

MEMORANDUM OF UNDERSTANDING

Riverside Plaza Project

This Memorandum of Understanding is made as of the 1st day of December, 2010, between the City of Minneapolis, a Minnesota municipal corporation (the "City") and Cedar Riverside Limited Partnership, a Minnesota limited partnership (the "Owner").

RECITALS

- A. The Owner intends to acquire and rehabilitate that certain multi-family residential apartment complex located in Minneapolis commonly known as Riverside Plaza.
- B. The purposes of the \$122,000,000 acquisition and rehabilitation of Riverside Plaza (the "Project") are to enhance the quality of life for the residents of Riverside Plaza and significantly improve the functionality of Riverside Plaza by replacing failing mechanical systems, completing code-required upgrades, improving energy efficiency, and making other functional and aesthetic improvements.
- C. The Owner has applied to the City for a \$1.9 million loan of Community Development Block Grant funds from the Affordable Housing Trust Fund to help finance the Project (the "CDBG Loan").
- D. The Owner has also applied to the City for an allocation of up to \$80,000,000 of City of Minneapolis Housing Revenue Bonds, Series 2010 to help finance the Project (the "Bonds").
- E. The City has approved the Owner's applications for the CDBG Loan and the Bonds, and the documents associated therewith will impose various federal, state and local requirements on the Owner and the Project.
- F. In addition to such requirements, the City and the Owner will use all reasonable efforts to enhance the scope of work of and community benefits of the Project ("Additional Requirements").
- G. The City and the Owner will formally document some of the Additional Requirements in the documents associated with the CDBG Loan and the Bonds but the parties wish to concurrently document their understanding of the Additional Requirements pursuant to this Memorandum of Understanding.

AGREEMENT

I. On- and Off-Site Physical Improvements

- A. Adjacent Street and Bicycle Improvements:

1. 4th Street and 15th Avenue Improvements: The Mayor's budget for 2011 currently includes \$1,000,000 of capital improvement funding for improvements to 4th Street and 15th Avenue. This project is listed as "PV070 Riverside Phase II - 4th St/15th Ave." with \$600,000 in 2011 and \$400,000 in 2012. Upon approval, the improvements will include new bicycle lane striping to improve bicycle connectivity between the Project and the planned Central Corridor LRT stations.
2. On-Street Parking: The City will explore the creation of a Critical Parking Area on 6th Street, the south side of 4th Street, and the east side of 15th Avenue, to improve on-street parking availability for residents.
3. 6th Street Pedestrian Improvements: The Owner will allocate \$10,000 from the Project's budget for improvements to match the Minneapolis Public Housing Authority's contribution to install a mid-block crosswalk along 6th Street or other pedestrian safety enhancements as determined by the City.

B. Landscaping / Art Improvements at Cedar Avenue & 6th Street Northwest Corner:

1. The Owner will allocate \$60,000 from the Project's budget for landscaping and art work to be located at the corner of Cedar Avenue and 6th Street ("Art Improvements"). The Art Improvements will be completed contemporaneously with the construction of the Project. The Owner will provide the City with documentation of the costs of the Art Improvements so that the investment may be allocated towards the required match from the TOD Grant (defined below).
2. The Owner will engage the Cedar Cultural Center to assist in the design of the Art Improvements, which design will be consistent with the City's public art values and goals.

C. 2010 Hennepin County TOD Grant

1. The City has received \$300,000 in 2010 Hennepin County TOD dollars (the "TOD Grant") for pedestrian-oriented streetscape improvements along Cedar Avenue and Franklin Avenue.
2. The City intends to use the following improvements to satisfy a local match requirement of the TOD Grant:
 - i. \$275,000 from MPHA for site improvements that were made to the neighboring Cedars property since the June 30, 2010 funding award was made, and an additional \$50,000 of security improvements and \$21,000 for landscaping improvements that are to be completed before December 31, 2011.
 - ii. \$60,000 of improvements to the private plaza located at Cedar Avenue and 6th Street as described in Section 1.B.1. above.
 - iii. \$10,000 of 6th Street pedestrian improvements described in Section I.A.3 above.

- iv. Improvements to the Cedar Avenue and Riverside Avenue intersection including corner reconstruction and signal work that are planned and funded as part of the \$1,000,000 Central Corridor mitigation for this area.
- v. \$10,000 for the planned and funded beacon and bench public art project located at the southwest corner of 6th Street South and Cedar Avenue and adjacent to The Cedars.

D. Private Surface Parking Lot on 4th Street:

1. The Owner will use its best efforts to obtain its lenders' consent in the master subordination agreement to later release a footprint of approximately 15,000 square feet above the first level for approximately 40,000 square feet of air rights above the private 4th Street parking lot for future redevelopment that focuses on addressing the community needs of Riverside Plaza such as education, clinic space, daycare, youth activities, health and wellness (the "Future Redevelopment Project").
2. The Owner will grant a one-time, contractual right of first refusal to lease space in the Future Redevelopment Project to the Cedar Riverside Partnership whose members include the West Bank Community Coalition (WBCC), Augsburg College, Fairview, and the University of Minnesota for up to 10 years after the funding closing on the Project.
3. The Future Redevelopment Project is subject to compliance with Federal and State historic tax credit limitations, the terms and conditions of the City's financing documents and other Project financing documents, and the existing Riverside Plaza PUD as amended. The Future Redevelopment Project is also subject to Owner's Investor Limited Partner's approval, which shall not be unreasonably withheld.
4. The City will actively support the Owner's efforts to seek public and private funding for the Future Redevelopment Project. The City anticipates the need for public assistance with this Future Redevelopment Project.

E. Common Area Private Site and Exterior Improvements:

1. In addition to the physical improvements discussed above, the Owner's Project scope of work and budget will include the following "Common Area Private Site and Exterior Improvements" on the Riverside Plaza property subject to applicable City regulations:
 - a. Grading, landscaping, storm water drainage and pavement improvements throughout the site including the area located adjacent to the D-Building Skyway, generally between Palmer's Bar and the D-Building parking access;
 - b. Better on-site signage, lighting and building material design to improve navigation through Riverside Plaza;
 - c. Sidewalk repair and replacement;

- d. Repair and replacement of railings and handrails;
 - e. Repair and replacement of fences, trash enclosures and screens;
 - f. Remove blighted former Darul Quba building;
 - g. New trash and recycling receptacles;
 - h. New paint for the exterior colored panels;
 - i. Repair of the clock on the tower;
 - j. Repair or replace patio doors and windows;
 - k. New residential interior window and patio door dressings that are consistent on a building-by-building basis; and
 - l. Fire sprinkling system.
2. The minimum cost for the improvements in items (a) through (k) above is \$7,000,000.
 3. Within 120 days of completion of the Project, the Owner will provide the City with one (1) complete set of full-sized, scalable as-built site plans as record drawings that describe the final configuration of the site.

F. Nice Ride:

1. For up to 10 years from the funding closing, the Owner will allocate space at Riverside Plaza, 60 feet long and 10 feet deep, in close proximity to Cedar Avenue for a new Nice Ride bike sharing rental kiosk generally following the Class III bicycle parking design standards in Chapter 5 of the Bicycle Facility Design Guidelines as amended.
2. The City will pursue funding to furnish and install the Nice Ride kiosk and related improvements.

G. Utility Rebates for Energy Efficiency Improvements

1. The Owner will continue working with Xcel Energy and CenterPoint Energy for the purpose of applying for approximately 19 utility rebates with an estimated value of \$500,000.
2. The City will support this effort by researching additional funding sources for energy efficiency improvements, and facilitating meetings with utilities and funders.

II. Tenant Items

- A. Riverside Plaza Tenant's Association ("RPTA"):

1. RPTA and Riverside Plaza Limited Partnership (the "Current Owner") are parties to that certain Lease, dated as of December 31, 2002 (the "Lease"), pursuant to the terms of which RPTA operates a tenant resource center and provides certain additional tenant services to the Project ("Tenant Services"). The Lease will be assigned to the Owner in connection with the acquisition of the Project.
2. The Current Owner will make a payment of \$300,000 to RPTA at the closing on the sale of the Project, which is equal to annual payments of \$150,000 for years 2011 and 2012 (the "Construction Period Payments"). The Construction Period Payments will be made partially from RPTA's share of partner distributions from the liquidation of the Current Owner after sale of the Project to the Owner and partially from a Current Owner contribution of funds at the closing. The Current Owner is providing seller financing to the Owner in the amount of \$2,000,000 pursuant to a Promissory Note and Mortgage (the "Seller Financing Documents"). The Seller Financing Documents will be assigned to RPTA pursuant to an Assignment of \$2,000,000 Promissory Note and Assignment of Mortgage (the "Seller Financing Assignments") and all payments received under the Seller Financing Documents will be made to RPTA pursuant to the terms of the Seller Financing Assignments. The Current Owner's share of the Construction Period Payments and the Seller Financing Assignments are made in satisfaction of the Current Owner's obligations under the Contract for Deed Close-Out Agreement, dated October 22, 2010.
3. Greater Metropolitan Housing Corporation ("GMHC") has agreed to provide a loan in the amount of \$1,300,000 to the Owner for the Project in order to induce the Owner to acquire the Project and to accept the affordability restrictions imposed upon the Project, and subject to the further requirement that the Owner provide funds for the Tenant Services provided by RPTA. The GMHC loan will be evidenced by a Promissory Note and Mortgage (the "GMHC Financing Documents"). The GMHC Financing Documents will be assigned to RPTA pursuant to an Assignment of \$1,300,000 Promissory Note and Assignment of Mortgage (the "GMHC Financing Assignments") and all payments received under the GMHC Financing Documents, excluding a \$7,500 asset management fee payable for the first 15 years commencing 2013, will be made to RPTA pursuant to the terms of the GMHC Financing Assignments.
4. Based on current projections, the net proceeds paid to RPTA from surplus cash of the Project under both the Seller Financing Assignments and the GMHC Financing Assignments are anticipated to be approximately \$162,000 per year for 28 years commencing in 2013.

B. Tenant Security:

1. The Owner and the City will establish a new model of public-private partnership around public safety. This will include the Owner and the City working jointly to pursue the cutting edge of police technology and Safe Zone tactics, including but not limited to camera monitoring, court watch, and community prosecution models. The City will convene strategy meetings between the Police Department and the City Attorney's Office to discuss implementing innovative security techniques at Riverside Plaza.

2. For up to 10 years from the funding closing but not sooner than July 31, 2011, the Owner will allocate approximately 1,100 square feet of space within the Riverside Plaza for a new Safety Center. The Owner will work collaboratively with the WBCC Safety Committee and RPTA to jointly establish the goals, objectives, and program for the Safety Center which may include:
 - a. Meeting space for police and community safety volunteers and participants;
 - b. Staffing from RPTA or Cedar Riverside Partnership members;
 - c. Potential police buy-back; and
 - d. Additional neighborhood services from other stakeholders such as Fairview or Metro Transit.
3. The initial funding program for the planned Safety Center is:
 - a. The Owner's in-kind contribution value of this space is \$15,000 per year for 10 years totaling \$150,000 for the space, utilities, and maintenance.
 - b. RPTA will make a staffing in-kind contribution of \$15,000 per year for 10 years totaling \$150,000 to support Safety Center operations or programming as determined by the Safety Center participants.
 - c. The Owner will pay \$7,500 annually commencing August 1, 2011 and continuing for 10 years totaling \$75,000 to the West Bank Safety Committee for Minneapolis Police "buy back" resources, to be devoted to the area immediately surrounding Riverside Plaza between Cedar Avenue, 4th Street South, Interstate 35W, the Hiawatha Light Rail line and Interstate 94.
 - d. Subject to annual appropriations, the City will make \$5,000 annual payments commencing August 1, 2011 and continuing over the same 10 year period to fund Safety Center operations, programming or police "buy back" as determined by the Safety Center participants. If City fails to appropriate funds for the annual payment in any year, the Owner is not obligated to make its annual payment the following year.
4. The Owner will continue to regularly participate in the West Bank Safety Committee, Cedar Riverside Partnership, and West Bank Business Association.

C. Tenant Relocation:

1. The Owner has allocated \$2,250,000 in the current Project's budget for the temporary tenant relocation during the rehabilitation period.
2. The Owner's tenant relocation plan includes a commitment to hold multiple resident and community meetings to convey information about the relocation process and the residents' rights, responsibilities and expectations.
3. The Owner has committed to provide reasonable accommodations and services for households with limited English proficiency and disabilities. Consequently all relocation notices provided to residents of Riverside Plaza shall be in the languages identified as spoken by the residents of Riverside Plaza. Additionally, persons with disabilities will receive accessible temporary housing during the relocation.

III. Workforce During Construction

- A. The Owner and its contractor, Knutson Construction Services, Inc. (“Knutson”), have agreed to the workforce plan attached hereto as Exhibit A and incorporated herein by reference.
- B. Money for Emerge Community Development:
 - 1. The Owner will engage Emerge to help Knutson meet their job goals.
 - 2. Knutson will contribute staffing and \$25,000 for Emerge.
 - 3. The City of Minneapolis Employment and Training Program (“METP”) will provide Emerge with no less than \$25,000 in performance-based funding for the workforce development, conditioned upon the successful completion of predetermined benchmarks, as described in the existing service contract with METP.

IV. City Support Pursuing Additional Funding

- A. The City will actively support the Owner’s efforts to seek public and private funding for the Project. The City anticipates the need for public assistance with the Project. Such support will include support for the Owner’s application seeking \$7.5 million of Minnesota Housing Finance Agency (“MHFA”) PARIF assistance as requested in MHFA’s 2010 funding round, and the Owner’s 2011 applications seeking additional funding for the Project to fill the remaining development gap currently estimated at \$1.9 million.
- B. On November 5, 2010, the City Council authorized staff to submit a HUD Choice Neighborhoods funding application for project and related costs.

V. Special Service District

- A. The Owner agrees to participate in a Cedar Riverside Special Service District conditioned upon (i) the District being created and functioning on or before January 1, 2012; and (ii) the Owner receiving written confirmation that Augsburg College, Fairview Health Services, and the University of Minnesota have committed to financially participate on an equivalent basis; and (iii) Owner’s Investor Limited Partner’s approval.

VI. African Mall Art

- A. The Owner will work with Sherman Associates Inc., the owner of the African Mall located at 620 16th Ave. S. (the “African Mall”), to grant permission to neighborhood youth to paint a mural on the south wall of the African Mall facing the Cedar Riverside LRT station. Such permission is conditioned upon Sherman Associates Inc. receiving consent for the mural from the existing tenants of the African Mall. The Owner and the City acknowledge that this property is owned by an entity that is separate from Cedar Riverside Limited Partnership.

VII. Final Documentation and Conditions to this Memorandum of Understanding

- A. The parties acknowledge that performance of the terms of this Memorandum of Understanding are contingent upon a successful closing on the Project, including but not limited to, the City Council awarding \$1,900,000 from the Affordable Housing Trust Fund

and upon MHFA awarding funds to the Project in its 2010 funding round. If, despite its best efforts, Owner is unable to obtain \$1.9 million in additional gap financing for the Project by December 31, 2011, Owner may request an amendment to this MOU reducing the scope of the MOU to reflect the shortfall, which amendment shall not be unreasonably withheld.

- B. Some of the terms in this Memorandum of Understanding will be more formally memorialized in other City agreements including those related to the CDBG Funds and the Bonds.
- C. All of the terms set forth herein are contingent upon compliance with Federal and State historic tax credit limitations, the terms and conditions of the City's financing documents and other Project financing documents, and the existing Riverside Plaza PUD as amended.

**CEDAR RIVERSIDE LIMITED
PARTNERSHIP,**
a Minnesota limited partnership
Fed. I.D. # 27-3131790

By: **Riverside Plaza GP LLC,**
a Minnesota limited liability company

By: _____
George E. Sherman
President and Chief Manager

CITY OF MINNEAPOLIS

By _____
Its Finance Officer
Citywide Contracts Administrator
City Purchasing Agent

Department Head Responsible
For Monitoring Contract:

CPED Director

Approved as to form:

Assistant City Attorney

EXHIBIT A

Knutson Construction Services Riverside Plaza Stabilization and Rehabilitation Workforce Plan

1. Apprenticeship Construction Training Program – Knutson Construction Services (“Knutson”) and its subcontractors agree to a goal of 5% of the onsite construction hours for apprentices.
2. Resident and Neighborhood Employment
 - a. Cedar Riverside Plaza Limited Partnership (the “Owner”) and Knutson and its subcontractors commit to the employment of a minimum of 90 Minneapolis residents from the Riverside Plaza ZIP code 55454 (Cedar-Riverside) in connection with the rehabilitation of Riverside Plaza (the “Project”). In the event that there is an insufficient number of construction-qualified residents for construction-related positions in 55454 after an initial good faith effort, priority may be extended to the following contiguous, adjacent ZIP codes: 55404 (Ventura Village), 55406 (Seward and Longfellow), 55455 (University of Minnesota), 55415 (Downtown East), and 55488 (Elliot Park). In the event that there is an insufficient number of construction-qualified residents for construction-related positions in the additional ZIP codes, then priority may be extended to all ZIP codes within the City.
 - b. The jobs for 90 Minneapolis residents are anticipated to include the following:
 - i. Approximately 40 to 44 jobs, periodically during the course of the project, will be direct hires of Knutson and/or our subcontractors.
 - ii. Approximately 16-18 jobs from temporary cleaning help or vendors of the property.
 - iii. Approximately 15 jobs from Riverside Plaza hired into the current workforce for building maintenance, custodial, administration and other.
 - c. The City’s Employment and Training Program will fund 15 employees to be included in the Minneapolis resident employment total.
 - d. Knutson will establish a temporary resident and neighborhood employment and training office on the Riverside Plaza property (preferably in or immediately adjacent to the Tenant Resource Center) with regularly scheduled hours of operation to recruit, train and retain resident and neighborhood employees.
 - e. At least one security intern will be hired that is enrolled at the time of hire in a law enforcement or comparable educational program.
 - f. The Owner has selected Emerge Community Development, a certified Section 3 business, as the job training partner.
3. Employment Goals
 - a. Knutson acknowledges that employment goals are very important to the City during this time of high unemployment. Knutson and its subcontractors agree to aspirational workforce utilization goals, expressed as a percentage of work hours on the Project, that exceed established City goals in each category. The aspirational goals are:

Skilled Minority	15%
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Unskilled Minority	15%
Female (combined)	8%

- b. The City and Knutson understand that these aggressive goals will be difficult to achieve but will be vigorously pursued nonetheless.

4. Subcontracting Goals

- a. Knutson and its subcontractors agree to aspirational Small Underutilized Business Program goals, expressed as a percentage of subcontracting dollars, that exceed established City goals in each category. The aspirational goals that Knutson agrees to are 10% for Minority- owned Business Entities (MBE) and 8% for Women- owned Business Entities (WBE).
- b. Knutson acknowledges that subcontracting goals are very important to the City during this time of high unemployment. The City and agree that these aggressive goals will be difficult to achieve but will be vigorously pursued nonetheless.
- c. Knutson will utilize the following initiatives to maximize participation:
 - i. Structuring of bid packages to allow for maximum participation by local small, women, and minority owned businesses.
 - ii. Collaborating with women and minority business organizations to identify firms for participating in the project, including qualifying businesses located within the City listed in the CERT directory.
 - iii. Establish subcontracting goals for each trade contract based on the availability of S/W/MBE firms (contractors and suppliers) in that specific division of work.
 - iv. Conduct contractor open houses on the Riverside Plaza property to explain the bid packages, procurement schedule and process to interested bidders.
 - v. Conduct pre-bid informational meetings on the Riverside Plaza property to inform and advise local and S/W/MBE contractors on the potential opportunities on the project.
 - vi. Meet regularly with S/W/MBE contractor organizations to update them on the project.

- 5. Clean and Green - As part of the City of Minneapolis Employment and Training Program summer youth program, the City, in collaboration with Knutson and its subcontractors, agrees to provide urban streetscape beautification and neighborhood clean up within one block of the construction site during the summer months during the construction phase of this project. This task may be part of the City's Employment and Training Program activities.

- 6. Construction Education Minneapolis Public School Initiative – Knutson work with the Minneapolis Public Schools through the construction classes that are held at Roosevelt High School. Knutson will provide these classes with speakers to talk about job site safety and OSHA standards. Knutson will also provide speakers from the various trades and construction disciplines working on the Riverside Plaza project, including architecture, engineering, and project management. Knutson agrees to donate to these

construction classes building materials, hard hats, work gloves, hand tools, and other materials as available. Knutson will provide students and instructors with corporate office, shop, and on-site tours. Knutson will provide networking opportunities with other construction industry representatives for the high school instructors that teach these courses.

7. Internship Program – Knutson will establish an internship program that offers at least one selected resident of the Cedar-Riverside neighborhood the opportunity to participate in paid summer internships that will expose them to the construction industry. Knutson will offer a summer internship each summer to at least one student of a trade school program.
8. Job Linkage Agreement – The Owner will sign a project-appropriate Job Linkage Agreement and will be forwarding all notices of job openings to the City of Minneapolis Employment and Training Program so that job applicants can be forwarded to the Owner for review and possible job interview.
9. Minneapolis Community and Technical College: Knutson will advertize job opportunities to Minneapolis Community and Technical College targeting the estimated 135 students from the 55454 ZIP code, approximately 20 of which are MCTC “Power of YOU” students.
10. Recycling: The Owner will create a recycling program that involves a youth-servicing organization which engages youth in collecting recyclables and learning about sustainability issues. This task may be part of the StreetWerks activities.

The Project is anticipated to commence in January, 2011 and is estimated to be completed in the spring of 2013. The Owner, Knutson and the City CPED staff agree to meet and report the Project results every quarter.

Knutson Construction Services

City of Minneapolis

CEDAR RIVERSIDE LIMITED PARTNERSHIP,
a Minnesota limited partnership
Fed. I.D. # 27-3131790

By: **Riverside Plaza GP LLC,**
a Minnesota limited liability company

By: _____
George E. Sherman
President and Chief Manager