

Mayor:
David Grant

Councilmembers:
Brenda Holden
Fran Holmes
Dave McClung
Steve Scott



**Special City Council
Work Session Agenda
October 24, 2018
6:00 p.m.
City Hall**

Address:
1245 W Highway 96
Arden Hills MN 55112

Phone:
651-792-7800

Website:
www.cityofardenhills.org

City Vision

Arden Hills is a strong community that values its unique environmental setting, strong residential neighborhoods, vital business community, well-maintained infrastructure, fiscal soundness, and our long-standing tradition as a desirable City in which to live, work, and play.

CALL TO ORDER

1. AGENDA ITEMS

1.A. TCAAP Development Discussion

Dave Perrault, City Administrator

Documents:

[MEMO.PDF](#)
[ATTACHMENT A.PDF](#)
[ATTACHMENT B.PDF](#)

2. COUNCIL/STAFF COMMENTS

ADJOURN



MEMORANDUM

DATE: October 24, 2018

TO: Honorable Mayor and City Councilmembers

FROM: Dave Perrault, City Administrator

SUBJECT: TCAAP Development Discussion

Budgeted Amount:	Actual Amount:	Funding Source:
\$	\$	

Council Should Consider

The Council should provide further direction regarding TCAAP to assist City Staff in the ongoing negotiations.

Background

The City Council requested a Special Work Session to provide City Staff and consultants the necessary direction to move forward on negotiations with the City, County, and developer.

City Staff is working under the presumption that the City Council wants the TCAAP project to move forward assuming the Master Development Agreement (MDA) is drafted in a way that helps to ensure the long term success of the development, while mitigating potential risk to the City. City Staff is also presuming the City Council wants to ensure that the TCAAP project will not be a significant burden to current or future residents.

There are several points of uncertainty that City Staff is requesting to be clarified by the City Council, or be given direction on how to move forward. Attached to this memo (see Attachment A) is the initial draft of the Cooperative Agreement that was presented by the County. Please note, the Cooperative Agreement is strictly a first draft by the County, and with the Council’s direction staff will prepare and submit a counter-proposal to the County. City Staff welcomes all feedback, comments, and direction on this document. Listed below is the developer’s proposal for City consideration and a summary of some of the outstanding items staff needs direction on from the Council.

Developer Proposal

Attached to this memo (see Attachment B) is a proposal by Alatus that outlines some of the outstanding MDA issues and potential solutions to these issues. This proposal by the developer represents one set of options, however, the developer is open to other ideas and/or changes to their proposal. The developer's proposals are:

- The City establish a TIF district to pay for the construction of a Community Center on the site. The City would then not charge an amount equivalent to the Met Council SAC fee;
- The City charge a fee to recover its planning costs equal to the third party costs incurred by the City;
- The County is requesting 161 additional units of Owner-Occupied homes to satisfy long-term planning goals.

Metropolitan Council Sewer Availability Charge (SAC)

Due to the former ammunition plant, the City currently has approximately 4,600 SAC credits on the site, and it is estimated the site will use approximately 2,400 SAC units at full buildout. This means the City would not be required to remit any Met Council SAC fee to the Met Council, and any associated fee, if charged, would be retained by the City as revenue for the City's sewer fund (estimated at \$5.8 million). The developer has questioned the legal basis for the fee, and has stated that this fee is too cumbersome on the development. To avoid any legal challenge, the City could size the City's SAC fee to an equivalent amount.

Larger issue: Does the City intend to charge this fee or can its goals be accomplished by utilizing another financing mechanism?

Potential direction:

- The City Council could charge the whole fee;
- The City Council could charge a portion of the fee;
- The City Council could not charge the fee in favor of another financing mechanism to accomplish City goals.

Civic Space on TCAAP

There is currently a 1.6 acre site on the TCAAP property that has been zoned for Civic Use, which is defined as Civic and Community Use. The City and developer have long discussed the potential for a community oriented building on that space, which has yet to be determined. Currently, there is language in the draft MDA that would allow the City the right to purchase the land for one dollar within two years of the MDA being signed, with the caveat that the City would need to construct an approved facility on the site within a given timeframe. The City would retain this right for up to seven years after the signing of the MDA, however, the cost to purchase the land increases as the years progress. The Council could give direction to retain this language in the MDA, alter the language, or remove the language all together.

If the City decides to construct a facility on the site, the City would need a financing mechanism to construct the facility. One option that has been previously discussed is using Tax Increment Financing (TIF) on the TCAAP site to fund the construction of the Civic Space. The City Council could give direction for staff to pursue this option in moving forward or could suggest an alternative financing mechanism. If TIF was chosen as an option, the City would only use enough TIF to cover the cost of the construction of the facility, but still provide enough tax revenue to cover on-going operations of the City.

The Council should also consider ongoing ownership and operations of the facility on the Civic Site. If the City owns the facility there will be on-going capital costs over the long-term associated with the building. If the City operates the facility it is likely the facility will not generate sufficient revenue to cover operating costs, and will need to be subsidized by the City. If the City allows the facility to be privately owned and operated, the City would not incur future capital or operating costs.

Larger issue: What does the City Council want to see happen on the Civic Site? Does the City Council want to move forward with an agreement between the County and developer for a Civic use on that site?

Potential direction:

-The City Council should provide direction on whether Alatus' proposal is acceptable or give alternative direction.

City Planning Cost Recovery

The City has had a long stated goal that the TCAAP development will pay for itself, and current residents will not be responsible for paying for TCAAP. Thru September, the City has incurred \$1,160,310 of TCAAP related costs, \$846,580 of which is consultant cost and \$313,730 of which is administrative cost. It has been previously discussed to recoup these costs thru a planning area charge.

Larger issue: Is the City firm on collecting these costs in their entirety?

Potential direction:

- The City Council could give direction to recover the full cost thru a planning area charge;
- The City Council could give direction to collect a portion thru a planning area charge;
- The City Council could give direction to collect all or a portion of the costs thru a different financing mechanism.

On-Going Operating Costs

In order to meet the City's goal of not burdening current residents with the cost of TCAAP, it will be important the City is able to generate sufficient revenue from the development site to cover any increased operating costs, such as, police and fire services, street maintenance, and

parks. As the Council gives direction, one driving tenet for staff will be to ensure the development is paying for itself over the course of the project.

Larger issue: The City Council will want to ensure any increase in operating costs for TCAAP is offset by additional tax revenue.

Infrastructure Costs

In the cooperative agreement, the City is responsible for cost of the water tower on TCAAP, the trunk utilities that run along the spine road, a lift station and a booster station. The discussions thus far have been that the water tower will be paid for via a special assessment and the trunk utilities will be paid for by a City imposed Water Availability Charge (WAC) and Sewer Availability Charge (SAC). For the special assessments, the land owner will be responsible for paying the assessments, which helps reduce the risk to the City. The County has requested in the initial Cooperative Agreement the City defer assessments until properties are sold to the developer. City Staff would recommend Council not agree to this provision as it would put the City financially at risk for the cost of the water tower if the development does not proceed. For the City WAC and SAC fees, these would be collected by the City as the development progresses and paid to the County (assuming the County provides the financing for the trunk utilities). The County has requested that if the utilities are not repaid in full by 2037, the City would owe the County the remaining balance of principal and interest. Staff would recommend the Council not agree to this provision as it would put the City financially at risk if the development does not proceed. In either case, the assessments and fees will be sized appropriately to cover the costs related to the development and to ensure parties other than the City are bearing the majority of the risk.

Larger issue: The Council wants to ensure the risk to the City is mitigated, and if the development were to stall or not proceed the cost to the City minimized.

Associations for Services

The developer is currently working on a proposal to address basic and enhanced maintenance services on TCAAP.

Fee Schedule

The current draft of the Cooperative Agreement notes that once the fee schedule is approved by the Joint Development Authority (JDA) it may be increased by an inflationary amount each year, but any other changes would need to be done by an amendment signed by both the City and County. City Staff would recommend that the City not accept this provision, and that the fee schedule imposed by the JDA be the same fee schedule that is updated and approved annually by the City.

Larger issue: The Council wants to ensure fees charged by the development are sufficient to cover anticipated costs.

Allocation of Density in Town Center

The developer has noted as the plans for the Town Center have been refined and roadways have been updated, that the density on two parcels in the Town Center may need to be adjusted to distribute the correct density between the two parcels.

This is not an actionable item at this point but will likely need action at a future meeting.

Other Items

The above items have been highlighted as items that would require City Council attention and/or direction. There may be other items that the Council would like to discuss, such as, single family home builder, affordable housing, large retailers, etc.

Attachment

Attachment A: Draft Cooperative Agreement Between the City and County

Attachment B: Alatus' Proposal

COOPERATIVE AGREEMENT

By and Between

THE CITY OF ARDEN HILLS, MINNESOTA

and

THE COUNTY OF RAMSEY, MINNESOTA

[and JDA?]

Dated as of: _____, 2018

This document was drafted by:

KENNEDY & GRAVEN, Chartered
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
Telephone: (612) 337-9300

THIS COOPERATIVE AGREEMENT (the “Agreement”) is made and entered into as of the _____ day of _____, 2018, by and between the City of Arden Hills, Minnesota, a Minnesota municipal corporation (the “City”) and the County of Ramsey, Minnesota, a political subdivision under the laws of Minnesota (the “County”).

RECITALS

A. The County and the City (collectively, the “Parties”, individually, a “Party”) have entered into that certain **JOINT POWERS AGREEMENT FOR THE REDEVELOPMENT OF THE TWIN CITIES ARMY AMMUNITION PLANT**, dated as of December 17, 2012, (the “JPA”), for the redevelopment of the TCAAP Site (as defined in the JPA), (the “TCAAP Project”).

B. The JPA contemplates that the Parties individually will incur certain costs for defined obligations identified and defined in the JPA respectively as County Investment, County Public Improvements; City Investment and City Public Improvements (collectively, the “Public Improvements”).

C. The JPA further contemplates that the TCAAP Joint Development Authority (the “JDA”), created by the JPA, shall be responsible for assessing the City’s usual and customary development fees in connection with the development of the TCAAP Site.

D. The Public Improvements shall be constructed consistent with applicable requirements of the TCAAP Master Plan.

E. The JPA contemplated that certain specific details of the means of recovering the specified investment costs and specifications of the Public Improvements would be determined as development of the TCAAP Site progressed.

F. The purpose of this Agreement is to implement the JPA by (i) further defining the mechanisms for imposing and collecting fees and recovering revenues to pay the costs incurred by the Parties in undertaking their responsibilities under the JPA (ii) setting forth the cooperative agreement between the Parties related to the level of public services to be made available to the TCAAP Site before, during, and after redevelopment, and to supplement the terms of the JPA in those respects.

AGREEMENT

1. Obligations Defined by the JPA. The JPA identifies certain categories of Public Improvements to be completed by each party. The JPA further provides a method for cost recovery for the work to be done by each party. Certain portions of the publicly-financed Public Improvements are anticipated to be recovered through the receipt of development fees.

2. Master Development Agreement. The County and the JDA have entered into a Master Development Agreement, dated _____, 2018, (the “MDA”) with Alatus Arden Hills, LLC, a Minnesota limited liability company (the “Master Developer”). The terms used in this Agreement which are defined in the MDA shall have the meanings specified therein, unless

the context of this Agreement otherwise requires, or unless such terms are otherwise specifically defined herein. To the extent that any of the terms of this Agreement are in conflict with the Master Development Agreement or the TCAAP Master Plan, the terms of the Master Development Agreement and the TCAAP Master Plan (as defined therein) shall prevail.

3. Allocation of Fees. The fees charged by the Joint Development Authority, pursuant to the JPA, shall be imposed, utilized and paid in accordance with the terms of this Agreement.

4. Planning Area Charge.

(a) As provided in Section 3.7.3 of the JPA, the City shall be entitled to recover the planning costs the City incurred for the cost of the preparation of the AUAR and TCAAP Master Plan in the amount of \$500,000.

(b) In accordance with Section 3.7.3 of the JPA, the City has developed an equitable formula for the purpose of recovering such costs in the aggregate amount of \$500,000.00 by imposing a planning area charge (the “Planning Area Charge”) which has been allocated to the TCAAP Site on the basis of [select one:] [(i) **on a per acre basis of a Development Site compared to the developable acreage of the TCAAP Site;**] [(ii) **a per acre basis on classes of land uses on the TCAAP Site or a Development Site;**] [(iii) **the value of the proposed development on a Development Site;**] [(iv) **or other reasonable formula**] (the “Cost Recovery Formula”).

(c) As a result of the application of the Cost Recovery Formula the Planning Area Charge will be allocated to the Parcel Blocks of the TCAAP Site as set forth in **Exhibit A** hereto [and then allocated to each Vertical Development therein pro rata on the basis of square footage].

(d) The Planning Area Charge shall be collected by the JDA as provided in each Vertical Developer’s Agreement and transmitted by the JDA to the City. Section 3.9.1 of the JPA provides that any non-allocated costs shall be the responsibility of each Party and the Parties confirm and agree that there are no other City costs to be recovered pursuant to Section 3.7.3 of the JPA.

5. City Utilities.

(a) Pursuant to the terms of the JPA, the City has agreed to design and construct the trunk and sub-trunk water, sanitary sewer, and storm sewer utilities (the “City Utilities”) necessary to deliver public utilities to the TCAAP Site. The County has agreed to undertake the design and construction of the City Utilities, as further set forth in Article IV of the MDA, and further agrees to undertake the initial financing thereof; provided that the City shall remain responsible for paying the costs thereof, through City SAC and City WAC fees as paid to the JDA, as provided herein. The Parties agree that the Public Improvements will be designed, bid and constructed as provided in Article IV of the MDA which is incorporated by reference as if fully set forth in this Agreement, including without limitation, City’s right to participate in the design and planning of the City Utilities provided in Section 4.2(e) of the MDA.

(b) The cost of the City Utilities, which is currently estimated to be approximately \$3,200,000, will be determined at the time the County issues a Notice of Intent to Award a Contract for the Mass Grading and the Public Improvements as set forth in Section 4.3 of the MDA (the “City Utilities Cost”).

(c) The County agrees that it will pay or finance the City Utilities Cost provided that in consideration of the County undertaking construction and financing of the City Utilities, the City shall, on the date the County issues a Notice of Intent to Award a Contract for the Mass Grading and the Public Improvements as set forth in Section 4.3 of the MDA, issue its General Obligation Utility Revenue Note in substantially the form set forth in **Exhibit B** attached hereto (the “Note”) in a principal amount equal to the City Utilities Cost. The Note will bear interest from its date of issuance at a rate per annum equal to 4.00%.

(d) In accordance with Section 3.7.2 of the JPA, the Note will be payable from a water access charge in the amount of \$1,000.00 per unit (“City WAC”) and a sewer access charge in the amount of \$650.00 per unit (“City SAC”) which shall be collected by the JDA as provided in each Vertical Developer’s Agreement and transmitted by the JDA to the County on behalf of the City. No payments of principal of or accrued interest on the Note shall be due and payable to the County except to the extent of City SAC and City WAC payments as and when received; provided, however, that all outstanding principal of and accrued interest on the Note shall be due and payable by the City on December 31, 2037 notwithstanding the amount of City SAC and City WAC payments received.

(e) Notwithstanding the fact that there are no sewer access charges due and payable to the Metropolitan Council with respect to the TCAAP Site, for purposes of calculating the City SAC and City WAC charges due for each vertical development, the JDA shall require each Vertical Developer to seek a determination letter from the Metropolitan Council establishing the number of SAC units anticipated to be created following development. The JDA shall assess the same number of City WAC charges against such development. Single family residences shall be treated as one City SAC and City WAC charge.

6. Water Tower Acquisition, Construction, and Maintenance.

(a) The Parties acknowledge that, given the level of anticipated development on the Site, an approximately _____ gallon water tower to serve the properties being developed (the “Water Tower”), to be located on Parcel Block ____ on the property legally described in **Exhibit C** (the “Water Tower Property”), will be required in the future. In order to allocate the costs of such future Water Tower, the parties wish to enter into a petition and waiver agreement (the “Petition and Waiver”) substantially in the general form of the Petition and Wavier attached hereto as **Exhibit D**.

(b) The County, as the sole owner of the TCAAP site, shall immediately petition the City for the future construction of the Water Tower. The present-day value of the anticipated cost of construction is \$5,000,000.00 plus \$200,000.00 for land acquisition costs (as adjusted as provided herein, the “Assessment Amount”). The cost of construction shall be indexed according to the terms of the Petition and Waiver. Further, in the event that the actual cost of constructing the Water Tower improvements, based on competitive bids, exceeds

\$5,000,000.00, the County agrees that such excess amounts shall be assessed as provided in this Agreement and the Petition and Waiver.

(c) Pursuant to the Petition and Waiver, the County shall waive its right to notice and hearing on the Assessment Amount. Further, in the event that the actual cost of constructing the Water Tower improvements, based on competitive bids, exceeds \$5,000,000.00, the County shall be deemed to have waived its rights to notice and hearing for such excess amounts, and such waiver shall also be applicable to the County's successors and assigns.

(d) The Assessment Amount shall initially be allocated to the Parcel Blocks of the TCAAP Site as set forth in **Exhibit B** to the Petition and Waiver. To the extent that any portion of the TCAAP Site is further subdivided or otherwise conveyed to a third party, the City shall, as provided in Minnesota Statutes, section 429.071, subd. 3, reapportion such Assessment Amount to such separate parcel(s) within each Parcel Block [pro rata on the basis of square footage]. In the event that the City is required to assess any amount in excess of the Assessment Amount, such additional amount shall be allocated on the same basis.

(e) The County shall further waive its right to notice and hearing with respect to such reapportionment or allocation of any additional amount in excess of the Assessment Amount, pursuant to the terms of the Petition and Waiver, and such waiver shall also be applicable to the County's successors and assigns.

(f) The City shall order the plans and specifications for the Water Tower to be prepared within 90 days after the JDA has approved Vertical Developers Agreements for development of the TCAAP Site which, in the aggregate, will require _____ or more additional WAC units, as determined pursuant to Section 5(e) (the "Water Demand Date"). The City shall cause construction of the Water Tower to be completed not more than _____ months after the Water Demand Date.

(g) The City will defer collection of the Assessment Amount with respect to each Parcel Block of the Development Property or subdivided portion thereof until the execution of a Vertical Developer's Agreement has been executed between the JDA and the Vertical Developer of such portion of the Development Property, at which time the applicable portion of the Assessment Amount shall be payable over a ____-year period commencing 2 years after execution of such Vertical Developer's Agreement all as set forth therein. The Assessment Amount may be prepaid at any time at the option of the County or the Vertical Developer.

(h) The County agrees to notify prospective purchasers of the Development Property of the deferral of the Assessment Amount.

(i) The County agrees to sell the Water Tower Property to the City and Buyer agrees to purchase the same, according to the terms of this Agreement. The total purchase price for the Water Tower Property is Two Hundred Thousand and 00/100ths Dollars (\$200,000.00) (the "Purchase Price"). The City is purchasing the Water Tower Property in its "AS IS, WHERE IS" condition. The City hereby waives and releases the County from any present or future liability, claims, or causes of action at law or in equity, whether known or unknown, foreseeable or otherwise, arising from or relating in any way to, the physical condition Water Tower

Property, including without limitation the presence of Hazardous Substances (as defined in the MDA) in, on, or under the Water Tower Property, including without limitation: (a) any claims under or on account of Environmental Laws (as defined in the MDA); or (b) any other federal, state or local law, ordinance, rule or regulation, now or hereafter in effect, that deals with or otherwise in any manner relates to, the physical or environmental condition or use of the Water Tower Property. The closing date will be on or before the date 90 days after the Water Demand Date (the “Closing Date”).

(j) The City agrees to own, operate and maintain the Water Tower and Water Tower Property in accordance with City standards consistent with comparable facilities in the City.

7. Fee Schedule.

(a) Pursuant to the terms of the JPA, all development fees are to be collected by the JDA. The development fees applicable to the development of the Site are those usual and customary fees charged by the City in its redevelopment activity.

(b) The parties acknowledge that the fees shown in **Exhibit E** (the “Fee Schedule”), attached hereto, shall be the fees applicable to the redevelopment of the Site and shall constitute the fees to be imposed by the JDA. In the event that the Fee Schedule conflicts with any provision of the City’s fee schedule, the Fee Schedule attached hereto shall prevail. The fees included in the Fee Schedule shall be adjusted annually in accordance with the Consumer Pricing Index but otherwise may only be changed by amendment to this Agreement, signed by both parties.

(c) The Parties acknowledge that, although the City typically collects sewer access charges on behalf of and payable to the Metropolitan Council, there are no sewer access charges due and payable to the Metropolitan Council with respect to the TCAAP Site; therefore, other than the City SAC to be charged in accordance with this Agreement, neither the JDA nor the City will impose or collect any Metropolitan Council sewer access charges in connection with any Vertical Development or any other improvement of the TCAAP Site.

8. Maintenance Responsibilities; Special Taxing District; Enhanced Services.

(a) In conjunction with the redevelopment of the Site pursuant to the TCAAP Master Plan, the County and/or Vertical Developer(s) will be constructing streets, sidewalks, utilities and other public improvements which will be dedicated to the public and become public improvements upon inspection and acceptance by the City.

(b) The City shall have no obligation to maintain such public improvements until such time as they are accepted pursuant to the applicable Vertical Developer’s Agreement.

(c) Following acceptance of each of such public improvements by the City, it shall be obligated to conduct, at a minimum, the activities identified in the maintenance schedule, a copy of which is attached hereto as **Exhibit F**.

(d) [Need Master Developer's proposal for Special Taxing District and Enhanced Services].

9. Development Standards. Pursuant to the terms of the JPA, the development of the Site shall be done in accordance with the provisions of the TCAAP Master Plan. To the extent that the City endeavors to amend any of the TCAAP Master Plan documents prior to completion of all development of the Site, including its comprehensive plan or zoning code, as either relate to the TCAAP site, the City must first obtain the prior written consent of the County [and the Master Developer] to any such changes as a condition precedent to their adoption. Notwithstanding this provision, the City may incorporate any changes required by the Metropolitan Council as part of the decennial review required under Minnesota Statutes, section 473.864 without the County's written consent, but the City shall notify the County of such changes in writing.

10. Emergency Services. Upon [completion of the Spine Road in accordance with Article IV of the MDA] and the conveyance of any Development Property to the Master Developer or any Vertical Developer, the City shall be obligated to provide all routine City emergency services to the entire TCAAP Site.

DRAFT

**EXHIBIT A
PLANNING AREA CHARGE ALLOCATION**

Parcel Block Number	Planning Area Charge
---------------------	----------------------

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DRAFT

EXHIBIT B
FORM OF REVENUE NOTE

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF RAMSEY
CITY OF ARDEN HILLS

GENERAL OBLIGATION UTILITY REVENUE NOTE,
SERIES 20__

The City of Arden Hills, Minnesota, a duly organized and existing municipal corporation in Ramsey County, Minnesota (the “City”), acknowledges itself to be indebted and for value received hereby promises to pay to the County of Ramsey, Minnesota, (the “County”), a principal sum not to exceed \$_____ plus interest thereon at a rate of _____ percent per annum (calculated on the basis of a 360 day year of twelve 30 day months).

No payments of principal of or accrued interest on this Note shall be due and payable to the County except to the extent of City SAC and City WAC payments as and when received in accordance with the terms of that certain Cooperative Agreement dated _____, 2018 between the City and the County (the “Cooperative Agreement”); provided, however, that all outstanding principal of and accrued interest on this Note shall be due and payable by the City on December 31, 2037 (the “Maturity Date”) notwithstanding the amount of City SAC and City WAC payments received. For the prompt and full payment of such principal and interest as the same respectively become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged and the City Council has obligated itself to levy ad valorem taxes on all taxable property, which taxes may be levied without limitation as to rate or amount. If the City fails to pay the outstanding principal of and accrued interest on this Note on or before the Maturity Date, the County will offset such amount against any amount to be collected by the County on behalf of or for the account of the City and to otherwise be delivered to or applied on the account of the City (including ad valorem real estate taxes collected by or paid to the County for subsequent delivery or attributed to the City).

This Note is issued pursuant to a resolution adopted by the City Council on _____ (the “Resolution”), for the purpose of providing money to finance the design and construction of certain the “City Utilities” as defined in the Cooperative Agreement, pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Section 444.075, and Chapter 475, as amended, and the principal hereof and interest hereon are payable primarily from net revenues of the City’s water, sanitary sewer, and storm sewer utilities consisting of the City SAC and City WAC payments as and when received in accordance with the terms of the Cooperative Agreement, as further set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

THIS NOTE IS NOT TRANSFERABLE.

IT IS HEREBY CERTIFIED AND RECITED that in and by the Resolution, the City has covenanted and agreed that it will continue to own and operate the City's water, sanitary sewer, and storm sewer utilities free from competition by other like municipal utilities; that adequate insurance on said systems and suitable fidelity bonds on employees will be carried; that proper and adequate books of account will be kept showing all receipts and disbursements relating to a utility fund, into which it will pay all of the gross revenues from the water, sanitary sewer, and storm sewer utilities; that it will also create and maintain the General Obligation Water Revenue Note Debt Service Fund; and that it will provide, by ad valorem tax levies, for any deficiency in the City SAC and City WAC as of the Maturity Date.

IT IS FURTHER CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Note in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required, and that the issuance of this Note does not cause the indebtedness of the City to exceed any constitutional, or statutory limitation of indebtedness.

DRAFT

IN WITNESS WHEREOF, the City of Arden Hills, Ramsey County, Minnesota, by its City Council, has caused this Note to be executed on its behalf by the manual signatures of the Mayor and City Administrator and has caused this Note to be dated as of the date set forth below.

Dated: _____

CITY OF ARDEN HILLS, MINNESOTA

City Administrator

Mayor

DRAFT

EXHIBIT C
LEGAL DESCRIPTION OF WATER TOWER PROPERTY

DRAFT

EXHIBIT D
FORM OF PETITION AND WAIVER

PETITION AND WAIVER AGREEMENT

THIS AGREEMENT (the “Agreement”) is made this ____ day of _____, 2018, by and between the city of Arden Hills, Minnesota, a Minnesota municipal corporation (the “City”), and the County of Ramsey, Minnesota, a political subdivision under the laws of Minnesota (the “County”).

WITNESSETH:

WHEREAS, the County is the fee owner of certain real property located in Arden Hills and legally described on **Exhibit A** attached hereto, (the “Property”); and

WHEREAS, the City and the County have entered into that certain Joint Powers Agreement for the Redevelopment of the Twin Cities Army Ammunition Plant, dated as of December 17, 2012, (the “JPA”), for the redevelopment of the Property and the creation and establishment of the TCAAP Joint Development Authority (the “JDA”), as a joint powers entity of the City and the County; and

WHEREAS, the City and the County have further entered into a cooperative agreement (the “Cooperative Agreement”) dated _____, the terms of which supplement the JPA; and

WHEREAS, the County and the JDA have entered into a Master Development Agreement, dated _____, 2018, (the “MDA”) with Alatus Arden Hills, LLC, a Minnesota limited liability company (the “Master Developer”). The terms used in this

Agreement which are defined in the MDA shall have the meanings specified therein, unless the context of this Agreement otherwise requires, or unless such terms are otherwise specifically defined herein. To the extent that any of the terms of this Agreement are in conflict with the Master Development Agreement or the TCAAP Master Plan, the terms of the Master Development Agreement and the TCAAP Master Plan (as defined therein) shall prevail; and

WHEREAS, pursuant to the JPA and the Cooperative Agreement, the City has agreed to acquire necessary real property and construct an approximately ____-gallon water tower sufficient to serve the Property, to be located on Parcel Block ____ (the "Improvement Project), which Improvement Project is necessary due to the redevelopment of the Property; and

WHEREAS, the County requests that payment to the City of the cost of the Improvement Project be financed by the City levying a special assessment against the Property; and

WHEREAS, the City is willing to construct the Improvement Project in accordance with the request of the County, provided the assurances and covenants hereinafter stated are made by the County to ensure that the City will have valid and collectable assessments as they relate to the Property to finance all of the costs of the Improvement Project; and

WHEREAS, were it not for the assurances and covenants hereinafter provided, the City would not construct the Improvement Project and is doing so at the behest of the County.

NOW, THEREFORE, ON THE BASIS OF THE COVENANTS AND OBLIGATIONS CONTAINED HEREIN, THE PARTIES HERETO AGREE AS FOLLOWS:

1. The County represents and warrants that it is the fee owner of the Property, that it has full legal power and authority to encumber the Property as herein provided, that in doing so it is not in violation of the terms or conditions of any instrument or agreement of any nature to which it is bound or which relates in any manner to the Property and that there are no other liens or encumbrances against the Property except those of record.
2. The County hereby petitions the City for construction of the Improvement Project, which shall consist generally of constructing an approximately ____-gallon water tower a water tower necessary to serve the Property, to be located on Parcel Block ____, as more specifically detailed in the approved plans and specifications regarding the Improvement Project to be prepared in accordance with the Cooperative Agreement. The parties hereto acknowledge that the Improvement Project will be constructed in accordance with the timing set forth in the Cooperative Agreement.
3. The County consents to the City levying a special assessment for the cost, based on competitive bids, of Improvement Project against the Property in accordance with Minn. Stat., Section 429.061. The principal amount of the special assessment shall be equal to the actual cost of the Improvement Project, which is estimated to be \$5,200,000.00, but

which amount cannot presently be fixed, and which estimated amount shall be indexed for increases in construction costs from November, 2017, according to the ENR Construction Cost Index for Minneapolis, Minnesota, to the month and year of the start of construction of the Improvement Project (the “Assessment Amount”). The ENR Construction Cost Index for November, 2017 is \$12,984.00. [**confirm with an engineer that this works for water towers**]

4. The Assessment Amount shall initially be allocated to the Property as set forth in **Exhibit B** hereto. In the event that any portion of the Property is further subdivided or otherwise conveyed to a third party, the City shall, as provided in Minnesota Statutes, section 429.071, subd. 3, reapportion such Assessment Amount to such separate parcel(s) within each Parcel Block [pro rata on the basis of square footage]. In the event that the City is required to assess any amount in excess of the Assessment Amount, such additional amount shall be allocated on the same basis.
5. The County (i) waives notice of hearing and hearing pursuant to Minn. Stat., Section 429.031, on the Improvement Project; (ii) waives notice of hearing and hearing on the Assessment Amount levied as a special assessment to finance the Improvement Project pursuant to Minn. Stat. Section 429.061; (iii) waives any right to object to any defect in any notice or proceeding undertaken by the City with respect to the Improvement Project; and (iv) specifically consents to the Improvement Project be constructed and the Assessment Amount be levied against the Property without notice of hearing or hearing on the Improvement Project and without notice of hearing or hearing on the Assessment Amount levied to finance the Improvement Project.
6. The County waives the right to appeal the levy of the Assessment Amount in accordance with this Agreement pursuant to Minn. Stat. Section 429.081 and further specifically agrees with respect to such special assessment against the Property that:
 - a. With the exception of the requirement to bid the Improvement Project competitively, all requirements of Minn. Stat., Chapter 429 with which the City does not comply are hereby waived by the County; and
 - b. The increase in fair market value of the Property resulting from construction of the Improvement Project will be at least equal to the amount of the special assessment levied against the Property and that such increase in fair market value is a special benefit to the Property.
7. This Agreement shall be recorded and its terms shall apply to the County’s successors and assigns, pursuant to section 8 herein. Specifically, the City shall not be obligated to notice, and such successors and assigns shall not have a right to appeal the assessments authorized hereunder.

8. The City will defer collection of the Assessment Amount with respect to each Parcel Block of the Development Property or subdivided portion thereof until the execution of a Vertical Developer's Agreement has been executed between the JDA and the Vertical Developer of such portion of the Property, at which time the applicable portion of the Assessment Amount shall be payable over a ____-year period commencing 2 years after execution of such Vertical Developer's Agreement, with interest thereon [from the date of such Vertical Developer's Agreement] at a rate per annum equal to [1 percentage point over] [the true interest cost of the City's General Obligation Improvement Bonds issued to finance the Improvement Project rounded up to the nearest quarter of one percent] [the City's cost of financing], all as set forth in the applicable Vertical Developer's Agreement. [The City's cost of financing shall mean the average coupon rate if the City sells debt to finance the Improvement Project. If no debt is sold for the Improvement Project, the rate shall be set using the same formula based on special assessment bonds of Minnesota municipalities which have the same credit rating as that of the City and are issued and sold at approximately the same time as the adoption of the resolution levying the special assessment.] The Assessment Amount may be prepaid at any time at the option of the County or the Vertical Developer.
9. The covenants, waivers and agreements contained in this Agreement shall bind the County and its successors and assigns and shall run with the Property. It is the intent of the parties hereto that this Agreement be in a form which is recordable among the land records of Ramsey County, Minnesota and the County and the City agree to make any changes in this Agreement which may be necessary to effect the recording and filing of this Agreement against the title of the Property.
10. Notwithstanding the provisions of this Agreement, the County expressly acknowledges that, to the extent the Improvement Project costs exceed those amounts authorized hereunder, the City may forego reliance on this petition and waiver and may instead assess the full costs of the project on the Property in compliance with Minn. Stat., Chapter 429. The sole purpose of this Agreement is to evidence the County's intent to waive its procedural and other statutory rights provided under Minnesota Statutes, Chapter 429, for the amount of any assessment up to the full cost of actual construction of the Improvement Project, which is estimated to be \$5,200,000.00.
11. In addition to Paragraph 8, the County expressly agrees that the City shall retain the sole discretion whether to exercise the authority granted by this Agreement. In the event that the City determines that it is desirable, for whatever reason, to undertake the process provided in Minnesota Statutes, Chapter 429, the County shall be subject to the assessment as determined through the statutory process, and the County shall have all rights provided in that Chapter which would otherwise be available to the owner of an assessed property.

IN WITNESS WHEREOF, the parties have set their hands the day and year first written above.

COUNTY OF RAMSEY, MINNESOTA

Chair

County Manager

STATE OF MINNESOTA)
) SS.
COUNTY OF RAMSEY)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____, Chair of the County of Ramsey, Minnesota, on behalf of the County.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF RAMSEY)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____ the County Manager of the County of Ramsey, Minnesota, on behalf of the County.

Notary Public

Approved as to form:

Assistant County Attorney

(Signature and acknowledgment page to Cooperative Agreement)

CITY OF ARDEN HILLS, MINNESOTA

Mayor

Administrator

STATE OF MINNESOTA)
) SS.
COUNTY OF RAMSEY)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____, Mayor of the City of Arden Hills, Minnesota, on behalf of the City.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF RAMSEY)

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____ the Administrator of the City of Arden Hills, Minnesota, on behalf of the City.

Notary Public

This document drafted by:

Kennedy & Graven, Chartered
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
(612) 337-9300

EXHIBIT A
To Petition and Waiver Agreement
Legal Description

[TO BE INSERTED]

DRAFT

EXHIBIT B
To Petition and Waiver Agreement
Allocation Schedule

[TO BE ADDED]

DRAFT

EXHIBIT E
SCHEDULE OF DEVELOPMENT FEES

[TO BE ADDED]

DRAFT

**EXHIBIT F
MAINTENANCE SCHEDULE**

[TO BE ADDED]

DRAFT

Rice Creek Commons MDA – Status and Open Issues

Project Mission Statement:

In May 2016, the Master Developer proposed the following mission statement for the *Rice Creek Commons* project:

Master Developer understands that the vision of the Joint Development Authority (JDA) for the Project is to create a new and exciting community within Arden Hills and Ramsey County that will meet the goals of the public partners and other stakeholders. The following objectives will be important in the success of the Project:

- Creation of a high-quality brand and destination that gives value to the assets in the community.
- Provision of new and long-term employment opportunities.
- Generation of new tax revenue through an increased tax base of both commercial and residential properties to pay for required and/or expanded city services.
- Provision of diverse and stable housing choices that accommodate residents with a wide range of price, lifestyle and lifecycle needs.
- Integration of an efficient public transit system that offers mobility for both residents and workers.
- Delivery of infrastructure solutions that are flexible and scalable over the next 50 years.
- Enhancement of the health and well-being of all who live, work and play in the area through abundant trails and green space.
- Preservation, protection and restoration of the Project's natural resources through environmentally conscious design and efficient energy systems.
- Creation of an integrated, innovative, and diverse mix of land uses to establish the Project as an economically competitive and attractive environment for residents, businesses and other stakeholders.
- Establishment of the Project as a national model for the development of integrated energy systems and sustainability.

With oversight and input from the JDA, the Master Developer will oversee the implementation of the above objectives. Master Developer will directly control and coordinate all aspects of the redevelopment process to create the best possible outcome for the financial and qualitative success of the Project.

Over the last two years, the Master Developer has continued to lay the ground work and execute on this shared vision. Master Developers' priority, along with Arden Hills and Ramsey County, continues to be the maximization of value of the land as well as the ultimate value of what is built. Through this true

public-private partnership, the parties additional shared goals remain to maximize benefits to the area and greater region through creation of jobs, housing, and sustainable development.

Through finalization of the Master Development Agreement (MDA) (and corresponding Cooperative Agreement between the City and County), Master Developer will ultimately be responsible for executing on the vision and to assist and inform the City and County and their consultants in the implementation and delivery of this shared vision.

Current Status of MDA:

The parties together are working in good faith with the shared goals to accomplish the following;

1. Create an extraordinary one-of a kind landmark development
2. Create a project that is accretive to the City of Arden Hills, Ramsey County and State of MN
3. Limit the potential exposure to existing residents of Arden Hills from the any financial burden associated with this project and produce a financially “net neutral” deal for the City
4. Remain consistent with the vision of the Master Plan TRC

Open Issues List – to be Resolved to Finalize MDA:

Below are the primary outstanding issues that need to be resolved in order to finalize the MDA. The following solutions proposed are one potential path to resolution and may not be the only solution:

1. The Project does not support the burden of a Met Council SAC equivalent fee, and the City desires to see a civic/community center on the site.
 - a. Potential solution: in lieu of charging those fees, the Master Developer (or one of its development partners) will build a civic/community center at no charge to the City as long as the City creates a TIF district sized in the appropriate amount to reimburse the development team for other TIF-eligible costs equivalent to the value of constructing a civic/community center. (City and School District portion of Tax Increment)
2. The City has incurred and has budgeted planning area expenses in the amount of approximately \$1.1mm which includes both city staff labor and 3rd party expenses associated with the project.
 - a. Potential solution: a fee structure can be imposed on vertical developers as each parcel is developed to reimburse the City for their 3rd party planning area costs in the amount of approximately \$800k in accordance with the JPA agreement.
3. County’s need for additional density on the site to satisfy their long-term planning goals.
 - a. Potential solution: City would grant Master Developer the potential for an additional 161 units of Owner-Occupied homes to be distributed throughout the property as the development is built over the next 15 years.

Master Developer has Agreed to the Following:

- Master Developer will build City parks in accordance with the executed Memorandum of Understanding dated 12.12.2016.
- Master Developer agrees that the new water tower can be paid for by special assessments.
- Master Developer agrees that the development will pay for increased City SAC/WAC fees sized in the appropriate amount needed to repay County loan for the construction of Trunk Utilities.