7) Promote new construction and substantial rehabilitation projects to follow leading industry sustainability standards.

Priorities for New Housing in Edina

The Task Force considered the results of the Maxfield study and the Edina 2040 Comprehensive Plan to identify recommended housing priorities for the City of Edina.

This Task Force acknowledges that adopted policy in the Edina 2040 Comprehensive Plan anticipates housing growth and is planning for ways to accommodate it. The City of Edina should craft policies, adjust regulations, and prioritize financing for housing that meets the highest market need, and which the market may not deliver under current city conditions.

A zero or tentative growth policy is not an option if Edina wishes to maintain and sustain itself as a thriving and desirable community.

After extensive analysis and discussion, the Task Force decided to recommend a minimum of 992 new affordable housing units to Edina, based on the adopted 2040 Comprehensive Plan. In other housing categories, the Task Force based its recommendation for new units on the Maxfield Housing Market study, which identified housing types where demand most exceeds the anticipated supply.

The top five Task Force recommended housing priorities are:

- 1) **Add 992* affordable rental housing units**
 - 80% affordable rental for general occupancy
 - 20% affordable rental for active seniors.
- 2) **Add 900 market rate rental housing units for general occupancy**
- 3) **Add 360 senior ‘independent living,’ congregate housing units**
- 4) **Add 250 owned multi-family housing units**
- 5) **Add 200 senior ‘assisted living’ housing units**

*Note: To meet the lower bound goal of 992 affordable housing units, it would require approximately nine projects consisting of 100 apartments each - which is a typical size for affordable housing projects. In addition to 92 additional apartments created through Edina’s inclusionary housing policy, which mandates 10% of all new multi-family units be affordable at 60% of Area Median Income. To get built, all nine of these projects would have to be vetted thoroughly to receive both city approvals and competitive awards of subsidized financing. The Task Force understands that this is a lofty goal and as such will require consistent effort by Edina’s policymakers and city staff.

Concluding Highlights

RELATIONSHIP TO THE 2040 COMPREHENSIVE PLAN - The Task Force acknowledged early on that the 2040 Comprehensive Plan was developed with an impressive amount of community engagement, debate, and input, both in aggregate and in each of the Small Area Plans. Regarding housing, which is our charge, the Comprehensive Plan provides clear guidance on overall quantity needed, and where new development should happen. The Task Force accepted and supports the population, housing unit and affordable housing unit forecasts in the Comprehensive Plan. Our charge was to provide more guidance on the amount of specific types of housing needed for specific target audiences and recommend goals and strategies to help ensure this housing gets built.

HOUSING DIVERSITY – The Task Force was focused on ensuring that we addressed the full spectrum of housing needs. We strongly believe that one of Edina's strengths is that it has a wide variety and distribution of housing types. We believe future housing should continue to accommodate diverse housing in Edina while minimizing the impact on our predominantly single-family neighborhoods. The Task Force recognizes that the wide variety of homes available in single family home neighborhoods has had an important role in attracting families to Edina. We want to ensure that these single-family home neighborhoods continue to be a part of the diversity of housing that is a strength of Edina. Our recommended top priorities for housing cover a wide variety of housing types, including affordable, market rate, senior and multi-family. Our priorities are intended to help guide the City in what types of projects it should support. This report can give the incorrect impression that the Task Force was focused on affordable housing. The report includes a lot of information on affordable housing because while the market

will work to satisfy the demand for market rate housing, both new and existing, it will not do that for new affordable housing. New affordable housing is more challenging to produce. It usually requires financial support and political leadership from the City. Our report works to educate the reader on why we need new affordable housing, the benefits of having it, and why it will not happen on its own.

COMMUNITY ENGAGEMENT – Covid-19 limited our ability to get robust input from the community about our ideas, through either large in person meetings, robust surveys or focus groups. The issues we grappled with are being debated throughout the city and, like our task force, there are widely disparate positions. We feel strongly that when circumstances change, the City should ensure that it has robust input from the community about the recommendations we have made. This includes the recommendation we made about topics to be included in the 2021 Quality of Life Survey.

SPIRITED DEBATE – This report is the culmination of spirited debates among the Task Force members who held widely disparate views on many of the topics we discussed. The task force used a voting system that allowed everyone to state their level of support for an idea, debate further if there was insufficient support for the idea, and ultimately allow for majority rule on accepting or rejecting the final shape of the idea.

CITY SUPPORT – The Task Force recognizes the City's deep commitment to open, informed debate of complex issues. This is evident in the extensive public engagement used to prepare the Comprehensive Plan, the subsequent formation of this public Task Force, the extension of time to complete our work, the investment in the Maxfield Study, and in Staff resources and consulting services to support our work. We hope this report is a useful contribution to what will be an important ongoing debate to ensure Edina continues to be a healthy and thriving community.

Endnotes

- 1 <https://stats.metc.state.mn.us/profile/detail.aspx?c=02394621#genlanduse>
- 2 Taylor, Lauren. “Housing and Health: An Overview of The Literature” June 7, 2018. <https://www.healthaffairs.org/doi/10.1377/hpb20180313.396577/full/>
- 3 Definition from City of Lakes Community Land Trust. <http://www.clclt.org/>
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- 5 <https://datausa.io/profile/geo/hennepin-county-mn/>
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Appendices

- I. Getting from Here to There
- II. Housing Definitions
- III. Housing Affordability and Income Qualifications
- IV. Regional Housing Need and Edina's Role
- V. List of Resources Used by the Task Force
- VI. Responses to the Report

From the Human Rights and Relations Commission
and the Edina Housing Foundation

Appendix I - Getting from Here to There

Achieving the goals in this report requires a suite of policy, funding, and program tools. The Edina 2040 Comprehensive Plan had a full matrix of tools to advance housing projects in the city. It is found in Chapter 4 - Housing, page 4-2-, Table 4-7. Below is a list of tools available through the city.

Housing Tools

The following are housing programs offered through the City of Edina to address housing needs of Edina residents, preserve and improve the existing housing stock, provide for affordable housing, provide for new housing products, provide for the safety and security of residents residing in rental housing and ownership housing and other strategies and initiatives to support ongoing stability and enhancement of the City's housing stock.

GENERAL OBLIGATION BONDS - Bonds have been used to a limited degree by municipalities and counties to support the development of affordable housing. Typically, the government guarantees the bonds issued. This can create affordable housing, usually affordable to households with incomes between 60% and 80% of AMI but is not prevalent in the market.

AFFORDABLE HOUSING TRUST FUND - An affordable housing trust fund provides a source of funds to facilitate the housing needs of low- and moderate-income individuals and families in the city. The affordable housing trust fund shall be a permanent endowment and continually renewable source of revenue to provide loans and grants to for-profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation

of new affordable rental and owner-occupied housing, and for the acquisition, rehabilitation and preservation of existing multi-family residential rental housing including naturally occurring affordable housing (NOAH). This fund is composed primarily of the "Buy-in" fees developers may opt to pay in lieu of including affordable units into their market rate developments.

TAX INCREMENT FINANCING - Tax Increment Financing has been utilized in many communities throughout the Metro Area and in Greater Minnesota to support the development of new housing, primarily rental housing to reduce rental rates to bring them in line with levels supportable in the market. The use of TIF to address housing needs for very low-income households has not been used extensively and typically does not provide sufficient gap funding to create this type of housing.

RENTAL HOUSING LICENSING AND INSPECTION PROGRAM - Edina only recently implemented a rental housing licensing and inspection program. The rental housing licensing and inspection program consists of inspecting all registered rental dwelling units, including single-family homes, townhouses, condominiums, duplexes, multi-family buildings, housing with services dwellings and accessory dwelling units. The goal is to inspect a minimum of one-third of all licensed rental units each year so that all rented units will be inspected at least once every three years. The focus of the rental inspection program is to maintain the quality and stability of rental units, thereby preserving land and building values in the community. Rental housing conditions that adversely affect the life, safety, and general welfare of renters should be attended to for the well-being

of all residents and the improvement of housing conditions in the community.

COME HOME2 EDINA - The City offers a low interest second home mortgage intended to assist families and individuals looking for affordable homeownership in Edina. The maximum loan amount is 25% of the purchase price and not to exceed \$60,000. Borrower must spend at least 25% of their gross income on the first mortgage (PITI, etc.) and the program uses the interest rate of the first mortgage. The purchase price of the property cannot exceed \$425,000 and the borrower shall not pay less than \$1,000 towards down payment, closing costs and/or prepaid expenses. The program has been in place for 20 years. The program is funded through the Edina Housing Foundation. The only area excluded from consideration is the far southwest corner of Edina.

REDEVELOPMENT ACTIVITIES - The City has, in the past, provided some assistance to various housing developments through the use of TIF or other funding to support redevelopment. Redevelopment activity has been focused on the Southdale area, the Grandview area and 50th and France commercial district. Each of these areas has experienced increased density and redevelopment with owned and rental housing properties.

HOUSING IMPROVEMENT AREA (HIA) PROGRAM - The HIA program is a financial tool for improvements in condominiums and townhomes. This program was established by State law and can be a tool through the municipality to assist condominium and townhome developments that may have significant improvements to make to common elements that they would otherwise be unable to finance. St. Louis Park, Bloomington, Minneapolis, and Hopkins have all funded various HIA owned multi-family projects through this program. We

do not believe that Edina has ever funded this type of loan for any owned multi-family property in the city to date.

INCLUSIONARY HOUSING POLICY AND ZONING - The City of Edina requires that multi-family properties seeking rezoning or comprehensive plan amendments incorporate affordable housing units at 10% affordable at 50% AMI or 20% affordable at 60% AMI. Most new developments have opted for 10% affordable at 50% AMI or have opted out of including affordable housing units by paying a per unit fee of \$100,000 for the required affordable units. Today's cost of constructing new housing units is upwards of \$200,000 per unit or higher. Therefore, requiring a per unit fee of \$100,000 is less than the cost to develop new affordable housing units. A total of 98 new affordable units have been developed or approved in the City between 2015 and 2018. The plan has been expanded to include developments on city owned land and projects seeking city financial assistance. The affordability requirement has also been extended from 15 years to 20 years. This is an effort to increase the number of affordable housing units developed and to provide for more affordable housing over the long-term.

Innovative Tools Enable Attainable Ownership Options

Land use regulations can create new affordable housing tools with less direct financial subsidies. Many cities are applying different models, tailored to their local needs – some of which may exist in Edina today. These approaches can be examined and if they seem useful, they can be tailored to meet the unique circumstances and needs of Edina.

- » [Several cities and counties](#) around the country are using different ADU program models tailored to local goals to add affordable housing.
- » The nonprofit [Hacienda Community Development Corporation](#) is developing a program that would build 537-square-foot cottages in the backyards of low- to middle-income homeowners. They would provide affordable housing for low-income tenants for 10 to 15 years. They are specifically targeting lower-income homeowners to receive the ADUs and building in a modest monthly income for the homeowner—maybe \$200 out of a \$990 per month rent payment.
- » The City of Portland, partly in response to teardowns and out-of-scale new buildings, recently passed innovative reforms that discourage teardowns and encourage affordable homes. The [Residential Infill Project](#) allows more housing units to be built in residential neighborhoods, but only if they follow new limits on size and scale. An innovative aspect of the proposal simultaneously lowers the maximum size of new homes in low-density areas, allows buildings to contain more homes, and lets a building be a little bit larger if it creates either more homes or very affordable homes. It is a building size sliding scale, which encourages affordable smaller homes that fit into the surrounding neighborhoods.
- » Austin, Texas has an [affordable housing bonus](#) which allows more homes on any lot in the city, but only if half of the homes are deeply affordable.
- » In Denver, Colorado, [Silvernest is a service](#) that helps homeowners with extra bedrooms and people looking for a bedroom to connect, create a home-sharing lease, and collect rent.

Appendix II – Housing Definitions

These definitions came from a variety of sources, including the Maxfield report, the Metropolitan Council, Wikipedia, the Urban Land Use Institute, Opticos, and subject specific websites.

Accessory Dwelling Unit or Auxiliary Dwelling Unit (ADU) -
Secondary suites or in-law apartments are self-contained apartments, cottages, or small residential units, that are located on a property that has a separate main, single-family home, duplex, or other residential unit. They may be inside the primary residents or a smaller secondary structure on the same lot.

Affordable Housing - There is no single definition of “affordable housing.” HUD defines a home as affordable if the household that lives in it pays less than 30% of their income for housing. Affordable housing may or may not be subsidized and it may or may not have contractual limits on the rent or sales price. The Metropolitan Council measures affordability using Area Median Income (AMI). Low income affordability is defined at three levels:

- » Extremely low income (30% of AMI)
- » Very low income (50% of AMI)
- » Low income (80% of AMI)

Area Median Income - The Area Median Income (AMI) is the midpoint of a region’s income distribution – half of families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds are set relative to the area median income—such as 50% of the area median income—identify households eligible to live in income-restricted

housing units and the affordability of housing units to low-income households.

Assisted Living - Assisted Living provides a semi-independent living option for people with disabilities or adults who cannot or choose not to live independently. There is no official definition of an Assisted Living Facility, and they provide a wide range of levels of care and diversity of services. It can range from basic board and assistance with household chores, to medication management and bathing assistance and limited Registered Nurse support. They usually include common areas for socializing. Living space may consist of independent apartments, or hotel-like rooms.

Attainable Housing - Non-subsidized, for-sale housing that is affordable to households with incomes between 80 and 120 percent of the area median income.

Building Permit - Building permits track housing starts and the number of housing units authorized to be built by the local governing authority. Most jurisdictions require building permits for new construction, major renovations, as well as other building improvements. Building permits ensure that all the work meets applicable building and safety rules and is typically required to be completed by a licensed professional. Once the building is complete and meets the inspector’s satisfaction, the jurisdiction will issue a “CO” or “Certificate of Occupancy.” Building permits are a key barometer for the health of the housing market and are often a leading indicator in the rest of the economy as it has a major impact on consumer spending.

Community Land Trust - A community land trust (CLT) is a nonprofit, community-based organization that works to provide perpetually affordable homeownership opportunities. CLTs hold the land they own “in trust” permanently for the benefit of the community by ensuring that it will always remain affordable for homebuyers. CLTs enter into a long-term, renewable lease with prospective homeowners instead of a traditional sale.

Cooperative Housing - A legal ownership arrangement where members own a share of the property (rather than an individual unit) which often includes one or more multi-family buildings or even a group of detached houses owned by the cooperative, and where share owners are members and have rights to occupy one housing unit. Some cooperatives are a “limited equity cooperative.” A limited equity cooperative (LEC) is a cooperative model in which residents commit to resell their share at a price determined by formula—an arrangement that maintains affordability at purchase and over the long term. Cooperative share owners enjoy all the tax advantages of home ownership regarding the deduction of interest and property taxes under State and Federal tax law.

Co-Housing - A multi-family building or cluster of single-family homes with separate living space for households that includes communal areas such as gardens, kitchens, gathering spaces.

Demand – The total number of households that would potentially move into a proposed new or renovated housing project or community. Components vary and can include, but are not limited to turnover, people living in substandard conditions, rent over-burdened households, income-qualified households, and age of householder. Demand is project specific.

Density – Number of units in a given area. Density is typically measured in dwelling units (DU) per acre – the larger the number of units permitted per acre the higher the density; the fewer units permitted results in lower density.

Detached housing – a freestanding dwelling unit, most often single-family homes, situated on its own lot.

Exclusionary Zoning - After explicit racial zoning that prohibited people of a designated race from living in particular zones was deemed illegal by the United States Supreme Court in 1917, many zoning codes were written to allow only expensive, large homes on large lots. They prohibited less expensive duplexes and small apartment homes. An explicit goal of many exclusionary zoning policies was racial segregation. Now called “exclusionary zoning,” these requirements ensure lower-income people cannot afford the community.

Extremely low-income – person or household with incomes below 30% of Area Median Income, adjusted for respective household size.

Fair Market Rent – Estimates established by HUD of the Gross Rents needed to obtain modest rental units in acceptable conditions in a specific geographic area. The amount of rental income a given property would command if it were open for leasing at any given moment and/or the amount derived based on market conditions that is needed to pay gross monthly rent at modest rental housing in a given area. This figure is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families on financially assisted housing.

Floor Area Ratio (FAR) – Ratio of the floor area of a building to the area of the lot on which the building is located.

General Occupancy housing – All housing types, available for purchase or rental by people of any age and ability level. The term is used to differentiate from age-restricted housing for 55+ ‘active adults’ and senior housing.

Holding costs (also known as Carrying Costs) – Costs or expenses associated with owning or maintaining a property that an individual or company incurs during a specified period of time. Typical holding costs are Taxes, Insurance, Utilities, Maintenance, Wear and Tear, Municipal Charges, and Interest on income.

Household – All persons who occupy a housing unit, including occupants of a single-family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Household Trends – Changes in the number of households for any particular area over a measurable period of time, which is a function of new households’ formations, changes in average household size, and net migration.

Housing Stock - The total number of houses and apartments in a geographic area.

Housing Unit – House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

Income limits – Maximum household income by a designed geographic area, adjusted for household size and expressed as a percentage of the Area Median Income, for the purpose of

establishing an upper limit for eligibility for a specific housing program.

Infill - Development of vacant or under-used parcels, refurbishing or reusing existing buildings in areas that are already largely developed. It includes adding a little bit of density, such as with Accessory Dwelling Units or by subdividing lots to build additional single-family homes or duplexes.

Land Use Regulation - Laws or the application of laws that limit or restrict how an owner or lessee can use or develop land. Zoning and related governmental approvals to use or develop land are the most common types of land use regulation.

Lifecycle housing - Ensuring there is a full range of housing options for all stages of life, from starter homes through continuum of care, so people can live their whole lives in a given community.

Low-Income – Person or household with gross household incomes below 80% of Area Median Income, adjusted for household size. [See Appendix III for income levels that qualify.]

Market analysis – The study of real estate market conditions for a specific type of property, geographic area or proposed (re) development.

Market rent – The rent that an apartment, without rent or income restrictions or rent subsidies, would command in a given area or “Market Area” considering its location, features and amenities.

Market study – A comprehensive study of a specific proposal including a review of the housing market in a defined market or geography. Project specific market studies are often used by developers, property managers or government entities to determine the appropriateness of a proposed development,

whereas market specific market studies are used to determine what house needs, if any, existing within a specific geography.

Market rate rental housing – Housing that does not have any income-restrictions. Some properties will have income guidelines, which are minimum annual incomes required in order to reside at the property.

Missing Middle - These housing types provide diverse housing options, such as duplexes, fourplexes, cottage courts, and multiplexes. These house-scale buildings fit seamlessly into existing residential neighborhoods and support walkability, locally serving retail, and public transportation options. They can provide solutions along a spectrum of affordability. Some types of missing middle housing are moderately larger than house-scale and can transition between adjacent districts of different levels of scale and intensity.

Moderate Income – Person or household with gross household income between 80% and 120% (or 115% in Edina) of the Area Median Income, adjusted for household size.

Mother-in-law unit - See Accessory Dwelling Unit.

Multi-family – Properties and structures that contain two or more housing units.

Naturally Occurring Affordable Housing (NOAH) – NOAH housing units happen to have affordable rents due to age of structure, condition, location, or size. They were not developed or designated with income guidelines or any governmental or philanthropic subsidy. Because their lower costs occur for reasons unrelated to subsidy, they are considered “naturally-occurring” or “unsubsidized affordable” units.

Owned, multi-family housing – Two or more attached dwelling units, each unit owned by its occupant(s), including townhomes, condominiums, or cooperatives.

Owned, single-family housing – A single home, not attached to other housing units, that is owned by the occupant(s).

Pent-up demand – A market in which there is a scarcity of supply and as such, vacancy rates are very low or non-existent.

Population Trends – Changes in population levels for a specific geographic area over a specific period– a function of the level of births, deaths, and in/out migration.

Racially Restrictive Covenants - Covenants are clauses in property deeds that restrict how a property may be used or who may occupy the property. Racially Restrictive covenants prohibited a buyer of real property from allowing sale, use or occupancy by members of a given race, ethnic origin, and/or religion as specified in the title deed. Such covenants were employed by many real estate developers to “protect” entire subdivisions, with the primary intent to keep “white” neighborhoods “white.” Ninety percent of the housing projects built in the years following World War II were racially restricted by such covenants.

Redevelopment – The redesign, rehabilitation, or expansion of existing properties.

Senior Housing – The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives. Senior housing is often classified into four categories based on the level of support services. The four

categories are: Active Adult, Independent Living, Assisted Living and Memory Care.

Single-family home – A dwelling unit, either attached or detached, designed for use by one household and with direct street access. It does not share heating facilities or other essential electrical, mechanical, or building facilities with another dwelling.

Single-family attached home – a side by side duplex, semi-detached unit or two-unit townhouse. May look like one large home, two distinct homes, or a townhome.

Subsidized housing – Housing that is income-restricted to households earning at or below a specific % of AMI. Some programs may set a specific rent where households may qualify based on 30% or less of AMI.

Subsidy – Public entities provide subsidy to housing developments or individuals to achieve a variety of public goals. The most common subsidy programs include:

- » Low Income Housing Tax Credits (LIHTC) or Section 42
- » Tax Increment Financing (TIF)
- » Housing Choice Vouchers (Section 8)
- » Other state or Federal rental assistance programs
- » HUD Project-based Section 8
- » HUD Section 202
- » HUD Section 811
- » HUD Section 236

Teardown - Demolishing a structure for the purpose of building a new structure. Most common in communities that have limited vacant land.

Tenant – One who rents real property from another individual or rental company.

Transition zone - The area where land use shifts from one type of use to another, generally between areas with commercial buildings and residential buildings. They are characterized by a gradual shift from larger buildings to smaller buildings, which enable the provision of several housing types in a small geographic area.

Workforce housing – Housing that is income-restricted to households earning between 80% and 120% AMI. Also referred to as moderate-income housing.

Zoning – Classification and regulation of land use by local governments according to use categories (zones); often also includes density designations and limitations

Appendix III - Housing Affordability and Income Qualifications

In 2020, the area median income (AMI) for a household of four in the Twin Cities 7-County metropolitan area was \$103,400. Area Median Income is the basis for calculations of housing affordability. Based on the 2020 AMI, affordability levels for rental and ownership housing have been calculated. [<https://metro council.org/Communities/Services/Livable-Communities-Grants/Ownership-and-Rent-Affordability-Limits.aspx#History>]

Based on an Area Median Income (AMI) of \$103,400

- » 80% AMI = \$78,500
- » 60% AMI = \$62,040
- » 50% AMI = \$51,700
- » 30% AMI = \$31,000

Rental Housing Affordability

Rents include tenant-paid utilities. Tenant-paid utilities are included in the rent value because all housing costs should be included to determine affordability, rather than just rent alone.

2020 Rental Housing

# Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI
Efficiency	\$543	\$905	\$1,086	\$1,448
1 Bedroom	\$582	\$970	\$1,164	\$1,552
2 Bedrooms	\$697	\$1,163	\$1,395	\$1,860
3 Bedrooms	\$806	\$1,344	\$1,612	\$2,150
4 Bedroom	\$900	\$1,500	\$1,800	\$2,400

Ownership Housing Affordability

For owner-occupied housing, the income limit includes principal, interest, property taxes and home insurance.

Assumptions include:

- » Fixed-interest, 30-year home loan
- » Interest rate of 3.625%
- » A 29% housing debt-to-household income ratio
- » A 3.5% down payment
- » A property tax rate of 1.25% of the property sales price
- » Mortgage insurance at 0.85% of unpaid principal
- » \$100/month for hazard insurance

2020 Home Ownership

Household Income Level Affordable Home Price

80% AMI (\$78,500)	\$293,500*
60% AMI (\$62,040)	\$228,500
50% AMI (\$51,700)	\$187,500
30% AMI (\$31,000)	\$106,000

*Applying an interest rate of 3.625% on a 30-year fixed-rate home loan for 2020 and other standard mortgage assumptions listed above to the 80% of AMI amount for a family of four (\$78,500), yields an affordable purchase price of \$293,500.

Appendix IV - Regional Housing Need and Edina's Role

The Metropolitan Council determines the allocation of affordable housing need for each community in the Twin Cities region. The explanation below is provided by the Metropolitan Council on its website at <https://metro council.org/housing/planning/Affordable-Housing-Measures/Allocation-of-Affordable-Housing-NEED.aspx>

ALLOCATION OF AFFORDABLE HOUSING NEED

Planning for the growing need for affordable housing

The Council forecasts future affordable housing needs using a regional economic model, then allocates a share of the overall need to all communities expecting sewer-serviced household growth over the next decade. Cities are not required to create enough units to meet their share of the NEED, but they must plan for the possibility of these units by guiding sufficient land at higher residential densities.

The NEED number is calculated every 10 years in preparation of a community's comprehensive plan update—therefore it only applies to the upcoming decade, not the full 30-year scope of their comprehensive plan.

How the Metropolitan Council calculates the NEED

The methodology for calculating a community's share of the regional need is revisited and updated every 10-year cycle. The 2021-2030 NEED is proportional to a city's

- » overall forecasted growth;
- » its existing affordable housing stock; and
- » the ratio of low-wage jobs to low-wage earning residents.

Changes in a community's forecasted growth may result in changes to their NEED number. Housing information—including NEED numbers—for each city and township is available in [Local Planning Handbook's Community Pages](#)

The Region's Total Need for Affordable Housing for 2021- - 2030 is 37,900 units. Edina's 2021-2030 Allocation of Need is 1,804 units.

~ Metropolitan Council Community Page for Edina at <https://lponline.metc.state.mn.us/CommPage?ctu=2394621&applicant=Edina>

Appendix V - References and Sources

This appendix identifies references in the report and resources considered by the Task Force in preparing its recommendations.

Guest speakers at Housing Task Force meetings

- » Tara Beard, Livable Communities Manager, Metropolitan Council
- » Mary Bujold, President, Maxfield Research and Consulting
- » Kevin Ehrman-Solberg, Co-Founder, Mapping Prejudice
- » Todd Graham, Principal Forecaster, Metropolitan Council
- » Heidi Lee, Race and Equity Coordinator, City of Edina
- » Mary Manderfeld, Director of Equity and Enrollment, Edina Public Schools
- » John Phelan, Economist, Center for the American Experiment
- » Matt Schroeder, Senior Researcher, Metropolitan Council
- » Lori Syverson, President, Edina Chamber of Commerce
- » Cary Teague, Community Development Director, City of Edina

Interviews with subject matter experts

Members of the Task Force interviewed 19 subject matter experts to gain a deeper understanding of the housing development process, market opportunities and challenges, and the interaction of housing with other systems, such as the school district. Those interviewed included:

- » developers of affordable, market-rate and senior housing
- » architects
- » staff from the Edina school district
- » housing and development professionals from nearby cities

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Appendix VI - Responses to the Report

I: From the Human Rights and Relations Commission

Email message from Cat Beringer, Chair of the Edina Human Rights and Relations Commission

From: Cat Beringer <cat.beringer@gmail.com>

Sent: Thursday, December 3, 2020 4:53 PM

To: Stephanie Hawkinson <SHawkinson@EdinaMN.gov>; Heidi Lee <HLee@EdinaMN.gov>; Mark Felton <markfeltoncpa@feltonforensics.com>

Subject: Housing Task Force Report comments

Hi Heidi and Stephanie,

I really appreciated how much depth went into compiling this report, including Edina's history. However, I do have some concerns about a few phrases in the document.

1. I would like to suggest that the word **unfounded** be added to this sentence:

p. 30 Citing **unfounded** concerns about crime and property value declines from white buyers, some housing developers added clauses to property deeds that included racially restrictive covenants.

I think it's important to state that these concerns about crime and property values were unfounded and not based in fact. These

"concerns about crime and property values" were unfounded complaints used to conceal the true purpose of these covenants. The segregatory effects of these housing policies were not a fluke, they were the point. To allow this sentence to stand is to be complicit with these housing policies.

TPT's *Jim Crow of the North*.

<https://www.tpt.org/minnesota-experience/video/jim-crow-of-the-north-stijws/>

and this article

<https://www.npr.org/2017/05/03/526655831/a-forgotten-history-of-how-the-u-s-government-segregated-america>

<https://www.nytimes.com/2017/08/24/upshot/how-redlinings-racist-effects-lasting-for-decades.html>

2. p.31 Understanding the history of exclusionary housing policy helps people recognize housing regulations that may reinforce patterns of income exclusion. **It is a matter of personal opinion whether active zoning measures should be taken to reduce the income segregation created by past housing policies.**

The two sentences above seem to be in direct contradiction with each other. The second sentence should maybe be removed or rephrased. Otherwise, it gives the impression that the city is okay with income segregation in housing. The phrase "personal opinion" especially

seems to imply a certain level of absence of culpability, as the entire point is that housing policy helped to create the problem, and it cannot be fixed without further housing policy.

3. I would like to reiterate my concerns about affordable housing that can accommodate families. Although, I think it is too late to be added to the discussion about housing for this report, I would like the city to be more aware of the lack of affordable housing beyond studio, one bedroom, or two bedroom apartments. I think the commonly used industry term “multifamily housing” is misleading when you are describing households and not families. And, although a two bedroom apartment could conceivably accommodate a family of four, leasing agreements may not allow a family of that size.

Overall, I really appreciate the comprehensive work of the task force and their attempt to cover such a broad range of topics while trying to give voice to many different perspectives.

Thanks,
Cat Beringer
Chair HRRC

Reply message from Mark Felton

From: Mark Felton <markfeltoncpa@feltonforensics.com>

Sent: Thursday, December 3, 2020 6:55:23 PM

To: Cat Beringer <cat.beringer@gmail.com>

Cc: Stephanie Hawkinson <SHawkinson@EdinaMN.gov>; Heidi Lee <HLee@EdinaMN.gov>

Subject: Re: Housing Task Force Report comments

Hello Everyone:

I support and concur with Chair Beringer's comments and concerns. I am very comfortable letting her letter represent my concerns as a member of the HRRC and as an Edina resident.

Best regards,

Mark Felton

2: From the Edina Housing Foundation



S H E L T E R I N G O U R C O M M U N I T Y

4801 WEST 50TH STREET
EDINA, MINNESOTA 55424
952-826-0462
FAX: 952-826-0389

November 30, 2020

Dear Mayor and City Council Members:

With this letter, The Edina Housing Foundation wishes to provide its comments on the Affordable Housing Priorities for Edina report.

In summary, we believe this is a balanced report, providing lots of good context and information on our community. We support most all of its recommendations and conclusions and believe that by pursuing these goals our community will become stronger.

The board members of the Edina Housing Foundation are all long-term Edina residents, some have lived here their entire lives. We resonate with the report in that it describes Edina as a strong, close-knit community that is well run. Edina has made many good decisions and taken bold leadership positions over the years – Southdale, Edinborough, and Centennial Lakes come to mind. Housing affordability is a regional problem, and Edina has the financial and human resources to take a leadership role.

For many years we have observed the tension between two groups in Edina: one that embraces growth, and one that wants things to remain as they are. Whereas there are valid concerns that each group holds, the Housing Foundation board tends to favor growth in our community. We note two points highlighted in the report. First, 88% of Edina's land area is developed as single-family homes and will remain as such. That means that future household growth in Edina will come from the 12% of Edina's land area that is not already developed as single-family homes. We support this direction as we believe it both preserves the prevailing suburban character of our community, while also offering greater density in targeted areas. We believe this is a wise and balanced approach to planning. We believe that a zero or tentative growth policy is not an option if Edina wishes to maintain and sustain itself as a thriving and desirable community. Targeted growth in certain areas of our community will sustain us as a premiere community where people want to live, play and work. We acknowledge

that growth will bring challenges we must address, but we believe it is far preferable to address these issues than those associated with stagnation.

The only recommendation the Housing Foundation does not support is, “Promote Missing Middle Housing Production”. The Housing Foundation certainly supports missing middle housing. However, we do not believe it is reasonable or realistic for Edina to pursue this housing – our land values are simply too high to support this type of housing production. If we did pursue this, the public subsidy would likely be very high. And we believe that limited resource has better uses.

Lastly, we believe there are two community education directions implied from this report. First, on page 34 the taskforce “recommends that concerns related to ‘poor building/over-building/density of the city’ be investigated ...”. We commend this mayor and city council as well as past leaders for decisions that have made our community what it is, and encourage our leaders to continue to educate the community on the benefits that come from growth, redevelopment, and yes, density. Second, we believe the mayor and city council should support broad community education on affordable housing. What is it? What does it look like? What are the needs? And what are the benefits? To that end, the Edina Housing Foundation makes itself available as needed in this education role.

We thank the Mayor and City Council for the leadership it has shown over the years on affordable housing in our community. And we thank the Edina Housing Strategy Task Force for its strong report and hard work on this issue. And as always, we offer our service to the Edina community.

Although Bernadette Hornig is a board member for the Edina Housing Foundation, she has recused herself from the Housing Foundation’s comment letter, as she is also a member of the Task Force.

Sincerely,

The Edina Housing Foundation
 Jeff Huggett
 Mary Kay McNee
 Jerry Gilligan
 Ann Swenson



For more information about City of Edina
housing initiatives, please contact the
Planning Department, 952-826-0369.

Planning Department
Edina City Hall
4801 W. 50th St.
Edina, MN 55424

Advancing Housing Priorities for Edina



Housing Strategy Implementation Report

City of Edina
4801 West 50th Street
Edina, MN 55424

Introduction

There are many ways to define a city. At its essence, a city is a group of people who live in close proximity to one another and practice a level of interdependence that contributes to their overall quality of life. As humans have evolved, cities have grown more sophisticated, and shelter needs more complicated. Because of its centrality to human life, our need for safe reliable shelter has become a matter of great concern to our leaders. The purpose of this report is to identify and address the shelter (i.e. – housing) needs of a modern suburban community in 21st century America in order for the leaders of this community to make sure that the residents of Edina have a broad supply of housing options available to them.

This report is a strategy documents that reflects the will of the elected leaders in Edina 2020. It was produced by a group of City staff, community volunteers and consulting partners who collectively dedicated thousands of hours of time to the overall goal of insuring the housing needs of Edina residents, present and future, are considered first and foremost as the key to Edina's overall quality of life.

Scott H. Neal

Table of Contents

Housing Strategy Task Force	4
Staff Evaluation Process.....	5
Impact Matrix	6
Housing Priorities.....	7
Goals and Strategies	8
Notes for Reading.....	9
Recommendation for Moving Strategies Forward	10
I. Strategy Items in Process.....	10
II. Recommendation to Include on 2022 Workplan.....	15
III. Recommendation to Reassess for 2023 Workplan	20
IV. Strategies where City has Limited Authority to Implement.....	24

Appendix: Housing Strategy Report Recommendations

Housing Strategy Task Force

Task Force Members

Bernadette Hornig, co-chair

Daniel Hunt, co-chair

Janet Kitui

Joe Burke

Norm Siekman

Steve Brown (*joined January 2020*)

Thomas Koon

Feroza Mehta (*served June - November 2019*)

City Staff

Stephanie Hawkinson, Affordable Housing Development Manager

MJ Lamon, Community Engagement Coordinator

Scott Neal, City Manager

Cary Teague, Community Development Director

Consultant Team

Merritt Clapp-Smith, Moxie Consulting LLC

Janne Flisrand, Flisrand Consulting

Antonio Rosell, Community Design Group

Staff Evaluation Process

Each goal and strategy was evaluated by designated City staff, who also provided input on the Impact Effort Matrix Score*. The Affordable Housing Development Manager led the evaluation process.

*Impact Effort Matrix Score

Lead Staff had colleagues provide feedback on the forty-two strategies. Staff participation included feedback from the following people:

Kris Aaker, Assistant City Planner

Emily Bodeker, Assistant City Planner

Grace Hancock, Sustainability Coordinator

Risi Karim, City Management Fellow

MJ Lamon, Community Engagement Coordinator

Bill Neuendorf, Economic Development Manager

Luther Overholt, City Forester

Cary Teague, Community Development Director

Don Uram, Finance Director

Jessica Vanderwerff Wilson, Water Resources Coordinator

Impact Matrix

The Impact Effort Matrix is a 2 x 2 grid that helps assess solutions for their relative **impact** given the **effort** required. It provides a quick way to filter out solutions that might not be worth the **effort**. The best solutions are in the upper left quadrant, easy to implement but with substantial **impact**.

- 1 – High Impact/Low Effort
- 2 – High Impact/High Effort
- 3 – Low Impact/Low Effort
- 4 – Low Impact/High Effort



Housing Priorities

The top five Task Force recommended housing priorities are:

1. Add 992* affordable rental housing units
 - a. 80% affordable rental for general occupancy
 - b. 20% affordable rental for active seniors.
2. Add 900 market rate rental housing units for general occupancy
3. Add 360 senior ‘independent living,’ congregate housing units
4. Add 250 owned multi-family housing units
5. Add 200 senior ‘assisted living’ housing units

*As adopted by the City Council per Metropolitan Council goals. Remaining values derived from Maxfield Housing Study.

Goals and Strategies

Goal 1: Promote Lifecycle Housing

Strategies:

- A. Promote Affordable and Attainable Housing
- B. Promote Missing Middle Housing Production
- C. Promote Special Needs Housing
- D. Encourage Preservation and Promotion of Diverse Housing Stock

Goal 2: Amend Land use Regulations to Enable a More Diverse Housing Stock

Strategies:

- A. Adjust Zoning Standards for Housing
- B. Consider Zoning District Amendments to Expand Housing Options.

Goal 3: Reduce Building Costs

Strategies:

- A. Streamline the Approval Process for Housing Developments Requiring Variance or Subsidy.
- B. Reduce the Cost of Building, Renovating and Financing Quality Housing.

Goal 4: Encourage Sustainable Design and Technology in all New and Substantially Rehabilitation Housing.

Notes in Reading Steps for Moving Forward

The following pages are a reorganization of the Task Force's recommendations from a linear reading of goals and strategies to placing those goals and strategies into implementation categories. Therefore, in the first section under "Strategy Items in Process" there is Goal 1, Strategy A then Goal 1, Strategy D. Strategies B and C are in different sections.

The full list of Goals and Strategies is provided in the Appendix.

Recommendation for Moving Priorities Forward

I. Strategy Items in Process:

Staff has already begun moving these strategies items forward. Some of these with a Matrix Score of 1 could be completed in 2021, some by their nature are on-going, and others have a longer time line and require either HRA or City Council approval.

GOAL 1: Promote Life Cycle Housing			
Strategy A: Promote Affordable and Attainable Housing			
1	Strategy 1A.3: Attract new residents and retain existing residents by preserving and expanding housing options for moderate- and low-income households.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> HRA allocated funds to Metro HRA and West Hennepin Community Land Trust for affordable single family housing. Improve communication to owners of moderate priced homes that HRA or Land Trust may want to acquire. Lack of interest to place a moratorium on teardowns. City needs to affirmatively further housing diversity. There is a need to larger family units of affordable housing. City can create incentives but not mandates. Per unit, affordable single family housing is more expensive than multifamily housing. Single Family ownership helps with wealth creation. City/HRA already providing gap financing for affordable rental, including for land acquisition. On-going effort 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score:1		
Strategy D: Encourage Preservation and Promotion of Diverse Housing Stock			
2	Strategy 1D.2: Encourage the preservation, maintenance, and rehabilitation of existing subsidized and naturally occurring affordable rental and ownership housing (NOAH)		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> HRA has approved two iterations of the 4d program which is primary tool for NOAH preservation. Neither has been successful. City approved gap finance for 7008 Sandell to preserve as a NOAH property. 	Affordable Housing Development Manager	Sustainability Coordinator

	<ul style="list-style-type: none"> City has agreement with Center Energy & Environment's Home Energy Squad to assess homes for energy efficiency measures. We need a better mechanism for selling the 4d and energy efficient program as message may not be getting to owners. On-going effort. 		
	Matrix Score: 2		
3	Strategy 2D.4: Support program(s) for assisting income eligible property owners with rehabilitating their homes to extend their useful life.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> City has agreement with Center for Energy and the Environment (CEE) Home Energy Squad to assess homes for energy efficiency measures. Exploring expansion of relationship with CEE to support emerging home rehab program. City allocates a portion of CDBG allocation to Hennepin County to administer a rehabilitation program. In March 2021 HRA approved Home Rehab pilot program. Will review program outcomes when the Pilot Program has concluded. 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score: 1		

GOAL 2: Amend Land Use Regulation to Enable a More Diverse Housing Stock

Strategy A: Adjust Zoning Standards for Housing

4	Strategy 2A.1: Provide zoning flexibility in the specific areas identified for development in the 2040 Comprehensive Plan to streamline the public approval process for minor variances.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Planning employs the PUD process that provides zoning flexibility. Process works well, although would be helpful to have just one public hearing. Propose having only one public hearing – at Planning Commission. If developers do not agree with outcome, may appeal to City Council. Eliminate City Council Public hearing. Planning Commission is the reviewing authority for minor variances. Process works well now. 	Planning Department	Planning Commission

	<ul style="list-style-type: none"> On-going. 		
	Matrix Score: 2		
5	Strategy 2A.3: Allow for creative solutions and some flexibility in the provision of off-street parking standards for housing. This might include options like shared parking, reduced minimums near transit and activity nodes, or exceptions to structured parking requirements for affordable housing.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> The Planning Commission is currently considering an ordinance amendment to the city's parking standards. This will be concluded in 2021. 	Planning Department	Planning Commission
	Matrix Score: 2		

Goal 3: Reduce Building Costs

Strategy A: Streamline the Approval Process for Housing Development Requiring a Variance or Subsidy

6	Strategy 3A.1: Fully empower the City's Community Development Department to identify properties for development or redevelopment, analyze projects for both fit with the 2040 Comprehensive Plan Design Guidelines and economic feasibility in prevailing market conditions, balancing these two as needed. Communicate development objectives to developers and encourage the preparation of proposals for development.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Staff cannot dictate development on property it does not own. Encourage flexibility in design guidelines to achieve affordability. Staff does identify potential sites for redevelopment and work with property owners interested in redevelopment by sharing small area plans, studies, comprehensive plan etc. On-going. 	Planning Department	Planning Commission
	Matrix Score: 1		
7	Strategy 3A.2: Implement active outreach and recruit developers with a successful track record in providing the housing desired.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> When the City has control of property, they issue an Request for Proposals/Request for Qualifications to attract developers: e.g. Amundson Flats and Cornelia View Apartments Assists in achieving City goals. 	Affordable Housing Development Manager	Edina Housing Foundation

	<ul style="list-style-type: none"> The availability of land and financial resources is a limiting factor. On-going. 		
	Matrix Score: 2		
8	Strategy 3A.3: Empower the City's Community Development Departments to guide developers through the project approval process.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Practice already in place. 	Community Development Director	
	Matrix Score: 1		
9	Strategy 3A.4: Provide better guidelines for development requirements, based on location and economic objectives.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Practice already in place. This has been done with development of the 2040 Comprehensive Plan which includes small area plans for the commercial nodes, and design experience guidelines for the Southdale area. Some of those guidelines have been codified into the City's Zoning Ordinance. 	Planning Department	
	Matrix Score: 1		
Strategy B: Reduce the Cost of Building, Renovating and Financing Quality Housing			
10	Strategy 3B.1: Develop a parking policy that reflects the latest thinking for current and future parking needs, parking construction costs, sustainability and evolving economic and marketability needs for successful projects.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> The Planning Commission is currently working on a Zoning Ordinance Amendment regarding parking. Current parking rules often result in a variance request, allowing planning to require more sustainability measures (among others) than typical. Some people prefer incentive here to keep parking rules as is. Planning Commission is seeking City Council approval in quarter 2 of 2021. 	Planning Department	Planning Commission
	Matrix Score: 1		
11	Strategy 3B.4: Utilize land trusts and land write-downs to secure land for future development projects.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> A partnership with West Hennepin Affordable Housing Land Trust already exists. 	Affordable Housing	West Hennepin

	<ul style="list-style-type: none"> Edina Housing Foundation entered into a 99-year ground lease to secure 99-year affordability on a multifamily development at 4040 W. 70th St. Limiting factor is the availability of land. On-going. 	Development Manager	Affordable housing Land Trust
	Matrix Score: 1		
12	Strategy 3B.5: Empower the City's Affordable Housing Development Manager to be responsible for establishing/evaluating the parking, design, and amenity requirements for affordable housing developments to ensure economic viability of these projects.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> The Affordable Housing Manager is already a part of the staff review process. Staff needs to consider how the proposed development fits within the neighborhood. This strategy limits some oversight control of the Planning Commission and City Council pertaining to the Sketch Plan process if implemented to the extreme 	Affordable Housing Development Manager	Planning Commission
	Matrix Score: 1		
13	Strategy 3B.7: Authorize the City, through a public hearing process, to have authority to make property purchases that are consistent with a city development strategy, within a financial limit, to be able to secure control of potential properties for affordable housing development, in an expeditious manner.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> The HRA began acquired land to fulfil the development mission with the acquisition of 4040 W. 76th Street. The HRA also acquired 7075 Amundson to help facilitate those two affordable housing developments. On-going. 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score: 1		

II. Recommendation to Include on 2022 Workplan

Strategies included in this section include those that are not currently underway, but staff recommends be prioritized for 2022 workplans as they support the City's pillars of Equity and Inclusion and sustainability.

GOAL 1: Promote Life Cycle Housing			
Strategy A: Promote Affordable and Attainable Housing			
14	Strategy 1A.1: Prepare a housing implementation plan using a mix of tools to achieve the City's housing goals, including the Comprehensive Plan goal range of 992 to 1,804 affordable units, in the ten-year horizon, with time-bound goals and milestones, to be reviewed on an annual basis.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Staff can refer to this strategy when developing annual work plans. Staff may track number of affordable units developed and include in staff report to HRA. Affordable housing requires gap financing and participating developers. This goal could be a challenge due to the availability of funding using City sources and government partners. 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score: 2		
15	Strategy 1A.2: Facilitate the development of "new" housing options such accessory dwelling units to accommodate the diverse needs of people of different ages, household sizes, lifestyle and incomes.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Requires a Comp plan amendment to allow more density in R1 zoning districts. The Planning Commission reviewed before and opted to not proceed. Could be included in Planning Commission 2022 Work Plan. This would require buy-in with residents in established neighborhoods. This was discussed during Comp Plan update with no support at the time. Although allowing ADUs could fill a niche of smaller more affordable housing in Edina, in reality building them is expensive and cities that allow them are not seeing them developed in high numbers. If ADUs are consider, should also include duplexes to four-plexes. There is a racial component of who is in 	Planning Department	Planning Commission

	favor of ADUs vs. other forms of increased housing density.		
	Matrix Score: 4		
Strategy B: Promote Missing Middle Housing Production			
16	Strategy 1B.1: Support opportunities to accommodate Missing Middle housing within the city, defined as range of multi-unit or clustered housing types compatible in scale with single-family homes		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> May require a Comp plan amendment and zoning change. Higher zoning creates higher land value. In districts that already have Multifamily zoning - this could reduce land value. In areas with R1 zoning - this could increase value. Missing Middle can have same massing as single-family houses, with each unit being more affordable. 	Planning Department	Planning Commission
	Matrix Score: 2		
Strategy C: Encourage Preservation and Promotion of Diverse Housing Stock			
17	Strategy 1C.1 Support a range of housing options for people with special needs (Developmentally, Physically, or Mentally) <ol style="list-style-type: none"> Families with a disabled member Affordable housing for working households with a disabled member Assisted living for individuals with disabilities.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Requires a developer to provide this type of housing. If the City owns the land, we can make this a requirement in RFP. Land is scarce and expensive. 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score: 2		

GOAL 2: Amend Land Use Regulation to Enable a More Diverse Housing Stock			
Strategy B: Consider Zoning District Amendments to Expand Housing Options			
18	Strategy 2B.3: Support the development and preservation of affordable housing throughout Edina where there is access to transit.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> On-going now when possible. Preserves/increases housing options. Scarcity of available Land. 	Affordable Housing Development Manager	Planning Commission
	Matrix Score: 2		

GOAL 2: Amend Land Use Regulation to Enable a More Diverse Housing Stock			
Strategy B: Consider Zoning District Amendments to Expand Housing Options			
19	Strategy 2B.1: Consider zoning amendments in limited areas (such as transitional areas and activity nodes) to allow lot splits for infill, single-family ownership housing, detached or attached (zero lot line), on lots after splitting that are 50' or wider (or 3,500 sf or larger).		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Allows for more inclusionary housing - more affordable. The City has considered many requests like what is suggested here. Some get approved and some get denied. The process seems to work well as the city has flexibility on when to approve or deny. Review design elements that make single family housing more expensive such as basements, minimum lot size, minimum lot width, minimum house width, etc. This would have to be a planning commission work plan item. 	Planning Department	Planning Commission
	Matrix Score: 2		
20	Strategy 2B.2: Consider amending current R1 zoning to allow attached or detached Accessory Dwelling Units (ADU) such as self-contained "mother-in-law units". Develop Small Area Plans for extending R2 zoning along Vernon Ave from 169 to Interlachen, France Ave north of Hwy 62, and Valley View from 66th to Hwy 100. Evaluate additional areas for R2 zoning.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> If allow for ADUs also allow for duplexes. ADUs are perceived as "white" duplexes, so if they become allowed should allow for attached two-household residences. SF zoning is considered exclusionary. May not require rezoning as ADUs are not main dwelling unit but may can be considered a structure like gazebo or garage. The concept has been considered and rejected in the past (2008 Comp Plan). Issue was discussed briefly during the current Comp Plan consideration, but not suggested. Some were concerned with the potential of doubling the density in the R1 District. Although allowing ADUs could fill a niche of smaller more affordable housing in Edina, in reality building them is expensive and cities that allow them are not seeing them developed in high numbers. 	Planning Department	Planning Commission

	<ul style="list-style-type: none"> • This could be another consideration for the Planning Commission on their work plan item for 2022. • Many of these areas are currently zoned R2. • City staff has not been approached by developers to redevelop these areas for duplexes where single family homes now exist. 		
	Matrix Score: 2		

GOAL 3: Reduce Building Cost

Strategy B: Reduce the Cost of Building, Renovating and Financing Quality Housing

21	Strategy 3B.8: Fully utilize the other options the city has to lower the cost of development and or financing (i.e. rebate on fees, tax exempt bond financing, upgrading to an Economic Development Agency, selling land below market value, reduced property taxes, etc.)		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> • Transfers cost to other sectors. • Need to review legal parameters. • Assists in reducing the development costs of affordable housing. • Provides incentives to developers. 	Affordable Housing Development Manager	Finance Director
	Matrix Score: 2		

GOAL 4: Encourage Sustainable Design and Technology in all New and Substantial Rehabilitation Housing

22	Strategy 4.1: Encourage alternative energy sources including solar, wind, waste material, and geothermal.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> • State Building Code does not allow cities to require more stringent building measures than the state. This limits ability to require sustainable design of private buildings. • Wind energy is not practical to install in urban environments, but residents can subscribe to wind energy through Xcel Energy. • City is developing a Green Buildings policy which would apply to all projects receiving TIF or other public funds. For projects not receiving public funds, there is no mechanism to require renewable energy, though there is opportunity to better communicate utility incentives. 	Sustainability Coordination	Energy and Environment Commission

	<ul style="list-style-type: none"> • Staff time for research/conversations with Xcel energy about promoting solar garden subscriptions. • If City installs more solar this could be opened to public subscribers like the array on Public Works' rooftop. Could also include affordability carve-out. • If City wishes to promote conversion from natural gas to electricity for heating, would likely include financial resources needed. • Residential energy use accounts for ~40% of all building energy use in Edina (outside commercial/industrial). • Existing tools: Home Energy Squad to assess current conditions and list of actions for rehabs to be more efficient, Xcel 2016 Electricity Action Plan & residential energy subscriptions, Centerpoint community affordability programs, emerging City Green Buildings policy & existing Energy Benchmarking ordinance, CAS Fund for city projects. • More tools/actions will come with '21 Climate Action Plan 		
	Matrix Score: 2		

III. Recommendation to Reassess for 2023 Workplan

The following strategies require a longer lead time, may be more politically charged, and/or the outcomes may not match the effort to implement.

GOAL 1: Promote Life Cycle Housing			
Strategy D: Encourage Preservation and Promotion of Diverse Housing Stock			
23	Strategy 1D.5: Increase awareness about the range of housing variety that exists in Edina.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Housing in Edina is more varied than common perceptions. The City has had affordability and diversity for a long time. Address misconceptions regarding housing in Edina. 	Communications Department	
	Matrix Score: 3		

GOAL 2: Amend Land Use Regulation to Enable a More Diverse Housing Stock			
Strategy A: Adjust Zoning Standards for Housing			
24	Strategy 2A.2: Continue to allow teardowns/rebuilds but consider design guidelines and regulations that prevent privacy invasion via window placement and infringement on both active and passive solar energy capture.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Zoning ordinance amendment would be required. Would have to be added to the planning commission work plan. They have not identified these as issues. It is debatable on whether the City should micromanage window placement. The City has addressed the tear down rebuilt issue several times over the past 15 years. Modifications have been made to address resident concerns. Those include reducing height, adding architecture controls (prohibiting blank walls), increasing setbacks, better regulations on grading. The planning commission has not identified these as issues. 	Planning Department	Planning Commission
	Matrix Score: 4		

GOAL 3: Reduce Building Cost			
Strategy A: Streamline the Approval Process for Housing Development Requiring a Variance or Subsidy			
25	Strategy 3A.5: Simplify the current project approval process. Limit discussion to the variance or 2040 Comprehensive Plan amendment issues being raised.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Consider eliminating one public hearing. State law requires one official public hearing. The length of the entitlement process has been shown to determine whether a development moves forward. Reducing time, and therefore cost. City Council would not hold a public hearing but simply approve or deny Planning Commission's determination. 	Community Development Director	Planning Commission
	Matrix Score: 2		
26	Strategy 3A.6: Conduct semi-annual project review meetings between Staff, City Council and Planning Commission to discuss lessons learned, gain alignment and determine policy implications of projects completed in the past six months.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> This could be accomplished as part of the annual work session with the planning commission and city council. Learning process to improve City functions. 	Community Development Director	
	Matrix Score: 3		
27	Strategy 3A.7: Complete Post-mortem reviews of the current development review process, paying particular attention to assessing the level of quality of resulting developments. Identify what developments have been delayed or have been negatively impacted by incurring additional costs in the development process due to multiple levels of approvals or ad hoc design and amenity requests		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> This could be accomplished as part of the annual work session with the planning commission and city council. Requires willingness to participate by developers. Learning process to improve City functions. 	Planning Department	Planning Commission
	Matrix Score: 3		
28	Strategy 3A.8: Ensure that there is a robust system in place to identify the evolving best practices for managing housing developments being used by other communities. For example, Bloomington, St. Louis Park, Brooklyn Center or others.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> This takes time. Only in hind-site do we understand "Best Practices." 	Planning Department	

	<ul style="list-style-type: none"> Requires willingness of other Cities to share information. Staff regularly attend conferences, webinars, and read articles to improve their work. 		
	Matrix Score: 2		
Strategy B: Reduce the Cost of Building, Renovating and Financing Quality Housing			
29	Strategy 3B.3: Expand the HRA levy to generate funds that can be leveraged for land acquisition, bridge loans and renovations.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Increases tax obligation on Edina Residents. Currently the obligation is only \$9 a year. Need to study effects on lowest income residents based on the size of proposed levy increase. 	Finance Director	
	Matrix Score: 2		

GOAL 4: Encourage Sustainable Design and Technology in all New and Substantial Rehabilitation Housing			
30	Strategy 4.2: Promote active and passive energy efficiency in the design and placement of buildings and trees and education of property owners regarding weatherization and energy efficiency.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> City has agreement with Center for Energy and the Environment (CEE) Home Energy Squad to assess homes for energy efficiency measures. Tree placement on property is considered to help increase energy efficiency. Staff provides hand-out on where to plant trees for hedgerow to block wind. There is a Tree ordinance in building code. Reviewing tree ordinance - forthcoming Summer 2021. City conducting Tree give-aways with U of MN document on tree placement. 	Sustainability Coordinator	City Forester
	Matrix Score: 3		
31	Strategy 4.5: Support mitigation of water run-off by encouraging use of rain gardens, rain barrels, cisterns, permeable driveways and walkways, and appropriate landscape design.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> When redeveloping we have requirements for stormwater management. 	Sustainability Coordinator	Engineering Department

	<ul style="list-style-type: none"> • We are a Blue Thumb partner and annually host raingarden workshops. • Other local government units and non-profit groups fill this niche – providing resources for resilient landscaping. We regularly promote their programs and materials. • We have fact sheets on our flooding and drainage webpage to help people understand how to better manage drainage on their own properties. • Rain garden and rain barrels have minimum impact. Cisterns are expensive. Mixed impact on permeable surfaces because they stop working if not maintained properly. • Items are minor and will not move needle. 		
	Matrix Score: 4		

IV. Strategies Where City has Limited Authority to Implement

Staff has determined that the following strategies are challenging to implement due to building codes, or state or Federal law.

GOAL 1: Promote Life Cycle Housing			
Strategy A: Promote Affordable and Attainable Housing			
32	Strategy 1A.4: Promote affordable and workforce housing that includes a range of housing prices and options, based on the principle that those who contribute to the community should have the opportunity to live here.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Staff needs to be cognizant of Fair Housing Laws. Advanced marketing to people who work in the City may occur. Options remains to be limited as single family housing prices keep rising, as do their corresponding taxes. Availability of land for Multifamily development is limited. Creates more opportunities for people to live closer to their work. Reduces travel time. Positive environmental impacts. 	Affordable Housing Development Manager	Edina Housing Foundation
	Matrix Score: 2		
33	Strategy 1A.5: Explore directing for a limited period of time, the City's portion of the increased tax value of tear down properties to support Affordable Housing.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Diverts money away from other uses. Possible look at Citywide increase in market value to avoid single out any one type of resident. Review increase in market value due to teardown and allocate a portion of the increase to the AHTF. Makes available additional resources for affordable housing programs. Requires political will. 	Finance Director	
	Matrix Score: 4		
Strategy D: Encourage Preservation and Promotion of Diverse Housing Stock			
34	Strategy 1D.1: Assist neighborhoods in retaining starter housing stock that can accommodate young families.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Neighborhoods have no say in what individual homeowners do with their houses. 	Affordable Housing	Edina Housing Foundation

	<ul style="list-style-type: none"> City can create incentive programs. 	Development Manager	
35	Strategy 1D.3: Maintain some of Edina's single-family, lower square footage housing stock.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Property owners have rights to sell their homes to whomever. Expensive for the City to step in and be a buyer. Staff working on developing an home rehab program. 	Affordable Housing Development Manager	
	Matrix Score: 4		

GOAL 3: Reduce Building Cost

Strategy B: Reduce the Cost of Building, Renovating and Financing Quality Housing

36	Strategy 3B.2: If underground or covered parking is required, be willing to fund it by Tax Increment Financing (TIF) or other means of subsidy.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Need to comply with TIF rules – either through the creation of a Redevelopment TIF district in which case blight needs to be detected and remedied, or through an affordable housing TIF district. TIF simply for parking is not allowed. Seek different options for funding. Another source of funding is possible, such as the Trust Fund if it become robust enough. A better use of TIF is to pay for a high capital cost that will reduce operating costs (I.e. solar panels) 	Planning Department	Finance Department
	Matrix Score: 2		
37	Strategy 3B.9: Explore directing City portion of increment of increased tax value of tear down properties to Affordable Housing Trust Fund.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> These funds would be directed away from general fund. Possible look at Citywide increase in market value to avoid single out any one type of resident. Need to study impacts. Seeking different funding sources. 	Finance Director	
	Matrix Score: 3		

GOAL 4: Encourage Sustainable Design and Technology in all New and Substantial Rehabilitation Housing

38	Strategy 4.3: Require shadow studies on new or replacement housing structures to ensure active and passive solar energy use by adjacent properties is not adversely impacted		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> State statutes limit the City authority to require, but City could promote or incentivize. This might discourage tall buildings and increased density. More research to determine best practices in this area. 	Sustainability Coordinator	Planning Commission
	Matrix Score: 4		
39	Strategy 4.4: Promote water conservation by homeowners and housing property owners through education about water conserving appliances and fixtures, and reusing wastewater.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Reusing waste water: State Building code issue. We may be years out from this endeavor in terms of technology, policy, and scaling for residential housing. Do not want to include as a strategy. People already conserving water for indoor uses as appliances become more efficient; this is a form of passive water conservation that doesn't require behavior change. Water efficient appliances are common in the market. Irrigation summer use is still an issue. Promote native vegetation. Set conservation tiers for water usage - look at pricing. Add another top tier or shrink down range of existing lower tiers. Charge people more when they use more, would be designed to charge a higher rate for the biggest users who are presumably using for irrigation and not regular household drinking and/or cleaning. 	Sustainability Coordinator	Energy and Environment Commission
	Matrix Score: 3		
40	Strategy 4.6: Frequently review housing codes and policies to incorporate new technology regarding alternative energy sources, new more energy efficient building practices, and conservation		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> Building codes are governed at the State level. 	Sustainability Coordinator	

	<ul style="list-style-type: none"> City includes updates to state building code in legislative priorities, and in annual resolutions of support for more efficient building standards. 		
	Matrix Score: 3		
41	Strategy 4.7: Promote new construction and substantial rehabilitation projects to following leading industry sustainability standards.		
	Staff Response	Lead	Partner
	<ul style="list-style-type: none"> State Building Code does not allow cities to require more stringent building measures than the state. This limits ability to require sustainable design of private buildings. On HRA acquired property, through an RFP HRA can request that developer incorporate sustainability best practices as allowed by code. City offers new home construction training annually (ERRCATS) where Sustainability describes best practices and promotes resources to improve sustainable design and construction. 	Sustainability Coordinator	
	Matrix Score: 3		

Appendix: Goals and Strategies

GOAL 1: PROMOTE LIFECYCLE HOUSING

Actively work to create lifecycle housing to support a range of housing options that meet people's preferences and circumstances in all stages of life, such as renters, first-time homebuyers, empty nesters, and seniors.

A. Promote Affordable and Attainable Housing

- 1) Prepare a housing implementation plan using a mix of tools to achieve the City's housing goals, including the Comprehensive Plan goal range of 992 to 1,804 affordable units, in the ten-year horizon, with time-bound goals and milestones, to be reviewed on an annual basis.
- 2) Facilitate the development of "new" housing options such as accessory dwelling units to accommodate the diverse needs of people of different ages, household sizes, lifestyle, and incomes.
- 3) Attract new residents and retain existing residents by preserving and expanding housing options for moderate- and low-income households.
- 4) Promote affordable and workforce housing that includes a range of housing prices and options, based on the principle that those who contribute to the community should have the opportunity to live here.
- 5) Explore directing for a limited period of time, the City's portion of the increased tax value of tear down properties to support Affordable Housing.

B. Promote Missing Middle Housing Production

- 1) Support opportunities to accommodate Missing Middle housing within the city, defined as range of multi-unit or clustered housing types compatible in scale with single-family homes

C. Promote Special Needs Housing

- 1) Support a range of housing options for people with special needs (Developmentally,

Physically, or Mentally)

- a) Families with a disabled member
- b) Affordable housing for working households with a disabled member
- c) Assisted living for individuals with disabilities.

D. Encourage Preservation and Promotion of Diverse Housing Stock

- 1) Assist neighborhoods in retaining starter housing stock that can accommodate young families.
- 2) Encourage the preservation, maintenance, and rehabilitation of existing subsidized and naturally occurring affordable rental and ownership housing (NOAH).
- 3) Maintain some of Edina's single-family, lower square footage housing stock.
- 4) Support program(s) for assisting income eligible property owners with rehabilitating their homes to extend their useful life.
- 5) Increase awareness about the range of housing variety that exists in Edina.

GOAL 2: AMEND LAND USE REGULATIONS TO ENABLE A MORE DIVERSE HOUSING MIX

A) Adjust Zoning Standards for Housing

- 1) Provide zoning flexibility in the specific areas identified for development in the Comprehensive Plan to streamline the public approval process for minor variances.
- 2) Continue to allow teardowns/rebuilds but consider design guidelines and regulations that prevent privacy invasion via window placement and infringement on both active and passive solar energy capture.
- 3) Allow for creative solutions and some flexibility in the provision of off-street parking standards for housing. This might include options like shared parking, reduced minimums near transit and activity nodes, or exceptions to structured parking requirements for affordable housing.

B. Consider Zoning District Amendments to Expand Housing Options

- 1) Consider zoning amendments in limited areas (such as transitional areas and activity nodes) and pursue zoning changes to encourage split lots to allow infill, to allow lot splits for infill, single-family ownership housing, detached or attached (zero lotline), on lots after splitting that are 50' or wider (or 3,500 sf or larger).
- 2) Consider amending current R1 zoning to allow attached or detached Accessory Dwelling Units (ADU) such as self-contained "mother-in-law units". Develop Small Area Plans for extending R2 zoning along Vernon Ave from 169 to Interlachen, France Ave north of Hwy 62, and Valley View from 66th to Hwy 100. Evaluate additional areas for R2 zoning.
- 3) Support the development and preservation of affordable housing throughout Edina where there is access to transit.

GOAL 3: REDUCE BUILDING COSTS

A. Streamline the Approval Process for Housing Developments Requiring a Variance or Subsidy

- 1) Fully empower the City's Community Development Department to identify properties for development or redevelopment, analyze projects for both fit with the Comprehensive Plan Design Guidelines and economic feasibility in prevailing market conditions, balancing these two as needed. Communicate development objectives to developers and encourage the preparation of proposals for development.
- 2) Implement active outreach and recruit developers with a successful track record in providing the housing desired
- 3) Empower the City's Community Development Department to guide developers through the project approval process.
- 4) Provide better guidelines for development requirements, based on location and economic objectives.
- 5) Simplify the current project approval process. Limit discussion to the variance or Comprehensive Plan amendment issues being raised.
- 6) Conduct semi-annual project review meetings between Staff, City Council and Planning

Commission to discuss lessons learned, gain alignment, and determine policy implications of projects completed in the past six months.

- 7) Complete Post-mortem reviews of the current development review process, paying particular attention to assessing the level of quality of resulting developments. Identify what developments have been delayed or have been negatively impacted by incurring additional costs in the development process due to multiple levels of approvals or ad hoc design and amenity requests.
- 8) Ensure that there is a robust system in place to identify the evolving best practices for managing housing developments being used by other communities. For example, Bloomington, St. Louis Park, Brooklyn Center, or others.

B. Reduce the Cost of Building, Renovating and Financing Quality Housing

- 1) Develop a parking policy that reflects the latest thinking for current and future parking needs, parking construction costs, sustainability and evolving economic and marketability needs for successful projects.
- 2) If underground or covered parking is required, be willing to fund it by Tax Increment Financing (TIF) or other means of subsidy.
- 3) Expand the HRA levy to generate funds that can be leveraged for land acquisition, bridge loans and renovations.
- 4) Utilize land trusts and land write-downs to secure land for future development projects.
- 5) Empower the City's Affordable Housing Development Manager to be responsible for establishing/evaluating the parking, design, and amenity requirements for affordable housing developments to ensure economic viability of these projects.
- 6) Empower the City's Affordable Housing Development Manager and the Director of Community Development to be responsible for parking, design, and amenity requirements for housing for seniors, people with disabilities and other housing market segments with specific needs.
- 7) Authorize the City, through a public hearing process, to have authority to make property purchases that are consistent with a city development strategy, within a financial limit, to be

able to secure control of potential properties for affordable housing development, in an expeditious manner.

- 8) Fully utilize the other options the city has to lower the cost of development and or financing (i.e. rebate on fees, tax exempt bond financing, upgrading to an Economic Development Agency, selling land below market value, reduced property taxes, etc.).
- 9) Explore directing City portion of increment of increased tax value of tear down properties to Affordable Housing Trust Fund.

GOAL 4: ENCOURAGE SUSTAINABLE DESIGN AND TECHNOLOGY IN ALL NEW AND SUBSTANTIAL REHABILITATION HOUSING

- 1) Encourage alternative energy sources including solar, wind, waste material, and geothermal.
- 2) Promote active and passive energy efficiency in the design and placement of buildings and trees and educate property owners regarding weatherization and energy efficiency.
- 3) Require shadow studies on new or replacement housing structures to ensure active and passive solar energy use by adjacent properties is not adversely impacted.
- 4) Promote water conservation by homeowners and housing property owners through education about water conserving appliances and fixtures, and reusing wastewater.
- 5) Support mitigation of water runoff by encouraging use of rain gardens, rain barrels, cisterns, permeable driveways and walkways, and appropriate building and landscape design.
- 6) Frequently review housing codes and policies to incorporate new technology regarding alternative energy sources, new energy efficient building practices.
- 7) Promote new construction and substantial rehabilitation projects to follow leading industry sustainability standards.