

ADMINISTRATION MEMO

DATE: NOVEMBER 22, 2019
TO: HONORABLE MAYOR AND COUNCIL
SUBJECT: ITEMS REQUIRING COUNCIL ACTION OR REVIEW

ADDENDUM

ADDITIONAL AGENDA ITEMS

E.7. WORKFORCE HOUSING PROGRAM APPLICATION

Sawyarblutpoh and Nawlahhshepaw Moodoh have applied for a forgivable loan through the City's Workforce Housing Program for the eligible developer installed infrastructure improvements installed for the newly constructed house they have purchased at 2234 Eleanor Street. The program, which was adopted in 2008, was created to encourage the construction of affordable housing units within the boundaries of TIF District #7 (*Exhibit 7A*) by offering forgivable loans to qualified home buyers for the following purposes:

- a. To pay any outstanding assessments for public infrastructure levied against existing properties on which the new single-family dwelling has been constructed or purchased by an eligible person.
- b. To pay any outstanding assessments for public infrastructure levied against any lot within a new subdivision on which the new single-family dwelling will be constructed on purchased by an eligible person.
- c. To pay costs of the public infrastructure for a lot within a residential subdivision where the new single-family dwelling has been constructed or purchased by an eligible person. The said infrastructure must have been completed by the developer and constructed in accordance with City specifications.

A copy of the Workforce Housing Program policies is provided as *Exhibit 7B*. As previously mentioned, the public infrastructure for Morningview Second Addition was developer installed (see consideration #3 above). Upon review of the infrastructure costs submitted by the Developer, staff has determined the value of the eligible expenditures is \$24,701.19.

Based on the program policy, the forgivable loan would be structured for five years and at an interest rate of 5%. For each year the applicant owns and resides in the home, the annual mortgage payment would be forgiven. After five years, the loan is fully forgiven. Should the

applicant move or sell the house during the loan period, they would be responsible for the outstanding loan balance.

After reviewing the application, staff has been able to determine that the applicant meets the eligibility criteria (i.e. income qualifications, loan-value ratio, debt-income ratio) and are eligible for the forgivable loan. As such, staff recommends the approval of a five-year forgivable loan in the amount of \$24,701.19 with an interest rate of 5%. Should Council concur, it may do so by approving the loan and authorizing the Mayor and City Clerk to execute the loan documents shown in *Exhibit 7C*.

Council action is requested.

E. 8. THOMPSON HOTEL CONSULTANT SERVICES

At the October 28, 2019 City Council meeting, Council discussed a request from the buyers of the Hotel Thompson building to set up a new TIF district to assist with the redevelopment of the property. Council voiced its support for pursuing a new TIF district for this purpose. In the State of Minnesota, there are five TIF district types. The developer has requested a redevelopment TIF designed to redevelop blighted areas. It provides for a maximum of 25 years of tax abatement for eligible projects.

To establish a new redevelopment TIF district for the Hotel Thompson, the building must be found to be “blighted” as defined by the State of Minnesota. The City has received a proposal from the design firm LHB to survey the property, conduct an interior and exterior visual review, provide a replacement cost estimate, evaluate the existing conditions, determine building code deficiencies, and prepare and deliver a report. This report will establish the status of the building with respect to blight as defined by the State of Minnesota. The contract is structured as an hourly rate with a not-to-exceed amount of \$5,900. The proposed contract features a limits of liability provision. Staff’s recommendation is to approve the proposed contract subject to the removal of the limits of liability section on page 5.

The expenses associated with establishing a TIF district are customarily the responsibility of the TIF recipient. As such, staff has worked with the City Attorney to prepare the memorandum of understanding shown in *Exhibit 8B*. The memorandum is structured as an agreement between the City and the developer, Clark Properties, wherein the developer agrees to reimburse the City for the expenses associated with the TIF inspection and report within 30 days of receiving an invoice for the services. During discussions, the developer has requested that the City consider using the first proceeds from the TIF district to pay for LHB’s services. They agreed to a provision that the developer would reimburse the City within 30 days if the building can’t be established as blighted and no TIF proceeds are to be

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generated. Whichever direction Council decides to proceed, staff would request approval and authorization for the Mayor and Clerk to sign the associated documents to expedite this process.

Should the City Council wish to carry the costs associated with establishing the TIF district, staff would recommend that the City reduce its final participation amount by the amount of interest lost on the public funds that are tied up until the TIF district begins to generate revenue and reimburse the City for its costs.

Council action is requested.

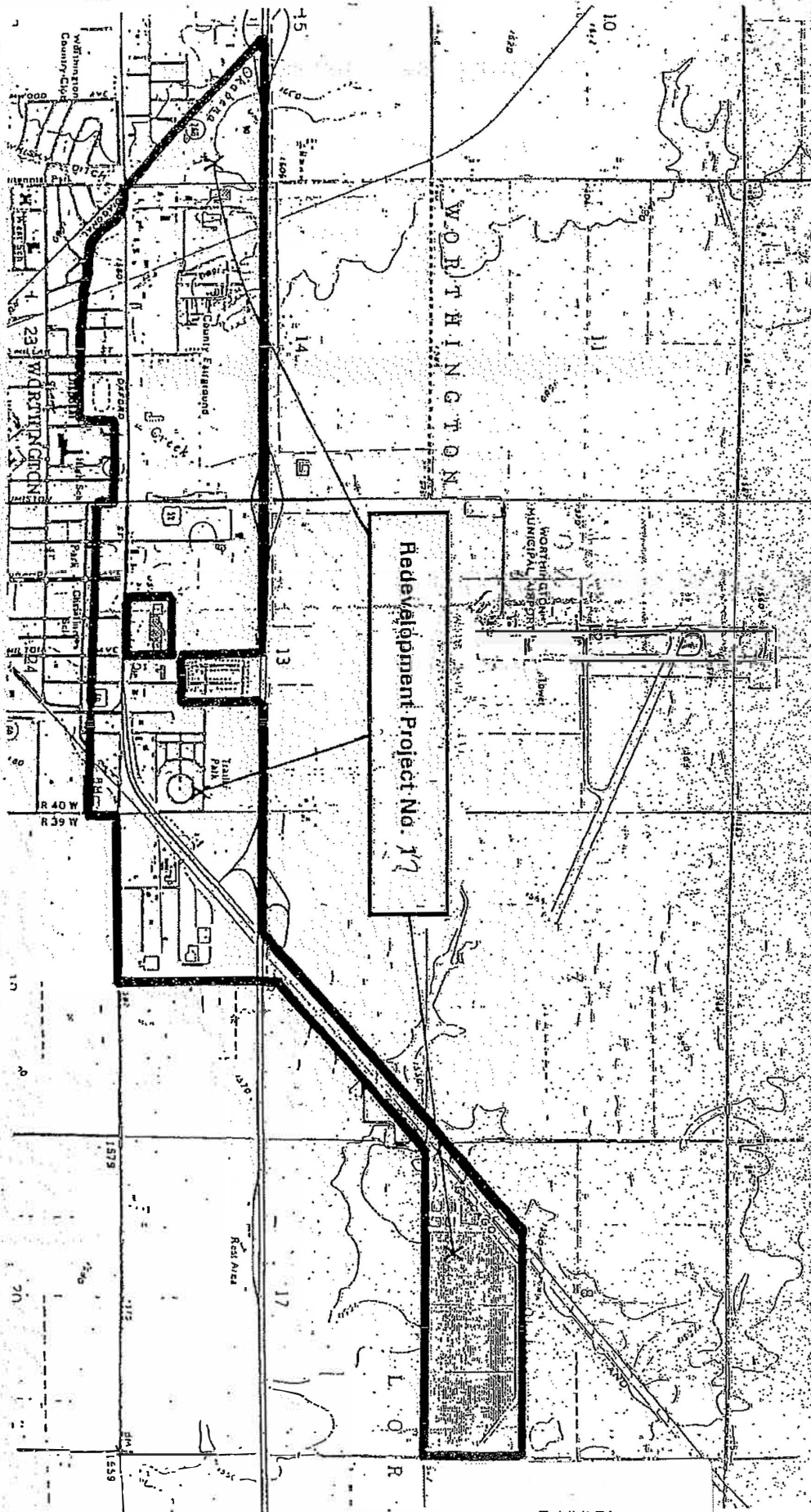


Exhibit 7A



**TIF DISTRICT #7
Workforce Housing
Program & Policies
Adopted: November 10, 2008
Amended: April 9, 2012**

PURPOSE / INTENT

The purpose of the Workforce Housing Program (the Program) is to provide home ownership opportunities for individuals or families with incomes that do not exceed 80% of current area median income (AMI) within the City's Redevelopment Project Area No. 7 using funds from the City's existing TIF District #7.

FUNDING

The maximum amount of assistance for each loan/grant is \$25,000 per individual or family; and \$500,000 has been designated as pooled from the City's TIF District No. 7 to finance such loans/grants (the Program Funding).

INCOME TARGET

Up to 80% of the current AMI by family size as established annually by the US Housing & Urban Development (HUD) and Minnesota Housing Finance Agency's Minnesota City Participation Program as established for Greater Minnesota which is shown below for 2008, and adjusted by family size. Income eligibility will be determined on an adjusted gross income basis. The criteria and process for determining adjustments to gross incomes will be recommended by the program administrator and approved by the City.

Household #s	Income Limits
1-4	\$73,900
5	\$79,800
6+	\$84,895

ELIGIBLE PROPERTIES

Undeveloped lots that are zoned residential that are located within the boundaries of the City's Redevelopment Project Area No. 7.

ELIGIBLE APPLICANTS

Homebuyers must meet the income criteria as noted above.

IMPLEMENTATION

To accomplish the purpose and intent of the Program, the Worthington City Council (the Council) has committed \$500,000 from TIF District No. 7 for the following activities:

1. To finance any outstanding assessments for public infrastructure levied against existing properties in which the new single family dwelling has been constructed or purchased by an eligible person.
2. To finance any outstanding assessments for public infrastructure levied against any lot within a new subdivision in which the new single family dwelling will be constructed or purchased by an eligible

person.

3. To finance the costs of the public infrastructure for a lot within a residential subdivision where the new single family dwelling has been constructed or purchased by an eligible person. The said infrastructure must have been completed by the developer and constructed in accordance with City specifications.
4. To finance proposed new residential subdivisions whereby the developer may request the infrastructure be completed by the City as an assessment project. Under this scenario, the following shall occur:

- City enters into a development agreement with Developer:
 - Lot values are established upfront;
 - Developer agrees to reserve 60% of the lots to be purchased by eligible persons;
 - Developer assures a minimum of 50% of the vacant lots will be made available for other contractors; and
 - Developer agrees to make assessment payments until lots are sold.
- City will install the public infrastructure improvements and assesses the property as per City's assessment ordinance.
- City provides tax increment for eligible persons:
 - Increment used to 'write down' assessments of eligible persons; and
 - Increment may be used to reimburse developer for payments made on assessments.

Tax increment will be provided as reimbursement for assessments up to the maximum amount. In the event of default, the City shall receive ownership of the undeveloped lots and use the tax increment to make assessment payments until said lots are sold and development for eligible persons occurs. The Developer shall be paid the established lot price at the time of sale.

To ensure that the benefit of the tax increment assistance is passed along to eligible persons and families, the City shall require the following:

- The developer/contractor must submit proper documentation of actual total development costs, including pre-determined lot values and infrastructure improvement costs;
- The eligible homebuyer shall enter into a forgivable loan with the City whereby the homebuyer agrees to occupancy for a minimum of 5 years. To the extent the term is less, the homebuyer is eligible for a portion of the tax increment assistance; and
- The sale price of the home shall not exceed \$237,031.

APPLICATION

Applications will be considered on a "first come - first served" basis. A complete application shall consist of:

- Letter requesting financial assistance;
- Legal description of the subject property;
- Proof of purchase agreement; and
- Project budget.

In addition, if the request is pursuant to Number 4 within the Implementation section, the applicant must comply with the City's development and assessment process.

Upon submittal of a completed application, the Council shall schedule a date to consider the application. The date shall not exceed 30 days from the date of application submittal. The Council shall have the responsibility to determine which applications will be approved or denied.

GENERAL UNDERWRITING CRITERIA

Current on Debt Payments:

Applicant must be current on contract for deed payments, mortgage loan payments and property taxes. If any of these payments are delinquent, they must be made current before the application can be approved for funding.

Income Qualification:

Qualification of the income criteria will be determined on the annual gross income basis (80% of the current AMI as annually determined under MHFA guidelines). Gross annual income is derived from all sources of income before tax or withholding, of all members of the household in a housing unit for at least 9 months of the year or who are claimed as dependants for federal income tax purposes. The City's income eligibility will be determined on an adjusted gross income basis. The criteria and process for determining adjustments to gross incomes will be recommended by the City's program administrator and approved by the Council.

Qualifying income must be completed by the City's program administrator through one of the following sources:

- Written verification from employers;
- 2 copies of most recent check or check stub;
- Copies of 2 most recent years Federal Tax Returns, as filed;
- Bank deposits; and
- Copies of deposit slips.

Loan to Value Ratio:

All existing debt on property may not exceed 110% of the assessed market value.

Debt to Income Ratio:

Applicants must have the ability to repay the loan and must have a "debt-to-income ratio" at or less than 48%.

DISBURSEMENT OF FUNDS

Program funds shall be disbursed after all terms of the development agreement or loan/grant agreement have been properly satisfied and a certificate of occupancy has been issued by the City's building official.

PROGRAM TERMINATION

The Program shall expire when the Program Funding has been exhausted or upon the required date of decertification of TIF District #7 (12/31/2011), whichever occurs first.

QUESTIONS

Anyone with questions regarding the Program outlined may contact the City's Community/Economic Development Department by phone (507-372-8640) or in person by visiting City Hall.

DISCLAIMER

Nothing herein shall obligate the City of Worthington to approve any grant or loan. The Council must retain the right, in its sole discretion, to approve applications for the Program.

Morning View Second Addition - TIF Income Guidelines for 2019

Income Guidelines for TIF loan with the City of Worthington:

The income guideline below is for total household income.

If the total **household income** is over the Income limit shown below than the Buyers would not qualify for the TIF loan.

<u>Family Size</u>	<u>Income Limit</u>
1-4	\$70,800
5	\$76,500
6	\$82,200
7 plus	\$87,800

Application Contact Information:

Southwest Minnesota Housing Partnership-Ali Joens
507-836-1605

Workforce Housing Program

Initial Funding - \$500,000.00

Year Awarded	Address	Amount Awarded	Remaining Balance
2013	2163 Castlewood Drive	\$12,913.38	\$487,086.62
2014	2219 Castlewood Drive	\$18,664.01	\$468,422.61
2014	1734 Pauline Avenue	\$18,664.01	\$449,758.60
2014	2243 Castlewood Drive	\$18,664.01	\$431,094.59
2014	1736 Pauline Avenue	\$18,664.01	\$412,430.58
2014	2211 Castlewood Drive	\$10,080.19	\$402,350.39
2017	2227 Castlewood Drive	\$18,664.00	\$383,686.39
2018	2217 Eleanor Street	\$24,701.00	\$358,985.39
2018	2237 Eleanor Street	\$24,701.00	\$334,284.39
2019	2234 Eleanor Street	\$24,701.19	\$309,583.20

Budget code: 419-46549-5539

Notes: 5 year, 5% forgivable loan

Morning View Development Cost Summary			
Expenses		MV Second Addition Actual	
Land	\$	40,724.82	
City Assessments	\$	19,649.89	
Second Addition Infrastructure	\$	170,571.51	
I&S Engineering Fees	\$	38,280.50	
City of Worthington LOC fee	\$	3,900.00	Not allowed
MPCA Permit	\$	70.00	Not allowed
Sub Total	\$	273,196.72	
<i>*includes 10% contingencies</i>			
Interest on Infrastructure Loan	\$	18,454.00	
Mowing/Weed Control/Snow	\$	6,156.00	
Property Taxes	\$	4,500.00	
Property Insurance	\$	500.00	
Platting Fees/Publications/Marketing	\$	37.00	
Legal Costs	\$	56.00	
Development Fee	\$	2,000.00	
Sub Total	\$	31,703.00	
GRAND TOTAL	\$	304,899.72	
Sale of Lots	\$	304,899.72	
Less TIF reduction	\$	247,011.90	
Total Lot Costs	\$	57,887.82	
Cost without TIF	\$	30,489.97	
TIF Amount	\$	24,701.19	24701.19
Cost with TIF	\$	5,788.78	

Loan Amortization Schedule

Enter values	
Loan amount	\$ 24,701.19
Annual interest rate	5.00 %
Loan period in years	5
Number of payments per year	1
Start date of loan	11/25/2019
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 5,705.35
Scheduled number of payments	5
Actual number of payments	5
Total early payments	\$ -
Total interest	\$ 3,825.57

Lender name:

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	11/25/2020	\$ 24,701.19	\$ 5,705.35	\$ -	\$ 5,705.35	\$ 4,470.29	\$ 1,235.06	\$ 20,230.90	\$ 1,235.06
2	11/25/2021	20,230.90	5,705.35	-	5,705.35	4,693.81	1,011.54	15,537.09	2,246.60
3	11/25/2022	15,537.09	5,705.35	-	5,705.35	4,928.50	776.85	10,608.59	3,023.46
4	11/25/2023	10,608.59	5,705.35	-	5,705.35	5,174.92	530.43	5,433.67	3,553.89
5	11/25/2024	5,433.67	5,705.35	-	5,433.67	5,161.99	271.68	0.00	3,825.57

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is made and entered into as of the 25th day of November, 2019, between the City of Worthington (the "City") and Sawywarblutpoh Moodoh and Nawlahsherpaw Moodoh, a married couple, (collectively, the "Homeowner"), as purchasers of real property located at 2234 Eleanor Street in the City (the "Property").

WHEREAS, the City desires to assist in financing the construction of residential housing for individuals and families that meet certain income guidelines pursuant to its Workforce Housing Program;

WHEREAS, the developer/subdivider of Morning View 2nd Addition has installed certain public improvements listed in Exhibit A to this Agreement benefitting the Property and the listed public improvements were installed in accordance with the City standards; and

WHEREAS, the Homeowner desires to have the City make a loan of available tax increment funds under the City's Workforce Housing Program to pay for the developer installed public infrastructure;

NOW, THEREFORE, it is agreed between the City and the Homeowner as follows:

ARTICLE 1

Loan Amount and Duration

Section 1.1. Loan Amount. The City agrees to pay, on behalf of the Homeowner, the Special Assessments payable by the Homeowner in the sum of \$24,701.19 (the "Loan").

Section 1.2. Loan Duration. The Special Assessment obligations of the Homeowner to be paid by the City shall constitute a loan of such funds for a period of 5 years from and

after the above date.

Section 1.3. Loan Forgiveness. In the event that the Homeowner satisfies all of its obligations under this Agreement during the term of this Agreement, the City shall forgive the Loan amounts due hereunder at the rate of 20% per year in accordance with the Amortization Scheduled attached hereto as Exhibit 'B'. In the event the Homeowner fails to satisfy all of its obligations under this Agreement at any time during the terms of this Agreement, Homeowner will be required to commence the annual payments as set forth on Exhibit 'B'. Homeowner will not be required to repay to the City any annual payments forgiven prior to the Homeowner's failure to satisfy its obligations at a later point in time.

ARTICLE 2

Loan Terms and Condition

Section 2.1. Income Requirements. The Homeowner represents that the size of its household is 5 persons and that its household gross income for tax year 2018 was less than 80% of the current Area Median Income (AMI) as determined by the Minnesota Housing Finance Agency (MHFA), which income meets the guidelines set forth in the Workforce Housing Program.

Section 2.2. Certificate of Occupancy. The Homeowner agrees to obtain a certificate of occupancy from the City's building official. The Homeowner shall submit a copy of the certificate of occupancy with this Agreement.

Section 2.3. Occupancy; Use of Property. The Homeowner agrees to own and occupy the Property as its primary residence for a minimum of 5 years.

Section 2.4. Sale, Transfer, or Conveyance. If the Homeowner sells, transfers, or conveys the Home during the term of this Agreement, that portion of the loan which has not been forgiven shall be immediately payable.

Section 2.5. Taxes, Other Special Assessments and Payments. The Homeowner agrees to pay when due all taxes, other special assessments, and other amounts payable to the City with respect to the Property. If the Homeowner defaults on any tax or mortgage payment, the City may elect to declare that portion of the loan which has not been forgiven to be immediately due and payable.

Section 2.6. Term. This agreement will expire on November 25, 2024, or upon such earlier date as agreed to by the City and the Homeowner.

ARTICLE 3

Loan Disbursement Provisions

Section 3.1. Loan Disbursement. The City will disburse the full \$24,701.19 to the Homeowner's Escrow Agent to be properly applied to the homeowner's acquisition of the subject property. No money will be transferred directly to the Homeowner.

ARTICLE 4

Default; Repayment

Section 4.1. Homeowner Default. In the event that the Homeowner files for bankruptcy; fails to make other payments due with respect to the Property as required by its Mortgagee; or otherwise fails to own and occupy the Property as their primary residence as required under, or otherwise does not perform its obligations hereunder, that portion of the loan not forgiven shall become immediately due and payable in full.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ____ day of November 2019.

CITY OF WORTHINGTON

By: _____

Mike Kuhle, Its Mayor

By: _____

Melinda Eggers, Its City Clerk

STATE OF MINNESOTA)

) ss.

COUNTY OF NOBLES)

The foregoing instrument was acknowledged before me this ____ day of November 2019, by Mike Kuhle and Melinda Eggers, the Mayor and City Clerk, respectively, of the City of Worthington, Minnesota, on behalf of the City of Worthington.

Notary Public

HOMEOWNER

Sawywarblutpoh Moodoh

Nawlahhsherpaw Moodoh

STATE OF MINNESOTA)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of November 2019, by Sawywarblutpoh Moodoh and Nawlahhsherpaw Moodoh, a married couple, collectively, the Homeowner.

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(Recording Information Only)

**CITY OF WORTHINGTON
WORKFORCE HOUSING PROGRAM**

**COMBINATION SECURITY AGREEMENT, NOTE,
REPAYMENT AGREEMENT AND LIEN**

THIS COMBINATION SECURITY AGREEMENT, NOTE, REPAYMENT AGREEMENT AND LIEN, (hereinafter “the Agreement”) made and entered into this 25th day of November, 2019, by and between Sawywarblutpoh Moodoh and Nawlahhsherpaw Moodoh, a married couple, (hereinafter the “OWNER”), and the **CITY OF WORTHINGTON**, a municipal corporation under the laws of the State of Minnesota, having its principal office at **303 9th Street, P.O. Box 279, Worthington, Minnesota 56187-0279**, (hereinafter the “CITY”).

WITNESSETH:

WHEREAS, the City desires to assist in financing the construction of residential housing for individuals and families that meet certain income guidelines pursuant to its Workforce Housing Program;

WHEREAS, the developer/subdivider of Morning View 2nd Addition has installed certain public improvements listed in Exhibit A to this Agreement which benefit the Property and which were installed in accordance with the City standards; and

WHEREAS, the City has enacted a Workforce Housing Program which provides that the City may lend certain tax increment financing funds to qualified persons so that such persons may use the funds to pay for the developer-installed public infrastructure; and

WHEREAS, The Owner has applied to the City for such a loan; and

WHEREAS, on the 25th day of November, 2019, (hereinafter the “Effective Date”) the CITY made a loan (hereafter the “Loan”) to the OWNER in the amount of Twenty-Four Thousand Seven Hundred One Dollars and 19/100 (\$24,701.19), which is in an amount equal to the cost of the eligible public improvements shown on Exhibit A; and

WHEREAS, said Loan is made on the condition that the OWNER executes this Agreement; and,

WHEREAS, said OWNER states that they currently meet all criteria, unless waived by the CITY, under the Workforce Housing Program Guidelines; and,

NOW, THEREFORE, in consideration of the making of the Loan by the CITY to the OWNER, the OWNER do hereby agrees as follows:

1. Security:

This Agreement secures to the CITY: (a) The repayment of the debt evidenced by this Agreement, without interest, and all renewals, extensions and modifications; (b) the payment of all unforgiven principal deferred sums, evidenced by this Agreement, to protect the security granted hereunder; and (c) the performance of the OWNER covenants and agreements under this Agreement. For these purposes, the OWNER does hereby mortgage, grant and convey to the CITY, with the power of sale, the described real estate. As security for the obligation of the OWNER to make repayment as provided in this Agreement, the OWNER hereby grants and convey unto the CITY, and the CITY shall have a lien on the real estate located in the CITY Worthington, Nobles County, Minnesota, **legally described as**:

Lot 3, Block 2, Morning View Second Addition, City of Worthington, Nobles County, Minnesota

Commonly known as: 2234 Eleanor Street, Worthington, MN. (hereinafter the “Property”)

Said lien shall be in the full amount necessary to satisfy the Loan and the repayment obligation, as set forth in this Agreement, together with the costs, including reasonable attorney’s fees, to collect such amount, if collection is necessary.

2. Primary Residence:

The OWNER agrees to continue to occupy the Property as their principle place of residence during the term of the Loan.

3. Terms of the Agreement:

- A. Interest shall accrue on this Loan at the rate of 5%.
- B. All payments of principal shall be deferred.
- C. The principal amount of the Loan shall be forgiven, in full, only after 5 years from the date of the Effective Date, unless the OWNERS should default as described hereunder. Principal will be forgiven 20% annually from the date of the Effective Period should the OWNER remain in compliance with the Loan terms.

- D. This mortgage and all liens created hereunder will automatically terminate and be of no further force and effect if a Notice of Lis Pendens to Foreclose Mortgage has not been filed on or before November 25, 2024.

4. Insurance: OWNER agrees to keep all buildings, improvements, and fixtures, currently or in the future located on or a part of the Property, insured against loss by fire, extended coverage perils, vandalism, malicious mischief, and, if applicable, steam boiler explosion to the full insurable value and at least the amount of the full insurable value (**total of all liens on property**) at all times while any amount remains unpaid under this Agreement. If any of the buildings, improvements or fixtures are located in a federally-designated flood prone area and if flood insurance is available for that area, OWNER shall procure and maintain flood insurance in amounts reasonably satisfactory to the CITY. The insurance shall be issued by an insurance company or companies licensed to do business in the State of Minnesota and acceptable to the CITY. The Property shall maintain property insurance and such insurance policy shall contain a mortgagee/loss payable clause in favor of the CITY affording all rights and privileges customarily provided under the so-called standard mortgage clause. The insurance policies shall provide for not less than thirty (30) days written notice to the CITY before cancellation, non-renewal, termination or change in coverage; and the OWNER shall deliver to the CITY a duplicate original or certificate of insurance for such policies. In the event of damage to the Property by fire or other casualty, the OWNER shall promptly give notice of such damage to the CITY and the insurance company.

5. CITY hereby agrees to furnish the OWNER with a conformed copy of this Agreement at the time of execution.

6. Default:

In the event of any default in the payment of any principal or other indebtedness due hereunder or any other breach of this Agreement, the CITY may, at its right and option, declare immediately due and payable the principal balance of this Agreement, together with any attorneys fees incurred by the CITY in collecting or enforcing payment thereof, whether suit be brought or not, and all other sums due hereunder and payment thereof may be enforced and recovered in whole or in part at any time by one or more of the remedies provided in any document securing this Agreement. The CITY may extend the time of payment of principal of this Agreement without notice to or consent of any party liable hereon and without releasing such party. Default by the OWNER shall be defined by one or more of the following:

- A. If the Property fails to be maintained as a primary residence as described in the Workforce Housing Program Guidelines.
- B. If the OWNER fails to insure the Property as described above.
- C. If the real estate hereinafter described is sold, transferred, or otherwise conveyed, whether voluntarily or involuntarily, either while the OWNER is living or by reason of the death of the OWNER.
- D. If the real estate hereunder described loses its homestead status for real estate tax purposes.
- E. If the OWNER should become delinquent on their Property taxes and assessments attributed to the Property described hereunder.

- F. If the OWNER makes untrue, false or fraudulent statement on their Workforce Housing Application.
- G. Failure to comply with any of the terms of this Agreement.

In the event of default, the remaining unforgiven portion of the Loan shall be repaid to the CITY in the following manner:

A. Repayment to the CITY shall be made by the OWNER or his heirs, executors, or representatives not later than the 30th day following (a) the date of default or (b) notice of default by the CITY, whichever is earlier. If the Loan is not repaid during this repayment period, the OWNER shall pay an interest rate of 5% until the outstanding balance is repaid.

B. In its sole discretion, the CITY may designate a later date for payment and/or waive late fees. If the CITY makes such a designation, written notice will be given to the OWNER, his heirs, executors, or representatives. Terms for repayment would then be as agreed between the parties.

OWNER's Right to Reinstate. If OWNER meets certain conditions, OWNER shall have the right to have enforcement of this Mortgage discontinued at any time prior to the earlier of. (a) 5 days (or such other period as applicable law may specify for reinstatement) before the sale of the Property pursuant to any power of sale contained in this Mortgage; or (b) entry of judgment enforcing this Mortgage. Those conditions are that OWNER: (i) pays Lender all sums which then would be due under this Agreement had no acceleration occurred; (ii) cures any default of any other covenants or agreements; (iii) pays all expenses incurred in enforcing this Agreement, including, but not limited to, reasonable attorneys' fees; and (iv) takes such action as Lender may reasonably require to assure that the lien of this Agreement, Lender's rights in the Property and OWNER's obligation to pay the sums secured by this Agreement shall continue unchanged. Upon reinstatement by OWNER, this Agreement and the obligations secured hereby shall remain fully effective as if no acceleration had occurred.

Acceleration- Remedies. CITY shall give notice to OWNER prior to acceleration following OWNER's breach of any covenant or agreement in this Agreement. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to OWNER, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Agreement and the sale of the Property. The notice shall further inform OWNER of the right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of a default or any other defense of OWNER to acceleration and sale. If the breach is not cured on or before the date specified in the notice, or if the maturity date has occurred, CITY at its option may require immediate payment in full of all sums secured by this Agreement without further demand and may invoke the power of sale and any other remedies permitted by applicable law. CITY shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph. including, but not limited to, reasonable attorneys' fees.

If CITY invokes the power of sale, CITY shall cause a copy of a notice of sale to be served upon any person in possession of the Property. CITY shall publish a notice of sale and the Property shall be sold at public auction in the manner prescribed by applicable law. CITY or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following

order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Agreement; and (c) any excess to the person or persons legally entitled thereto.

7. Property Transfer by Contract for Deed:

If this Agreement is executed by a Contract Vendor, as the OWNER, such execution shall be deemed for the purpose of establishing and continuing the existence of the indebtedness described and the lien granted herein. However, in the event of default of the terms hereof, neither the CITY, nor its successors or assigns, shall take any action against such Contract Vendor, except as may be necessary in order to subject the real estate described herein to the satisfaction of said indebtedness. The Contract Vendor shall not be personally liable by reason of any default which may occur in the performance or by reason of the non-performance by the OWNER of any of the terms of this Agreement; and the CITY shall not seek or be entitled to any personal judgment against the Contract Vendor by reason of any default hereunder. The sole remedy of the CITY against the Contract Vendor, in the event of any default, shall be to proceed against the real estate described herein in the manner provided in this Agreement and by law in order to subject the real estate to repayment of the Loan. The parties hereto agree that any conveyance of the real estate described herein by the Contract Vendor shall subject said real estate to this lien for so long as the Loan is unpaid and outstanding.

8. Covenants:

- A. The OWNER agrees to keep the Property free from all junior liens and encumbrances. The OWNER further agrees to commit or permit no waste on the Property, to keep the Property in good repair, and to pay any expenses or attorney's fees that may incur, by reason of litigation in protection of this Agreement.
- B. This Agreement may be prepaid in whole or in part without penalty.
- C. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.
- D. It is intended that this Note is made with reference to and shall be governed by and construed in accordance with the laws of the State of Minnesota.
- E. The provisions of this Agreement shall run with the real estate described above and shall inure to the benefit of and be binding upon the parties hereto and their respective, heirs, executors, representatives, successors and assigns.

(Signature page to follow)

IN WITNESS WHEREOF, the parties hereto have executed this COMBINATION SECURITY AGREEMENT, NOTE, REPAYMENT AGREEMENT AND LIEN as of the day and year first above written.

“OWNER”:

Printed Name: Sawywarblutpoh Moodoh Nawlahhsherpaw Moodoh

STATE OF MINNESOTA)
) ss.
COUNTY OF NOBLES)

On this ____ day of November, 2019, before me, a Notary Public in and for the State of Minnesota, personally appeared Sawywarblutpoh Moodoh and Nawlahhsherpaw Moodoh, a married couple, to me known to be the person(s) described in and who executed the foregoing instrument and acknowledged that he executed the same as his free and voluntary act and deed.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Jason Brisson
City of Worthington
303 Ninth Street
Worthington, MN 56187

This instrument is exempt from registration tax under Section 287.04 of Minnesota Statutes.

Morning View Development Cost Summary			
Expenses		MV Second Addition Actual	
Land	\$	40,724.82	
City Assessments	\$	19,649.89	
Second Addition Infrastructure	\$	170,571.51	
I&S Engineering Fees	\$	38,280.50	
City of Worthington LOC fee	\$	3,900.00	Not allowed
MPCA Permit	\$	70.00	Not allowed
Sub Total	\$	273,196.72	
<i>*includes 10% contingencies</i>			
Interest on Infrastructure Loan	\$	18,454.00	
Mowing/Weed Control/Snow	\$	6,156.00	
Property Taxes	\$	4,500.00	
Property Insurance	\$	500.00	
Platting Fees/Publications/Marketing	\$	37.00	
Legal Costs	\$	56.00	
Development Fee	\$	2,000.00	
Sub Total	\$	31,703.00	
GRAND TOTAL	\$	304,899.72	
Sale of Lots	\$	304,899.72	
Less TIF reduction	\$	247,011.90	
Total Lot Costs	\$	57,887.82	
Cost without TIF	\$	30,489.97	
TIF Amount	\$	24,701.19	24701.19
Cost with TIF	\$	5,788.78	

November 18, 2019

Steve Robinson, PE
City Administrator
City of Worthington
303 Ninth Street
Worthington, MN 56187

THOMPSON HOTEL TIF ANALYSIS

Dear Steve,

Thank you for the opportunity to submit a proposal for the Thompson Hotel TIF analysis in Worthington, Minnesota. LHB is a full-service architecture, planning and engineering firm with 250 employees in our Minneapolis, Duluth, Cambridge, and Superior, Wisconsin offices.

Our Government studio has extensive experience working with local governments on their planning, design, architectural and engineering needs. Having been personally involved on various city councils and planning commissions, I understand how cities function and the importance of maintaining the support of appointed and elected officials and community throughout the process.

PREVIOUS EXPERIENCE

LHB has significant experience with a variety of inspection and facility assessment projects, including the analysis of over 300 TIF Districts. Examples include:

- City of Columbia Heights TIF inspection services
- City of St. Paul TIF inspection services
- City of St. Anthony Village, NW Quadrant TIF inspection services
- City of St. Louis Park TIF District inspection services
- City of Mound TIF District “1-2” inspection services
- City of Osseo TIF inspection services
- City of New Richmond, WI TIF inspection services
- Minnesota State Colleges and Universities system facility assessments
- State of Minnesota Facility Assessments
- Property Condition Assessments for the St. Paul Department of Planning and Economic Development (Franklin/Emerald Neighborhood)
- Condition surveys for every DNR facility in the State of Minnesota, 2014

TEAM CREDENTIALS

Michael A. Fischer, AIA, LEED AP - Project Principal/TIF Analyst

Michael has 32 years of experience as project principal, project manager, project designer and project architect on planning, urban design, educational, commercial and governmental projects. He has become an expert on Tax Increment Finance District analysis assisting over 100 cities with strategic planning for TIF Districts. He is an Architectural Principal at LHB and currently leads the Minneapolis office.

Michael completed a two-year Bush Fellowship, studying at MIT and Harvard in 1999, earning master's degrees in city planning and Real Estate Development from MIT. He has served on more than 50 committees, boards and community task forces, including a term as a City Council President and as Chair of a Metropolitan Planning Organization. Most recently, he served as Chair of the Edina, Minnesota planning commission and is currently a member of the Edina city council. Michael has also managed and designed several award-winning architectural projects and was one of four architects in the Country to receive the AIA Young Architects Citation in 1997.

Phil Waugh – Project Manager/TIF Analyst

Philip is a project manager with 13 years of experience in historic preservation, building investigations, material research, and construction methods. He previously worked as a historic preservationist and also served as the preservation specialist at the St. Paul Heritage Preservation Commission. Currently, Phil sits on the Board of Directors for the Preservation Alliance of Minnesota. His current responsibilities include project management of historic preservation projects, performing building condition surveys and analysis, TIF analysis, writing preservation specifications, historic design reviews, writing Historic Preservation Tax Credit applications, preservation planning, and grant writing.

Jonathan Pettigrew, AIA – Inspector

Jonathan Pettigrew has worked in architecture and construction for the last twenty years in Minnesota, California and Washington. His experience includes a variety of commercial and residential project types and scales, from single-family homes to a 300,000 square foot multi-building office complex. He has significant experience in code reviews and building systems inspections and analysis. Jonathan received his Minnesota architect's license in 2004. He brings a strong interest in sustainability and an eye for detail to his work. He enjoys working with clients, consultants and contractors to bring projects together successfully.

Phil Fisher – Inspector

For 35 years, Phil Fisher worked in the field of Building Operations in Minnesota including White Bear Lake Area Schools. At the University of Minnesota, he earned his Bachelor of Science in Industrial Technology. He is a Certified Playground Safety Inspector, Certified Plant Engineer, and is trained in Minnesota Enterprise Real Properties (MERP) Facility Condition Assessment (FCA). His FCA training was recently applied to the Minnesota Department of Natural Resources Facilities Condition Assessment project involving over 2,000 buildings.

SCOPE OF SERVICES

LHB will provide the following services based upon the terms and conditions described below.

- 1. Survey the TIF District to determine if it meets applicable coverage test.**
 - A. To meet the coverage test, parcels consisting of 70 percent of the area of the district must be “occupied” by buildings, streets, utilities, or paved or gravel parking lots.
 - B. A parcel is not considered “occupied” unless at least 15% of its total area contains improvements.

- 2. Conduct a visual review of building(s) interior and exterior:**
 - A. Obtain property owner’s consent for inspection.
 - B. Document property conditions relative to Minnesota Statutes Section 469.174 Subdivision 10.

- 3. Estimate building(s) replacement cost:**
 - A. Replacement cost is the cost of constructing a new structure of the same square footage and type on the site.
 - B. A base cost will be calculated by establishing the building class, type and construction quality.
 - C. Identify amenities, which increase the value of the building over the standard construction quality level.
 - D. Review building permits for each parcel.
 - E. The base cost and cost of amenities will be totaled to determine the replacement cost for the property.

- 4. Evaluate building(s) existing condition:**
 - A. “Structurally substandard shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

- 5. Determine Building(s) Code Deficiencies:**
 - A. Determine technical conditions, which are not in compliance with current building code applicable to new buildings.
 - B. Provide opinion of probable cost to correct identified deficiencies.
 - C. Compare cost of deficiency corrections to replacement value of building.

- 6. Prepare and deliver report:**
 - A. Prepare a written narrative analysis of the District describing why the property within the District does or does not meet the criteria as “structurally substandard” as established in Minnesota Statutes Section 469.174, subdivision 10.
 - B. Deliver final reports via email PDF.

ASSUMPTIONS

1. LHB will inspect the Thompson Hotel building in Worthington, MN. We will inspect both the interior and exterior of the building(s) and evaluate the coverage of the parcel(s). The Client will provide the following:
 - Available information regarding the condition of the structure(s), including past building permit information, and known code violations.

STANDARD OF CARE

LHB shall perform services consistent with the professional skill and care ordinarily provided by other professionals practicing in the same or similar locality under the same or similar circumstances.

Any report prepared by LHB represents a professional opinion based upon information available and arrived at in accordance with generally accepted professional standards. Other than as contained in the report, LHB makes no express or implied warranty.

Short of complete deconstruction to examine every element at every location, no assessment can reveal all conditions which may exist. Additional testing, assessment, or demolition may uncover conditions which would make it necessary to modify LHB’s conclusions or recommendations.

Any report prepared for the purpose described in this Agreement is for the exclusive use by those to whom the report is addressed. LHB will not and cannot be held liable for the unauthorized reliance upon this report by any third party.

COMPENSATION

We propose to work on an hourly basis with the following key staff:

Project Principal, Michael Fischer (TIF analysis)	\$285/hour
Project Manager	\$165/hour
Project Architect/Inspector	\$145/hour
Project Administrator	\$85/hour

We will work on an hourly basis not to exceed Five Thousand Nine Hundred dollars (\$5,900) including reimbursable expenses for the inspection of the properties, including a full TIF report.

Payments are due and payable upon receipt of our invoice. Unpaid balances 60-days after invoice date shall bear interest at the rate of 8% annually.

Failure to make timely payment to LHB is a material breach of this Agreement and may, at LHB’s sole discretion, result in a suspension or termination of services, and may, at LHB’s sole discretion, result in the termination of the Client’s limited license authorization to use LHB’s copyrighted Instruments of Service.

ADDITIONAL SERVICES

If there is a material change in the circumstances or conditions that affect the scope of work, schedule, allocation of risks or other material terms, LHB shall notify the Client. The Client and LHB shall promptly and in good faith enter into negotiation to address the changed conditions including equitable adjustment to compensation. The fees and costs for any additional services will be based upon LHB's Standard Hourly Rates and Standard Reimbursable Schedule.

SCHEDULE

The final report typically requires 30-60 days to complete from the time we are authorized to start. We can make preliminary conclusions prior to our full report being completed if necessary, to allow other consultants and the client to begin their work.

CONSEQUENTIAL DAMAGES

LHB and Client waive consequential damages for claims, disputes or other matters in question arising out of or relating to this Agreement.

LIMIT OF LIABILITY

To the maximum extent permitted by law, the Client agrees to limit LHB's liability for the Client's damages to the sum of Ten Thousand Dollars (\$10,000) or the amount of fee paid to LHB, whichever is greater. This limitation shall apply regardless of the cause of action or legal theory pled or asserted.

USE OF LHB'S DOCUMENTS

The documents prepared by LHB are solely for use with respect to this project. All documents prepared by LHB pursuant to this Agreement are the instruments of services to the Project and LHB shall retain all common law, statutory and other reserved rights, including copyright. LHB grants to Client a nonexclusive limited license solely for the purposes of evaluating and executing the Project. The Client shall not assign, delegate, sublicense, or otherwise transfer any license granted herein to another party.

To the extent the documents are transferred or are modified, supplemented or otherwise altered by the Client, subsequent design professional, or any other party, the Client agrees to indemnify, defend and hold LHB harmless for any claims, demands, damages or causes of action arising out of such transfer or modification, supplementation or alteration.

OTHER CONDITIONS

The laws of the State of Minnesota shall govern this Agreement. Any provision of this agreement later held to violate a law or regulation shall be deemed void. All remaining provisions shall continue in force.

The Client recognizes that materials prepared by others may be subject to copyright protection and warrants to LHB that any documents provided by the Client do not infringe upon the copyright held by another.

Unless the parties mutually agree otherwise, the parties shall endeavor to settle disputes by mediation. A demand for mediation shall be filed, in writing, within a reasonable period of time after a claim, dispute or other matter in question has arisen.

If the terms and conditions of this Agreement are acceptable, please sign and return a copy to LHB.

CLIENT NAME

LHB, INC.

By: _____
(Signature)

By: MAFischer
(Signature)

Its: _____
(Title)

Its: Principal
(Title)

Name: _____
(Printed Name)

Name: Michael A. Fischer, AIA
(Printed Name)

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MEMORANDUM OF UNDERSTANDING

The parties hereto are the City of Worthington, a municipal corporation under the laws of Minnesota, 303 Ninth Street, Worthington, MN, 56187 (hereinafter “City”), and _____

_____ (hereinafter “Developer”).

WHEREAS, the Developer has entered into a purchase agreement to purchase the former Thompson Hotel; and

WHEREAS, the Thompson Hotel is currently is a state of disrepair, any may contain structural deficiencies and code violations; and

WHEREAS, the Developer has proposed to remodel and improve the Thompson Hotel which will require substantial capital outlay by the Developer; and

WHEREAS, in order to make the project more feasible, the Developer has requested that the City pursue a tax increment financing district for the redevelopment; and

WHEREAS, the City is desirous of having the redevelopment project come to fruition, and would like to lend its support to the Developer; and

WHEREAS, the City has determined that it is in the financial best interest of the City to pursue the tax increment financing district.

NOW THEREFORE, the parties have entered into this memorandum of understanding and agree as follows:

1. The City shall contract with a qualified professional firm to conduct the tax increment financing redevelopment evaluation, and provide a written report.
2. The City shall not authorize the professional firm to perform any additional services without the consent of the Developer.
3. The Developer shall reimburse the City for all costs associated with hiring of the firm and producing the report.
4. The Developer shall pay the City within 30 days of receipt of invoice from the professional firm.

The parties hereto have entered into this memorandum of understanding on this _____ day of November, 2019.

City of Worthington

By: _____

Mike Kuhle

Its: Mayor

By: _____

Mindy L. Eggers

Its: Clerk

[developer]

By: _____

Its:

DRAFT