



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: January 31, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Dunwoody Apartments: Public Hearing on Proposed TIF Plan; Issuance of One Pay-As-You-Go TIF Note; and Proposed Redevelopment Contract Terms

Recommendation: 1) Adopt the attached City Council Resolution approving the Dunwoody Apartments Tax Increment Finance Plan; 2) Amend the 2012 General Appropriation Resolution by establishing the Community Planning & Economic Development agency Fund 01CDW – Dunwoody Apartments (01CDW-8900900) and approving an initial appropriation of \$5,000 in the fund; 3) Adopt the attached City Council Resolutions authorizing the issuance of one Limited Revenue Pay-As-You-Go Tax Increment Financing Note to Gateway Commons, LLC or its affiliates, in total principal amounts not to exceed \$1,258,200; 4) Approve the proposed redevelopment contract business terms as described in this report; and 5) Authorize the appropriate City officials to execute the redevelopment and other funding agreements with Gateway Commons, LLC or its affiliates, based on the terms contained in this report, and all other necessary documents related to the above recommended actions.

Previous Directives: 1) On May 13, 2011 the City Council granted Project Analysis Authorization (PAA) regarding the TIF application for Dunwoody Apartments; 2) On June 17, 2011 the City Council awarded \$875,000 in Affordable Housing Trust Funds (AHTF) to the project; 3) In 2008, the City Council authorized acceptance of environmental remediation funds to the project: \$161,600 in Met Council TBRA funds, and \$494,400 in Hennepin County ERF funds.

Prepared by: Amy Geisler, Senior Project Coordinator (612) 673-5266

Approved by: Charles T. Lutz, CPED Interim Director

Thomas A. Streitz, Director of Housing Development

Jeff Streder, Director of Development Finance

Presenters in Committee: Amy Geisler, Senior Project Coordinator

Financial Impact

- Action requires an appropriation increase to the ___ Capital Budget or X Operating Budget

Dept Name: CPED

Fund Name: 01CDW – Dunwoody Apartments

Project Name & Number (if capital budget):
Amount: \$5,000

Community Impact

- Neighborhood Notification: The Stevens Square Neighborhood Organization received a copy of the proposed TIF Plan and was notified that this report will be considered by the City Council. The developer has met with the neighborhood numerous times over the past couple years.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets: Affordable housing production, Brownfield sites.
- Comprehensive Plan: *The Minneapolis Plan for Sustainable Growth* contains the following relevant policies, among others: *Policy 3:3*: Increase housing that is affordable to low and moderate income households; *Policy 8.10*: Promote the benefits of preservation as an economic development tool and a method to achieve greater environmental sustainability and city vitality.
- Zoning Code: The Planning Commission approved the Dunwoody Apartments project on January 10, 2011. The Commission will review the draft TIF plan on January 23, 2012.
- Living Wage/Business Subsidy Agreement: Yes _____ No X _____
Exempt: Assistance for housing purposes or for environmental remediation are exempt from such requirements.
- Job Linkage: Yes _____ No X _____

Supporting Information

Gateway Commons, LLC owns the property at 110 East 18th Street, which is the site of the original Abbott hospital building. The developer proposes to convert the building to 123 rental apartments along with 40 underground and 64 surface parking spaces. The project is located in the Stevens Square neighborhood, and includes the original Dunwoody building (constructed in 1910), and 4 additions that were constructed up through the 1950s.

The proposed unit mix is 9 studios, 90 one-bedroom units, and 24 two-bedroom units. The building will also include a leasing/management office, community room for use by residents, indoor bike storage, and tenant storage lockers.

Twenty-five units will be affordable to households at or below 50% of Area Median Income, and the balance of the units will be market-rate. The developer has received zoning and site plan approval from the City; the proposed site plan and project elevations are attached to this report.

The site has been the subject of extensive review by the Minneapolis Historic Preservation Commission over the past several years. The Dunwoody building is contributing to the Stevens Square Historic District and the National Register of Historic Places District. Later building additions have differing relationships to the local and national districts. The later additions were originally proposed to be torn down, and a new condominium building constructed in their place. As the real estate market has evolved over the past several years, the project has also evolved into its current proposal for substantial rehabilitation of the building into rental apartments. Historic elements to be preserved include some of the existing windows, interior finishes where possible, ceiling heights, and other detailing. The building itself has now been placed on the National Register of Historic Places, and both National and State Historic Tax Credits have been awarded.

The owner of Dunwoody Apartments will be Gateway Commons Building Owner LLC. The managing partner will be Gateway Commons LLC, which will have a .01% interest in the

project ownership. The investor member, with a 99.99% interest, will be Foss Special Historic Fund.

Public Benefits

- ✓ Eliminate blighting influences by rehabilitating a vacant and deteriorated building.
- ✓ Preserve a historic structure.
- ✓ Clean a contaminated property.
- ✓ Increase the number of housing units and choices within the city.
- ✓ Increase the property tax base.

Project Financing Overview

The estimated total development cost of the project is approximately \$24.5 million. National, regional, local, and private-sector partners have committed substantial resources to the project to date. Non-City funding sources total approximately \$22.4 million, or 91 percent of the total funding sources.

Developer equity in the overall project is approximately \$3,695,726, including a deferred developer fee. The total developer fee for the project is about \$1,050,000, which is about 4% of TDC. Additional information on the project financing is provided on the Project Data Worksheet, which is attached to this report.

Table 1. Dunwoody Apartments Project Sources

SOURCES	Type	Amount	% of Total	Funding Approved
HUD-insured first mortgage	loan	\$10,541,800	42.9%	Pending*
Historic tax credit syndication proceeds	equity	\$7,275,709	29.6%	X
Tax increment financing	grant	\$1,258,200	5.2%	Pending**
CPED AHTF (2010)	loan	\$875,000	3.5%	X
Met Council TBRA (2008)	grant	\$161,600	0.7%	X
Hennepin County ERF (2008)	grant	\$494,400	2.0%	X
Hennepin County TOD (2011)	grant/loan	\$278,000	1.1%	X
Deferred developer fee	equity	\$808,971	3.3%	X
Developer equity	equity	\$2,886,755	11.7%	X
TOTAL SOURCES		\$24,580,435	100.0%	

*Pending final HUD approval

**Pending this report

Table 2. Dunwoody Apartments Project Uses

Uses	Total
Acquisition and demolition	\$ 3,097,296
Construction	
Building rehab	\$ 15,507,955
Contingency	\$ 1,085,557
Environmental abatement	\$ 656,000
Professional fees & other soft costs	\$ 1,005,674
Developer's fee	
Developer's fee	\$ 1,000,000

Other consultant fees	\$ 50,000
Tax credit syndication fees	\$ 40,148
Financing costs	\$ 1,181,305
Reserves	\$ 956,500
TOTAL USES	\$ 24,580,435

Since the City Council last reviewed this project, construction costs have increased. This is a large, complex rehabilitation project, made more complicated by ongoing issues caused by vandals and exposure to the elements at the site. The developer has made many efforts and incurred significant costs to secure the building since acquiring the property, however, vandals continue to enter the building and cause damage to the interior. This damage has led to increased construction costs noted above. The developer has balanced these increased costs by increasing the amount of the HUD first mortgage, the historic tax credit equity, and the amount of developer equity contributed to the project. This includes a doubling of the amount of the developer fee that will be deferred.

Proposed TIF Assistance

The Dunwoody Apartments TIF Plan establishes a new TIF district within the Dunwoody Apartments Redevelopment Project Area. The financing plan for Dunwoody Apartments requires the approval of additional City funding in the form of a TIF pay-as-you-go note of up to \$1,258,200. The proposed TIF district is a redevelopment district.

Risk Assessment

This is a large, complex rehabilitation project that includes a number of public financing sources, which are new to the developer. Significant underwriting of the project has already been completed, however, by Oak Grove Commercial Mortgage and HUD for the HUD-insured loan, and by the limited partner that is purchasing the historic tax credits. Oak Grove commissioned a market study for the project, which indicates it will be well-positioned among existing rental properties in the area, and will include a number of features that are largely absent in the local rental market, most notably underground and off-street parking. The building will also include desirable historic features in some areas, as well as attractive views of the downtown skyline from a number of units. Dunwoody Apartments will also be somewhat unique in the area in that it will include a number of 1- and 2-bedroom units. Many nearby rental properties are dominated by studio apartments. The project rents are supported by the market study, which indicates that some rents could be increased slightly. HUD has also required the developer to secure a property management company that is familiar with management of properties with HUD involvement.

It is anticipated that the project will generate positive cash flow over time. However, given the amount of equity the developer is putting into the project, it will likely take many years for cash flow to repay this equity. On the chance that the project is more successful than currently anticipated, staff is recommending that a recapture provision be added to the redevelopment contract that would be triggered in the event of sale or refinancing of the property. Staff recommends that the developer be allowed a reasonable rate of return on his invested equity, after which point the developer and City would split the net sales proceeds, up to the amount of the initial balance of the TIF note (\$1,258,200). The final details of this arrangement will need to be negotiated with the developer, HUD, and the limited partner.

Proposed Redevelopment Contract Terms

1. The developer will develop the Dunwoody Apartments project consisting of the following:
 - (a) A rental apartment component with 9 studios, 90 one-bedroom units, and 24 two-bedroom units. Of the 123 units, 25 units (20%) will be affordable to households earning 50% of Area Median Income (AMI). The balance of the units (80%) will be market-rate.
 - (b) There will be a total of approximately 104 parking spaces, consisting of 64 surface spaces and 40 underground spaces
2. The City will provide TIF assistance in the form of one pay-as-you-go note in an amount not to exceed \$1,258,200.
3. Dunwoody Apartments has been awarded \$161,600 in TBRA funds from the Metropolitan Council for environmental remediation, and the City will enter into a Sub-recipient Grant Agreement with the developer for these funds.
4. Dunwoody Apartments has been awarded \$494,400 in ERF funds from Hennepin County for environmental remediation, and the City will enter into a Sub-recipient Grant Agreement with the developer for these funds.
5. The City will provide a total of \$875,000 in deferred loan funding from the City's Affordable Housing Trust Fund program.
6. The Developer will provide equity to the project in the approximate amount of \$2,866,755.
7. The Developer will enter into a Redevelopment Contract that includes a recapture provision, as described above.

Project Timeline

Spring 2012	Project closing
Spring 2012	Start of demolition and environmental remediation
Spring 2012	Start of construction
Winter 2012	Project completion

Exhibits

1. Project Data Worksheet
2. Draft TIF Plan
3. Resolution approving the TIF Plan
4. Resolution authorizing issuance of the TIF note
5. Site plan and building elevations (included within the TIF Plan)

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Approving the Dunwoody Apartments Tax Increment Financing Plan.

Resolved by the City Council of the City of Minneapolis:

Section 1. Recitals

1.1. Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing ("TIF") districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").

1.2. By Resolution 2011R-443 duly adopted September 2, 2011 and approved September 7, 2011, the City approved the Dunwoody Apartments Redevelopment Plan and thereby established the Dunwoody Apartments Redevelopment Project (the "Project Area").

1.3. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, the Dunwoody Apartments Tax Increment Financing Plan (the "TIF Plan"). The TIF Plan creates a new redevelopment TIF district (the "TIF District") within the Project Area, designates property to be included in the TIF District, states the City's objectives, describes proposed development activity, and identifies a budget for expenditures, all pursuant to and in accordance with the Project Laws.

1.4. The City has performed all actions required by law to be performed prior to the adoption of the TIF Plan, including, but not limited to, a review of the proposed TIF Plan by the affected neighborhood group and the City Planning Commission, transmittal of the proposed Plan to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing upon published notice as required by law.

Section 2. Findings and Election

2.1. The Council hereby finds, determines and declares that the objectives and actions authorized by the TIF Plan are all pursuant to and in accordance with the Project Laws.

2.2. The Council further finds, determines and declares that the TIF Plan conforms to the general plan for the development or redevelopment of the city as a whole.

2.3. The Council further finds, determines and declares that the TIF Plan will afford maximum opportunity, consistent with the sound needs of the city as a whole, for the redevelopment of the Project Area and TIF District by private enterprise.

2.4. The Council further finds, determines and declares that the land in the Project Area and TIF District would not be made available for redevelopment without the financial aid and public assistance to be sought.

2.5. The Council further finds, determines and declares that the Dunwoody Apartments TIF District is a redevelopment district pursuant to Minnesota Statutes, Section 469.174, Subdivision 10.

2.6. The Council further finds, determines and declares that the proposed development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

2.7. The Council further finds, determines and declares that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increment for the maximum duration of the district permitted by the TIF Plan.

2.8. The Council further finds, determines and declares that the reasons and facts supporting the findings in this resolution are described in the TIF Plan.

2.9. The Council elects the method of computation provided in Minnesota Statutes, Section 469.177, Subdivision 3, Paragraph (a). The Council acknowledges that, by making this election, the entire fiscal disparity contribution required of the City for development occurring within this district will be taken from outside the Dunwoody Apartments TIF District.

2.10. The Council hereby finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the TIF Plan.

Section 3. Approval of the TIF Plan

3.1. Based upon the findings set forth in Section 2 hereof, the TIF Plan presented to the Council on this date is hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the TIF Plan

4.1. After passage and publication of this Resolution, the officers and staff of the City and the City's consultants and counsel are authorized and directed to proceed with the implementation of the TIF Plan, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, plans, resolutions, documents and contracts necessary for this purpose.

4.2. As provided under Minnesota Statutes, Section 469.1781, Subdivision 7, this Council hereby authorizes the advance of revenues from other available development revenues of the City in the principal amount needed to offset any negative fund balances incurred with respect to this TIF District as a result of expenditures incurred prior to or in excess of the collection of tax increment revenue. The interest rate paid on such advances shall be equal to the rate of interest those revenues would have generated in their fund. The term of this advance shall end upon the termination of the TIF District, although as revenues are available in the fund for the TIF District, the advance shall be offset by such amounts.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Authorizing the issuance of a tax increment limited revenue note in substantially the form recited herein in a principal amount not exceeding \$1,258,200 in connection with the Dunwoody Apartments Project.

Whereas, the City of Minneapolis (the "City"), acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, has certain powers, including without limitation the powers set forth in Minnesota Statutes, Sections 469.001 through 469.047, as amended (the "HRA Act") and Minnesota Statutes, Sections 469.174 through 469.179, as amended (the "TIF Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted, deteriorated, deteriorating, vacant, unused, underused or inappropriately used, areas of the City, and the development of housing for persons of low and moderate incomes, and in this connection the City is carrying out a housing development project known as the Dunwoody Apartments Project (the "Project") pursuant to the Dunwoody Apartments Redevelopment Plan dated July 8, 2011, and adopted September 2, 2011 (the "Redevelopment Plan"); and

Whereas, pursuant to the TIF Act and in furtherance of the Redevelopment Plan, the City has approved the Dunwoody Apartments Tax Increment Financing Plan dated December 16, 2011, and adopted February 10, 2012 (the "TIF Plan"); and

Whereas, pursuant to the TIF Plan and the TIF Act, specifically Minnesota Statutes, Section 469.178, subd. 4, the City is authorized to issue its tax increment limited revenue note(s) to finance the public redevelopment costs of the Project; and

Whereas, the City has entered or will enter into a redevelopment contract (the "Redevelopment Contract") with Gateway Commons LLC, a Minnesota limited liability company (or an affiliated entity) (the "Developer"), pursuant to which the City will provide tax increment financing assistance and the Developer will develop a 123-unit rental housing project with 25 affordable housing units and related site and public improvements;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "Note") in substantially the following form:

FORM OF TIF NOTE

Dunwoody Apartments _____

Tax ID # _____

UNITED STATES OF AMERICA

STATE OF MINNESOTA

COUNTY OF HENNEPIN

CITY OF MINNEAPOLIS

TAX INCREMENT LIMITED REVENUE NOTE

(Dunwoody Apartments Project)

The City of Minneapolis (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of Gateway Commons LLC, a Minnesota limited liability company (or an affiliated entity) (the "Developer"), solely from the source, to the extent, and in the manner hereinafter provided, the principal amount of this Note, being One Million Two Hundred Fifty-Eight Thousand Two Hundred and No/100 Dollars (\$1,258,200.00) or such lesser amount as may equal the certified Public Costs as described in Section _____ of the Contract, with interest at the Note Rate, in the installments specified in this Note, on the Payment Dates.

Capitalized terms not defined elsewhere in this Note shall have the meanings below:

"Available Tax Increment" means the Tax Increment received by the City during the period preceding each Payment Date, less (i) the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subd. 9; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; and (ii) actual administrative costs of the City in an amount not to exceed 10% of the Tax Increment.

"Certificate of Completion" means a Certificate issued by the City to the Developer pursuant to Section 5.04 of the Contract certifying that Minimum Improvements have been substantially completed.

"Contract" means that certain Redevelopment Contract by and between the City and Gateway Commons LLC (or an affiliated entity), dated _____, 2012.

"Declaration of Restrictive Covenants" means the Declaration of Restrictive Covenants executed by the Developer in favor of the City dated _____, 20__ that is filed against the Property.

"District" means the Dunwoody Apartments Tax Increment Financing District within the Redevelopment Project.

"Improvements" means 9 studio rental housing Units, 90 one-bedroom rental housing Units and 24 two-bedroom rental housing Units plus 104 parking spaces, 40 of which will be underground, and related improvements as described in the Contract.

"Maturity Date" means the earlier of (i) February 1 of the year following the final year of Tax Increment collection from the District; and (ii) the date when the principal and interest amount of this Note has been paid in full.

"Minimum Improvements" means new construction of 123 rental housing units, 104 parking spaces, 40 of which will be underground, and related improvements as described in the Contract.

"Note Rate" means six and 00/100th percent (6.00%) compounded interest per annum calculated on a 360-day-year basis.

"Payment Date" means August 1 of the year of first increment collection from the District and each August 1 and February 1 thereafter until the Maturity Date, provided that in no event will any payment date occur before the City's issuance of the Certificate of Completion under the terms of the Contract.

"Property" means the real property legally described in the attached **Exhibit A**, upon which the Minimum Improvements will be constructed.

"Public Costs" means actual Public Costs as defined in the Contract, not in excess of \$1,258,200 related to the Minimum Improvements and which are approved by the City pursuant to the Contract.

"Public Costs Certification" means a certificate in substantially the form attached to the Contract, by which the City certifies the Public Costs pursuant to the terms of the Contract.

"Redevelopment Project" means the Dunwoody Apartments Redevelopment Project, which includes the Property.

"Tax Increment" means that portion of the property taxes generated by the Property and Improvements that is actually remitted to the City as tax increment under the Tax Increment Act.

"Tax Increment Act" means *Minnesota Statutes*, Section 469.174-469.1799, as amended, or any successor statutes applicable to the District.

On each Payment Date, the City shall pay the Developer an installment equal to the lesser of (i) the Available Tax Increment or (ii) the amount necessary to pay the accrued unpaid interest and the unpaid principal amount of this Note in full. If, after issuance of the Certificate of Completion the Developer is in default under the Contract or Declaration of

Restrictive Covenants, and, after notice by the City to the Developer as provided in Section 9.02 of the Contract, such default has not been cured within the time period provided in the Contract, then the City may suspend payment on this Note until the default is cured or the City's obligations under this Note are terminated. If payments are suspended due to a Default under the Declaration of Restrictive Covenants, the City is not obligated to pay to the Developer the amount of the suspended payments that would otherwise have been paid to the Developer between the date the payment is suspended and the date the default is cured. Otherwise, if the City suspends payments due under this Note, the City shall make the suspended payments to the Developer within ten (10) business days after the Developer's cure of the Default to the City's satisfaction. In no event is the City obligated to pay interest on the amount of the suspended payments between the date the payment is suspended and the last date on which the City is obligated to make the suspended payment to the Developer. To the extent that on any Payment Date there is insufficient Available Tax Increment to make a scheduled payment, such failure to make a scheduled payment shall not constitute a default under this Note. If the Developer or other Improvements' owner fails to pay all or a portion of the property taxes due and owing on the Improvements, then upon such failure to pay, no interest as required by the Note shall accrue on an amount equal to the amount of the Available Tax Increment that would have been paid to the City had such property tax amounts been paid.

Interest shall accrue on the initial principal amount of this Note from the date of issue of the Public Costs Certification. Each payment under this Note, whether a scheduled payment or any other payment, shall be applied first to current interest, then to accrued unpaid interest and then to the unpaid principal amount of this Note.

On the Maturity Date, this Note shall be deemed paid in full and the City shall have no further obligation under this Note even if the aggregate of the Available Tax Increment that has actually been paid to the Developer on the Payment Dates is less than the full principal and interest amount of this Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this Note has been paid in full. This Note may be prepaid in full or in part at any time without penalty.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by wire transfer, check or draft made payable to the Developer and mailed to the Developer at _____, Minneapolis, MN 554____, or such other address as the Developer shall provide in writing to the City's notice address as set forth in the Contract.

The Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including *Minnesota Statutes*, Section 469.178, subdivision 4, to aid in financing a "project", as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Developer within and for the benefit of the Project.

THE NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA, EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE LIABLE ON THE NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, NOR SHALL THE NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT AS SET FORTH HEREIN.

This Note shall not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter reasonably acceptable to the City.

This Note shall not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified. No Tax Increment generated by the Property or Improvements shall go toward payment of this Note.

The Developer shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance of registration thereof or otherwise.

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

(Signature page follows.)

IN WITNESS WHEREOF, the City of Minneapolis, by action of its City Council, has caused this Note to be executed by the manual signature of its Finance Officer, and has caused this Note to be dated _____, 2012.

CITY OF MINNEAPOLIS

By _____

Kevin Carpenter

Its Finance Officer

Approved as to form:

Assistant City Attorney

EXHIBIT A TO TIF NOTE

Description of the Property

2. Be It Further Resolved that the form of the Note is hereby approved and shall be executed by the Finance Officer in substantially the form on file, with such changes therein not inconsistent with law as the Finance Officer may approve, which approval shall be conclusively evidenced by the execution thereof.

3. Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the issuance of the Note is hereby approved, ratified and confirmed.

4. Be It Further Resolved that the issuance of said Note is hereby approved and the TIF Note is hereby directed to be issued to the Developer (or an affiliated entity) upon the terms and conditions set forth in the Redevelopment Contract.

5. Be It Further Resolved that the Finance Officer is hereby authorized and directed to execute such other documents, agreements and certificates as may be required in connection with the Note.

6. Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Note or in any other document related to the Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the tax increment revenues which are to be applied to the payment of the Note, as provided therein and in the Redevelopment Contract. The Note shall not constitute a charge, lien or encumbrance, legal or equitable upon any property or funds of the City except that revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Note shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Note or the interest thereon, or to enforce payment hereon against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. Be It Further Resolved that the Note, when executed and delivered, shall contain a recital that it is issued pursuant to the TIF Act, and such recital shall be conclusive evidence of the validity of the Note and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Note and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Note and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

8. Be It Further Resolved that this resolution shall be in full force and effect from and after its date of publication.