

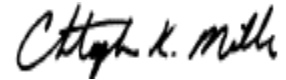
REQUEST FOR COUNCIL ACTION

Date: May 9, 2011
Item No.: 13 . C

Department Approval



Acting City Manager Approval



Item Description: Set Public Hearing Date for Amendment to Tax Increment Financing District 18 (TIF District 18) and Discussion on TIF Agreement with AEON.

BACKGROUND

On March 11, 2009, Aeon, the owners of the Sienna Green Apartment (formerly known as Har Mar Apartments), submitted a formal request to the City for the consideration to establish a housing tax increment financing (TIF) district on their parcel. The purpose of their request was to create a funding source to fill the projected financial gap in the second phase of their initiative to revitalize this aging apartment property. Under Phase II of the development, Aeon will construct a new 50-unit apartment building consisting of a combination of affordable two- and three-bedroom, units.

On July 13, 2009, the Roseville City Council established TIF District #18 to assist the project. (Attachment A) The City and AEON also entered into a Memorandum of Understanding (MOU) in September 2009 that outlined the parameters of a future TIF Agreement that demonstrated to the Minnesota Housing and Financing Agency (MHFA) that there would be funding for the projected gap in the development. The 2009 MOU (Attachment B) identified that the District would generate approximately \$2,194,515 over the maximum term of 26 years of the district, with a present value of \$934,481. At the time of the TIF District creation, it was estimated that AEON's gap was \$913,610. The MOU also indicated that the TIF assistance would be in the form of pay-as-you-go assistance.

In late 2010, AEON has secured funding from the MHFA and is now ready to move ahead with the development. Now that the state funding is in place, staff and AEON have been working on the TIF Agreement. As part of that discussion, it has become clear that the original TIF plan needs to be amended for several reasons.

First and foremost, AEON has acquired a triangular piece of land that previously had a MnDOT easement over it as part of the Hwy. 36 construction. The triangular piece of land has been incorporated as part of the development and will have a very small portion of the new building on it. Therefore we need to modify the boundary of the TIF District to include the triangular piece of land.

Second, with the completion of Sienna Green Phase I, (the rehab of the existing units), the City now has received information that the values of the rehabbed units are higher than originally estimated. Because of that, the TIF Plan should be amended to reflect the greater amount of TIF that will be generated.

31 Finally, with all of the other financing in place, AEON has identified that actual gap for the
32 Phase II project. Initially, it was estimated that AEON would need \$913, 610 in assistance. It
33 has now been determined that the gap is \$938,610. In order for the project to be successful, the
34 TIF Plan budget will need to be amended.

35 Changes to the TIF plan will require a public hearing prior to being amended. Staff is requesting
36 that the City Council set a public hearing for June 13, 2011 by passing the resolution contained
37 in Attachment C.

38 Given that the MOU stated that the TIF assistance would be pay-as-you-go, AEON has been
39 working with banks and MHFA to find additional loaned funds to carry the costs of the project
40 until they can be paid off via the pay-as-you-go method. AEON has encountered some difficulty
41 in securing these funds with the current challenges in the credit market. AEON would like to
42 discuss other options for receiving TIF assistance, including receiving up-front TIF funds, with
43 the City Council.

44 **POLICY OBJECTIVE**

45 By setting a public hearing date to consider an amendment to TIF District 18, the City is
46 furthering its goal in providing affordable housing.

47 **BUDGET IMPLICATIONS**

48 There will not be any budget and financial implications by setting the date for a public hearing to
49 amend TIF 18 plan nor in amending it. Depending on the negotiated TIF Agreement, there may
50 be budget and financial implications for the City . However, that is expected to be decided on
51 June 13, 2011 and not at this time.

52 **STAFF RECOMMENDATION**

53 Staff recommends that the City Council adopt the attached resolution and set a public hearing
54 date of June 13, 2011 to consider amending TIF District 18.

55 **REQUESTED COUNCIL ACTION**

56 Motion to ADOPT a resolution setting June 13, 2011 as the public hearing date to consider and
57 amendment to TIF District 18.

Prepared by: Patrick Trudgeon, Community Development Director

Attachments: A: TIF District 18 Plan, as adopted July 13, 2009
B: Executed Memorandum of Understanding between the City and AEON, dated Sept. 28, 2009
C: Resolution setting June 13, 2011 as the public hearing date to consider amendments to the TIF
District 18 Plan.

City of Roseville, Minnesota

Tax Increment Financing Plan

for

Tax Increment Financing (Housing) District No. 18

Within

Development District No. 1

(Har Mar Apartments Project)

Approved: July 13, 2009

Prepared by:

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Section A Definitions

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"Authority" means the Roseville Housing and Redevelopment Authority, Minnesota.

"City" means the City of Roseville, Minnesota; also referred to as a "Municipality".

"City Council" means the City Council of the City; also referred to as the "Governing Body".

"County" means Ramsey County, Minnesota.

"Development District" means the City's Development District No. 1 in the City, originally created October 13, 1982, which is described in the corresponding Development Program.

"Development Program" means the Restated Development Program for the Development District dated June 20, 2005.

"Project Area" means the geographic area of the Development District.

"School District" means Roseville Area School District No. 623, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1799, both inclusive.

"TIF District" means Tax Increment Financing (Housing) District No. 18.

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

Section B Statement and Finding of Public Purpose

See Section A of the Development Program for the Development District.

Section C Statutory Authorization

See Section B of the Development Program for the Development District.

Section D Statement of Objectives

See Section F.1. of the Development Program for the Development District.

Section E Designation of Tax Increment Financing District as a Housing District

Pursuant to the TIF Act, the City seeks to create TIF District No. 18 and adopt a TIF Plan for the TIF District. The Authority will review the TIF Plan prior to City adoption. TIF District No. 18 is a Housing District.

Housing districts are a type of tax increment financing district that consist of a project intended for occupancy, in part, by persons or families of low and moderate income. Low and moderate income is defined in federal, state, and

municipal legislation. A project does not qualify if more than 20% of the square footage of buildings that receive assistance from tax increments consist of commercial, retail or other nonresidential use.

In addition, housing districts are subject to various income limitations and requirements for residential property. For owner occupied residential property, 95% of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code. For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code.

The TIF District meets the above qualifications for these reasons:

1. The planned improvements consist of the following:
 - a. No owner-occupied housing units.
 - b. 168 rental units, for which one of the following will apply:
 - at least 20% of the rental units will be occupied by persons with incomes no greater than 50% of area median income
 - at least 40% of the rental units will be occupied by persons with incomes no greater than 60% of area median income
2. No improvements are planned other than housing.
3. The City will require in the development agreement that the income limitations for all rental units apply for the duration of the TIF District.

Tax increment revenues derived from a housing district must be used solely to finance the cost of housing projects as defined above. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the City may be included in the cost of a housing project.

Section F Duration of the TIF District

Housing districts may remain in existence 25 years from the date of receipt by the City of the first tax increment. Modifications of this plan (see Section Z) shall not extend these limitations.

The City elects to receive increment beginning in tax payable year 2013 pursuant to Minnesota Statutes, Section 469.175, subdivision 1(a)(8)(b). The City reserves the right to allow the TIF District to remain in existence the maximum duration allowed by law, through the year 2038. The City will decertify TIF District No. 18 once the projected increment has been received to fulfill the existing TIF District obligations. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the City.

Section G Property to be Included in the TIF District

The TIF District is an approximate 5.42-acre area of land located within the Project Area. A map showing the location of the TIF District is shown in Exhibit I. The boundaries, area, and parcel encompassed by the TIF District are described below:

<u>Parcel ID Number</u>	<u>Legal Description</u>
09-29-23-44-0247 *	The south 7 acres of the NE Quarter of the SE Quarter of the SE Quarter (NE¼ of SE¼ of SE¼), Section Nine (9), Township Twenty-Nine (29), Range Twenty-Three (23), according to the Government Survey thereof, all subject to roadway easements.

*The parcel listed above will be replatted; as a result new parcel ID numbers and legal descriptions will replace that listed above.

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above.

Section H Property to be Acquired in the TIF District

The City may acquire and sell any or all of the property located within the TIF District. The City does not anticipate acquiring any such property at this time, but may reimburse developers for the cost of such acquisition.

Section I Specific Development Expected to Occur Within the TIF District

The proposed project includes the redevelopment of the Har Mar Apartments project. The project is expected to be completed in two phases. Phase 1 shall consist of the complete rehabilitation of 120 existing one-bedroom apartment units within five buildings. Phase 2 shall consist of the construction of 48 two-and three-bedroom apartment units within one building. Phase 1 shall also include the subdivision, reconfiguration and redevelopment of the site, which will reduce surface parking, maximize green space, and connect the buildings through landscaping and improved walkways.

The proposed project will transform a blighted, semi-vacant property into a 168-total-unit apartment community for persons and families of low to moderate income. The project will comply with the Tax Increment Financing (Housing) District income requirements for rental property (i.e., either 20% of the units must be rented to persons whose income is 50% or less of area median income or 40% must be rented to persons 60% or less of area median income).

Ten of the 168 rehabilitated and constructed apartments will provide housing for individuals experiencing long-term homelessness and who earn less than 30% of the area median income (AMI). Ninety-six one-bedroom units will be restricted for persons or families who earn less than 60% AMI. The remaining 12 one-bedroom units will be unrestricted at market rate. All of the 48 two-and three-bedroom units will be restricted for those earning less than 60% AMI. Therefore the project will comply with the provisions of a Housing TIF District whereby at least 40% of the units will be restricted for persons with 60% or less AMI.

The City anticipates using tax increment revenues to finance a portion of the rehabilitation and construction costs, through property acquisition, associated with Phase 2 of the project as well as related administrative expenses to reduce the cost of providing affordable housing in the City, as described further in Section K.

Phase 1 of the project is expected to commence construction in summer of 2009 and be completed by August 2010; Phase 2 of the project is expected to commence construction in April 2010, and be completed by March 2011. Partial assessments are anticipated on January 2, 2011, and the fully completed project will be 100% assessed and on the tax rolls as of January 2, 2012, for taxes payable in 2013.

At the time this document was prepared there were no signed development contracts with regards to the above described development.

Section J Findings and Need for Tax Increment Financing

In establishing the TIF District, the City makes the following findings:

- (1) The TIF District qualifies as a housing district;

See Section E of this document for the reasons and facts supporting this finding.

- (2) The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and the increased market value of the site that could reasonably be expected to occur without the use of tax increment would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan.

The proposed development is a rental housing project consisting of the rehabilitation of approximately 120 units and the new construction of approximately 48 units in the City of Roseville. All but 12 of the total units rehabilitated will be affordable to persons at or below 60% of the area median income. The City has reviewed project information submitted by the proposed developer showing that the cost of providing low-to-moderate income housing makes the proposed development infeasible without some level of assistance.

Creating high-quality affordable housing in the proposed TIF district area entails the acquisition and subdivision of the existing property, complete rehabilitation of the existing buildings, the construction of new affordable housing and improvements to related infrastructure. Phase 1 and Phase 2 will be financed separately with each phase securing an allocation of low-income housing tax credits. Although Phase 1 of the project has secured funding from multiple additional sources, Phase 2 funding is not anticipated to leverage as many additional funding sources and shows a financing gap to be filled with TIF. Therefore, it is believed that Phase 2 would not happen "But-For" the TIF. Furthermore, the funding entities participating in the Phase 1 financing require the completion of Phase 2 of the Project, which constructs the 48 new affordable family-sized units. Therefore, we conclude that the proposed Project (Phases 1 and 2) would not happen "But-For" the TIF.

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 market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan. Without the TIF District, the City has no reason to expect that the rehabilitation and new construction would occur without assistance similar to that provided in this plan. [If we are to agree with the assumption] that the proposed project maximizes the site density, then it is reasonable to assume that no development will occur that will create a greater market value than that which is proposed in this project. Therefore, the City concludes as follows:

- a. The City's estimate of the amount by which the market value of the site will increase without the use of tax increment financing is \$0, beyond a small amount attributable to appreciation in land value.
- b. If all development occurs as proposed, the total increase in market value would be approximately \$16,917,395, which includes a 2.5% annual market value inflator.
- c. The present value of tax increment revenues from the District for the maximum duration of as permitted by the TIF Plan is estimated to be \$938,650 (See Exhibit V).

- d. Even if some development other than the proposed development were to occur, the Council finds that no alternative would occur that would produce a market value increase greater than \$15,978,745 (the amount in clause b less the amount in clause c) without tax increment assistance.

A comparative analysis of estimated market values both with and without establishment of the TIF District and the use of tax increments assumes no development will occur on the site without assistance. The site is controlled by a developer that only anticipates creating an affordable housing project requiring assistance. We assume the estimated market value without creation of the district would only increase at most by an incremental inflationary amount. The increase in estimated market value of the proposed development (less the indicated subtractions) exceeds the estimated market value of the site absent the establishment of the TIF District and the use of tax increments.

- (3) The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole; and

The reasons and facts supporting this finding are that the TIF District is properly zoned, and the TIF Plan has been approved by the City Planning Commission and will generally complement and serve to implement policies adopted in the City's Comprehensive Plan.

- (4) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the Project Area by private enterprise.

The reasons and facts supporting this finding are that the development activities are necessary so that development and redevelopment by private enterprise can occur within the Project Area.

Section K Estimated Public Costs

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Land/Building acquisition	\$913,610
Site Improvements/Demolition costs	0
Installation of public utilities	0
Streets and sidewalks	0
Bond/Note principal	0
Bond/Note interest, inc. capitalized interest	1,027,207
Administrative expenses	219,461
Other –Potential Affordable Housing Costs	59,337
Total	<u>\$2,219,615</u>

The City reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost is not increased.

Section L Estimated Sources of Revenue

Tax Increment revenue	\$2,194,615
Interest on invested funds	25,000
Bond/Note proceeds	0
Real estate sales	0
Other	0
Total	<u>\$2,219,615</u>

The City anticipates providing financial assistance to the proposed development on a pay-as-you-go technique. Under the pay-as-you-go scenario, future tax increments received from the property within the TIF District are distributed to the developer/owner as reimbursement for public costs incurred (see Section K).

The City reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The City also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

Section M Estimated Amount of Bonded Indebtedness

The City does not anticipate issuing tax increment bonds to finance the estimated public costs of the TIF District. However it reserves the right to issue an amount that would not exceed \$1,005,000 (\$913,610 plus 10% overage).

Section N Original Net Tax Capacity

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Market Value of all property within the TIF District as of January 2, 2008, for taxes payable in 2009, is \$5,000,000. Upon establishment of the TIF District, and subsequent reclassification of a portion of the property to rental from affordable rental, it is estimated that the original net tax capacity of the TIF District will be approximately \$39,286.

Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

- (1) changes in the tax-exempt status of property;
- (2) reductions or enlargements of the geographic area of the TIF District;
- (3) changes due to stipulation agreements or abatements; or
- (4) changes in property classification rates.

Section O Original Tax Capacity Rate

The County Auditor shall also certify the original tax capacity rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original tax capacity rate of the TIF District.

The sum of all local tax rates that apply to property in the TIF District, for taxes levied in 2008 and payable in 2009, was 89.848% as shown below. The County Auditor shall certify this amount as the original tax capacity rate of the TIF District.

<u>Taxing Jurisdiction</u>	<u>Final 2008/2009 Local Tax Rate</u>
City of Roseville	24.545%
Ramsey County	46.546%
SD # »#623	10.624%
Other	8.133%
Total	89.848%

**Section P Projected Retained Captured Net Tax Capacity and
Projected Tax Increment**

The City anticipates that the project will be completed by December 31, 2012 creating a total tax capacity for TIF District No. 18 of \$99,289 as of January 2, 2013. The captured tax capacity as of that date is estimated to be \$60,003 and the first full year of tax increment is estimated to be \$53,911 payable in 2014. A complete schedule of estimated tax increment from the TIF District is shown in Exhibit III.

The estimates shown in this TIF Plan assume that affordable rental housing class rates remain at 0.75% of the estimated market value, market rate rental housing class rates remain at 1.25% of the estimated market value, and assume a 2.5% annual increase in market values.

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan. Exhibit III shows the projected tax increment generated over the anticipated life of the TIF District.

Section Q Use of Tax Increment

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of

financial reporting and auditing of tax increment financing information throughout the state. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The City has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

- (1) pay for the estimated public costs of the TIF District, including any eligible pooling projects, (see Section K) and County administrative costs associated with the TIF District (see Section T);
- (2) pay principal and interest on tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County Board under M.S. Section 469.175, Subdivision 1a; or
- (5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increments from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless both county boards involved waive this requirement. Tax increments shall not be used to circumvent levy limitations applicable to the City.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government, or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This prohibition does not apply to the construction or renovation of a parking structure or of a privately owned facility for conference purposes.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

Section R Excess Tax Increment

In any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the City shall use the excess tax increments to:

- (1) prepay any outstanding tax increment bonds;
- (2) discharge the pledge of tax increments thereof;
- (3) pay amounts into an escrow account dedicated to the payment of the tax increment bonds; or
- (4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

Section S Tax Increment Pooling and the Five Year Rule

As permitted under Minnesota Statutes, Section 469.1763, subdivision 2(b) and subdivision 3(a)(5), any expenditures of increment from the TIF District to pay the cost of a "housing project" as defined in Minnesota Statutes, Section 469.174, subd. 11 will be treated as an expenditure within the district for the purposes of the "pooling rules" and the "five year rule". The City does not currently anticipate that tax increments will be spent outside the TIF District (except allowable administrative expenses), but such expenditures are expressly authorized in this TIF Plan.

Section T Limitation on Administrative Expenses

Administrative expenses are defined as all costs of the City other than:

- (1) amounts paid for the purchase of land;
- (2) amounts paid for materials and services, including architectural and engineering services directly connected with the physical development of the real property in the project;
- (3) relocation benefits paid to, or services provided for, persons residing or businesses located in the project;
- (4) amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 469.178; or
- (5) amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clause (1) to (3).

Administrative expenses include city staff time used to establish and administer the TIF District, the amounts paid for services provided by bond counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increments may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total estimated public costs authorized by the TIF Plan or (b) 10% of the total tax increment expenditures for the project.

Section U Limitation on Property Not Subject to Improvements - Four Year Rule

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

Section V Estimated Impact on Other Taxing Jurisdictions

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that

there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes, Section 469.175, Subdivision 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the district is estimated to be \$2,202,544.
2. To the extent the project in the proposed TIF District No. 18 generates any public cost impacts on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the District.
3. The amount of tax increments over the life of the district that would be attributable to **school district** levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be **\$260,438**.
4. The amount of tax increments over the life of the district that would be attributable to **county** levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be **\$1,141,034**.
5. No additional information has been requested by the county or school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district. To our knowledge neither entity has adopted standard questions in a written policy on information requested for fiscal and economic implications.

Section W Prior Planned Improvements

The City shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

Section X Development Agreements

If within a project containing a housing district, more than 25% of the acreage of the property to be acquired by the City is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the City must enter into an agreement for the development of the property. Such agreement must provide recourse for the City should the development not be completed.

The City anticipates entering into an agreement for development, but does not anticipate acquiring any property located within the TIF District.

Section Y Assessment Agreements

The City may, upon entering into a development agreement, also enter into an assessment agreement with the developer, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land, and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County, and School District.

The City does not anticipate entering into an assessment agreement at this time.

Section Z Modifications of the Tax Increment Financing Plan

Any reduction or enlargement in the geographic area of the Project Area or the TIF District, increase in the amount of bonded indebtedness to be incurred, increase in that portion of the captured net tax capacity to be retained by the City, increase in the total estimated public costs, or designation of additional property to be acquired by the City shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan. This paragraph does not apply if:

- (1) the only modification is elimination of parcels from the TIF District; and
- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the City agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced, but not enlarged after five years following the date of certification.

Section AA Administration of the Tax Increment Financing Plan

Upon adoption of the TIF Plan, the City shall submit a copy of such plan to the Minnesota Department of Revenue. The City shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District, and shall request that the County Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing the TIF Plan, the following actions should occur on an annual basis:

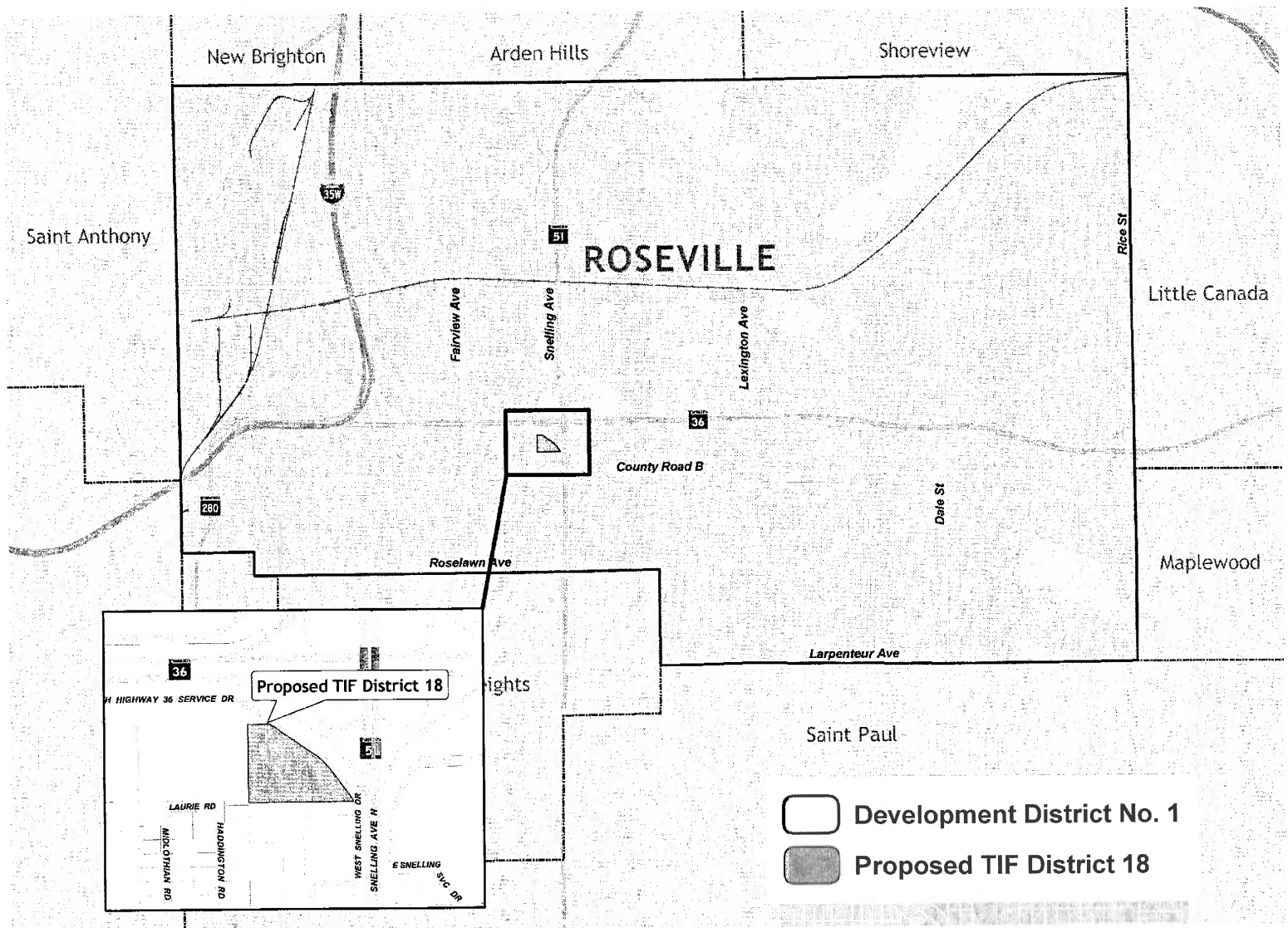
- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to insure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
 - (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
 - (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;
 - (c) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

The County Auditor shall notify the City of all changes made to the original net tax capacity of the TIF District.

Section AB Financial Reporting and Disclosure Requirements

The City will comply with all reporting requirements for the TIF District under Minnesota Statutes, Section 469.175, subdivisions 5 and 6.

MAP OF TAX INCREMENT FINANCING (HOUSING) DISTRICT NO. 18
AND
MAP OF DEVELOPMENT DISTRICT NO. 1



Assumptions Report

**City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years**

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	25 years from 1st increment
Projected Certification Request Date	06/30/09
Decertification Date	12/31/38 (26 Years of Increment)

	<u>2008/2009</u>			
Base Estimated Market Value	\$5,000,000			
Original Net Tax Capacity	\$39,286			
	Assessment/Collection Year			
	2009/2010	2010/2011	2011/2012	2012/2013
Base Estimated Market Value	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Estimated Decrease in Value - Bldg Demo		(\$0)	(\$0)	(\$0)
Estimated Increase in Value - New Construction	0	0	3,721,865	5,352,835
Total Estimated Market Value	5,000,000	5,000,000	8,721,865	10,352,835
Total Net Tax Capacity	\$39,286	\$39,286	\$69,036	\$81,359
City of Roseville		24.545%		
Ramsey County		46.546%		
ISD #623		10.624%		
Other		8.133%		
Local Tax Capacity Rate		89.848%	2008/2009	
Fiscal Disparities Contribution From TIF District		NA		
Administrative Retainage Percent (maximum = 10%)		10.00%		
Pooling Percent		0.00%		

<u>Bonds</u>		<u>Note (Pay-As-You-Go)</u>	
Bonds Dated	NA	Note Dated	02/01/10
Bond Issue @ 0.00% (NIC)	\$0	Note Rate	4.50%
Eligible Project Costs	\$0	Note Amount	\$913,610
Present Value Date & Rate	06/30/09	4.50% PV Amount	\$909,776
Present Value Date & Rate	06/30/09	5.00% PV Amount	\$841,743

Notes

Calculation assumes no changes to future tax rates, class rates, or market values.
Construction schedule: Phase 1 25% renovated by Dec. 31, 2009 and 100% by Dec. 31, 2010.
Phase 2 40% constructed by Dec. 31, 2011 and 100% by Dec. 31, 2012.
Payable 2009 Tax Rates and Class Rates were provided by Ramsey County.
Total project value of \$12.2M as provided by Ramsey County Assessor.
Base value of \$5.0M for taxes payable 2009 - expected to be frozen for life of district.
includes a 2.5% market value inflator.

Projected Tax Increment Report

City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Gross Tax Increment (9)	Less: Admin. Retainage 10.00% (10)	Annual Net Revenue (11)	P.V. Annual Net Rev. To 06/30/09 4.50%
12/31/09		39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/10	5,000,000	39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/11	5,000,000	39,286	39,286	0	89.848%	0	0	0	0	0	0
12/31/12	8,721,865	69,036	39,286	0	89.848%	0	0	0	0	0	0
12/31/13	10,352,835	81,359	39,286	42,074	89.848%	37,802	136	37,666	3,767	33,899	28,112
12/31/14	12,731,041	99,289	39,286	60,003	89.848%	53,911	194	53,717	5,372	48,345	38,365
12/31/15	13,049,317	101,771	39,286	62,485	89.848%	56,142	202	55,940	5,594	50,346	38,233
12/31/16	13,375,550	104,315	39,286	65,029	89.848%	58,428	210	58,218	5,822	52,396	38,076
12/31/17	13,709,938	106,923	39,286	67,637	89.848%	60,771	219	60,552	6,055	54,497	37,897
12/31/18	14,052,687	109,596	39,286	70,310	89.848%	63,173	227	62,946	6,295	56,651	37,699
12/31/19	14,404,004	112,336	39,286	73,050	89.848%	65,634	236	65,398	6,540	58,858	37,481
12/31/20	14,764,104	115,144	39,286	75,859	89.848%	68,158	245	67,913	6,791	61,122	37,247
12/31/21	15,133,207	118,023	39,286	78,737	89.848%	70,744	255	70,489	7,049	63,440	36,994
12/31/22	15,511,537	120,974	39,286	81,688	89.848%	73,395	264	73,131	7,313	65,818	36,728
12/31/23	15,899,325	123,998	39,286	84,712	89.848%	76,112	274	75,838	7,584	68,254	36,448
12/31/24	16,296,808	127,098	39,286	87,812	89.848%	78,898	284	78,614	7,861	70,753	36,155
12/31/25	16,704,228	130,275	39,286	90,990	89.848%	81,752	294	81,458	8,146	73,312	35,849
12/31/26	17,121,834	133,532	39,286	94,247	89.848%	84,679	305	84,374	8,437	75,937	35,534
12/31/27	17,549,880	136,871	39,286	97,585	89.848%	87,678	316	87,362	8,736	78,626	35,208
12/31/28	17,988,627	140,292	39,286	101,007	89.848%	90,752	327	90,425	9,043	81,382	34,873
12/31/29	18,438,343	143,800	39,286	104,514	89.848%	93,904	338	93,566	9,357	84,209	34,530
12/31/30	18,899,301	147,395	39,286	108,109	89.848%	97,134	350	96,784	9,678	87,106	34,180
12/31/31	19,371,784	151,079	39,286	111,794	89.848%	100,444	362	100,082	10,008	90,074	33,823
12/31/32	19,856,078	154,856	39,286	115,571	89.848%	103,838	374	103,464	10,346	93,118	33,460
12/31/33	20,352,480	158,728	39,286	119,442	89.848%	107,316	386	106,930	10,693	96,237	33,092
12/31/34	20,861,292	162,696	39,286	123,410	89.848%	110,882	399	110,483	11,048	99,435	32,719
12/31/35	21,382,825	166,763	39,286	127,478	89.848%	114,536	412	114,124	11,412	102,712	32,342
12/31/36	21,917,395	170,933	39,286	131,647	89.848%	118,282	426	117,856	11,786	106,070	31,961
12/31/37	22,465,330	175,206	39,286	135,920	89.848%	122,122	440	121,682	12,168	109,514	31,578
12/31/38	23,026,963	179,586	39,286	140,300	89.848%	126,057	454	125,603	12,560	113,043	31,192
						\$2,202,544	\$7,929	\$2,194,615	\$219,461	\$1,975,154	\$909,776

* Delay receipt of increment until 2013 due to delayed construction

Estimated Impact on Other Taxing Jurisdictions Report

City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2008/2009 Taxable Net Tax Capacity (1)	2008/2009 Local Tax Rate	2008/2009 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax + Capacity	New Taxable Net Tax = Capacity	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Roseville	9,145,388	24.545%	9,145,388	\$135,920	9,281,308	24.186%	0.359%	32,873
Ramsey County	123,546,836	46.546%	123,546,836	135,920	123,682,756	46.495%	0.051%	63,196
ISD #623	63,060,104	10.624%	63,060,104	135,920	63,196,024	10.601%	0.023%	14,409
Other (2)	---	8.133%	---	135,920	---	8.133%	---	---
Totals		89.848%				89.415%	0.433%	

* **Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.433% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

Statement 2: Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

- (1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.
(2) The impact on these taxing jurisdictions is negligible since they represent only 9.05% of the total tax rate.

Market Value Analysis Report

City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

<u>Assumptions</u>			
Present Value Date			06/30/09
P.V. Rate - Gross T.I.			5.00%
Increase in EMV With TIF District			\$16,917,395
Less: P.V of Gross Tax Increment			<u>938,650</u>
Subtotal			\$15,978,745
Less: Increase in EMV Without TIF			<u>0</u>
Difference			\$15,978,745
	Year	Annual Gross Tax Increment	Present Value @ 5.00%
1	2013	37,802	30,719
2	2014	53,911	41,723
3	2015	56,142	41,381
4	2016	58,428	41,015
5	2017	60,771	40,628
6	2018	63,173	40,223
7	2019	65,634	39,800
8	2020	68,158	39,362
9	2021	70,744	38,910
10	2022	73,395	38,446
11	2023	76,112	37,971
12	2024	78,898	37,486
13	2025	81,752	36,992
14	2026	84,679	36,492
15	2027	87,678	35,985
16	2028	90,752	35,473
17	2029	93,904	34,958
18	2030	97,134	34,438
19	2031	100,444	33,916
20	2032	103,838	33,392
21	2033	107,316	32,867
22	2034	110,882	32,342
23	2035	114,536	31,817
24	2036	118,282	31,293
25	2037	122,122	30,771
26	2038	<u>126,057</u>	<u>30,250</u>
		\$2,202,544	\$938,650

Projected Pay-As-You-Go Note Report
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City of Roseville, Minnesota
Tax Increment Financing (Housing) District No. 18
Proposed Har Mar Apartments Project
TIF Plan Exhibits: \$12.2M EMV - Full 25+ years

Note Date: 02/01/10
Note Rate: 4.50%
Amount: \$913,610

Date (1)	Principal (2)	Interest (3)	P & I (4)	Semi-Annual Net Revenue (5)	Capitalized Interest (6)	Loan Balance Outstanding (7)
						913,610.00
02/01/10	0.00	0.00	0.00	0.00	0.00	913,610.00
08/01/10	0.00	0.00	0.00	0.00	20,556.23	934,166.23
02/01/11	0.00	0.00	0.00	0.00	21,018.74	955,184.97
08/01/11	0.00	0.00	0.00	0.00	21,491.66	976,676.63
02/01/12	0.00	0.00	0.00	0.00	21,975.22	998,651.85
08/01/12	0.00	0.00	0.00	0.00	22,469.67	1,021,121.52
02/01/13	0.00	0.00	0.00	0.00	22,975.23	1,044,096.75
08/01/13	0.00	16,949.50	16,949.50	16,949.50	6,542.68	1,050,639.43
02/01/14	0.00	16,949.50	16,949.50	16,949.50	6,689.89	1,057,329.32
08/01/14	382.59	23,789.91	24,172.50	24,172.50	0.00	1,056,946.73
02/01/15	391.20	23,781.30	24,172.50	24,172.50	0.00	1,056,555.53
08/01/15	1,400.50	23,772.50	25,173.00	25,173.00	0.00	1,055,155.03
02/01/16	1,432.01	23,740.99	25,173.00	25,173.00	0.00	1,053,723.02
08/01/16	2,489.23	23,708.77	26,198.00	26,198.00	0.00	1,051,233.79
02/01/17	2,545.24	23,652.76	26,198.00	26,198.00	0.00	1,048,688.55
08/01/17	3,653.01	23,595.49	27,248.50	27,248.50	0.00	1,045,035.54
02/01/18	3,735.20	23,513.30	27,248.50	27,248.50	0.00	1,041,300.34
08/01/18	4,896.24	23,429.26	28,325.50	28,325.50	0.00	1,036,404.10
02/01/19	5,006.41	23,319.09	28,325.50	28,325.50	0.00	1,031,397.69
08/01/19	6,222.55	23,206.45	29,429.00	29,429.00	0.00	1,025,175.14
02/01/20	6,362.56	23,066.44	29,429.00	29,429.00	0.00	1,018,812.58
08/01/20	7,637.72	22,923.28	30,561.00	30,561.00	0.00	1,011,174.86
02/01/21	7,809.57	22,751.43	30,561.00	30,561.00	0.00	1,003,365.29
08/01/21	9,144.28	22,575.72	31,720.00	31,720.00	0.00	994,221.01
02/01/22	9,350.03	22,369.97	31,720.00	31,720.00	0.00	984,870.98
08/01/22	10,749.40	22,159.60	32,909.00	32,909.00	0.00	974,121.58
02/01/23	10,991.26	21,917.74	32,909.00	32,909.00	0.00	963,130.32
08/01/23	12,456.57	21,670.43	34,127.00	34,127.00	0.00	950,673.75
02/01/24	12,736.84	21,390.16	34,127.00	34,127.00	0.00	937,936.91
08/01/24	14,272.92	21,103.58	35,376.50	35,376.50	0.00	923,663.99
02/01/25	14,594.06	20,782.44	35,376.50	35,376.50	0.00	909,069.93
08/01/25	16,201.93	20,454.07	36,656.00	36,656.00	0.00	892,868.00
02/01/26	16,566.47	20,089.53	36,656.00	36,656.00	0.00	876,301.53
08/01/26	18,251.72	19,716.78	37,968.50	37,968.50	0.00	858,049.81
02/01/27	18,662.38	19,306.12	37,968.50	37,968.50	0.00	839,387.43
08/01/27	20,426.78	18,886.22	39,313.00	39,313.00	0.00	818,960.65
02/01/28	20,886.39	18,426.61	39,313.00	39,313.00	0.00	798,074.26
08/01/28	22,734.33	17,956.67	40,691.00	40,691.00	0.00	775,339.93
02/01/29	23,245.85	17,445.15	40,691.00	40,691.00	0.00	752,094.08
08/01/29	25,182.38	16,922.12	42,104.50	42,104.50	0.00	726,911.70
02/01/30	25,748.99	16,355.51	42,104.50	42,104.50	0.00	701,162.71
08/01/30	27,776.84	15,776.16	43,553.00	43,553.00	0.00	673,385.87
02/01/31	28,401.82	15,151.18	43,553.00	43,553.00	0.00	644,984.05
08/01/31	30,524.66	14,512.14	45,037.00	45,037.00	0.00	614,459.19
02/01/32	31,211.67	13,825.33	45,037.00	45,037.00	0.00	583,247.52
08/01/32	33,435.93	13,123.07	46,559.00	46,559.00	0.00	549,811.59
02/01/33	34,188.24	12,370.76	46,559.00	46,559.00	0.00	515,623.35
08/01/33	36,516.97	11,601.53	48,118.50	48,118.50	0.00	479,106.38
02/01/34	37,338.61	10,779.89	48,118.50	48,118.50	0.00	441,767.77
08/01/34	39,777.73	9,939.77	49,717.50	49,717.50	0.00	401,990.04
02/01/35	40,672.72	9,044.78	49,717.50	49,717.50	0.00	361,317.32
08/01/35	43,226.36	8,129.64	51,356.00	51,356.00	0.00	318,090.96
02/01/36	44,198.95	7,157.05	51,356.00	51,356.00	0.00	273,892.01
08/01/36	46,872.43	6,162.57	53,035.00	53,035.00	0.00	227,019.58
02/01/37	47,927.06	5,107.94	53,035.00	53,035.00	0.00	179,092.52
08/01/37	50,727.42	4,029.58	54,757.00	54,757.00	0.00	128,365.10
02/01/38	51,868.79	2,888.21	54,757.00	54,757.00	0.00	76,496.31
08/01/38	54,800.33	1,721.17	56,521.50	56,521.50	0.00	21,695.98
02/01/39	21,695.98	488.16	22,184.14	22,184.14	0.00	0.00
	\$1,057,329	\$883,487.32	\$1,940,816.64	\$1,940,816.64	\$143,719.32	
			Surplus Tax Increment	34,337.36		
			Total Net Revenue	\$1,975,154.00		

MEMORANDUM OF UNDERSTANDING

SIENNA GREEN PHASE II PROJECT

This Memorandum of Understanding is dated as of this 28 day of September, 2009 (the "Memorandum") and is entered into by and between the City of Roseville, Minnesota (the "City") and Aeon, a non-profit housing developer (the "Developer").

This Memorandum relates to a development more particularly described in Article 1 hereof (the "Project") to be constructed on the real property currently identified as the south 7 acres of the NE Quarter of the SE Quarter of the SE Quarter, Section 9, Township 29, Range 23, according to the Government Survey thereof and as parcel identification number 09-29-23-44-0247 (the "Development Property"). It is the intent of the City and Developer (collectively, the "Parties") that this Memorandum will outline the general understanding of the Parties with respect to the acquisition, construction and financing of the Project, and will provide a framework for and will be superseded in its entirety by a final development agreement (the "Development Agreement") to be entered into by the Parties at a later date as contemplated in Article 3 hereof.

Now therefore, the Parties hereby agree that the following sets forth an outline of their general understanding of the general plan for the development of the Project and a framework of the matters to be covered in the Development Agreement.

ARTICLE 1. DESCRIPTION OF THE PROJECT

1.01 Sienna Green Phase II (the "Project") will consist of the new construction of approximately 50 units of affordable rental housing. The approved site plan for the Project is attached hereto as **Exhibit A**.

1.02 The Developer expects that the construction of the Project will commence in May, 2010, and will be substantially completed by April, 2011.

ARTICLE 2. TAX INCREMENT FINANCING

2.01 On July 13, 2009, the City acted to create Tax Increment Financing District No. 18 (the "District"), which includes the parcel upon which the Project will be developed in accordance with Minnesota Statutes Section 469.174 through 469.1799. The City has submitted the required documentation to Ramsey County requesting certification of the district and to the Minnesota Department of Revenue and Office of the State Auditor.

2.02 Based on the assumptions detailed in the adopted Tax Increment Finance Plan, the District is expected to generate approximately \$2,194,515 of tax increment over the maximum term of 26 years, which translates into a present value of approximately \$934,481 using the September 2009 semi-annual long term Applicable Federal Rate (AFR) as the discount rate. The TIF Financing Plan set forward a budget not to exceed \$913,610 for land/building acquisition.

2.03 The City will provide the Developer with tax increment financing assistance for the Project, payable solely from tax increments derived from the Development Property in the form of pay-as-you-go tax increment assistance that may be evidenced by a tax increment revenue note (the "Note") in accordance with the terms and conditions of the Development Agreement. The amount, interest rate and payment terms of the Note and the administrative fee of the City will be negotiated subsequent to the execution of this Memorandum and prior to the execution of the Development Agreement.

2.04 The Developer acknowledges that the City will not initiate preparation of the final Development Agreement referred to in Article 3 hereof until the Developer has provided the City with sufficient detail about the Project to enable the City to accurately estimate the level of tax increment financing required by the Project to make it economically feasible. The principal amount of the Note will take into account, among other things, the need for "gap financing", the amount of public benefit from the Project, the design of the Project, and the costs of the Project which are eligible to be reimbursed from tax increments.

ARTICLE 3. DEVELOPMENT AGREEMENT

3.01 The Developer and City will exercise their best efforts to negotiate and enter into a binding Development Agreement, the provisions of which will supersede, but be consistent with the terms of this Memorandum. The Development Agreement will contain such other terms and conditions as are customary in the industry and are otherwise agreed to by Developer and City.

3.02 Prior to preparation of the Development Agreement, the Developer acknowledges that it will be required to provide the City with all documentation deemed necessary by the City to evaluate the Project, including but not limited to the following: (a) a timetable, acceptable to the City, for the construction of the Project; (b) letters of intent, commitment proposals or other evidence reasonably satisfactory to the City, from financial institutions, subject to customary contingencies, to provide financing for the Project; (c) Site plan and project design documents prepared by an architect, in form and substance acceptable to the City; and (d) a pro forma budget for the Project, showing all Project costs and sources of funds, including a separate break out of costs eligible to be financed under the Tax Increment Act; and

ARTICLE 4. FEES AND EXPENSES

4.01 The Developer agrees that it is responsible, whether or not the Development Agreement is executed, to pay the reasonable fees and expenses incurred by the City to the following: (a) the fees and expenses of the law firm of Briggs and Morgan, Professional Association, for the preparation of this Memorandum and the Development Agreement, the creation of the Tax Increment Financing District, (b) fees and expenses of the firm of Springsted for the financial analysis required for the creation of the Tax Increment Financing District, and (d) the fees and expenses of any other consultants retained by the City. The City will notify the Developer prior to retaining any additional consultants for the Project, which notification will include an estimate of the consultant's fees and expenses. The Developer acknowledges that the City will retain 10% of the Tax Increment to pay "Administrative Expenses" of the City incurred

with respect to the Tax Increment District, and therefore Tax Increments will not be available to reimburse the Developer for any of the costs paid by the Developer set forth above.

4.02 The Developer shall be responsible for its own legal fees, costs and expenses in connection with the Project.

4.03 The Developer has previously deposited \$5,000 with the City. The City shall be entitled to use the Deposit to pay costs set forth in Section 4.01 hereof, whether or not the Development Agreement is executed. If at any time prior to the execution of the Development Agreement, the City estimates that the costs and expenses set forth in Section 4.01 hereof will exceed the Deposit, the City will notify the Developer of any additional sum necessary to be deposited with the City to cover the remaining costs.

ARTICLE 5. TERMINATION

5.01 The City shall have the right to terminate this Memorandum by giving written notice to the Developer upon the occurrence of any of the following:

(a) the Developer fails to provide the City with the information required by Section 3.02 hereof by June 30, 2012; or

(b) the final Development Agreement contemplated by Article 3 hereof is not executed by the Developer and the City by December 31, 2012;

(c) if within 10 days of written notice from the City, the Developer does not make any additional deposit requested by the City pursuant to Section 4.03 hereof.

ARTICLE 6. APPROVALS

6.01 This Memorandum and the final Development Agreement will be subject to approval by the City Council of the City of Roseville.

6.02 The Developer represents that the execution and delivery of this Memorandum has been duly authorized by all necessary action on the part of the Developer.

6.03 The Developer releases from and covenants and agrees that the City, its governing body, officers, agents, servants and employees thereof (hereinafter, for purposes of this Section, collectively the "Indemnified Parties") shall not be liable for and agrees to indemnify, defend and hold harmless the Indemnified Parties from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from the actions or inactions of the Developer (or if other persons acting on its behalf or under its direction or control) under this Memorandum.

6.04 The City and Developer each agree to proceed diligently and in good faith toward the execution of a legally binding Development Agreement, but neither shall be liable to the other by reason of any actual or alleged breach of this Memorandum.

In Witness whereof the Parties have signed their names as of the date first written above.

CITY OF ROSEVILLE, MINNESOTA

By Craig Klanning

Its Mayor

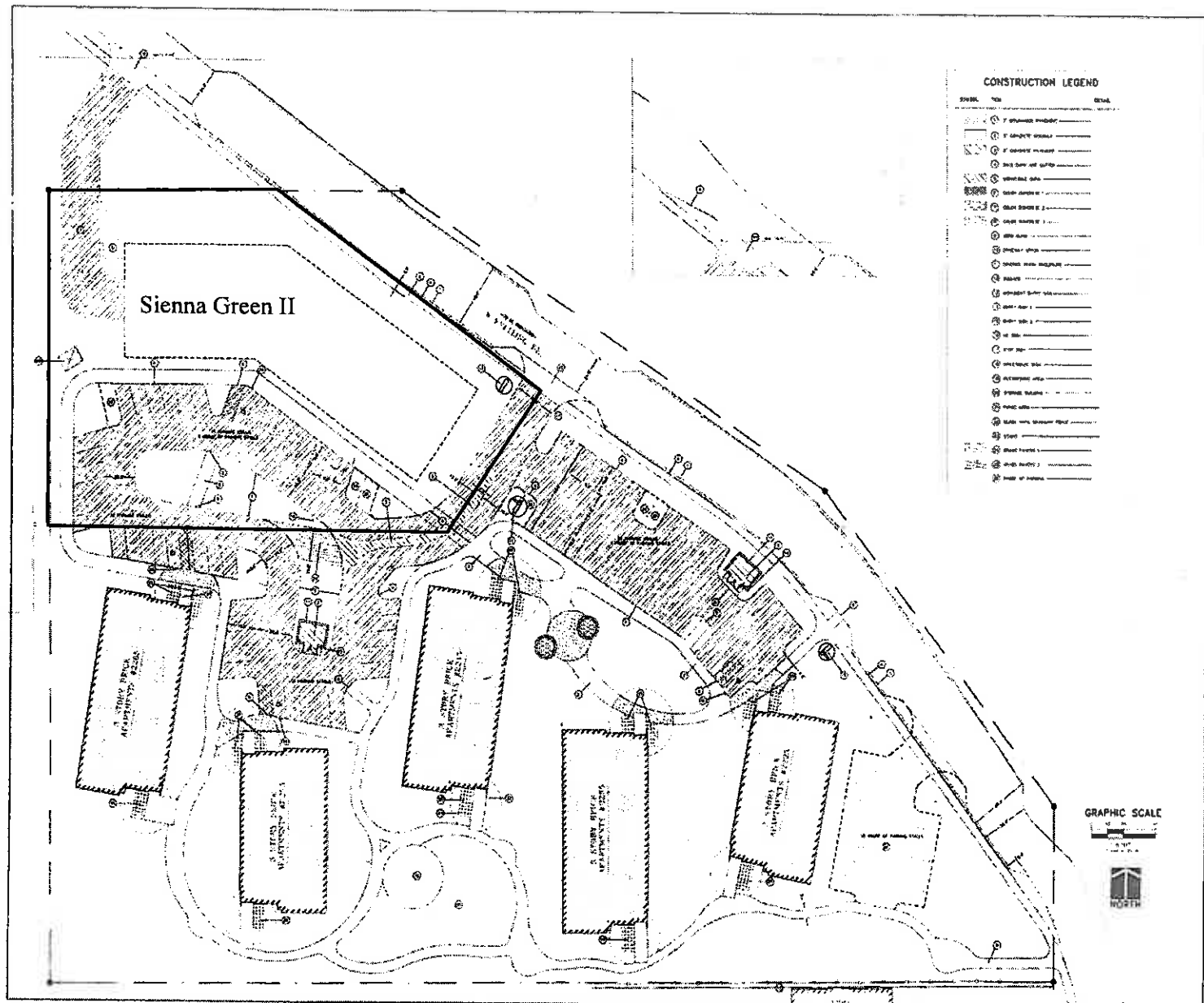
AEON

By [Signature]

Its President

Signature Page of Memorandum of Understanding by and between City of Roseville, Minnesota and Aeon.

Exhibit A: Sienna Green Site Plan (as approved in Final PUD)



RL Melchert LLC
923 St. Chas Street
Hudson, NJ 07030

HAR MAR APARTMENTS

HAR MAR APTS
REHABILITATION
SHEET #1 OF 1
DATE: 01/11/11

SITE
PLAN

C3

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE CITY OF
ROSEVILLE, MINNESOTA

HELD: May 9, 2011

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, Ramsey County, Minnesota, was duly held at the City Hall on Tuesday, the 9th day of May, 2011, at 6:00 p.m.

The following Councilmembers were present:

and the following were absent:

Councilmember _____ introduced the following resolution and moved its adoption:

RESOLUTION CALLING PUBLIC HEARING ON THE PROPOSED
ADOPTION OF A MODIFICATION TO THE DEVELOPMENT PROGRAM
FOR DEVELOPMENT DISTRICT NO. 1; AND THE PROPOSED ADOPTION
OF A MODIFICATION TO THE TAX INCREMENT FINANCING PLAN FOR
TAX INCREMENT FINANCING DISTRICT NO. 18.

BE IT RESOLVED by the City Council (the "Council") of the City of Roseville, Minnesota (the "City"), as follows:

1. Public Hearing. This Council shall meet on June 13, 2011, at approximately 6:00 p.m., to hold a public hearing on the following matters: (a) the proposed adoption of a modification to the Development Program for Development District No. 1 and (b) the proposed adoption of a modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 18, reflecting its increase in size, which are referred to collectively as the "Modifications", all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.134, and Sections 469.174 through 469.1799, inclusive, as amended (collectively, the "Act").

2. Notice of Hearing; Filing of Modifications. The City Manager is hereby authorized to cause a notice of the hearing, substantially in the form attached hereto as Exhibit A, to be published as required by the Act and to place a copy of the proposed Modifications on file in the City Manager's Office at City Hall and to make such copies available for inspection by the public.

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember _____ and upon vote being taken thereon, the following voted in favor:

35 and the following voted against the same:

36 Whereupon said resolution was declared duly passed and adopted.

37

38 STATE OF MINNESOTA)
39 CITY OF ROSEVILLE) ss.
40 COUNTY OF RAMSEY)

41 I, the undersigned, being the duly qualified and acting City Manager of the City of
42 Roseville, Minnesota, DO HEREBY CERTIFY that the attached resolution is a true and correct
43 copy of an extract of minutes of a meeting of the City Council of the City of Roseville,
44 Minnesota duly called and held, as such minutes relate to the calling of a public hearing on the
45 City's development district and tax increment financing district.

46 _____
47 City Manager

Exhibit A

CITY OF ROSEVILLE
COUNTY OF RAMSEY
STATE OF MINNESOTA

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the City Council (the "Council") of the City of Roseville, Ramsey County, Minnesota, will hold a public hearing on Tuesday, June 13, 2011, at 6:00 p.m., at the City Hall, in the City of Roseville, Minnesota, relating to the proposed adoption of a modification to the Development Program for Development District No. 1 and the proposed adoption of a modification to the Tax Increment Financing Plan for Tax Increment Financing District No. 18, reflecting its increase in size, which are referred to collectively as the "Modifications", all pursuant to and in accordance with Minnesota Statutes, Sections 469.124 through 469.134, and Sections 469.174 through 469.1799, inclusive, as amended. Copies of the Modifications will be on file and available for public inspection at the office of the City Manager at City Hall.

The property included within Tax Increment Financing District No. 18, as enlarged, is located within Development District No. 1 and is described in the Modifications on file in the office of the City Manager. A map of Development District No. 1 and Modified Tax Increment Financing District No. 18 therein is set forth below:

[INSERT MAP]

All interested persons may appear at the hearing and present their views orally or in writing prior to the hearing.

Dated: May 31, 2011.

BY ORDER OF THE CITY COUNCIL

/s/ William J. Malinen
City Manager