

FUNDING AGREEMENT

THIS AGREEMENT is entered into as of the _____ day of June, 2017, between the City of Duluth (the "City"), St. Louis County Housing and Redevelopment Authority (the "County") and the Housing and Redevelopment Authority of Duluth, Minnesota (the "HRA").

RECITALS:

- A. Pursuant to an agreement dated July 31, 2016, the Office of Healthy Homes and Lead Hazard Control awarded to the City funds made available by the U.S. Department of Housing and Urban Development ("HUD") to implement a Lead-based Paint Hazard Control Program ("Program") to remediate lead-based paint in homes and rental properties in Duluth, Minnesota (the "City Grant Agreement").
- B. The City entered into a Program Grant Agreement with the HRA dated November 7, 2013, in an amount not to exceed \$2,255,000 to implement the Program (the "HRA Grant Agreement").
- C. The City Grant Agreement was subsequently amended in part to revise the work plan to include remediation of lead in the Gateway Tower located at 600 West Superior Street, Duluth, MN and owned by Gateway Properties, LLLP, whose general partner is Gateway Redeveloper, LLC, the members of which are One Roof Community Housing and Center City Housing Corp. Gateway Tower is a housing resource for over 150 low income individuals and families in Duluth.
- D. The HRA subsequently entered into a Lead-based Paint Hazard Control Program Loan Agreement and Lien dated November 22, 2016 (the "Loan Agreement") with Gateway Properties, LLLP for Program activities for the "Project" as that term is used and defined in the Loan Agreement in the amount of \$714,462 (the "Lead Loan").
- E. The Project is over 50% complete. Due to a disagreement with HUD, HUD funding under the City Grant Agreement for the Project has been delayed and may not be available and replacement funding is required to maintain the Project's full financing and to provide for an uninterrupted construction schedule.

- F. In order to assist the Project, the HRA and the County have agreed to provide up to \$280,462 (but anticipated to be \$214,462) and \$100,000, respectively, to the City of Duluth as replacement funding for the Project.
- G. The City has agreed to provide up to \$200,000 in CDBG funding as replacement funding for the Project.
- H. The replacement funding is provided by the parties with the understanding that to the extent HUD provides Program funds to the City under the City Grant Agreement, the parties will be reimbursed the replacement funding as set forth herein.
- I. The parties' replacement funding will be provided to the Project via an amendment to the HRA Grant Agreement between the City and the HRA.
- J. Additional replacement funding of not less than \$134,000 and up to \$200,000 is being provided by the Minnesota Housing Finance Agency ("MHFA") via a separate agreement between MHFA and Gateway Properties, LLLP. The MHFA replacement funding will not be reimbursed by any Program funding provided by HUD under the City Grant Agreement.
- K. The Loan Agreement will be amended to reduce the amount of the Lead Loan by the amount of replacement funding committed by MHFA and to make other changes deemed appropriate by the HRA, subject to the approval of the City Director of Planning and Construction Services.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. Upon execution of this Agreement, the HRA agrees to pay to the City the amount of \$280,462 (but reduced dollar for dollar by the amount that replacement funds committed by the MHFA exceed \$134,000 and anticipated to be \$214,462) and the County agrees to pay to the City the amount of \$100,000 to be used as replacement funding for lead-based paint hazard control activities as set forth in the Loan Agreement. The HRA and County monies shall be deposited into City Fund 262 - CDBG, a non-interest bearing account. Said monies shall be used solely as replacement funding for lead-based paint hazard control activities as set forth in the Loan Agreement.

2. The City hereby commits the amount of \$200,000 to be used as replacement funding for lead-based paint hazard control activities as set forth in the Loan Agreement. Said money shall be used solely as replacement funding for lead-based paint hazard control as set forth in the Loan Agreement. Said money is payable from City Fund 262-CDBG.
3. The City hereby agrees to enter into an Amendment to the HRA Grant Agreement, subject to HRA Board of Commissioners and City Council approval of the same, which will reflect that either HUD Program funds or replacement funds in an amount not to exceed \$580,000, will be used to pay for the costs of lead-based paint hazard control activities as set forth in the Loan Agreement.

4. Upon submittal of requests for reimbursement and appropriate documentation required pursuant to the HRA Grant Agreement, the City shall disburse the replacement funds to the HRA in the following order of priority:

HRA Funds	First
City CDBG Funds	Second
County Funds	Third

None of the replacement funds of a source above shall be disbursed until all of the replacement funds that are to be disbursed prior thereto have been disbursed.

5. To the extent that HUD Program funding under the City Grant Agreement is received for the Project, the replacement funding provided above shall be reimbursed as follows:

County Funds	First
City CDBG Funds	Second
HRA Funds	Third

None of the replacement funds of a source above shall be reimbursed until all of the replacement funds that are to be reimbursed prior thereto have been reimbursed.

6. To the extent that the replacement funding provided above is not disbursed to pay for the costs of lead-based paint hazard control activities as set forth in the Loan Agreement, the replacement funding provided shall be reimbursed as follows:

County Funds	First
City CDBG Funds	Second

HRA Funds

Third

7. To the extent that HUD Program funding under the City Grant Agreement is received for the Project and has been used to reimburse one or more of the parties pursuant to Section 5 and HUD later demands repayment because HUD has determined that the Project was not eligible for HUD Program Funding or the administration of the City Grant Agreement or the HRA Grant Agreement did not meet HUD's requirements, the repayment shall be paid by each party as follows (but only to the extent that the party has been reimbursed pursuant to Section 5):

HRA

First

City CDBG Funds

Second

County Funds

Third

8. The parties understand and agree that there is no guarantee of any HUD Program funding whatsoever from HUD for the Project under the City Grant Agreement or that any replacement funding will be reimbursed.
9. Any amendments to this Agreement shall be in writing and shall be executed by the same parties who executed the original Agreement or their successors in office.
10. The parties represent that the execution of this Agreement has been duly and fully authorized by their respective governing bodies or boards, that the officers of the parties who executed this Agreement are fully authorized to do so, and that this Agreement when thus executed by said officers will constitute and be the binding obligation and agreement of the parties in accordance with the terms and conditions hereof.
11. The parties agree that this Agreement may be executed in one or more counterparts and that the counterparts taken together will form one original. The parties also agree that this Agreement and signed copies of this Agreement may be transmitted electronically (e.g. via facsimile or email) and that electronically transmitted copies of this Agreement and electronically transmitted signatures shall be deemed originals for all purposes.

WHEREOF, the parties have caused this Agreement to be duly executed as of the date first set forth above.

CITY OF DULUTH

ST. LOUIS COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY

By: _____

Mayor

By: _____

Chair

Attest:

City Clerk

By: _____

County Auditor

By: _____

Assistant County Attorney

Countersigned:

City Auditor

HOUSING AND REDEVELOPMENT
AUTHORITY OF DULUTH, MINNESOTA

By: _____

Jill A. Keppers
Executive Director

Approved as to form:

City Attorney