

Board Study Session
Agenda
12/4/23, 6 p.m.

1. Request from Best Buy and City of Richfield
2. Response from RPS Administration
3. Questions from School Board Members



Best Buy
Tax – C6-938
Mobile: 612-817-8573
tracy.smith4@bestbuy.com

November 22, 2023

VIA MAIL

Dr. Steven Unowsky
Superintendent
Richfield Public Schools
401 70th Street West
Richfield, MN 55423

Re: Request for Formal Agenda Item – Consent to Terminate Assessment Agreement

Dear Dr. Unowsky:

Thank you for your time in recent months discussing a matter of importance to Best Buy, the City of Richfield (“City”), the Richfield Housing and Redevelopment Authority (“HRA”), and hopefully Richfield Public Schools (“School District”). Best Buy is formally requesting the School District’s approval at your December 4th meeting preferably (and alternatively at your December 18th meeting) to terminate the Assessment Agreement among Best Buy, the City and the HRA. For your convenience, I have attached the proposed resolution prepared by the HRA’s attorney and forwarded to you by the Executive Director of the HRA by letter dated August 11, 2023. Also attached are the written approvals of the City, the HRA, and the County. Time is of the essence to act on this request since the deadline for termination and recording of the Assessment Agreement is December 31, 2023, effective for pay-2025 taxes.

Background

We first reached out to the City and HRA in September of 2022 to discuss various matters related to the end of the Interchange West Tax Increment Financing District (“TIF District”), which includes the Best Buy Campus. These discussions included the termination of the Assessment Agreement since the purpose of that agreement had been fully realized. We reached agreement with the City and the HRA in June 2023 and obtained the consent of Hennepin County in September 2023. Each party sees clear public benefit in moving forward with termination to allow the campus to be assessed and taxed at fair market value, like every other taxpayer in the School District. In terms of specific benefit, our agreement with the City and the HRA adds \$850,000 to the City’s affordable housing fund.

Best Buy’s request is entirely aligned with the interests of the City and the HRA and provides a strong signal to the marketplace that these governing bodies support repositioning the campus, which is now about one-half empty. We know you and Board members have heard from various leaders of the City and the HRA to confirm their strong agreement with the termination and to discuss the benefit of the School District’s timely consent.

Best Buy is proud of its role as a good neighbor, one that has contributed meaningfully to the community and its local businesses, and particularly its support of the School District recently and over the past 20 years. The attached document entitled “Hometown impact” details many of the programs we have supported over the years, including the Richfield Middle School Teen Tech Center, Central Outdoor Classroom, back-to-school drives, mentoring, and over \$1.1 million to public and private schools, the local Chamber, charities, nonprofits, and many more. Without question, Best Buy has made an ongoing commitment to the place we call our corporate home.

Discussion

So why is it important to terminate the Assessment Agreement now? The agreement was entered into over 20 years ago as part of tax increment financing (“TIF”) that supported development of Best Buy’s headquarters and surrounding infrastructure. The agreement established a minimum assessed value for the campus to eliminate risk to the City by ensuring sufficient property tax revenue to repay municipal bonds used for public infrastructure like the Penn Avenue interchange and improvement of local streets. These bonds will be fully paid early next year with already available funds. The agreement also ensured over \$10 million in funding for affordable housing in Richfield. Best Buy is proud these objectives have been achieved and its campus has been a successful, economic engine for Richfield for over two decades.

Today, Best Buy is seeking to pay fair property taxes for its campus based on fair market value – just like the District’s other taxpayers. Rather than paying taxes on an assessed value of \$118.5 million, Best Buy would pay taxes based on fair market value which according to the Hennepin County assessor is approximately \$81.5 million. This estimate by the Hennepin County assessor was generated at the time the County Board gave its consent to terminate the Assessment Agreement in September.

What does this do for the City, HRA, and School District? It makes the Best Buy campus attractive to new tenants at a time when the commercial real estate market is undergoing fundamental change, which would help stabilize the property tax base for the long-term--well beyond the end of the TIF District on December 31, 2025. Attracting new business occupants to Richfield’s largest office campus would benefit the entire Richfield community. This is particularly important given the recent announcement that US Bank is leaving Richfield.

At the time the County Board granted its County approval, assessing staff stated there would be little or no negative impact to the County. Likewise, you directed in our meetings that there should be no negative impact to the School District or its taxpayers. Best Buy listened to your direction and not only covered the recent cost of financial advisors for the School District but engaged another public finance firm to develop and confirm a solution that ensures no impact on the School District or its taxpayers, thereby holding both the School District and its taxpayers harmless.

That solution is clear. All public finance advisors consulted in this matter have agreed that the estimated, aggregate impact on School District taxpayers (residential and commercial) is \$72,000 for pay-2025. This estimated amount includes the impact of the new operating levy approved earlier this month (compared to a \$44,000 estimated, aggregate impact before the recent vote). Best Buy has

proposed to cover this entire amount by making a contribution to the School District and in turn the School District would under levy by the same amount for pay-2025 taxes. The final, aggregate impact calculation, in the approximate amount of \$72,000, would be made next fall when you consider your levy for pay-2025. As stated, three of four governmental entities already have approved the termination of the Assessment Agreement. Those actions were taken as part of an orderly wind down of the TIF District that expires at the end of 2025.


Conclusion

We are grateful for our longstanding, successful and ongoing relationship with the Richfield community. Over the past 20+ years Richfield and Best Buy, its largest taxpayer and employer, have generated millions of dollars for housing, schools, and technology. Moreover, the TIF generated from property tax payments on our campus paid off bonds issued for major infrastructure projects that enhanced public safety and reduced traffic congestion in Richfield. Termination of the Assessment Agreement will reposition a valuable community asset and help ensure a stable tax base for years to come.

As stated at the outset, Best Buy is requesting the School District's approval at your December 4th meeting to terminate the Assessment Agreement between Best Buy, the City and the HRA, which will allow us sufficient time to finalize and record the termination by the end of this calendar year. Given the end of calendar year deadline, we prefer to obtain the School District's approval at its December 4th meeting rather the School District's last meeting of the year on December 18. The City and the HRA join in this request, and the County already has approved this termination.

We appreciate your time, cooperation, and thoughtful consideration of this request.

Sincerely,



Tracy M. Smith
Vice President & Tax Counsel

Enclosures

cc: Paula Cole, Chair, Richfield Board of Education
Eric Carter, Vice Chair, Richfield Board of Education
Crystal Brakke, Clerk, Richfield Board of Education
Timothy Pollis, Treasurer, Richfield Board of Education
Rachel Banks Kupcho, Director, Richfield Board of Education
Peter Toensing, Director, Richfield Board of Education
Craig Holje, Chief HR & Administrative Officer, Richfield Public Schools
Cassandra Quam, Assistant to Superintendent, Richfield Public Schools
Mary Supple, Mayor of Richfield
Katie Rodriguez, City Manager of Richfield

Dr. Steven Unowsky

November 22, 2023

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Erin Vrieze Daniels, Chair of the Richfield HRA

Melissa Poehlman, Executive Director of Richfield HRA

Debbie Goettel, Hennepin County Commissioner

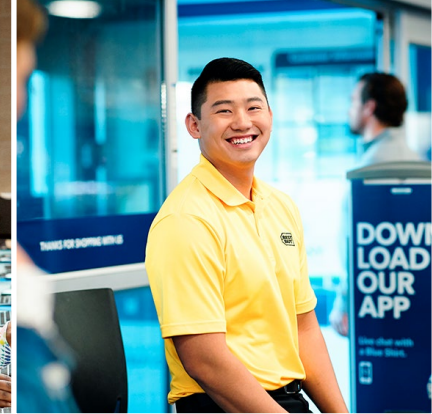
Mike Hiltner, Best Buy

Dan Lopez, Best Buy

Gordon Vizecky, Best Buy

William Griffith, Esq.

Timothy Rye, Esq.



Hometown impact.

At Best Buy, we're committed to making a positive impact on people, our communities and the planet.

In **April 2023**, the Best Buy Foundation alongside Richfield Public Schools opened the **Richfield Middle School Teen Tech Center** with an **initial investment of nearly \$200,000 and annual funding to sustain it.**

Best Buy Teen Tech Centers are an interactive space for youth to explore the latest technology, gain support from peers and adult mentors and develop critical skills for tech-reliant jobs of the future.



Community support.



\$1.1 million

In support of key community events and organizations over the years.

Best Buy's support includes: Academy of Holy Angels, Blessed Trinity School, Crossroads Panorama, Fraser, Minnesota Independence College and Community, Mount Calvary Lutheran Church and School, Richfield 4th of July Committee (Fireworks), Richfield Chamber of Commerce, Richfield Historical Society, Richfield Police Department, Richfield Foundation, Richfield Leadership Network, Richfield Rotary Foundation, Richfield Senior Party, Richfield Spartan Foundation, Inc., Storefront Group, Way to Grow, and Wood Lake Nature Center.

Richfield Schools support.



\$720,000

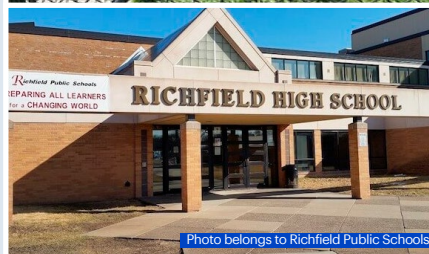
Best Buy contributions to the Richfield Public Schools.

Central Outdoor Classroom: Provided funding for the construction of the Pre-K outdoor classroom.

Back to School Supply Drives: Employees donated backpacks and school supplies for Pre-K and Kindergarteners.

Mentoring Program: Employees volunteered time to mentor Richfield Middle School students.

Winter Clothing Drives: Employees donated winter coats for Richfield students.



Scan the QR code to learn more information on Corporate.BestBuy.com.

A shared commitment to Richfield

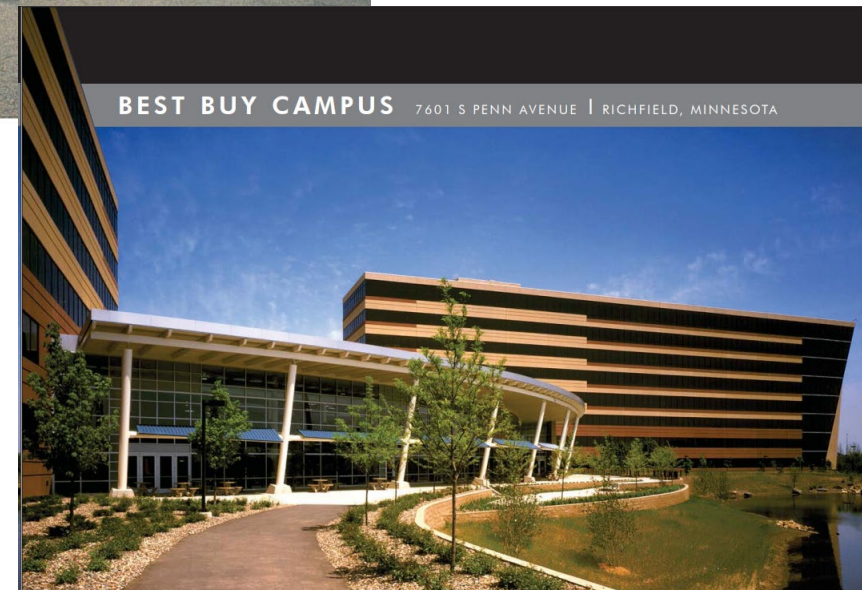


Fiduciary responsibility	To the City of Richfield	To Richfield Public Schools
Representing Richfield families and taxpayers	Shared interest in protecting the interests of taxpayers and working in the best interest of our constituents. We will not allow the termination of the MAA to harm taxpayers.	
Respecting staff capacity	We want our staff to be focused on providing essential services. If any new work is created, we want to ensure we are appropriate compensated.	
Housing	Stable, affordable housing for families is essential to both City's and RPS's success.	
Jobs	Well-paying jobs are good for Richfield. They employ Richfielders directly, and mean more dollars being spent in the community at restaurants, shops, and services.	
Tax base	Our tax base is the shared endowment for our community and essential for both governments' shared vitality and ability to provide quality services to our residents.	



Best Buy Development

- Best Buy is a portion of a larger TIF District intended to spur investment and redevelopment along I-494 and 35W.
- 3 primary goals of Best Buy project:
 - ✓ Redefine the southern image of the community;
 - ✓ Bring a significant employment base to the community;
 - ✓ Provide a revenue source for replacement housing throughout community through Housing Fund contributions.



Minimum Assessment Agreement

- Not something that is usually done as part of our TIF agreements.
- Why was it done? To eliminate risk to taxpayers/city.
 - City issued General Obligation (G.O.) Bonds to pay for infrastructure improvements in the area.
 - Minimum Assessment Agreement guarantees that tax increment funds will be available to make all bond payments.
 - Final bond payment – February 1, 2024. Funds available from 2023 tax increment.



2022 by the numbers

- 10** First Time Homebuyer households
- 23** Households via 2 Apartment Remodeling Loans
- 22** Kids@Home households
- 78** Architectural or Remodeling Consultations recipients
- 358** Section 8 households
 - 6** Transformation Home Loans recipients
 - 5** Remodeling/home maintenance loan recipients
 - 9** Households paying off loans
 - 5** Households refinancing
- 61** Households receiving Home Energy Squad visits
- 2** Richfield Rediscovered households
- 2** New Home households
- 11** Small businesses and apartments receiving Energy Efficiency Grants
- 21** New townhome owners
- 7** New manufactured home buyer opportunities

618

households served by
HRA/EDA programs



**SIXTH AMENDMENT
TO
CONTRACT FOR PRIVATE REDEVELOPMENT**

THIS SIXTH AMENDMENT TO CONTRACT FOR PRIVATE REDEVELOPMENT (the "Agreement"), made and entered into as of the 15th day of June, 2023, between the CITY OF RICHFIELD, MINNESOTA, a Minnesota municipal corporation (the "City"), the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, a Minnesota public body corporate and politic (the "HRA"), and BEST BUY CO., INC., a Minnesota corporation (the "Redeveloper"). The City, the HRA and the Redeveloper are referred to herein as the "Parties."

WITNESSETH:

WHEREAS, the HRA and the Redeveloper entered into a Contract for Private Development Agreement, dated March 28, 2000 (the "Contract"), for the purposes of redeveloping land within the City of Richfield (the "Property"); and

WHEREAS, the HRA and the Redeveloper entered into an Assessment Agreement, dated March 5, 2003 (the "Assessment Agreement"); and

WHEREAS, the HRA and the Redeveloper amended the Contract five times by entering into a First Amendment on November 27, 2000, a Second Amendment on February 20, 2001, a Third Amendment on March 5, 2003, a Fourth Amendment on December 21, 2010, and a Fifth Amendment on July 14, 2014; and

WHEREAS, the City, the HRA and the Redeveloper propose to amend the Contract further to revise the provisions related to the Assessment Agreement, payment to the HRA, and the release of certain claims; and

NOW, THEREFORE, based upon the mutual covenants and undertakings hereinafter, and in the Contract provided, the Parties hereto stipulate and agree as follows:

Section 1. **Whereas Clauses.** The WHEREAS clauses set forth above are incorporated into this Agreement and are confirmed in all respects.

Section 2. **Definitions.**

"Available Tax Increment" for the purpose of the TIF Note means seventy-five percent (75%) of the Tax Increment attributable to the Minimum Improvements and Development Property that is paid to the HRA by the County in the six months preceding each Payment Date, after deducting any amount necessary to pay principal and interest on the TIF Bonds or, subject to the provisions of Section 3.5, subd. 3, any TIF Refunding Bonds.

Section 3. Amendments to Contract. The Contract is hereby amended in the following respects:

A. The Redeveloper agrees that the HRA will receive \$851,000 in tax increment, in addition to the funds the HRA receives based on the provisions of the Contract. The Redeveloper agrees that the HRA will be provided the \$851,000 from the County payments of tax increment on August 1, 2023, February 1, 2024, and August 1, 2024 until the amount is paid in full.

B. All Parties agree and understand that the Tax Increment District for the Redeveloper ends as of December 31, 2025 and the final payment for the TIF Note will occur on February 1, 2026.

Section 4. Assessment Agreement.

A. The City and the HRA approve the modification and termination of the Assessment Agreement. Modification means the valuation floor in the Assessment Agreement will not be less than \$60 million until the Assessment Agreement is terminated. The modification of the Assessment Agreement is effective for the 2023 tax assessment payable in 2024. The termination of the Assessment Agreement is effective on December 31, 2023, for the 2024 tax assessment payable in 2025 and thereafter.

B. Section 6.3(b) of the Contract is hereby deleted and is no longer of any force or effect.

C. The City and the HRA will support the Redeveloper in seeking consent of the School District and Hennepin County for modifying and terminating the Assessment Agreement.

D. If the Redeveloper appeals its property value after the Assessment Agreement is modified or after the Assessment Agreement is terminated, the Redeveloper will be solely responsible for repaying the Available Tax Increment from the Development Property paid under the TIF Note if Hennepin County determines that the Available Tax Increment should be returned to Hennepin County due to one or more tax appeals initiated by the Redeveloper. The HRA will alert the Redeveloper of any reduction in tax increment due to tax appeals. The Redeveloper shall have three weeks to pay the HRA the funds owed to Hennepin County. Upon receipt of the funds from the Redeveloper, the HRA will send the funds to Hennepin County within five business days and provide timely notice to the Redeveloper of such transmittal to Hennepin County.

E. If the Redeveloper appeals its property value after the Assessment Agreement is modified or after the Assessment Agreement is terminated, the HRA will be solely responsible for repaying the 25% of the Tax Increment from the Development Property paid to the HRA if Hennepin County determines that the Available Tax Increment should be returned to Hennepin County due to one or more tax appeals initiated by the Redeveloper.

F. If the Redeveloper appeals its property value, it must notify the HRA within two weeks of filing the tax petition.

G. The Parties understand and agree that this agreement is contingent upon obtaining approval of this Sixth Amendment and the Amended and Restated Assessment Agreement by the City Council and HRA Board on or prior to June 20, 2023, and the consent of the School District and Hennepin County to modification and termination of the Assessment Agreement as provided in the Amended and Restated Assessment Agreement prior to June 30, 2023 or thereafter. Each party will use best efforts to obtain the approvals and consents contemplated by this paragraph.

Section 5. Release of Claims.

- A. All Parties will release all claims to date regarding any defaults under the Contract. The HRA will continue to follow the requirements of the Tax Increment Act and will make any corrective payments determined by the Office of State Auditor.
- B. The agreement will constitute a full and final satisfaction between the Parties regarding any and all matters relating to the Assessment Agreement. The Redeveloper will agree not to request, or encourage any other person to request, an audit from the Office of the State Auditor with respect to matters relating to the Contract or the Assessment Agreement.
- C. With the exception of Sections 4(D) and 4(E), the City, the HRA, and the Redeveloper will: (a) mutually release and discharge each other from any and all claims or matters arising out of or relating to the Contract or the Assessment Agreement to date; and (b) agree not to sue any Party to this Agreement with respect to any matters arising out of or relating to the Contract or the Assessment Agreement to date.
- D. The Parties agree not to disparage another Party to this Agreement.

(The remainder of this page is intentionally left blank.)

BEST BUY CO., INC.

By

[Signature]
Its Vice President - Tax

STATE OF MINNESOTA)

)

ss.:

COUNTY OF HENNEPIN)

)

The foregoing instrument was acknowledged before me this 27th day of June, 2023, by Tracy M. Smith, the Vice President - Tax of Best Buy Co., Inc., a Minnesota corporation, on behalf of the Redeveloper.

[Signature]
Notary Public



IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed on their behalf by their authorized representatives on or as of the date first above written.

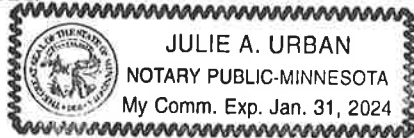
**HOUSING AND REDEVELOPMENT AUTHORITY
IN AND FOR THE CITY OF RICHFIELD,
MINNESOTA**

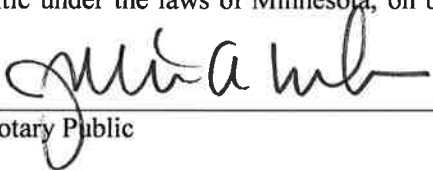
By 
Its Acting Chair

By 
Its Executive Director

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

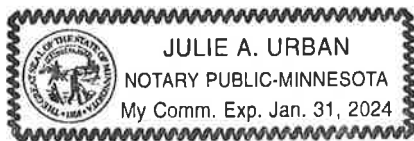
The foregoing instrument was acknowledged before me this 20th day of June, 2023, by Gordon Hanson, the Acting Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.

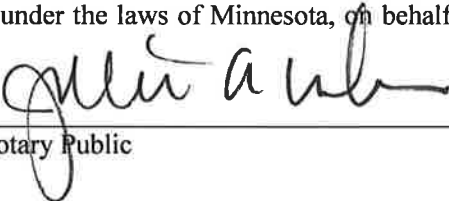



Notary Public

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 20th day of June, 2023, by Melissa Poehlman, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.




Notary Public

AMENDED AND RESTATED
ASSESSMENT AGREEMENT

THIS AMENDED AND RESTATED ASSESSMENT AGREEMENT, made on the ____ day of June, 2023, by and between the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota (the "Authority") and Best Buy Co., Inc., a Minnesota corporation, (the "Redeveloper"), modifies and replaces the Assessment Agreement dated March 5, 2003, between the same parties.

WITNESSETH:

WHEREAS, the Authority and Redeveloper entered into a Contract for Private Development, dated March 28, 2000 (the "Development Agreement") regarding certain real property located in the city of Richfield, Hennepin County, Minnesota, and legally described in Exhibit A attached hereto (the "Property"); and

WHEREAS, the Authority and Redeveloper entered into that certain Assessment Agreement dated March 5, 2003 (the "Assessment Agreement"); and

WHEREAS, the Authority and Redeveloper amended the Development Agreement six times by entering into a First Amendment on November 27, a Second Amendment on February 20, 2001, a Third Amendment on March 5, 2003, a Fourth Amendment on December 21, 2010, a Fifth Amendment on July 14, 2014, and a Sixth Amendment on June ____, 2023; and

WHEREAS, pursuant to the Sixth Amendment the parties have agreed to modify and then terminate the Assessment Agreement by entering into this Amended and Restated Assessment Agreement; and

WHEREAS, pursuant to the Development Agreement, the Redeveloper has constructed a 1.5 million square foot office facility and related parking structures and other improvements upon the Property (the "Minimum Improvements"); and

WHEREAS, the Authority and Redeveloper desire to establish a minimum market value for the Property and the Minimum Improvements constructed thereon (the "Minimum Market Value"), pursuant to Minnesota Statutes, Section 469.177, Subdivision 8; and

WHEREAS, the Authority and the Assessor for Hennepin County (the "Assessor") have reviewed or examined the Property and the Minimum Improvements.

NOW, THEREFORE, the parties to this Agreement, in consideration of the promises, covenants and agreements made by each to the other, do hereby agree as follows:

1. The Minimum Market Value which shall be assessed for the Property described in Exhibit A, together with the Minimum Improvements thereon, shall be \$60,000,000 as of January 2, 2023 payable in 2024.

2. The Minimum Market Value herein established shall be of no further force and effect and this Agreement shall terminate on December 31, 2023.

3. This Agreement shall be promptly recorded by the Authority. The Redeveloper shall pay all costs of recording.

4. Neither the preambles nor provisions of this Agreement are intended to, nor shall they be construed as, modifying the terms of the Development Agreement between the Authority and the Redeveloper.

5. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties.

6. Each of the parties has authority to enter into this Agreement and to take all actions required of it, and has taken all actions necessary to authorize the execution and delivery of this Agreement.

7. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8. The parties hereto agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements, amendments and modifications hereto, and such further instruments as may reasonably be required for correcting any inadequate, or incorrect, or amended description of the Property, or for carrying out the expressed intention of this Agreement, including, without limitation, any further instruments required to delete from the description of the Property such part or parts as may be included within a separate assessment agreement, and any instrument necessary to confirm the occurrence of the Termination Date (as defined in the Contract) and thereby the termination of this Agreement.

9. Except as provided in Section 8 of this Agreement, this Agreement may not be amended nor any of its terms modified except by a writing authorized and executed by all parties hereto.

10. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Redeveloper has caused this Amended and Restated Assessment Agreement to be duly executed on their behalf by their authorized representatives on or as of the date first above written.

BEST BUY CO., INC.

By 
Its Vice President - Tax

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 27th day of June, 2023, by Tracy M. Smith, the Vice President - Tax of Best Buy Co., Inc., a Minnesota corporation, on behalf of the Redeveloper.

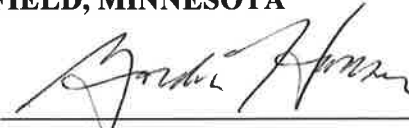

Notary Public



Drafted By:
William C. Griffith
Larkin Hoffman
8300 Norman Center Drive
Suite 1000
Minneapolis, MN 55437

IN WITNESS WHEREOF, the HRA has caused this Amended and Restated Assessment Agreement to be duly executed on its behalf by its authorized representatives on or as of the date first above written.

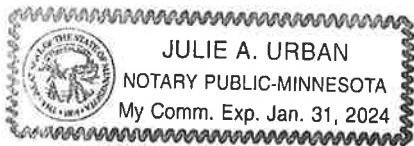
**HOUSING AND REDEVELOPMENT
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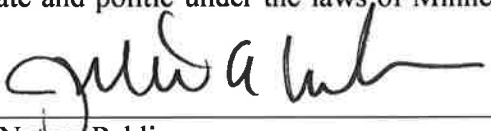
By 
Its Acting Chair

By 
Its Executive Director

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

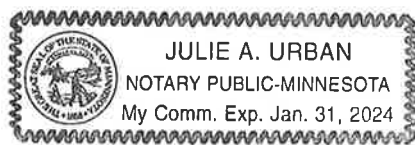
The foregoing instrument was acknowledged before me this 20th day of June, 2023, by Gordon Hanson, the Acting Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.

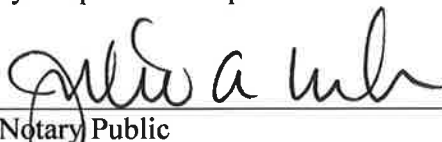



Notary Public

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 20th day of June, 2023, by Melissa Poehlman, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the HRA.




Notary Public

IN WITNESS WHEREOF, Hennepin County, Minnesota has caused this Amended and Restated Agreement to be duly executed on their behalf by their authorized representatives on or as of the date first above written.

Reviewed by the County
Attorney's Office

By: _____

Date: _____

**COUNTY OF HENNEPIN
STATE OF MINNESOTA**

By: _____
Chair

Date: _____

ATTEST: _____
Deputy/Clerk of County Board

Date: _____

By: _____
County Administrator

Date: _____

Recommended for Approval:

By: _____
Chief Housing and Economic Development
Officer

Date: _____

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of June, 2023, by Irene Fernando, the Chair of Hennepin County, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the County.

Notary Public

STATE OF MINNESOTA)
) ss.:
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of June, 2023, by David J. Hough, the County Administrator of Hennepin County, Minnesota, a public body corporate and politic under the laws of Minnesota, on behalf of the County.

Notary Public

CERTIFICATION BY COUNTY ASSESSOR

The undersigned, having reviewed the plans and specifications for the improvements to be constructed and the market value assigned to the land upon which the improvements are to be constructed, hereby certifies as follows: the undersigned Assessor, being legally responsible for the assessment of the above-described property, hereby certifies that the market values assigned to the land and improvements are reasonable.

ASSESSOR FOR HENNEPIN COUNTY

By _____

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of June, 2023, by _____, the County Assessor of Hennepin County, Minnesota.

Notary Public

EXHIBIT A

DESCRIPTION OF PROPERTY

Lot 1, Block 1, Best Buy Campus



STAFF REPORT NO. 79
CITY COUNCIL MEETING
6/13/2023

REPORT PREPARED BY: Melissa Poehlman, Executive Director

DEPARTMENT DIRECTOR REVIEW: Melissa Poehlman, Executive Director
6/14/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Melissa Poehlman, Executive Director
6/14/2023

REVIEWERS:

Department	Reviewer	Action	Date
Community Development HRA/ED/Inspections	Override, CD	Approved	6/9/2023 - 11:58 AM
Community Development HRA/ED/Inspections	Swanson, Chris	Approved	6/9/2023 - 11:01 AM

ITEM FOR COUNCIL CONSIDERATION:

Consider a request to modify (2024) and then terminate (2025) Best Buy's Minimum Assessment Agreement.

EXECUTIVE SUMMARY:

The Interchange West / Lyndale Gateway Tax Increment Financing (TIF) District was established in 1999. This District is a "scattered site" redevelopment District with multiple projects and outstanding obligations, including the Best Buy corporate headquarters, Mainstreet Village, and the Casteel Place Townhomes. Best Buy has approached the City and Housing and Redevelopment Authority (HRA) to request a modification to their individual contract which would remove the Minimum Assessment Agreement that prevents the tax value of their property from falling below \$118.5 million during the life of the TIF District (ending December 31, 2025).

After an initial denial of the request by the City Council on May 23, staff and Best Buy representatives continued discussions in hopes of finding a path forward that would address the needs and concerns of all parties. These concerns, left unaddressed, could lead to significant costs, staff time, and uncertainty in the coming years.

The attached agreement addresses the largest concerns for both the City/HRA and Best Buy. Specifically, it guarantees that the HRA will be able to recoup \$851,000 without the threat of future litigation; and it allows Best Buy to discuss a fair market value for its property with the County and pay the commensurate taxes.

The agreement requires compromise on both sides. Best Buy believes that the HRA has underpaid them and that they are owed approximately \$600,000, which they will not recoup, and they have agreed not to contest the HRA recouping \$851,000. The HRA will almost certainly see a reduction in tax increment generated in the remaining years of the TIF District; an estimated loss of \$105,000 - \$385,000 in pooling revenue. The parties agree that the costs associated with continued disagreement outweigh the losses posed by the compromise. Staff and its legal and financial experts recommend approval of the attached resolution and agreements.

In order to modify and/or terminate the MAA, Best Buy needs the approval of both the City Council and the HRA, in addition to approvals by Hennepin County and the Richfield School District. On June 13, 2023 the Council approved attached documents.

RECOMMENDED ACTION:

By Motion: Approve a resolution approving agreements with Best Buy Co., Inc.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The Interchange West / Lyndale Gateway Tax Increment Financing (TIF) District was established in 1999. This District is a "scattered site" redevelopment district with multiple projects and outstanding obligations, including the Best Buy Corporate Campus, Mainstreet Village, and the Casteel Place Townhomes.
- Best Buy has approached the City and Housing and Redevelopment Authority (HRA) to request a modification to their individual contract which would remove the Minimum Assessment Agreement that prevents the tax value of their property from falling below \$118.5 million during the life of the TIF District (ending December 31, 2025).
- The Interchange West / Lyndale Gateway Tax Increment Financing (TIF) District is by-far the most complex TIF District in the City. There have been five amendments to the Contract for Private Redevelopment with Best Buy since its initial adoption.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- Additional approvals by the HRA, County, and School Board are required.
- As discussed at the March 6, 2023 work session, there would be no financial impact to the County or School District due to this action. The taxes paid to the City, County, and School District will remain unchanged until the TIF District expires on December 31, 2025.

C. CRITICAL TIMING ISSUES:

Best Buy would like the MAA modified/terminated as soon as possible. In order to reduce pay 2024 taxes, they must obtain the approval of the City, County, and School Board prior to June 30, 2023. While staff does not believe it will be possible to receive County Board approvals in time, the agreement stipulates that the City will support and work toward this goal with Best Buy. The proposed agreement is contingent upon these future approvals by the County and School Board, but not by the June 30, 2023 deadline. Given that there will be no financial impact to the County or School Board, staff does not anticipate a denial by either body and will work with Best Buy to communicate and educate the bodies, as needed.

D. FINANCIAL IMPACT:

- Sufficient increment will be available to make the remaining two payments on the General Obligation Bonds issued for infrastructure improvements related to the Best Buy Corporate Campus Project.
- The MAA is also in place to provide a mechanism for pooling. Pooling allows the HRA to spend a portion of tax increment outside the geographical boundaries of the TIF District for TIF-eligible activities such as affordable housing. A modification and termination of the MAA will likely impact the amount of money contributed to the Housing and Redevelopment Fund by an estimated \$210,000 to \$385,000. If Best Buy is unable to get the required approvals for 2023, the estimated reduction is \$105,000-\$192,500.
- The HRA has concluded that Best Buy has been overpaid by approximately \$851,000. Under the proposed agreement, the HRA is able to recoup this money without threat of future legal challenge.
- The proposed agreement would not impact taxes paid to either Hennepin County or the School District because those jurisdictions receive payments based on the baseline property value established prior to the Best Buy Campus construction.

E. LEGAL CONSIDERATION:

- The HRA has the legal authority and duty to recoup overpayments and will begin to do so with the August 1, 2023 TIF Payment. The proposed agreement allows the HRA to do this without the threat of a legal challenge.

ALTERNATIVE RECOMMENDATION(S):

Deny the request for modification/termination of the Minimum Assessment Agreement with Best Buy for property at 7601 Penn Avenue South.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Rebecca Kurtz, Municipal Advisor, Ehlers Tracy Smith, Senior Director and Tax Counsel, Best Buy Dan Lopez, Director of Government Affairs, Best Buy William Griffith & Timothy Rye, Attorneys for Best Buy, Larkin Hoffman

ATTACHMENTS:

Description	Type
☐ Resolution	Resolution Letter
☐ Contract Amendment	Contract/Agreement
☐ Amended Assessment Agreement	Contract/Agreement
☐ Amended Assessment Agreement (Redline)	Contract/Agreement

CITY OF RICHFIELD, MINNESOTA

RESOLUTION NO. 12104

RESOLUTION APPROVING AGREEMENTS WITH BEST BUY CO., INC.

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

Section 1. Recitals.

1.01. The Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") and Best Buy Co., Inc., a Minnesota corporation (the "Redeveloper"), have entered into a Contract for Private Redevelopment, dated March 28, 2000, as amended by the First Amendment to Contract for Private Redevelopment, dated November 27, 2000, as amended by the Second Amendment to Contract for Private Redevelopment, dated February 20, 2001, as amended by the Third Amendment to Contract for Private Redevelopment, dated March 5, 2003, as amended by the Fourth Amendment to Contract for Private Redevelopment, dated December 21, 2010, and as amended by the Fifth Amendment to Contract for Private Redevelopment, dated July 14, 2014 (collectively, the "Contract"), with respect to the redevelopment of land (the "Property") located in the City.

1.02. The Authority and the Redeveloper also entered into an Assessment Agreement, dated March 5, 2003 (the "Assessment Agreement"), which set forth the minimum market value for the Property as improved by the redevelopment.

1.03. The Authority, the City, and the Redeveloper have proposed to revise the provisions related to the Assessment Agreement, the overpayment of tax increment by the Authority, and the release of certain claims.

1.04. There have been presented to the City Council forms of the following documents (collectively, the "City Documents"): (i) a Sixth Amendment to Contract for Private Redevelopment between the Authority, the City, and the Redeveloper, which amends the Contract to govern the overpayment of tax increment; and (ii) an Amended and Restated Assessment Agreement between the Authority, the City, and the Redeveloper, and including consents to termination of the Assessment Agreement by Independent School District No. 280 (Richfield Public Schools) and Hennepin County, Minnesota, which amends and restates the Assessment Agreement to modify the valuation floor of the Property, as improved by the redevelopment.

Section 2. Approvals.

2.01. The City Documents are hereby in all respects authorized, approved, and confirmed, and the Mayor and the City Manager are hereby authorized and directed to execute the City Documents for and on behalf of the City in substantially the forms now on file with the Community Development Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2.02. The Mayor and the City Manager are authorized and directed to execute any and all other documents or certificates deemed necessary to carry out the intentions of this resolution and the City Documents.

Section 3. Effective Date. This resolution shall be in full force and effect from and after its approval.

Adopted by the City of Richfield, Minnesota this 13th day of June, 2023.



Mary B. Supple, Mayor

ATTEST:



Dustin Leslie, City Clerk

**HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE
CITY OF RICHFIELD, MINNESOTA**

RESOLUTION NO. 1458

RESOLUTION APPROVING AGREEMENTS WITH BEST BUY CO., INC.

BE IT RESOLVED by the Board of Commissioners (the "Board") of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority"), as follows:

Section 1. Recitals.

1.01. The Authority and Best Buy Co., Inc., a Minnesota corporation (the "Redeveloper"), have entered into a Contract for Private Redevelopment, dated March 28, 2000, as amended by the First Amendment to Contract for Private Redevelopment, dated November 27, 2000, as amended by the Second Amendment to Contract for Private Redevelopment, dated February 20, 2001, as amended by the Third Amendment to Contract for Private Redevelopment, dated March 5, 2003, as amended by the Fourth Amendment to Contract for Private Redevelopment, dated December 21, 2010, and as amended by the Fifth Amendment to Contract for Private Redevelopment, dated July 14, 2014 (collectively, the "Contract"), with respect to the redevelopment of land (the "Property") located in the City of Richfield, Minnesota (the "City").

1.02. The Authority and the Redeveloper also entered into an Assessment Agreement, dated March 5, 2003 (the "Assessment Agreement"), which set forth the minimum market value for the Property as improved by the redevelopment.

1.03. The Authority and the Redevelopment have proposed to revise the provisions related to the Assessment Agreement, the overpayment of tax increment by the Authority, and the release of certain claims.

1.04. There have been presented to the Board forms of the following documents (collectively, the "Authority Documents"): (i) a Sixth Amendment to Contract for Private Redevelopment between the Authority and the Redeveloper, which amends the Contract to govern the overpayment of tax increment; and (ii) an Amended and Restated Assessment Agreement between the Authority and the Redeveloper, and including consents to termination of the Assessment Agreement by Independent School District No. 280 (Richfield Public Schools) and Hennepin County, Minnesota, which amends and restates the Assessment Agreement to modify the valuation floor of the Property, as improved by the redevelopment.

Section 2. Approvals.

2.01. The Authority Documents are hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the Authority Documents for and on behalf of the Authority in substantially the forms now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2.02. The Chair and the Executive Director are authorized and directed to execute any and all other documents or certificates deemed necessary to carry out the intentions of this resolution and the Authority Documents.

Section 3. Effective Date. This resolution shall be in full force and effect from and after its approval.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 20th day of June, 2023.



Gordon Hanson, Acting Chair

ATTEST:



Secretary

HENNEPIN COUNTY

MINNESOTA

300 South Sixth Street
Minneapolis, MN
55487-0240

RESOLUTION

Resident Services Committee

RESOLUTION: 23-0346

At a meeting of the Board of Hennepin County Commissioners on 9/19/2023, a motion was made by Irene Fernando, seconded by Jeff Lunde, that this Resolution be adopted. The motion passed.

WHEREAS, the Richfield Housing and Redevelopment Authority and Best Buy Co., Inc., a Minnesota corporation, entered into a Contract for Private Redevelopment, dated March 28, 2000 with respect to the redevelopment of land for Best Buy's corporate headquarters in Richfield, Minnesota; and

WHEREAS, the Richfield Housing and Redevelopment Authority, the City of Richfield, and Best Buy, Inc. also entered into an Assessment Agreement, dated March 5, 2003, which set forth the minimum market value for the Property as improved by the redevelopment; and

WHEREAS, in accordance with Minnesota Statutes, Section 469.177, subdivision 8, as amended, the Richfield Housing and Redevelopment Authority, the City of Richfield, and Best Buy, Inc. have negotiated a Sixth Amendment to the Contract for Private Redevelopment, dated June 29, 2023 which would terminate the March 5, 2003 Assessment Agreement and have requested that the governing bodies of Hennepin County and Independent School District No. 280 (Richfield Public Schools) approve termination of the March 5, 2003 Assessment Agreement.

Resolution:

BE IT RESOLVED, the Hennepin County Board approves the termination of the March 5, 2003 Assessment Agreement and directs the County Administrator to execute any documents or certificates deemed necessary to carry out the intentions of this resolution.

RESOLUTION ADOPTED ON 9/19/2023

The question was on the adoption of the resolution with the votes as follows:

Aye: 6 Commissioner Fernando, Commissioner Lunde, Commissioner Conley, Commissioner Goettel, Commissioner LaTondresse, and Commissioner Anderson

Absent: 1 Commissioner Greene

Karen Keller



Karen Keller

MINNESOTA

Board Action Request

23-0346

Item Description:

Terminate the minimum assessment agreement for the Best Buy campus in Richfield

WHEREAS:

WHEREAS, the Richfield Housing and Redevelopment Authority and Best Buy Co., Inc., a Minnesota corporation, entered into a Contract for Private Redevelopment, dated March 28, 2000 with respect to the redevelopment of land for Best Buy's corporate headquarters in Richfield, Minnesota; and

WHEREAS, the Richfield Housing and Redevelopment Authority, the City of Richfield, and Best Buy, Inc. also entered into an Assessment Agreement, dated March 5, 2003, which set forth the minimum market value for the Property as improved by the redevelopment; and

WHEREAS, in accordance with Minnesota Statutes, Section 469.177, subdivision 8, as amended, the Richfield Housing and Redevelopment Authority, the City of Richfield, and Best Buy, Inc. have negotiated a Sixth Amendment to the Contract for Private Redevelopment, dated June 29, 2023 which would terminate the March 5, 2003 Assessment Agreement and have requested that the governing bodies of Hennepin County and Independent School District No. 280 (Richfield Public Schools) approve termination of the March 5, 2003 Assessment Agreement.

Resolution:

BE IT RESOLVED, the Hennepin County Board approves the termination of the March 5, 2003 Assessment Agreement and directs the County Administrator to execute any documents or certificates deemed necessary to carry out the intentions of this resolution.

Background:

This Board Action Request seeks county board approval for early termination of a minimum assessment agreement currently in place for the Best Buy office headquarters. In 2000, the City of Richfield created a tax increment finance (TIF) district related to the development of the Best Buy office headquarters. The City of Richfield, its HRA, and Best Buy also entered into a minimum assessment agreement for the campus. The minimum assessment agreement provides a minimum assessed value of \$118,500,000 for the campus and is in place as part of a tax increment finance agreement to repay bonds attributable to the original development of the property. The tax increment finance district and the MAA terminate on December 31, 2025.

The City of Richfield, its HRA, and Best Buy have agreed to terminate the minimum assessment agreement early. Pursuant to Minn. Stat. § 469.177, subd. 8, an assessment agreement can be terminated by mutual consent of the current parties to the agreement. This statute also states that if the estimated market value for the property is less than the minimum market value established by the assessment agreement, the termination of the agreement must also be approved by the county and the school district in which the district is located. The assessor's office has recently determined that the value of the Best Buy campus is \$81.5 million. Accordingly, county and school district approval are required for termination. Richfield has asked the County to approve this early termination. The termination of the minimum assessment

agreement will not adversely impact Hennepin County or Hennepin County taxpayers.

Disparity reduction: Statute requires county approval to terminate the minimum assessment agreement in this circumstance. This action does not significantly impact or support Hennepin County disparity reduction efforts.

Recommendation from County Administrator: Recommend Approval

**INDEPENDENT SCHOOL DISTRICT NO. 280
(RICHFIELD PUBLIC SCHOOLS)
HENNEPIN COUNTY, MINNESOTA**

**APPROVING TERMINATION OF ASSESSMENT AGREEMENT WITH THE
HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF
RICHFIELD, MINNESOTA AND BEST BUY CO., INC.**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the "Authority") and Best Buy Co., Inc., a Minnesota corporation (the "Redeveloper"), have entered into a Contract for Private Redevelopment, dated March 28, 2000, as amended by the First Amendment to Contract for Private Redevelopment, dated November 27, 2000, as amended by the Second Amendment to Contract for Private Redevelopment, dated February 20, 2001, as amended by the Third Amendment to Contract for Private Redevelopment, dated March 5, 2003, as amended by the Fourth Amendment to Contract for Private Redevelopment, dated December 21, 2010, and as amended by the Fifth Amendment to Contract for Private Redevelopment, dated July 14, 2014, with respect to the redevelopment of land (the "Property") located in the City of Richfield, Minnesota (the "City"); and

WHEREAS, the Authority, the City, and the Redeveloper also entered into an Assessment Agreement, dated March 5, 2003 (the "Assessment Agreement"), which set forth the minimum market value for the Property as improved by the redevelopment; and

WHEREAS, in accordance with Minnesota Statutes, Section 469.177, subdivision 8, as amended, the Authority, the City, and the Redeveloper have negotiated a Sixth Amendment to Contract for Private Redevelopment, dated June 29, 2023 (the "Sixth Amendment") terminating the Assessment Agreement and have requested that the governing bodies of Hennepin County, Minnesota and Independent School District No. 280 (Richfield Public Schools), Hennepin County, Minnesota (the "District") approve termination of the Assessment Agreement; and

WHEREAS, the Assessment Agreement is on file with the School Board of the District; and

NOW, THEREFORE, BE IT RESOLVED by the School Board of Independent School District No. 280 (Richfield Public Schools), Hennepin County, Minnesota as follows:

1. The termination the Assessment Agreement as set forth in the Sixth Amendment is hereby approved.
2. The Chair and the Clerk of the School Board are authorized and directed to execute any and all other documents or certificates deemed necessary to carry out the intentions of this resolution.

Approved by the School Board of Independent School District No. 280 (Richfield Public Schools), Hennepin County, Minnesota, this _____ day of _____, 2023.

Chair

ATTEST:

Clerk