

DRAFT MEMORANDUM OF UNDERSTANDING AGREEMENT

This Memorandum of Understanding Agreement (“MOU Agreement”) is entered into between the **City of Ramsey**, Minnesota, a Minnesota Municipal Corporation, (“City”), **Capstone Homes, Inc.**, a registered Minnesota domestic business corporation (“Capstone Homes”), and **Hageman Holdings, LLC**, a registered Minnesota limited liability company (“Hageman Holdings”).

WHEREAS, over 300-acres of green-field land is available for development located northwest of the U.S. Highway 10/ and Armstrong Boulevard Interchange in Ramsey, Minnesota (the “Armstrong-West Developable Area”); and,

WHEREAS, the City has interest in pursuing the development of a new business park in the Armstrong-West Developable Area totaling 131.52 acres in gross size, located on three parcels currently owned by Hageman Holdings (PIDs: 20-32-25-34-0004, 29-32-25-21-0003, and 29-32-25-12-0003). A new business park can benefit the City by creating well-paying jobs, an increase in tax-base, and an increase in local consumer spending demand; and

WHEREAS, Capstone Homes has a purchase agreement in place for 84.77 acres of land currently owned by Pearson Properties of Ramsey, LLC., located in the Armstrong-West Developable Area. Capstone Homes intends to develop a roughly 350-unit single family residential development located on three parcels (PIDs: 29-32-25-22-0004, 20-32-25-33-0001, and 20-32-25-32-0001); and,

WHEREAS, a new 300-unit residential development located in the Armstrong-West Developable Area will benefit the City by providing quality new housing stock, a quality designed residential community, development fees, tax-base, and an increase local consumer spending demand; and,

WHEREAS, the development of the Armstrong-West Developable Area will require various improvements to arterial infrastructure located along Bunker Lake Boulevard and Puma Street. Arterial Infrastructure improvements include trunk-water line extensions, trunk-sewer line extensions, a sewer lift station, trail extensions, new roads, street lights, and storm sewer (“Arterial Infrastructure”). Bolton & Menk, Inc. completed a conceptual feasibility analysis for Arterial Infrastructure located in the Armstrong-West Developable Area in of March 2017 (“Infrastructure Study”); and,

WHEREAS, Arterial Infrastructure will not only directly serve the Armstrong-West Developable Area, but will also serve the City as a whole. The proposed Arterial Infrastructure includes City trunk water/sewer system lines, a Municipal-State-Aid (MSA) road route, and a collector road; and,

WHEREAS, in order for Capstone Homes or the City of Ramsey to move forward with their development interests, a mutual understanding of how Arterial Infrastructure improvements will be designed, constructed, assessed, and paid-for is needed; and,

WHEREAS, Capstone Homes has requested that the City fund the Arterial Infrastructure improvements upfront and assess their portion of the Arterial Infrastructure improvements for Phase 1A and Phase 1B outlined in the Bolton & Menk Infrastructure Study. Assessing costs for improvements back to Capstone Homes will require City compliance with applicable State Statutes, including Chapter 429.

NOW THEREFORE, the CITY agrees in principle to the following:

- 1) The City will act as the petitioning party for the Arterial Infrastructure improvements project as required by State Statute, Chapter 429.
- 2) The City will design Arterial Infrastructure Improvements for Phase 1A and Phase 1B of the Bolton & Menk Arterial Infrastructure Analysis and prepare plans and specifications.
- 3) The City will administer the State and City guided processes for bidding, constructing, and assessing costs for the Arterial Infrastructure Improvements.
- 4) The City will pay for 100% of trunk water and trunk sanitary sewer costs via the City's trunk water and trunk sewer funds of Phase 1A and Phase 1B outlined in the Bolton & Menk Infrastructure Study.
- 5) The City will pay for the remaining arterial infrastructure costs for Phase 1A and Phase 1B outlined in the Bolton & Menk Infrastructure Study, not assessed to private properties.
- 6) The City will consider the EDA Fund (January 01, 2017 balance of \$829,000) and the Anoka County HRA/ EDA Ramsey Account (January 01, 2017 balance of \$1,483,000) as the primary funding sources for this project.

NOW THEREFORE, CAPSTONE HOMES agrees in principle to the following:

- 1) Capstone Homes will enter into an assessment agreement to be recorded against real property to pay for 40% of applicable arterial infrastructure improvements for Phase 1B outlined in the Bolton & Menk Infrastructure Study.
- 2) Capstone Homes will enter into an assessment agreement to be recorded against real property to pay for 16% of applicable arterial infrastructure improvements for Phase 1A outlined in the Bolton & Menk Infrastructure Study.
- 3) Capstone Homes assessment conditions will include a five (5) year term, and an interest rate consistent with the City's assessment policy. In the event lots are sold before the five (5) year term expires, assessments on said lots will be due, in-full, at the time of sale.
- 4) Capstone Homes will supply a letter of credit meeting City standards, for 110% of their portion of arterial infrastructure improvements. This letter of credit will remain in place until assessments are paid off; and can be drawn down in phases.

NOW THEREFORE, HAGEMAN HOLDINGS agrees in principle to the following:

- 1) Hageman Holdings will enter into an assessment agreement to be recorded against Lot 1, Block 1, Alpha Development Plat to pay for 24% of applicable arterial infrastructure improvements for Phase 1A outlined in the Bolton & Menk Infrastructure Study.
- 2) Hageman Holdings assessments will be due at the time of closing on future land sales; and shall accrue interest.

All parties agree in principle to this non-binding agreement.

THE CITY: City of Ramsey, Minnesota, a Minnesota Municipal Corporation

By: _____
Sarah Strommen, Mayor

Dated _____, 2017

By: _____
Kurt Ulrich, City Administrator

CAPSTONE HOMES: Capstone Homes, Inc., a registered Minnesota domestic business corporation

By: _____
Ben Minks, CEO

Dated _____, 2017

HAGEMAN HOLDINGS: Hageman Holdings, LLC, a registered Minnesota limited liability company

By: _____
Michael Hageman, Manager

Dated _____, 2017