

**HOPKINS HRA  
SPECIAL MEETING AGENDA  
Tuesday, August 16, 2022  
6:30 pm**

**THIS AGENDA IS SUBJECT TO CHANGE  
UNTIL THE START OF THE HRA MEETING**

**I. CALL TO ORDER**

**II. ADOPT AGENDA**

**III. PUBLIC HEARING**

1. Business Subsidy Agreement – Enclave Companies (HRA2022-03)

**Recommendation: Move to approve the Business Subsidy Agreement between Enclave Companies, LLC and the Housing and Redevelopment Authority of the City of Hopkins**

**IV. ADJOURN**

## BUSINESS SUBSIDY AGREEMENT – ENCLAVE COMPANIES

### Proposed Action

Staff recommends adoption of the following motion: Following the public hearing, move to approve the Business Subsidy Agreement between Enclave Companies, LLC and the Housing and Redevelopment Authority of the City of Hopkins.

With this motion, the Business Subsidy Agreement will be executed and a loan agreement prepared.

### Overview

Enclave Companies has proposed a redevelopment of the former Hopkins Cinema 6 into a mixed-use housing and retail development. Due to the costs of land acquisition, demolition, site preparation and construction, the redevelopment is not financially feasible without public assistance. City goals are met by the proposed development and the City Council/HRA have indicated a willingness to provide financial assistance in order to realize the project.

The Agreement commits the Housing and Redevelopment Authority (HRA) to a one-time forgivable loan utilizing excess TIF from District 2-11 in the maximum amount of \$1,250,000. The forgivable loan will be utilized as follows: \$750,000 for demolition, \$350,000 for exterior improvements to the existing retail building and \$150,000 for outdoor public space. If demolition costs are less than \$750,000, the forgivable loan will be reduced dollar for dollar.

The goals for the subsidy are to secure completion of the proposed improvements. The project is not being undertaken with goals of job creation.

### Primary Issues to Consider

If approved, staff will finalize a loan agreement that will be brought back to the HRA for consideration at the September 6, 2022 meeting. The project is also contingent upon a successful rezoning and PUD Agreement execution.

### Supporting Information

- Business Subsidy Agreement

\_\_\_\_\_  
 Kersten Elverum  
 Director of Planning & Development

Financial Impact: \$1,250,000 _____ Budgeted: Y/N _Y__ Source: _TIF 2-11 Related Documents (CIP, ERP, etc.): _____ Notes: _____
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## BUSINESS SUBSIDY AGREEMENT

THIS AGREEMENT, made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2022, by and between the Housing and Redevelopment Authority of the City of Hopkins, a public body corporate and politic under the laws of Minnesota (the “HRA”), and Enclave Companies, LLC, a North Dakota limited liability company (“Enclave”).

Section 1. Business Subsidy Agreement. The provisions of this Agreement constitute the “business subsidy agreement” for the purposes of Minnesota Statutes, Sections 116J.993 through 116J.995 (the “Business Subsidy Act” or “Act”).

(a) *General Terms*. The parties agree and represent to each other as follows:

(1) For the purpose of this Agreement, the terms used in this Agreement which are defined in the PUD Agreement between the HRA and Enclave, dated as of August \_\_\_, 2022 (the “Contract”) shall have the meanings given them in the Contract or in the Act.

(2) Business subsidies are proposed to be granted by the HRA to Enclave under Minnesota Statutes, Sections 116J.993 through 116J.995 (the “Business Subsidy Act”), and Minnesota Statutes, Sections 469.174 through 469.179 (tax increment) for certain property in the City of Hopkins located along Mainstreet between 11<sup>th</sup> Avenue South and 12<sup>th</sup> Avenue South (PID No. 24-117-22-34-0249), in the City of Hopkins (the “Property”). Enclave recently secured an agreement to purchase the Property (1.88 acre site). Enclave’s development would provide a residential mix of 67 alcove, 22 studio, 47 one-bedroom, and 14 two-bedroom market rate apartments, and 5,382 square feet of commercial space on the ground floor accessed from Mainstreet at the Property. This Agreement, and another agreement, (the “Business Subsidy Agreement”), between Enclave and the HRA, provides for certain benefits and business subsidies to Enclave in connection with development of the Property, including the following assistance: a one-time forgivable loan utilizing excess TIF from District 2-11 from the City in the maximum principal amount of \$1,250,000 or 2.9% of the project costs, apportioned for project costs as follows: \$750,000 for demolition, \$350,000 for exterior improvements to the existing retail and \$150,000 for outdoor public space. If demolition costs are less than \$750,000, the forgivable loan would be reduced dollar for dollar. Such business subsidy provided to Enclave consists of the assistance provided by the HRA in the form of a forgivable loan agreement to be issued to Enclave (the “Loan Agreement”). Each disbursement or payment thereunder represents a forgivable loan that is repayable by Enclave in accordance with this Agreement.

(3) The public purposes of the subsidy are to promote redevelopment of an area which contained structurally substandard buildings, establish a mixed residential and

commercial development and to implement the HRA's and City of Hopkins' (the "City") land use goals identified in the comprehensive plan.

(4) The goals for the subsidy are to secure completion of the Minimum Improvements and operation of the Enclave development for at least five years as described in clause (7) below.

(5) If the goals described in clause (4) are not met, the amount of the subsidy and forgivable loan shall be reduced and Enclave or its successors and assigns must make the payments to the City described in Section 1(c) below.

(6) The subsidy is needed because the costs of land acquisition, demolition, clearance and site preparation, and construction of the required public and private infrastructure improvements, engineering, environmental consulting and correction and geotechnical consulting and correction costs, all as described in the Contract, does not make the development of the Minimum Improvements financially feasible without public assistance, as determined by the HRA.

(7) Enclave and its successors and assigns must continue operation of the Enclave development for at least five years after the date of issuance of the Certificate of Completion for the Enclave development. For the purpose of this Section, space will be considered to be maintained in operation if it is leased, or available for lease, to any person or entity, or occupied by Enclave, or its successors and assigns for use in its trade or business.

(8) Enclave does not have a parent corporation.

(9) Enclave has not received, and does not expect to receive, financial assistance from any other "grantor" as defined in the Business Subsidy Act, in connection with the Minimum Improvements.

(b) *Job and Wage Goals.* In accordance with Section 116J.994, subdivision 4, of the Business Subsidy Act, the HRA has determined after a public hearing held in August 16, 2022, that the creation or retention of jobs is not the goal of this redevelopment effort. Accordingly, the wage and job goals are set at zero.

(c) *Remedies.* If Enclave fails to continue operation of all or a divisible portion of the Enclave development for the five-year period as provided in Section 1(a)(7) hereof, the subsidy and forgivable loan shall be reduced by an amount equal to the percentage the square footage of the Enclave development which is not being operated represents of the approximately \_\_\_\_\_ square footage of the entire Enclave development and prorated by the remaining portion of the five-year operation period as of the date of default. If the amount of the reduction to the subsidy and forgivable loan exceeds the balance due under the Note, then such excess shall be paid by Enclave to the HRA as reimbursement of the balance of the amount of the business subsidy to be paid to the HRA. Any demand for repayment must be in writing and is subject to

the cure provisions of the Contract. Payment shall also include interest at the implicit price deflator as defined in Minnesota Statutes, Section 275.50, subd. 2, accrued from the Benefit Date to the date of payment.

Section 2. No Remedy Exclusive. Nothing in this Agreement shall be construed to limit the HRA's remedies under Article XII of the Contract in the event of a violation of any other provision of the Contract, to the extent any such provision applies to Enclave, but the remedy set forth in Section 1(c) hereof is the exclusive remedy for failure to comply with the terms of this Agreement. In addition to the exclusive remedy described in this Agreement, Enclave agrees and understands that it may not receive a business subsidy from the HRA or any grantor (as defined in the Act) for a period of five years from the date of the failure or until Enclave satisfies its repayment obligation under this Agreement, whichever occurs first.

Section 3. Reports. Enclave must submit to the HRA a written report regarding business subsidy goals and results by no later than March 1 of each year, beginning March 1 in the year following opening of the Enclave development and continuing until the later of (i) 30 days after expiration of the five-year period described in Section 1(a)(7); or (ii) if the goals are not met, the date the subsidy is repaid in accordance with Section 1(c). The report must comply with Section 116J.994, subdivision 7 of the Act. The HRA will provide information to Enclave regarding the required forms. If Enclave fails to timely file any report required under this Section, the HRA will mail by certified mail, return receipt requested, to Enclave a warning within one week after the required filing date. If, after 30 days after receipt of the warning, Enclave fails to provide a report, Enclave must pay to the HRA a penalty of \$100 for each subsequent day until the report is filed. Failure by the HRA to deliver a timely warning notice will not relieve Enclave's obligation to pay a penalty within 30 days after receipt of a notice to pay. The maximum aggregate penalty payable under this Section is \$1,000.

**[Signature pages to follow]**

IN WITNESS WHEREOF, the HRA and Enclave have caused this Agreement to be duly executed by their duly authorized representatives as of the date first above written.

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF THE CITY OF HOPKINS**

By: \_\_\_\_\_  
Patrick Hanlon  
Its: Chair

By: \_\_\_\_\_  
Michael Mornson  
Its: Executive Director

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF HENNEPIN    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2022, by Patrick Hanlon and Michael Mornson, the Chair and Executive Director of the Housing and Redevelopment Authority of the City of Hopkins, a public body corporate and politic under the laws of Minnesota, on behalf of said authority.

\_\_\_\_\_  
Notary Public

