



Monday, April 15, 2019
7:00 pm (immediately following Special Council Meeting)

City Hall – Council Chambers
5200 - 85th Ave North

**THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK
REGULAR MEETING – AGENDA #5**

**President Jeffrey Lunde, Vice President Lisa Jacobson & Treasurer Wynfred Russell
Commissioners Mark Mata, Terry Parks, Susan Pha & Tonja West-Hafner, Executive Director Kim
Berggren, Assistant Executive Director Jay Stroebel & Secretary Theresa Freund**

If due to a disability, you need auxiliary aids or services during an EDA Meeting, please provide the City with 72 hour notice by calling 763-493-8012 or FAX 763-493-8391.

Our Mission: Brooklyn Park, a thriving community inspiring pride where opportunities exist for all.

Our Goals:

*Strong Neighborhoods • Adapting to Changing Demographics • Public Safety
Financial Sustainability • Community Image • Focused Redevelopment and Development*

I. ORGANIZATIONAL BUSINESS

1. CALL TO ORDER/ROLL CALL

2. PUBLIC COMMENT AND RESPONSE

This provides an opportunity for the public to address the EDA on items, which are not on the agenda. Open Forum will be limited to 15 minutes (if no one is in attendance for the Open Forum, the Regular Meeting may begin) and it may not be used to make personal attacks, to air personality grievances, to make political endorsements or for political campaign purposes. Commissioners will not enter into a dialogue with citizens. Questions from the EDA will be for clarification only. Open Forum will not be used as a time for problem solving or reacting to the comments made but, rather, for hearing the citizen for informational purposes only.

2A. RESPONSE TO PRIOR PUBLIC COMMENT

2B. PUBLIC COMMENT

3. APPROVAL OF AGENDA

II. STATUTORY BUSINESS AND/OR POLICY IMPLEMENTATION

4. CONSENT

- 4.1 Consider Approving Meeting Minutes
 - 4.1A March 18, 2018 Meeting Minutes
 - 4.1B April 1, 2018 Meeting Minutes

The following items relate to the EDA's long-range policy-making responsibilities and are handled individually for appropriate debate and deliberation. (Those persons wishing to speak to any of the items listed in this section should fill out a speaker's form and give it to the Secretary. Staff will present each item, following in which audience input is invited. Discussion will then be closed to the public and directed to the EDA table for action.)

5. Public Hearings

5.1 None.

6. General Action Items

6.1 Consider Approving a Contract for Private Development Between the Brooklyn Park EDA and Dignicare Properties of Brooklyn Park LLC for Soil Correction and Construction of a 32-Unit Senior Housing Development at 8500 Regent Avenue and Amending the 2019 EDA Budget for the TIF #3 Fund

6.1A Resolution

6.1B Location Map

6.1C Contract for Private Development

6.1D Executive Summary

6.2 Consider Approving an Updated Sewer Availability Charge (SAC) and Water Access Charge (WAC) Reduction Policy

6.2A Proposed SAC/WAC Fee Reduction Program

6.2B Restaurant Attraction Program: Sewer Availability Charge Reduction Guidelines

6.2C Existing WAC Policy

6.2D Existing SAC Deferral Program

6.3 Consider Approving Revised Guidelines to the CDBG Home Rehabilitation Deferred Loan Program Requirements

6.3A Resolution

6.3B Home Rehabilitation Deferred Loan Program Guidelines

6.4 Consider Approving Revised Guidelines to the Brooklyn Park Homeowner Programs and Establishing Four Sub-Categories and Approving an Amendment to the 2019 EDA Rehab Loan Program Budget Adding \$200,000

6.4A Resolution

6.4B Loan Program Matrix

III. DISCUSSION - These items will be discussion items but the EDA may act upon them during the course of the meeting.

7. Discussion Items

7.1 Status Update

7.1A Edinburgh Clubhouse Update

7.2 Housing Update

IV. WORK SESSION - This portion of the meeting will not be televised nor videotaped and will be held in the Steve Lampi Conference Room

8. Work Session

8.1 Confirm Strategic Priorities for the Economic Development Authority

V. ADJOURNMENT

Since we do not have time to discuss every point presented, it may seem that decisions are preconceived. However, background information is provided for the EDA on each agenda item in advance from City staff; and decisions are based on this information and past experiences. If you are aware of information that has not been discussed, please raise your hand to be recognized. Please speak from the podium. Comments that are pertinent are appreciated. Items requiring excessive time may be continued to another meeting.

The Brooklyn Park Economic Development Authority's Agenda Packet is posted on the City's website. To access the agenda packet go to www.brooklynpark.org
The Next Scheduled EDA Meeting is May 20, 2019

City of Brooklyn Park Request for EDA Action

Agenda Item No:	4.1	Meeting Date:	April 15, 2019
Agenda Section:	Consent	Prepared By:	Theresa Freund, EDA Secretary
Resolution:	N/A	Presented By:	Theresa Freund, EDA Secretary
No. of Attachments:	2		
Item:	Consider Approving EDA Meeting Minutes		

Executive Director's Proposed Action:

MOTION _____, SECOND _____ TO APPROVE THE MARCH 18, 2019 AND APRIL 1, 2019 EDA MEETING MINUTES.

Overview:

N/A

Primary Issues/Alternatives to Consider:

N/A

Budgetary/Fiscal Issues:

N/A

Attachments:

- 4.1A MARCH 18, 2019 MEETING MINUTES
- 4.1B APRIL 1, 2019 MEETING MINUTES

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK
MARCH 18, 2019 REGULAR MEETING MINUTES

I. ORGANIZATIONAL BUSINESS:

1. CALL TO ORDER: Vice President Lisa Jacobson at 7:00 p.m.

ROLL CALL PRESENT: Vice President Lisa Jacobson and Treasurer Wynfred Russell, Commissioners Mark Mata, Terry Parks and Tonja West-Hafner, Executive Director Kim Berggren and Secretary Theresa Freund.

ABSENT/EXCUSED: President Jeff Lunde & Commissioner Susan Pha.

2. PUBLIC COMMENT AND RESPONSE:

2. A Response to Prior Public Comment: None.

2. B Public Comment: None.

3. APPROVAL OF AGENDA

MOTION WEST-HAFNER, SECOND RUSSELL APPROVING THE AGENDA AS PRESENTED. MOTION PASSED UNANIMOUSLY.

II. STATUTORY BUSINESS:

4. CONSENT:

- 4.1 Consider Approving EDA Meeting Minutes

MOTION WEST-HAFNER, SECOND RUSSELL TO APPROVE THE JANUARY 22, 2019 AND FEBRUARY 19, 2019 MEETING MINUTES. MOTION PASSED UNANIMOUSLY.

5. PUBLIC HEARINGS:

- 5.1 None.

6. GENERAL ACTION ITEMS:

- 6.1 Consider Approving a Term Sheet Between the EDA and Dignicare Properties of Brooklyn Park LLC for Soil Correction and Construction of a 32-Unit Senior Care Development at 8500 Regent Avenue.

MOTION MATA, SECOND WEST-HAFNER APPROVING A TERM SHEET BETWEEN THE EDA AND DIGNICARE PROPERTIES OF BROOKLYN PARK LLC, FOR SOIL CORRECTION AND CONSTRUCTION OF A 32-UNIT SENIOR CARE FACILITY AT 8500 REGENT AVENUE. MOTION PASSED UNANIMOUSLY.

- 6.2 Consider Approving a Loan to D'Amico Catering, LLC and Authorizing Execution of Loan Documents.

MOTION PARKS, SECOND MATA TO WAIVE THE READING AND ADOPT RESOLUTION #2019-4 APPROVING A LOAN WITH A 5% INTEREST RATE TO D'AMICO CATERING, LLC AND AUTHORIZING EXECUTION OF LOAN DOCUMENTS. MOTION PASSED UNANIMOUSLY.

III. DISCUSSION:

7. DISCUSSION ITEMS

- 7.1 2018 Year End Activity – Kim Berggren stated this document is produced annually to celebrate the work of the EDA. Particularly because the EDA does more of its work in a proactive nature and strategically. It is important to recognize the strategic investments that the EDA is making in the community. She highlighted:
- Blue Wolf was the first brewery to open in Brooklyn Park. We also have a distillery.
 - One of our oldest businesses, Liberty Diversified Industries, celebrated 100 years of business.
 - Job growth is something the EDA looks at. The city is approaching the 30,000 jobs mark in 2019. We have set goals to achieve 40,000 jobs over the next 10-20 years. The EDA has stated it would like to get to 50,000 jobs. This means we will need to continue to pursue job density as we consider how to invest in future businesses.
 - The top ten employers are listed in the document. Nilfisk is now one of our largest employers and is a relatively new business in our community. HyVee is a new business.
 - The EDA for a small investment, supports the Open to Business Program. This program is through MCDD and the EDA pays \$10,000 a year. The program is open to any Brooklyn Park resident or business owner who is looking for support establishing a business or improving a business. Open to Business meets with clients monthly at city hall, takes phone calls and meets by appointment. The program served 52 Brooklyn Park clients in 2018. A lot of the clients are people of color and women owned businesses. The program leveraged \$3 million in funds.
 - Brooklyn Park was identified as having an Opportunity Zone this past year. This is a federal program that allows for tax incentives to invest in this zone. The zone encompasses most of the Village Redevelopment Area. In the near future, we will be looking at this geography at ways that we may be able to encourage investment.
 - We are also a big user of Minnesota Employment and Economic Development's, DEED, programs for job creation. NAPCO was the group that was able to take advantage of the Job Creation Fund in 2018. We also have also taken advantage of the Minnesota Investment Fund.

- We have twelve board members of the Business Forward Advisory Board. The Board comes together monthly to talk about making sure that Brooklyn Park has a great business climate. Thank you to the EDA liaison for serving on the Board. We have three new members joining this year. It is great to see continued interest in serving on this board. The board weighs in and provides direction on how we are operating programs and projects here in the city.
- 2018 was the first year that the EDA was responsible for the BrookLynk Program. The outcomes were great with over 100 internships connected, 263 youth trained with essential job skills and that leveraged \$250,000 in wages paid to the interns. We will be seeing similar numbers and improved numbers in 2019.
- 2018 was a big year for talking about housing in Brooklyn Park. Significant reinvestment occurred at Park Haven and Autumn Ridge. Brooks Landing and Brooks Garden are gearing up to make large investments in 2019, i.e. \$400,000 in EDA loan and \$15 million in housing revenue bonds. This project has been deferred for many years and it is good to have that reinvestment going into those 170 units.
- Also listed are all the homeownership loans that have been offered. We had 147 home visits that were funded by the EDA, that has matching funding, which allowed those homeowners to take advantage of the opportunity to have an audit done at their house. Hopefully they will make additional investments to improve the energy efficiency of their homes.
- We have spent a lot of time during the last two years gearing up for and making investments in the Transitional Housing 4-plex, that the EDA owns. Those are just wrapping up now and we will be celebrating those investments this coming spring. All four units are now completed and there are only a few site improvements left this spring. This was primarily funded by Community Development Block Grant money, which comes from the federal government.
- The EDA built a youth shelter in 2015. It is nice to see how the shelter is working for our community. In 2018 there were 138 youth served and 52% were able to rejoin their family after spending time in the facility.
- The Center of Innovation and the Arts project, a partnership project with North Hennepin Community College, Metro State, Osseo Area Schools and Hennepin County. The project is all scoped out. The EDA was willing to fund some of the initial planning investments. Going forward the work to be done is fundraising. We are in line to see if we can get state bonding funds. We will be starting up to get capital fundraising campaigns in partnership with the groups in 2019 and 2020.
- The Brooklyn Boulevard Trail project before and after photo was shown. The EDA used TOD and Hennepin County grant funds for Phase One of the project. Phase Two will be underway in 2019 and will be funded by the EDA. This trail has been identified as a priority project during the trail planning in our community. Getting this project to advance

and completed is really a great achievement on the EDA's part.

- A rendering of the clubhouse restaurant was shown. We will be seeing the renovation completing soon.
- The George North Group did secure a \$832,000 LCDA grant for their project they would like to do on the EDA's land on Welcome Avenue. We will continue to talk about that project as well as other projects that have grant funding coming in.
- We are continuing to talk about LRT. The city approved zoning changes to prepare for higher level of density around the corridor. We have also done a series of events last summer. Staff participated in a planning process with North Hennepin on their land, where they would like to build affordable housing.

Vice President Jacobson thanked staff for their work. There was a lot accomplished in 2018 and the activity report is impressive.

7.2 Status Update – Kim Berggren highlighted the following:

- Thank you, Commissioners Lisa Jacobson and Tonja West-Hafner for attending the 27th Annual Real Estate Forum. It was a great event with good attendance and was hosted by D'Amico at the Clubhouse.
- Second Harvest is having its ground-breaking tomorrow at 3:00 pm. Commissioners are invited to attend.
- The Center for Innovation and the Arts, CITA two weeks ago held an outreach meeting with Maple Grove stakeholders. We are making sure to include conversations with our neighboring communities as an important element of that project.
- The temporary plaza at 85th Avenue North is being planned. We will start to see some activity happen this spring in terms of grading the site for usage. The work is being funded by Hennepin County and the EDA.
- We are continuing to work on LRT. The Connect Blue Line Now Coalition is send a cohort out to Washington DC next week. A few businesses will also be going.
 - There may be a sense that things are not progressing but we are continuing to do the planning work so that we are ready for the project when it does advance. One of the things we are working on is a branding effort along the Bottineau Corridor and a wayfinding project. These are projects that are being coordinated by Hennepin County across all the cities and federally funded.
- The update shows several pictures of the construction at the Clubhouse and a list of the vendors that have been paid through the project. This was something staff had committed to providing to the EDA.

Commissioner West-Hafner asked if there was any movement and talks happening on the BLRT with BNSF. Kim Berggren responded that the Met Council has been actively engaged in having conversations and has been able to make some progress with BNSF. I am not sure to what level those conversations are being shared broadly but BNSF is talking to the Met Council and we are optimistic that they will be able to reach an agreement. We know that the relationship with FT are going well as well. Hopefully the DC trip will solidify that.

Commissioner Mata asked if we can be informed of the full details of what is happening at these meetings? This is costing Brooklyn Park residents money every day that we keep going and we don't see anything happening on the other end. If those talks are really stalemate talks, we should know about it so that we can decide to hold our expenses. Brooklyn Park is a large stakeholder and deserves to know what is going on during those conversations.

Kim Berggren stated I agree and understand what you are saying. I think we have been kept informed. What I will say to clarify my previous statement, what we were hearing for a while was that BNSF had given notice that they were not going to negotiate. That has changed and they are now at the table talking. The City of Brooklyn Park does not participate in those negotiations, but we do hear about the status and have been informed they are having those conversations now.

Vice President Jacobson stated that she was happy to see on the list for D'Amico, Ramsey Companies, a Brooklyn Park Company who moved here a couple of years ago from Minneapolis as a provider of services.

- 7.3 Housing Update – Erika Byrd highlighted the following:
- On March 28, the city and Minnesota Multi Housing Association will be holding a facilitated discussion with Brooklyn Park based landlords and rental property owners. Staff invited up to three council members to attend. This will be a focused group meeting and not a public meeting. Council Members Parks, Jacobson and Pha will be attending and Commissioner West-Hafner will be an alternate, in case someone can't make it. Our consultant, Bennett Community Consulting will be putting together a memo of the outcomes of that to keep everyone in the loop.
 - Devin George of the George North Group began the process of community engagement around the project being called the Village Creek Apartments on the EDA's land on Welcome Avenue and Brooklyn Boulevard. On March 14, he held the first of a series of engagement events and Commissioner West-Hafner attended.

Commissioner Mark Mata stated I have a question on the March 28 meeting. Do you have firm commitments from many apartment owners? Erika Byrd responded we have heard from three property companies and five people that they will be attending and we will be doing more outreach in the next couple of weeks to get that number up.

Commissioner Mark Mata stated we talked about the big four during the presentation that was given to us about evictions and how they were following through with plans, if someone was fifteen days behind, they were immediately evicting them. There were some statistics that were given to us within that report did we ever get some of that information clarified? Erika Byrd responded that the numbers came from a sample that HomeLine did so part of the process we are wanting to do by engaging the owners is to check what their practices are. A large component of the facilitated discussion will be asking what their practices are and what is the reasoning behind it. From a neutrality of trying to learn the lay of the land on evictions.

Commissioner Mark Mata stated it is a very disturbing statistic, if that is the fact. That doesn't make good business sense. Kim Berggren responded staff did one on one meetings with three of the four frequent filers either the owner or the manager. They confirmed that their practice is to initiate evictions that quickly. From our perspective that practice when they are initiating eviction was validated. They defended that practice as the one they prefer because they can initiate an eviction right away and they can have that unit rented out again more quickly. If they wait past the ten to fifteen-day window to initiate the eviction, then they are not able to vacate the unit and rent it out immediately. What they also told us is they would like to evaluate their practice. Your question about whether that makes good business sense, at least one of the complexes was going to do some initial follow-up on that and get back to us. Though we haven't heard back from them yet.

Commissioner Mark Mata responded that if that is their practice, it must be costing them money. Also, if that is the case it is impacting our residents whether they have ability to pay or something happens. There are a lot of factors that can come into play on how something doesn't get paid by a certain date. It happens. I have never been in favor of putting something in place to kick a business owner because I think they should be allowed to succeed and fail on their own. If that is the case, it is not only impacting the business owner it is impacting our residents, I would be in favor of putting something in place at some point. Maybe when they are coming to us asking for remodeling funds we will say well you should change this procedure now if you want our money to rebuild your building and make investments. We do have some type of strong arm to put something back upon them because I think that is a poor practice.

Commissioner Tonja West-Hafner asked can you give an update on the Brooks Garden and Brooks Landing finance closing? It looks like there will be some resident engagement and communication. Is there an actual closing date set? Erika Byrd responded it will be

sometime this summer. Staff will be meeting internally to go over the plans they submitted to the state and next week we will be having a meeting around collaboration. I will have specific dates for commissioners at the next EDA meeting.

Commissioner Tonja West-Hafner stated that those properties do need that investment. The sooner they get going the better the weather to work in.

IV. WORK SESSION: Commissioners recessed at 7:45 pm from the Council Chambers and reconvened at 7:49 pm in the Brooklyn Township Conference Room. This portion of the meeting was not televised nor videotaped but was open to the public.

8. WORK SESSION ITEMS

8.1 Discuss Strategic Priorities for the EDA – Kim Berggren stated there has been a lot of new discussion regarding programs, policy and development as well as discussion on how to support small business. Staff wants to make sure its work is in line with the priorities of this new body sitting as EDA. In an effort to focus staff's work and be able to take a proactive approach, rather than reactive towards making priorities a reality, staff is seeking direction on the ordering of priorities.

Current work of the EDA: Housing programs and policies; partnership projects; apartment engagement; development financial support; business expansion and retention; business attraction; BrookLynk; infrastructure investments; ongoing programs, events and grants.

Seeking direction on order of priority. We can accomplish all this work, but we would like direction on the most pressing, most important work to focus on the rest of the year. This direction is very valuable when having discussions with interested developers on both publicly owned sites and privately-owned sites. Ideas for New Initiatives: 1) Redevelopment initiatives (Village Creek plan and sites, opportunity zone, 85th Avenue); 2) Affordable housing development/preservation (NOAH, new affordable housing development, equitable development scorecard); 3) Mixed income development (new market rate/mixed income development, new senior, owner-occupied); and 4) Small business initiatives (active restaurant marketing, business incubator, small business entrepreneur support).

Additionally, there has been interest from many landowners and developers for apartments. Staff is seeking direction on the geographic areas of focus for apartment development. 1) EDA owned land (Village Creek, sites west of Oxbow Lake and former park and ride site at Noble & TH610); 2) 85th Avenue; and 3) BLRT station areas.

Following discussion commissioners provided feedback to staff. Staff will translate feedback into a draft work plan for the EDA to review.

V. ADJOURNMENT

Meeting adjourned at 9:09 p.m.

Respectfully Submitted
EDA Secretary Theresa Freund

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK
APRIL 1, 2019 SPECIAL MEETING MINUTES

I. ORGANIZATIONAL BUSINESS:

1. CALL TO ORDER: Vice President Lisa Jacobson at 7:00 p.m.

ROLL CALL PRESENT: Vice President Lisa Jacobson and Treasurer Wynfred Russell, Commissioners Mark Mata, Terry Parks, Susan Pha and Tonja West-Hafner, Executive Director Kim Berggren and City Clerk Devin Montero.

ABSENT/EXCUSED: President Jeff Lunde.

2. PUBLIC COMMENT AND RESPONSE:

2. A Response to Prior Public Comment: None.

2. B Public Comment: None.

3. APPROVAL OF AGENDA

MOTION WEST-HAFNER, SECOND RUSSELL APPROVING THE AGENDA AS PRESENTED. MOTION PASSED UNANIMOUSLY.

II. STATUTORY BUSINESS:

4. CONSENT:

4.1 None.

5. PUBLIC HEARINGS:

5.1 None.

6. GENERAL ACTION ITEMS:

6.1 Consider Authorizing the Executive Director to Amend the Professional Services Agreement for Edinburgh Clubhouse Design Services with Anderson Engineering.

MOTION WEST-HAFNER, SECOND PARKS TO WAIVE THE READING AND ADOPT RESOLUTION #2019-5 AUTHORIZING THE EXECUTIVE DIRECTOR TO ENTER INTO PROFESSIONAL SERVICES AGREEMENTS AND AMENDMENTS FOR CLUBHOUSE DESIGN SERVICES AND AGREEMENTS AND AMENDMENTS WITH PRIME CONTRACTORS FOR EDINBURGH CLUBHOUSE RENOVATIONS. ALSO MAKING NOTE TO CHANGE MARCH 14 DATE TO MARCH 28, 2019 IN THE RESOLUTION. MOTION PASSED UNANIMOUSLY.

III. DISCUSSION:

7. DISCUSSION ITEMS

7.1 None.

IV. WORK SESSION:

8. WORK SESSION ITEMS

8.1 None.

V. ADJOURNMENT

Meeting adjourned at 7:16 p.m.

Respectfully Submitted
EDA Secretary Theresa Freund

City of Brooklyn Park Request for EDA Action

Agenda Item No:	6.1	Meeting Date:	April 15, 2019
Agenda Section:	General Action Items	Prepared By:	Jennifer Jordan, Senior Project Manager
Resolution:	X	Presented By:	Jennifer Jordan, Senior Project Manager
No. of Attachments:	4		
Item:	Consider Approving a Contract for Private Development Between the Brooklyn Park EDA and Dignicare Properties of Brooklyn Park LLC for Soil Correction and Construction of a 32-Unit Senior Housing Development at 8500 Regent Avenue and Amending the 2019 EDA Budget for the TIF #3 Fund		

Executive Director's Proposed Action

MOTION _____, SECOND _____ TO WAIVE THE READING AND ADOPT RESOLUTION #2019-__ APPROVING A CONTRACT FOR PRIVATE DEVELOPMENT BETWEEN THE BROOKLYN PARK EDA AND DIGNICARE PROPERTIES OF BROOKLYN PARK LLC FOR SOIL CORRECTION AND CONSTRUCTION OF A 32-UNIT SENIOR HOUSING DEVELOPMENT AT 8500 REGENT AVENUE AND AMENDING THE 2019 EDA BUDGET FOR THE TIF #3 FUND.

Overview:

At the March 18, 2019, Economic Development Authority meeting, the EDA approved a term sheet with Dignicare Properties of Brooklyn Park LLC ("Developer") for funding for soil correction and construction of a 32-unit senior housing development located at 8500 Regent Avenue. This action would approve the Contract for Private Development between the EDA and Dignicare providing up to \$435,000 to the Developer to correct poor soils on the site and allow for construction of the new development to occur.

Primary Issues/Alternatives to Consider:

- **What is being proposed at the property?**

The project proposes to construct a 32-unit senior rental housing complex which includes 18 assisted-living units and 14 memory care units. A range of senior housing types has been identified as a large need in the community. Community engagement for the project occurred in August 2018. The project was recommended for approval by the Planning Commission on September 12, 2018 and approved by the City Council on September 24, 2018.

- **What are the key points of the Contract?**

EDA Assistance. The EDA will provide a repayable loan of up to \$435,000 to the Developer for correction of structurally substandard soils on site. The amount of the loan will be the lesser of the actual costs to remediate the site or \$435,000. The loan to the Developer will be interest only at 5% per annum over a three-year term with a balloon payment of the full principal amount at the end of year three. The loan source will be Tax Increment Financing (TIF) District #3 funds. The use of funds from TIF District #3 are limited to eligible redevelopment costs within the City's Development District #1. The financial assistance proposed for this project is an eligible use of TIF #3 funds.

Loan Disbursement: The EDA's loan funds will be held in escrow until the Developer has met the conditions for disbursement, including submitting invoices for soil correction costs. To ensure completion, the EDA's loan funds will be released when all aspects of the project are complete.

Loan Security: The EDA loan will be repaid in accordance with a Developer Note and secured by a Mortgage. The EDA's mortgage will be subordinate to the Developer's first mortgage. If the Developer defaults on the loan, the EDA can elect to pay off the senior lender and take a first lien position in order to foreclose the Mortgage.

Fees. The Developer deposited \$10,000 with the EDA to cover the EDA's costs for financial analysis and legal counsel in accordance with the adopted Developer Fee Policy. If total Administrative Costs and legal costs exceed \$10,000, the Developer remains responsible for such excess.

Affordability Requirement. The Developer has agreed to meet the affordability requirements of the City's Mixed-Income Housing Policy by ensuring that 10% of the units (4 of 32 units) are affordable at 50% of area median income for a period of 20 years.

Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer must commence construction of the Minimum Improvements by July 1, 2019 and must substantially complete construction of the Minimum Improvements by June 1, 2020. The Developer will be in default for failure to commence construction of the Minimum Improvements by December 31, 2019 or the Developer fails to obtain a certificate of occupancy for all of the housing units in the Minimum Improvements by December 31, 2020.

Project Valuation: The anticipated assessed value of this project upon completion is \$4,160,000. The Developer agrees it will not seek reduction in the assessed market value of the Development Property for property tax purposes below \$4,160,000.

- **What are the budget implications?**

The source of funds for the loan is pooled TIF #3 funds. The budget for the TIF #3 fund is also being modified by this action to provide for the expenditure. The EDA or City general funds is not being proposed as a funding source for this project.

Recommendation:

The Executive Director of the Economic Development Authority recommends approval.

Attachments:

- 6.1A RESOLUTION
- 6.1B LOCATION MAP
- 6.1C CONTRACT FOR PRIVATE DEVELOPMENT
- 6.1D EXECUTIVE SUMMARY

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK

RESOLUTION #2019-

APPROVING A CONTRACT FOR PRIVATE DEVELOPMENT BETWEEN
THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
AND DIGNICARE PROPERTIES OF BROOKLYN PARK LLC FOR SOIL
CORRECTION AND CONSTRUCTION OF A 32-UNIT SENIOR
HOUSING DEVELOPMENT AT 8500 REGENT AVENUE AND
AMENDING THE EDA BUDGET FOR THE TIF #3 FUND

WHEREAS, the Brooklyn Park Economic Development Authority, a public body corporate and politic (the "EDA") has reviewed a proposal from Dignicare Properties of Brooklyn Park LLC (the "Developer") to acquire, construct, and equip an approximately 22,000 square foot, 32-unit, senior living project (the "Facilities") to be located at 8500 Regent Avenue in Brooklyn Park (the "Development Property")

WHEREAS, the EDA and the City of Brooklyn Park, Minnesota (the "City") have undertaken a program to promote economic development and job opportunities, promote the development and redevelopment of land which is underutilized within the City, and have created a development district known as Development District No. 1 (the "Development District") in the City, pursuant to Minnesota Statutes, Sections 469.124 to 469.133 (the "Development District Act"); and

WHEREAS, the EDA has also determined that it is reasonable and necessary to provide certain financial assistance to the Developer in order to facilitate Developer's plans for the Facilities and the Development Property and to that end, the EDA and the Developer have negotiated a Contract for Private Development between the EDA and Developer (the "Contract"); and

NOW, THEREFORE, BE IT RESOLVED BY the Board of Commissioners (the "Board") of the Brooklyn Park Economic Development Authority as follows:

1. The EDA hereby approves the Contract in substantially the form presented to the Board, together with any related documents necessary in connection therewith, including without limitation all documents or certifications referenced in or attached to the Contract (collectively, the "Development Documents") and hereby authorizes the Executive Director to execute the Development Documents on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA's obligations thereunder when all conditions precedent thereto have been satisfied.
2. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. This Resolution shall not constitute an offer and the Development Documents shall not be effective until the date of execution thereof as provided herein. In the event of absence or disability of the officers, any

of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of legal counsel to the EDA, may act in their behalf.

3. The authority to approve, execute and deliver future amendments to the Development Documents is hereby delegated to the Executive Director, subject to the following conditions: (a) such amendments or consents do not materially adversely affect the interests of the EDA; (b) such amendments or consents do not contravene or violate any policy of the EDA, or applicable provision of law; and (c) such amendments or consents are acceptable in form and substance to the counsel retained by the EDA to review such amendments. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this Resolution. The execution of any instrument by the Executive Director shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Executive Director any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the EDA authorized to act in his or her place and stead.

4. The EDA authorizes the expenditure of available tax increment from Tax Increment Financing District No. 3 ("TIF 3") within the Development District to fund the loan described in the Contract in an amount not to exceed \$435,000 and hereby amends the TIF 3 Fund budget to include such amount as an authorized expenditure.

Conditional Use Permit #18-118 Hampton Companies/Dignicare
8500 Regent Ave. N.

Brooklyn Park
Community Development



Spring 2016 Air Photo.

100
Feet



Map Date August 15, 2018

CONTRACT FOR PRIVATE DEVELOPMENT

Between

BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY,

and

DIGNICARE PROPERTIES OF BROOKLYN PARK LLC,

Dated as of: April __, 2019

This document was drafted by:
KENNEDY & GRAVEN, Chartered (JSB)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402
Telephone: 612-337-9300

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CONTRACT FOR PRIVATE DEVELOPMENT

THIS CONTRACT FOR PRIVATE DEVELOPMENT (the “Agreement”), made on or as of the ___ day of April, 2019, by and between the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic (the “EDA”), and DIGNICARE PROPERTIES OF BROOKLYN PARK LLC, a Minnesota limited liability company (the “Developer”).

WITNESSETH:

WHEREAS, the EDA was created pursuant to the Act and was authorized to transact business and exercise its powers by Resolution No. 1988-273, approved October 24, 1988, by the City Council of the City of Brooklyn Park, Minnesota (the “City”); and

WHEREAS, the EDA and City have undertaken a program to promote economic development, promote the development and redevelopment of land which is underutilized within the City, and in this connection created a development district known as Development District No. 1 (the “Development District”) in the City, pursuant to Minnesota Statutes, Sections 469.124 to 469.133 (the “Municipal Development Act”); and

WHEREAS, the City and the EDA have established within the Development District, Tax Increment Financing District No. 3 (the “Pooling TIF District”) pursuant to Minnesota Statutes, Sections 469.174 to 469.1794 (the “TIF Act”), and has adopted a tax increment financing plan therefor (the “TIF Plan”) which provide for the use of tax increment financing in connection with certain developments within the Development District; and

WHEREAS, the TIF District is not subject to the limitations of Section 469.1763; and

WHEREAS, in order to achieve the objectives of the Development Program and particularly to make the land in the Development District available for development by private enterprise in conformance with the Development Program, the EDA has determined to assist with the financing of certain costs of constructing the Minimum Improvements (as hereinafter defined) to be constructed on certain property described in **Exhibit A** (the “Development Property”) as more particularly set forth in this Agreement; and

WHEREAS, the EDA believes that the development and construction of the Minimum Improvements (defined herein) pursuant to this Agreement, and fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of the applicable State and local laws and requirements under which the Minimum Improvements have been undertaken and the EDA is providing assistance in connection therewith.

NOW, THEREFORE, in consideration of the premises and the mutual obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. In this Agreement, unless a different meaning clearly appears from the context:

“Affiliate” means with respect to any entity (a) any corporation, partnership, limited liability company or other business entity or person controlling, controlled by or under common control with the entity, and (b) any successor to such party by merger, acquisition, reorganization or similar transaction involving all or substantially all of the assets of such party (or such Affiliate). For the purpose hereof the words “controlling”, “controlled by” and “under common control with” shall mean, with respect to any corporation, partnership, limited liability company or other business entity, the ownership of 50% or more of the voting interests in such entity or possession, directly or indirectly, of the power to direct or cause the direction of management policies of such entity, whether through ownership of voting securities or by contract or otherwise.

“Agreement” means this Contract for Private Development, as the same may be from time to time modified, amended, or supplemented.

“Business Day” means any day except a Saturday, Sunday, legal holiday, a day on which the City is closed for business, or a day on which banking institutions in the City are authorized by law or executive order to close.

“Business Subsidy Act” means Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

“Certificate of Completion” means the certification provided to the Developer pursuant to Section 4.4 of this Agreement.

“City” means the City of Brooklyn Park, Minnesota.

“Code” means the Internal Revenue Code of 1986, as amended.

“Construction Loan” means any loan or loans to be made to provide financing for the construction of the Minimum Improvements.

“Construction Plans” means the plans, specifications, drawings and related documents on the construction work to be performed by the Developer on the Development Property that (a) shall be as detailed as the plans, specifications, drawings and related documents that are submitted to the appropriate building officials of the City or EDA, and (b) shall include at least the following for each building: (1) site plan; (2) foundation plan; (3) underground parking plans; (4) floor plan for each floor; (5) cross sections of each (length and width); (6) elevations (all sides); (7) landscape plan; and (8) such other plans or supplements to the foregoing plans as the EDA may reasonably request to allow it to ascertain the nature and quality of the proposed construction work.

“County” means the County of Hennepin, Minnesota.

“Declaration” means the Declaration of Restrictive Covenants in substantially the form attached hereto as **Exhibit C**.

“Developer” means Dignicare Properties of Brooklyn Park LLC or its permitted successors and assigns.

“Developer Mortgage” means the Combination Mortgage, Security Agreement, and Fixture Financing Statement from the Developer in the form attached as **Exhibit E**. The title conveyed pursuant to the Developer Mortgage shall be subject to encumbrances (the “Permitted Encumbrances”) including, but not limited to, (i) all prior mortgages and encumbrances as allowed under Section VIII of this Agreement, (ii) all other encumbrances permitted under this Agreement (including, without limitation, a mortgage given or to be given in connection with a Construction Loan), (iii) statutory liens for current taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings, provided an appropriate reserve is established therefor, (iv) all covenants, conditions, easements, and restrictions of record not interfering in any material respect, individually or in the aggregate, with the ordinary use or operation of the Development Property; (v) mechanics’, carriers’, workers’, repairers’ and similar liens arising or incurred in the ordinary course of business that are being contested in good faith by appropriate proceedings and for which appropriate reserves have been taken; (vi) zoning, entitlement and other similar land use regulations by any governmental body not interfering in any material respect, individually or in the aggregate, with the ordinary use or operation of the Development Property; and (vii) such other liens and encumbrances as may be approved by the EDA and the Developer.

“Developer Note” means the Promissory Note from the Developer in the form attached as **Exhibit D**.

“Development Property” means the real property so described in **Exhibit A** of this Agreement.

“Escrow Agent” means _____, a Minnesota _____, as the escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Agreement, dated as of the date hereof, between the City, the Developer, and the Escrow Agent, in substantially the form set forth in **Exhibit F**.

“EDA” means the Brooklyn Park Economic Development Authority, or any successor or assign.

“EDA Representative” means the Executive Director of the EDA, or any person designated by the Executive Director to act as the EDA Representative for the purposes of this Agreement.

“Event of Default” has the meaning given such term in Section 9.1 of this Agreement.

“Holder” means the owner of a Mortgage (other than the Developer Mortgage).

“Minimum Improvements” means the acquisition, construction, and equipping of an approximately 22,000 square foot, 32-unit, senior living project to be located on the Development Property, located at 8500 Regent Avenue in the City, with 18 assisted living units and 14 memory care units, and soil corrections to the related real property.

“Mortgage” means any mortgage made by the Developer that is secured, in whole or in part, with the Development Property and that is a permitted encumbrance pursuant to the provisions of Article VIII of this Agreement, and any refinancings of such Mortgages, including, without limitation, any mortgage given to secure a Construction Loan.

“Pooled TIF” means Tax Increment which has been received and retained by the EDA in accordance with the provisions of Minnesota Statutes, Section 469.177 from Tax Increment Financing District No. 3, and not otherwise pledged to other obligations of the Pooling TIF District.

“Qualified Costs” means the costs actually incurred in connection with the construction of the Minimum Improvements, including remediation of substandard soils.

“State” means the State of Minnesota.

“Tax Increment” means that portion of the real property taxes which is paid with respect to the TIF District, and which is remitted to the EDA as tax increment pursuant to the TIF Act. The term Tax Increment does not include any amounts retained by or payable to the State auditor under Section 469.177, subd. 11 of the TIF Act, or any amounts described in Section 469.174, subd. 25, clauses (2) through (4) of the TIF Act.

“Tax Official” means any County assessor; County auditor; County or State board of equalization, the commissioner of revenue of the State, or any State or federal district court, the tax court of the State, or the State Supreme Court.

“Termination Date” has the meaning provided in Section 10.9 hereof.

“TIF Act” means the Tax Increment Financing Act, Minnesota Statutes, Sections 469.174 to 469.1794, as amended.

“TIF District” means the EDA’s Tax Increment Financing District No. 3.

“TIF Plan” means the Tax Increment Financing Plan for the TIF District adopted pursuant to the TIF Act, as the same may be amended.

“Unavoidable Delays” means delays beyond the reasonable control of the party seeking to be excused as a result thereof which are the direct result of war, terrorism, strikes, other labor troubles, prolonged adverse weather or acts of God, fire or other casualty to the Minimum Improvements, litigation commenced by third parties which, by injunction or other similar judicial action, directly results in delays, or acts of any federal, state or local governmental unit (other than the EDA in exercising its rights under this Agreement), which directly result in delays. Unavoidable Delays shall not include delays in the Developer’s obtaining of permits or governmental approvals necessary to enable construction of the Minimum Improvements by the

dates such approval and construction is required under Sections 4.2 and 4.3 of this Agreement, so long as the Construction Plans have been approved in accordance with Section 4.2 hereof.

**ARTICLE II
REPRESENTATIONS AND WARRANTIES**

Section 2.1. Representations by the EDA. The EDA makes the following representations as the basis for the undertaking on its part herein contained:

(a) The EDA is an economic development authority duly organized and existing under the laws of the State. Under the provisions of the TIF Act, the EDA has the power to enter into this Agreement and carry out its obligations hereunder.

(b) The development contemplated by this Agreement is in conformance with the development objectives set forth in the Development Program. Land use permits shall be governed by City land use ordinances and specific land use approvals separate from this Agreement.

(c) The EDA makes no representation or warranty, either express or implied, as to the Property or its condition or the soil conditions thereon, or that the Property shall be suitable for the Developer's purposes or needs.

Section 2.2. Representations and Warranties by the Developer. The Developer represents and warrants that:

(a) the Developer is a limited liability company duly organized and in good standing under the laws of the State, is not in violation of any provisions of its articles of organization, operating agreement or member control agreement, or the laws of the State, is duly authorized to transact business within the State, has power to enter into this Agreement and has duly authorized the execution, delivery and performance of this Agreement by proper action of its members.

(b) the Developer will construct, operate and maintain the Minimum Improvements in accordance with the terms of this Agreement and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code, energy-conservation and public health laws and regulations).

(c) the Developer has received no notice or communication from any local, state or federal official that the activities of the Developer or the EDA on the Development Property may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the EDA is aware). The Developer is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

(d) the Developer will obtain, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state and federal laws and regulations which must be obtained or met before the Minimum Improvements may be lawfully constructed.

(e) neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any organizational restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which the Developer is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(f) the proposed development by the Developer hereunder would not occur but for the financial assistance being provided by the EDA hereunder.

(g) the Developer shall promptly advise the EDA in writing of all litigation or claims affecting any part of the Minimum Improvements and all written complaints and charges made by any governmental authority, other than the EDA, materially affecting the Minimum Improvements or materially affecting the Developer or its business, which may delay or require changes in construction of the Minimum Improvements.

(h) in determining to proceed with the Minimum Improvements, the Developer has not relied on any assumptions, calculations, determinations or conclusions made by the EDA or the City, their governing body members, officers or agents, including the independent contractors, consultants and legal counsel, servants and employees thereof, with respect to the calculation of projected tax credits or other revenues to be generated by the Minimum Improvements or the Developer's returns on cost or investment.

ARTICLE III
**TAX INCREMENT ASSISTANCE; CONDITIONS TO DISBURSEMENT OF LOAN
AMOUNT; RELATED COVENANTS**

Section 3.1. Loan. The EDA agrees, subject to the further provisions of this Agreement, to apply certain Pooled TIF to assist in financing certain Qualified Costs of the Minimum Improvements. As of the date of this Agreement, the EDA has Pooled TIF in the amount of at least \$435,000.00 and the EDA will not use such amount of the Pooled TIF for any purpose other than to fund the Loan Amount (defined below); provided, however, the EDA may otherwise pledge additional Pooled TIF in excess of \$435,000.00 to other obligations of the TIF District. Other than the \$435,000 of Pooled TIF, the EDA neither pledges nor provides any other financial assistance to the Developer for the costs of the construction of the Minimum Improvements or other costs.

(a) In order to make development of the Minimum Improvements financially feasible, the EDA will loan to the Developer Pooled TIF in an amount equal to the lesser of \$435,000.00 or the Qualified Costs actually incurred (the "Loan Amount"). The EDA shall deposit \$435,000 with the Escrow Agent in accordance with the Escrow Agreement upon satisfaction of the following conditions:

(i) the Developer shall have executed and delivered the Developer Note in substantially the form attached as **Exhibit D**, the Developer Mortgage in substantially the form attached as **Exhibit E**; and the Declaration, in accordance with Section 3.5 hereof in substantially the form attached as **Exhibit C**, and the Developer Mortgage, the Declaration shall either have been recorded against the Development Property or delivered to the Escrow Agent for recording against the Development Property;

(ii) the Developer shall have delivered to the City copies of the (I) articles of organization, [**member control agreement**] and operating agreement of the Developer, (II) certificate of good standing for the Developer issued by the Minnesota Secretary of State; and (III) certified resolutions of the Developer authorizing the execution and delivery of this Agreement, the Developer Note, the Developer Mortgage, and all other documents to be executed by the Developer pursuant to this Agreement; and

(iii) The Developer shall have closed on a Construction Loan in an amount sufficient, together with the Loan Amount and committed equity of the Developer, to pay all costs of the construction of the Minimum Improvements.

(b) The City shall authorize the Escrow Agent to disburse the Loan Amount pursuant to the Escrow Agreement to the Developer in a single advance (except as provided in Section 3.1(c)) upon satisfaction of the following conditions:

(i) the Developer shall not then be in default of its obligations under this Agreement;

(ii) the Developer shall have submitted evidence satisfactory to the City showing the payment by the Developer of Qualified Costs in an amount equal to or

greater than the Loan Amount or so much thereof as is being requested by the Developer;
and

(iii) The Developer shall have completed the soil corrections necessary to make the Development Property buildable in accordance with the approved Construction Plans and the Developer shall have completed construction of the Minimum Improvements, as evidenced by the EDA's issuance of a Certificate of Completion in substantially the form provided in **Exhibit B**, the Developer.

(c) The Loan Amount is subject to repayment by the Developer pursuant to the terms of Section 9.2(c) of this Agreement and the Developer Note.

Section 3.2. Payment of Administrative Costs. The Developer will reimburse the EDA for all Administrative Costs incurred by the EDA. For the purposes of this Agreement, the term "Administrative Costs" means reasonable out of pocket costs incurred by the EDA, including fees paid to attorneys, the City or EDA's financial advisor, and any planning and engineering consultants retained by the EDA in connection with the use of the Pooled TIF for the Minimum Improvements, together with staff costs of the EDA, all attributable to or incurred in connection with review and analysis of the development proposed under this Agreement, any modification of the TIF Plan for the TIF District determined by the EDA to be necessary in order to utilize Pooled TIF to fund the Loan Amount, negotiation and preparation of this Agreement (together with any other agreements entered into between the parties hereto contemporaneously therewith or amendments thereto) and review and approvals of other documents and agreements in connection with the Project. In addition, certain engineering, environmental advisor, legal, land use, zoning, subdivision and other costs related to the development of the Development Property are required to be paid, or additional funds deposited in escrow, as provided in accordance with the EDA's planning, zoning, and building fee schedules. As security for Administrative Costs, the Developer shall deposit with the EDA the amount of \$10,000, and the EDA shall pay Administrative Costs from such fund. If total Administrative Costs and legal costs exceed \$10,000, the Developer remains responsible for such excess, and must pay such costs to the EDA within 10 days after receipt of a written invoice from the EDA describing the amount and nature of the costs to be reimbursed. After the Certificate of Completion has been executed and delivered, and all Administrative Costs related to such actions have been paid, the EDA will refund to the Developer any portion of the balance of the deposit (if any) that is not needed to cover such costs through such reimbursement date. Notwithstanding anything to the contrary herein, the Developer remains obligated to pay later Administrative Costs, including the costs of any amendments to this Agreement.

Section 3.3. Records. The EDA and its representatives shall have the right at all reasonable times after reasonable notice to inspect, examine and copy all books and records of the Developer relating to the Loan Amount and the Minimum Improvements.

Section 3.4. Exemption from Business Subsidy Act. The parties agree and understand that all financial assistance under this Agreement represents assistance for housing, and accordingly is not subject to the Business Subsidy Act.

Section 3.5. Affordability Covenant. The Developer hereby represents, covenants and agrees as follows:

(a) The Minimum Improvements are intended for occupancy, in part, by persons or families of low and moderate income, as defined by the City's Mixed-Income Housing Policy.

(b) At least 10% of the units in the Minimum Improvements shall be occupied or held for occupancy by persons with incomes no greater than 50% of the area-wide median income ("Qualifying Tenants").

(c) The Developer shall file reports evidencing compliance with this Section at least annually, no later than July 1 for the prior calendar year, beginning with July 1, 2021 for the calendar year ending 2020.

(d) Simultaneously with the execution of this Agreement, the Developer shall deliver a Declaration of Restrictive Covenants (the "Declaration") in substantially the form attached as **Exhibit C**, which Declaration requires that the Minimum Improvements meet the foregoing occupancy and income requirements for the time period, subject to the terms and conditions set forth in the Declaration.

(e) For purposes of this Section, income will be determined in accordance with the rules that apply under Section 142 of the Code and related regulations. To the extent the terms of this Agreement conflict with the Declaration, the terms of the Declaration shall control.

ARTICLE IV
CONSTRUCTION OF MINIMUM IMPROVEMENTS

Section 4.1. Construction of Minimum Improvements. The Developer agrees that it will construct the Minimum Improvements on the Development Property in accordance with the approved Construction Plans and will operate and maintain, preserve and keep the Minimum Improvements or cause the Minimum Improvements to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair and condition.

Section 4.2. Construction Plans. Nothing in this Agreement shall be construed to relieve the Developer of its obligations to receive any required approval of the Construction Plans from any City department or State agency. In addition to the Developer's obligations to obtain and comply with any applicable permits and other requirements of City code, ordinances, regulations, requirements and procedures, the Developer shall comply with the review, construction and inspection requirements set forth in this Article IV. At the option of the EDA, the EDA's actions and approvals as set forth in this Article IV may be undertaken by the EDA or the City's chief building official, City Assessor and the Executive Director of the EDA.

(a) Prior to the commencement of construction of the Minimum Improvements, the Developer will deliver to the EDA the Construction Plans all in form and substance reasonably acceptable to the EDA. The Construction Plans shall be consistent with this Agreement and all applicable State and local laws and regulations and the site plan and design drawings, as approved by the EDA. The EDA shall review the Construction Plans upon submission and, within 30 days thereof, deliver to the Developer a written statement approving the Construction Plans or a written statement rejecting the Construction Plans and specifying the deficiencies in the Construction Plans. The EDA shall approve the Construction Plans if: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of this Agreement, the Development Plan, the City's Housing Assistance Policy, the City's Mixed-Income Housing Policy and the TIF Plan; (iii) the Construction Plans comply with the site plan and design drawings approved by the EDA; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the Construction Plans are not approved by the EDA, then the Developer shall make such changes as the EDA may reasonably require and resubmit the Construction Plans to the EDA for approval, which will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed.

(b) Without the EDA's prior written consent, no material changes shall be made to the Construction Plans for the Minimum Improvements which materially alter (a) the site plan approved by the EDA, (b) exterior appearance, (c) construction quality, or (d) exterior materials included in the design drawings and Construction Plans. The EDA shall review the change to the Construction Plans upon submission and, within 30 days thereof, deliver to the Developer a written statement approving the change to the Construction Plans or a written statement rejecting the change to the Construction Plans and specifying the deficiencies in the change to the Construction Plans. The EDA shall approve the change to the Construction Plans if: (i) the Construction Plans substantially conform to the terms and conditions of this Agreement; (ii) the Construction Plans are consistent with the goals and objectives of this Agreement, the Development Plan, and the TIF Plan; (iii) the Construction Plans comply with the site plan and

design drawings approved by the EDA; and (iv) the Construction Plans do not violate any applicable federal, State or local laws, ordinances, rules or regulations. If the change to the Construction Plans is not approved by the EDA, then the Developer shall make such changes as the EDA may reasonably require and resubmit the Construction Plans to the EDA for approval, which will not be unreasonably withheld, unreasonably conditioned or unreasonably delayed.

(c) The approval of the Construction Plans, or any proposed amendment to the Construction Plans pursuant to this Agreement by the EDA does not constitute a representation or warranty by the EDA that the Construction Plans or the Minimum Improvements comply with any applicable building code, health or safety regulation, zoning regulation, environmental law or other law or regulation, or that the Minimum Improvements will meet the qualifications for issuance of a certificate of occupancy, or that the Minimum Improvements will meet the requirements of the Developer or any other users of the Minimum Improvements. Approval of the Construction Plans, or any proposed amendment to the Construction Plans, by the EDA will not constitute a waiver of an Event of Default. The Developer hereby waives any and all claims and causes of action whatsoever resulting from the review of the Construction Plans by the EDA and/or any changes in the Construction Plans requested by the EDA, provided the EDA shall be bound by its approval of the Construction Plans under the preceding paragraph. Neither the EDA or the City, nor any employee or official of the EDA or the City shall be responsible in any manner whatsoever for any defect in the Construction Plans or in any work done pursuant to the Construction Plans, including changes requested by the EDA or the City.

Section 4.3. Commencement and Completion of Construction. Subject to Unavoidable Delays, the Developer must commence construction of the Minimum Improvements by July 1, 2019, and must substantially complete construction of the Minimum Improvements by June 1, 2020. Notwithstanding the foregoing, failure of the Developer to comply with such deadlines shall not be an Event of Default unless the Developer fails to commence construction of the Minimum Improvements by December 31, 2019 or the Developer fails to obtain a certificate of occupancy for all of the housing units in the Minimum Improvements by December 31, 2020. All work with respect to the Minimum Improvements to be constructed or provided by the Developer on the Development Property shall be in conformity with the Construction Plans as submitted by the Developer and approved by the EDA. The Developer agrees for itself, its successors and assigns, and every successor in interest to the Development Property, or any part thereof, that the Developer, and such successors and assigns, shall promptly begin and diligently prosecute to completion the development of the Development Property through the construction of the Minimum Improvements thereon, and that such construction shall in any event be commenced and completed within the period specified in this Section 4.3 of this Agreement. Prior to completion, upon the request of the EDA, and subject to applicable safety rules, the Developer will provide the EDA or the City reasonable access to the Development Property. "Reasonable access" means at least one site inspection per week during regular business hours. During construction, marketing and rentals of the Minimum Improvements, the Developer will deliver progress reports to the EDA from time to time as reasonably requested by the EDA.

Section 4.4. Certificate of Completion.

(a) The Developer shall notify the EDA when construction of the Minimum Improvements has been substantially completed and the Developer has received a certificate of

occupancy issued by the City or the EDA for all units in the Minimum Improvements. The City or EDA shall, within 20 days after such notification, inspect the Minimum Improvements or take other means deemed adequate to the EDA in order to determine whether the respective Minimum Improvements have been constructed in substantial conformity with the approved Construction Plans. If the EDA determines that the Developer has not received a certificate of occupancy issued by the City or EDA for all units in the Minimum Improvements or that the Minimum Improvements have not been constructed in substantial conformity with the approved Construction Plans, the EDA shall deliver a written statement to the Developer indicating in adequate detail the specific respects in which the Minimum Improvements have not been constructed in substantial conformity with the approved Construction Plans and what measures or acts it will be necessary, in the opinion of the EDA, for the Developer to take or perform in order to obtain such certification. The Developer shall have a reasonable period of time to remedy such deficiencies. The EDA shall re-inspect the Minimum Improvements within a reasonable period of time after receiving notice that such deficiencies have been remedied in order to determine whether Minimum Improvements have been constructed in substantial conformity with the approved Construction Plans and this Agreement. Within a reasonable period of time after determining that Minimum Improvements have been constructed in substantial conformity with the approved Construction Plans, the City or the EDA will furnish to the Developer a Certificate of Completion substantially in the form attached hereto as **Exhibit B** certifying the completion of the Minimum Improvements, which may be recorded against title to the Development Property at the Developer's expense.

(b) The Certificate of Completion issued for the Minimum Improvements shall be a conclusive determination (and it shall be so provided in the certification) of the satisfaction and termination of the agreements and covenants of the Developer in this Agreement solely with respect to construction of the Minimum Improvements (including the dates for beginning and completion thereof). The issuance of a Certificate of Completion shall not be construed to relieve the Developer of any approval required by any City department in connection with the construction, completion or occupancy of the Minimum Improvements nor shall it relieve the Developer of any other obligations under this Agreement. Such certification by the EDA shall be a conclusive determination that any remaining obligations under this Agreement, except as set forth in the Declaration, shall be solely contractual obligations of the Developer, and parties to whom the Developer expressly assigns, and who expressly assume, the Developer's, obligations under this Agreement and that the remaining covenants of the Developer, as applicable, under this Agreement, except as set forth in the Declaration, are not intended to run with title to the Development Property or bind successors in title to the Development Property. Such certification and such determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any Holder of a Mortgage, or any insurer of a Mortgage, securing money loaned to finance the Minimum Improvements, or any part thereof.

ARTICLE V
INSURANCE

Section 5.1. Insurance.

(a) The Developer or its contractor shall provide and maintain at all times during the process of constructing the Minimum Improvements an All Risk Broad Form Basis Insurance Policy and, from time to time during that period, at the request of the EDA, furnish the EDA with proof of payment of premiums on policies covering the following:

(i) Builder's risk insurance, written on the so-called "Builder's Risk -- Completed Value Basis," in an amount equal to 100% of the insurable value of the Minimum Improvements at the date of completion, and with coverage available in nonreporting form on the so-called "all risk" form of policy;

(ii) Commercial general liability insurance (including operations, contingent liability, operations of subcontractors, completed operations and contractual liability insurance) with limits against bodily injury and property damage of not less than \$2,000,000 for each occurrence and as an annual aggregate (to accomplish the above-required limits, an umbrella excess liability policy may be used). The EDA shall be listed as an additional insured on the policy;

(iii) Workers' compensation insurance, with statutory coverage;

(iv) Employer's liability insurance, with minimum limits as follows:

(A) \$500,000 bodily injury by disease per employee,

(B) \$500,000 bodily injury by disease aggregate, and

(C) \$500,000 bodily injury by accident; and

(v) Business automobile liability insurance (including coverage for owned, hired, and non-owned automobiles) in the minimum amount of \$2,000,000 per occurrence, combined single limit for bodily injury and property damage.

(b) Upon completion of construction of the Minimum Improvements and prior to the Termination Date, the Developer shall maintain, or cause to be maintained, at its cost and expense, and from time to time at the request of the EDA shall furnish proof of the payment of premiums on, insurance as follows:

(i) Property insurance against physical loss and/or damage to the Minimum Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses. The EDA shall be listed as a loss payee on the policy.

(ii) Commercial general public liability insurance, including personal injury liability (with employee exclusion deleted), against liability for injuries to persons and/or

property, in the minimum amount of \$2,000,000 for each occurrence and as an annual aggregate, and shall be endorsed to show the EDA as an additional insured.

(iii) Such other insurance, including workers' compensation insurance respecting all employees of the Developer and professional liability insurance in the event the Developer manages the project, in such amounts as are customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Developer may be self-insured with respect to all or any part of its liability for workers' compensation.

(c) All insurance required in Article V of this Agreement shall be taken out and maintained in responsible insurance companies selected by the Developer or its contractor, as applicable, that are authorized under the laws of the State to assume the risks covered thereby. The Developer shall deposit or cause its contractor to deposit annually with the EDA policies evidencing all such insurance, or a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. The Developer shall give, and each policy shall contain a provision that the insurer give, written notice to the EDA at least 30 days before the effective date of any cancellation or modification which reduces the coverage provided below the amounts required herein. In lieu of separate policies, the Developer or its contractor, as applicable, may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required to be provided and maintained by the Developer herein, in which event the Developer or its contractor, as applicable, shall deposit with the EDA a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Minimum Improvements.

(d) The Developer agrees to notify the EDA immediately in the case of damage prior to the Termination Date exceeding \$500,000 in amount to, or destruction of, the Minimum Improvements or any portion thereof resulting from fire or other casualty. In such event the Developer will forthwith repair, reconstruct, and restore the Minimum Improvements to substantially the same or an improved condition or value as it existed prior to the event causing such damage and, to the extent necessary to accomplish such repair, reconstruction, and restoration, the Developer will apply the net proceeds of any insurance relating to such damage received by the Developer to the payment or reimbursement of the costs thereof. The Developer shall complete the repair, reconstruction and restoration of the Minimum Improvements, regardless of whether the net proceeds of insurance received by the Developer for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, reconstruction, and restoration shall be the property of the Developer.

(e) The Developer and the EDA agree that all of the insurance provisions set forth in this Article V shall terminate upon the termination of this Agreement.

Section 5.2. Subordination. Notwithstanding anything to the contrary contained in this Article V, the rights of the EDA under this Article V shall, in all respects, be subject to the rights of any lender pursuant to Article VII of this Agreement.

ARTICLE VI
DELINQUENT TAXES AND REVIEW OF TAXES

Section 6.1. Right to Collect Delinquent Taxes. The Developer acknowledges that the EDA is providing substantial aid and assistance by applying certain Pooled TIF to certain Qualified Costs of the Minimum Improvements by making a loan to the Developer to finance such costs. To that end, the Developer agrees for itself, its successors and assigns, that in addition to the obligation pursuant to statute to pay real estate taxes, it is also obligated by reason of this Agreement, during any time that the Developer owns the Development Property or any part thereof, to pay before delinquency all real estate taxes assessed against the Development Property and the Minimum Improvements. The Developer acknowledges that this obligation creates a contractual right on behalf of the EDA through the Termination Date to sue the Developer or its successors and assigns to collect delinquent real estate taxes and any penalty or interest thereon and to pay over the same as a tax payment to the county auditor. In any such suit in which the EDA is the prevailing party, the EDA shall also be entitled to recover its costs, expenses and reasonable attorney fees.

Section 6.2. Review of Taxes; Property Tax Classification.

(a) The Developer agrees that prior to the Termination Date it will not cause a reduction in the real property taxes paid in respect of the Development Property through: (i) willful destruction of the Development Property or any part thereof; or (ii) willful refusal to reconstruct damaged or destroyed property. The Developer also agrees that it will not, prior to the Termination Date, apply for an exemption from or a deferral of property tax on the Development Property pursuant to any law, or transfer or permit transfer of the Development Property to any entity whose ownership or operation of the property would result in the Development Property being exempt from real property taxes under State law.

(b) From January 2, 2021 through the assessment for taxes payable in 2022, the Developer agrees it will not seek reduction in the assessed market value of the Development Property for property tax purposes below \$4,160,000.

(c) Prior to the Termination Date, the Developer shall not apply for or obtain designation of the Development Property as low-income rental housing property classified as “4d” under Minnesota Statutes, Section 273.13, subdivision 25(a).

ARTICLE VII

FINANCING

Section 7.1. Encumbrance of the Development Property. Until the date on which the Developer Note has been paid in full, without the prior written consent of the EDA, neither the Developer nor any successor in interest to the Developer will engage in any financing or any other transaction creating any mortgage or other encumbrance or lien upon the Development Property, or portion thereof, whether by express agreement or operation of law, or suffer any encumbrance or lien to be made on or attach to the Development Property except (a) pursuant to existing financing disclosed to the EDA prior to the date hereof, including without limitation, the Construction Loan, and (b) for the purpose of obtaining funds only to the extent necessary for financing or refinancing the acquisition and construction of the Development Property or the Minimum Improvements (including, but not limited to, land and building acquisition, labor and materials, professional fees, development fees, real estate taxes, reasonably required reserves, construction interest, organization and other direct and indirect costs of development and financing, costs of constructing the Minimum Improvements, and an allowance for contingencies) including without limitation regulatory agreements and land use restriction agreements in connection with such financings.

Section 7.2. Subordination and Modification. In order to facilitate the Developer obtaining financing for purchase of the Development Property and for construction of the Minimum Improvements according to the Construction Plans, the EDA agrees to subordinate its rights under the Developer Note and the Developer Mortgage, as applicable, to such Construction Loans, subject to such reasonable terms and conditions as the EDA agrees in writing.

ARTICLE VIII
PROHIBITIONS AGAINST ASSIGNMENT AND TRANSFER; INDEMNIFICATION

Section 8.1. Representation as to Development. The Developer represents and agrees that its undertakings pursuant to this Agreement, are, and will be for the purpose of development of the Development Property as an affordable housing facility and not for speculation in land holding.

Section 8.2. Prohibition against Transfer of Property and Agreement. The Developer represents and agrees that until the date on which the Developer Note has been paid in full:

(a) Except only by way of security for, and only for, the purpose of obtaining mortgage financing necessary or beneficial to enable the Developer or any successor in interest to the Development Property, or any part thereof, to perform its obligations under this Agreement to acquire, construct and improve the Minimum Improvements, and any refinancings of such Mortgages, or as provided in Section 8.2(e) or in the case of a foreclosure or deed in lieu of foreclosure, the Developer will not sell, assign, convey, lease or transfer in any other mode or manner (collectively, "Transfer") this Agreement, the Development Property or the Minimum Improvements, or any interest therein, without the express written consent of the EDA, which consent will not be unreasonably withheld, conditioned or delayed;

(b) The EDA shall be entitled to require that there shall be submitted to the EDA for review all instruments and other legal documents involved in effecting any Transfer, and as a condition to any approval of any Transfer of the Minimum Improvements or this Agreement, except as set forth in Section 8.2(a), such instruments and other legal documents shall be subject to prior written approval by the EDA (which approval shall not be unreasonably withheld, conditioned, or delayed);

(c) Except as set forth in Section 8.2(a), and except in the case of a foreclosure or deed in lieu of foreclosure after completion of the Minimum Improvements in accordance with Article IV hereof, the EDA shall be entitled to require, as conditions to any approval of any Transfer of this Agreement, the Development Property, the Minimum Improvements, or applicable portion thereof in connection therewith, that:

(i) any proposed transferee shall have the qualifications and financial responsibility, as reasonably determined by the EDA, necessary and adequate to fulfill the obligations undertaken in this Agreement by the Developer;

(ii) any proposed transferee, by instrument in writing satisfactory to the EDA shall, for itself and its successors and assigns, and expressly for the benefit of the EDA have expressly assumed all of the obligations of the Developer under this Agreement and agreed to be subject to all the conditions and restrictions to which the Developer is subject;

(iii) there shall be submitted to the EDA for review all instruments and other legal documents involved in effecting transfer, and if approved by the EDA, its approval shall be indicated to the Developer in writing;

(iv) the Developer and its transferees shall comply with such other conditions as the EDA may reasonably require in order to achieve and safeguard the purposes of the Act, the TIF Act and this Agreement; and

(v) in the absence of a specific written agreement by the EDA to the contrary, no such transfer or approval by the EDA thereof shall be deemed to relieve the Developer or any other party bound in any way by this Agreement or otherwise with respect to the construction of the Minimum Improvements, from any of its obligations with respect thereto.

(d) The Developer agrees to pay all reasonable legal fees and expenses of the EDA, including fees of legal counsel retained by the EDA to review the documents submitted to the EDA in connection with any Transfer.

(e) Nothing contained in this Section shall prohibit the Developer, without the consent or approval of the EDA, from (i) entering into leases with tenants in the ordinary course of business, (ii) entering into easement or other agreements necessary for the operation of the Minimum Improvements, or (iii) admitting or removing members or transferring direct or indirect membership interests in the Developer in accordance with the applicable organizational documents.

(f) Any and all instruments and other legal documents involved in effecting the transfer of any interest in this Agreement or the Development Property governed by this Article VIII, shall be in a form reasonably satisfactory to the EDA.

In the event the foregoing conditions are satisfied then the Developer shall be released from its obligation under this Agreement, as to the portion of the Development Property that is transferred, assigned or otherwise conveyed.

Section 8.3. Soils, Environmental Conditions.

(a) The Developer acknowledges that the EDA makes no representations or warranties as to the condition of the soils on the Development Property or its fitness for construction of the Minimum Improvements or any other purpose for which the Developer may make use of such property.

(b) Without limiting its obligations under Section 8.4 of this Agreement, the Developer further agrees that it will indemnify, defend, and hold harmless the EDA, and their governing body members, officers, and employees, from any claims or actions arising out of the presence, if any, of hazardous wastes or pollutants existing on or in the Development Property. Nothing in this section will be construed to limit or affect any limitations on liability of the EDA under State or federal law, including without limitation Minnesota Statutes Sections 466.04 and 604.02.

Section 8.4. Release and Indemnification Covenants.

(a) the Developer releases from and covenants and agrees that the EDA, and the governing body members, officers, agents, servants and employees thereof (collectively, the

“Indemnified Parties”) shall not be liable for and agrees to indemnify and hold harmless the Indemnified Parties against any loss or damage to property or any injury to or death of any person occurring at or about or resulting from any defect in the Minimum Improvements except to the extent caused by any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties.

(b) Except for any willful misrepresentation or any willful or wanton misconduct of the Indemnified Parties, the Developer agrees to protect and defend the Indemnified Parties, now or forever, and further agrees to hold the Indemnified Parties harmless from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising from this Agreement, or the transactions contemplated hereby or the acquisition, construction, installation, ownership, maintenance and operation of the Minimum Improvements.

(c) The Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Development Property or Minimum Improvements.

(d) All covenants, stipulations, promises, agreements and obligations of the EDA contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the EDA and not of any governing body member, officer, agent, servant or employee of the EDA in the individual capacity thereof.

ARTICLE IX
EVENTS OF DEFAULT

Section 9.1. Events of Default Defined. The following shall be “Events of Default” under this Agreement and the term “Event of Default” shall mean, whenever it is used in this Agreement (unless the context otherwise provides), any one or more of the following events:

(a) Any failure by the Developer to observe or perform any material covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement, the Declaration, the Developer Note, the Developer Mortgage or under any other agreement entered into between the Developer and the EDA in connection with development of the Development Property;

(b) If, before issuance of the Certificate of Completion for all the Minimum Improvements, the Developer shall;

(i) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act or under any similar federal or State law, which action is not dismissed within 60 days after filing; or

(ii) make an assignment for benefit of its creditors; or

(iii) admit in writing its inability to pay its debts generally as they become due;
or

(iv) be adjudicated a bankrupt or insolvent.

Section 9.2. EDA Remedies on Default. Whenever any Event of Default referred to in Section 9.1 of this Agreement occurs, the EDA may exercise its rights under this Section 9.2 after providing 30 days written notice to the Developer of the Event of Default, but only if the Event of Default has not been cured within said 30 days or, if the Event of Default is by its nature incurable within 30 days, the Developer does not provide assurances reasonably satisfactory to the EDA that the Event of Default will be cured and will be cured as soon as reasonably possible.

(a) Suspend its performance under this Agreement until it receives assurances that the Developer will cure the default and continue the performance under the Agreement;

(b) Cancel and rescind or terminate the EDA’s obligations under this Agreement; provided however, that no such termination will terminate the Developer’s obligations under the Developer Note, the Developer Mortgage, or the Declaration to the extent any amount remains outstanding under the Developer Note;

(c) Demand repayment of the Loan Amount in full and foreclose the Developer Mortgage, subject to the terms of any subordination agreement entered into by the EDA;

(d) Take whatever action, including legal, equitable or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant under this Agreement.

Notwithstanding anything to the contrary set forth in this Agreement, members of the Developer and the lenders providing construction or permanent financing for the Minimum Improvements, including without limitation a Construction Loan, shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Developer, and the EDA agrees to accept or reject such cure on the same basis as if tendered by the Developer.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the EDA is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the EDA to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be required in this Article IX.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other concurrent, previous or subsequent breach hereunder.

Section 9.5. Attorney Fees. Whenever any Event of Default occurs and if the EDA employs attorneys or incurs other expenses for the collection of payments due or to become due or for the enforcement of performance or observance of any obligation or agreement on the part of the Developer under this Agreement, the Developer shall, within 10 days of written demand by the EDA, pay to the EDA the reasonable fees of such attorneys and such other expenses so incurred by the EDA.

Section 9.6. Developer Remedies on Default. If the EDA fails to make a payment, when due in accordance with the terms of this Agreement, pursuant to Section 3.1, the Developer may, after providing the 30 days' written notice to the EDA of the Event of Default, as applicable, suspend or terminate its performance under this Agreement and the Declaration and/or take whatever action at law or in equity may appear necessary or desirable to the Developer to enforce performance of an outstanding payment obligation of the EDA under this Agreement. If the Developer terminates its obligations hereunder, this Agreement shall be deemed terminated and the Developer shall have no further obligations hereunder except as provided in Section 10.9.

Nothing in this Agreement shall entitle the Developer to make any claim against the EDA for any damages whatsoever, other than an outstanding payment obligation of the EDA under this Agreement, and the Developer's remedies are strictly limited to the foregoing. Nothing in

this section will be construed to limit or affect any limitations on liability of the EDA under State or federal law, including without limitation Minnesota Statutes Sections 466.04 and 604.02.

ARTICLE X
ADDITIONAL PROVISIONS

Section 10.1. Conflict of Interests; EDA Representatives Not Individually Liable. The EDA and the Developer, to their actual knowledge, represent and agree that no member, official, or employee of the EDA shall have any personal interest, direct or indirect, in the Agreement, nor shall any such member, official, or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership, or association in which he or she is, directly or indirectly, interested. No member, official, or employee of the EDA shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the EDA or for any amount which may become due to the Developer or successor or on any obligations under the terms of the Agreement.

Section 10.2. Equal Employment Opportunity. The Developer, for itself and its successors and assigns, agrees that during the construction of the Minimum Improvements provided for in the Agreement it will comply with all applicable federal, State and local equal employment and non-discrimination laws and regulations.

Section 10.3. Restrictions on Use. The Developer agrees that the Developer, and such successors and assigns, shall use the Development Property and the Minimum Improvements thereon only as an affordable senior rental housing development that complies with the covenants in Section 3.5 hereof and the Declaration, which restrictions remain in effect for the respective periods described in those sections and the Declaration. Further, until the Termination Date the Developer shall not discriminate upon the basis of race, color, creed, sex or national origin in the sale, lease, or rental or in the use or occupancy of the Development Property or any improvements erected or to be erected thereon, or any part thereof.

Section 10.4. Titles of Articles and Sections. Any titles of the several parts, Articles, and Sections of the Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Section 10.5. Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand, or other communication under the Agreement by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally; and

- (a) in the case of the Developer, is addressed to or delivered personally to:

the Developer: Dignicare Properties of Brooklyn Park LLC
 1341 County Road D Circle E
 Vadnais Heights, MN 55109-5510
 Attn:

(b) in the case of the EDA, is addressed to or delivered personally to:

the EDA: Brooklyn Park Economic Development Authority
5200 85th Avenue North
Brooklyn Park, Minnesota, 55443
Attn: Executive Director

or at such other address with respect to either such party as that party may, from time to time, designate in writing and forward to the other as provided in this Section.

Section 10.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 10.7. Amendment. This Agreement may be amended only by written agreement approved by the EDA and the Developer.

Section 10.8. EDA Approval. Unless otherwise specified, any approval required by the EDA under this Agreement may, in the EDA's discretion, be given by the EDA Representative.

Section 10.9. Termination. This Agreement terminates on the "Termination Date," which means the earlier of (a) the end of the Qualified Project Period as defined in the Declaration; or (b) the date this Agreement is terminated in accordance with Article IX hereof; provided however Sections 3.2, 8.3, 8.4, 9.5 and 9.6 and the Declaration shall survive any rescission, termination or expiration of this Agreement with respect to or arising out of any event, occurrence or circumstance existing prior to the date thereof; and provided further that no such termination will terminate the obligation to repay the Loan Amount (or applicable portion thereof) in accordance with the Developer Note or Section 9.2(c) until such amount is paid in full.

Section 10.10. Choice of Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

IN WITNESS WHEREOF, the EDA has caused this Agreement to be duly executed in its name and behalf and its seal to be hereunto duly affixed and the Developer has caused this Agreement to be duly executed in its name and behalf on or as of the date first above written.

**BROOKLYN PARK ECONOMIC
DEVELOPMENT AUTHORITY**

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of April, 2019, by _____, the Executive Director of the Brooklyn Park Economic Development Authority, on behalf of said Authority.

Notary Public

EXHIBIT A

DEVELOPMENT PROPERTY

The Development Property described in this Agreement is located in Hennepin County, Minnesota, and is described as follows:

Lot _____, Block _____, _____, Hennepin County, Minnesota

EXHIBIT B

CERTIFICATE OF COMPLETION

WHEREAS, the Brooklyn Park Economic Development Authority, a public body corporate and politic (the “EDA”), and Dignicare Properties of Brooklyn Park LLC, a Minnesota limited liability company (“the Developer”) have entered into a TIF Development Agreement dated as of April ___, 2019 (the “Agreement”); and

WHEREAS, the Agreement requires the Developer to construct certain Minimum Improvements (as that term is defined in the Agreement);

WHEREAS, the Developer has constructed the Minimum Improvements (as that term is defined in the Agreement) in a manner deemed sufficient by the EDA to permit the execution of this certification and the release of the Development Property from the terms and conditions of the Agreement;

NOW, THEREFORE, this is to certify that the Developer has constructed the Minimum Improvements in accordance with the terms of the Agreement and that the provisions of the Agreement imposing obligations on Developer or others to construct any portion of the Minimum Improvements and the dates for the beginning and completion of such construction are hereby satisfied and terminated, and the County Recorder in and for the County of Hennepin and State of Minnesota is hereby authorized to accept for recording and to record the filing of this instrument, to be a conclusive determination of the satisfactory termination of said provisions of the Agreement. Any remaining obligations under the TIF Development Agreement, excluding any obligations set forth in the Declaration of Restrictive Covenants dated as of April ___, 2019, filed _____ as Document No. _____, or the Combination Mortgage, Security Agreement, and Fixture Financing Statement dated as of April ___, 2019, filed _____ as Document No. _____, referred to therein, shall be solely contractual obligations of the Developer and parties to whom the Developer expressly assigns, and who expressly assume, the Developer’s obligations under the TIF Development Agreement. The remaining covenants of the Developer under the TIF Development Agreement, except as set forth in the Declaration and the Mortgage, are not intended to run with title to the Development Property or bind successors in title to the Development Property.

Dated: _____, 20__.

EXHIBIT C
DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS, dated April __, 2019 (the “Declaration”), by DIGNICARE PROPERTIES OF BROOKLYN PARK LLC, a Minnesota limited liability company, its successors and assigns (the “Owner”) is given for the benefit of the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic (the “EDA”).

RECITALS

WHEREAS, the EDA and the Owner entered into that certain TIF Development Agreement, dated April __, 2019, (the “Agreement”); and

WHEREAS, pursuant to the Agreement, the Owner is obligated to cause the acquisition, construction, and equipping of an approximately 32-unit senior rental housing development and functionally related facilities (the “Project”) on the property described in **EXHIBIT A** hereto (the “Property”), and to cause compliance with certain affordability covenants described in Section 3.5 of the Agreement; and

WHEREAS, Section 3.5 of the Agreement requires that the Owner execute an instrument in recordable form substantially reflecting the covenants set forth in Section 3.5 of the Agreement; and

WHEREAS, the Owner intends, declares, and covenants that the restrictive covenants set forth herein will be and are covenants running with the Property for the term described herein and binding upon all subsequent owners of the Property for the term described herein, and are not merely personal covenants of the Owner; and

WHEREAS, capitalized terms in this Declaration have the meanings provided in the Agreement unless otherwise defined herein.

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owner agrees as follows:

1. Term of Restrictions.

(a) Occupancy Restrictions. The term of the Occupancy Restrictions set forth in Section 3 of this Declaration will commence on the date a certificate of occupancy is received from the EDA for all rental units in the Project and continue through the Termination Date defined below (the "Qualified Project Period").

(b) Termination of Declaration. This Declaration shall terminate on the date that is the later of (i) 20 years after the commencement of the Qualified Project Period or (ii) the date the Developer Note (as defined in the Agreement) is paid in full. In addition, this Declaration shall terminate and be of no further force and effect in the event of foreclosure or transfer of title by deed in lieu of foreclosure upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes.

(c) Removal from Real Estate Records. After the Termination Date of this Declaration, the EDA will, upon request by the Owner or its successors or assigns, file any document appropriate to remove this Declaration from the real estate records of Hennepin County, Minnesota.

2. Project Restrictions.

(a) The Owner represents, warrants, and covenants that:

(i) all leases of units to Qualifying Tenants (as defined in Section 3(a) hereof) will contain clauses, among others, wherein each individual lessee:

(1) certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(b) hereof); and

(2) agrees that the family income at the time the lease is executed will be deemed a substantial and material obligation of the lessee's tenancy; that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Owner or the EDA, and that the lessee's failure or refusal to comply with a request for information with respect thereto will be deemed a violation of a substantial obligation of the lessee's tenancy.

(ii) the Owner will permit any duly authorized representative of the EDA to inspect the books and records of the Owner pertaining to the income of Qualifying Tenants residing in the Project in accordance with Section 5(a).

(b) The Owner shall not intentionally concentrate Qualifying Tenants in any floor or any area of any building in the Project.

3. Occupancy Restrictions. The Owner represents, warrants, and covenants that:

(a) Qualifying Tenants. Throughout the Qualified Project Period, at least 10% of the units in the Project will be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Qualifying Tenants. Qualifying Tenants means those persons and families who are determined from time to time by the Owner to have combined adjusted income that does not exceed 50% of the area-wide median family income for the Minneapolis-St. Paul-Bloomington MSA, as that figure is determined and announced from time to time by HUD, as adjusted for family size ("Median Income") for the applicable calendar year. For purposes of this definition, the occupants of a residential unit will not be deemed to be Qualifying Tenants if all the occupants of such residential unit at any time are "students," as defined in Section 152(f)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), not entitled to an exemption under the Code. The determination of whether an individual or family is of low or moderate income will be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually. If during their tenancy a Qualifying Tenant's income exceeds 140% of the maximum income qualifying as low or moderate income for a family of its size, the next available unit (determined in accordance with the Code and applicable regulations) (the "Next Available Unit Rule") must be leased to a Qualifying Tenant or held vacant and available for occupancy by a Qualifying Tenant. If the Next Available Unit Rule is violated, the affected unit will not continue to be treated as occupied by a Qualifying Tenant.

(b) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant will be required annually to sign and deliver to the Owner a Certification of Tenant Eligibility substantially in the form attached as **EXHIBIT B** hereto, or in any other form as may be approved by the EDA (the "Eligibility Certification"), in which the prospective Qualifying Tenant certifies as to qualifying as low or moderate income. In addition, the person will be required to provide whatever other information, documents, or certifications are deemed necessary by the EDA to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that the tenant continues to be a Qualifying Tenant within the meaning of Section 3(a) hereof. Eligibility Certifications will be maintained on file by the Owner with respect to each Qualifying Tenant who resides in a Project unit or resided therein during the immediately preceding calendar year.

(c) Lease. The form of lease to be utilized by the Owner in renting any units in the Project to any person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by the person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by the person with respect to the Eligibility Certification.

(d) Annual Report. The Owner covenants and agrees that during the term of this Declaration, it will prepare and submit to the EDA on or before July 1 of each year, beginning with July 1, 2021 for the calendar year ending 2020, a certificate substantially in the form of **EXHIBIT C** hereto, executed by the Owner, (i) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants in the Project, including the percentage of the dwelling units of the Project which were occupied by Qualifying Tenants (or held vacant and available for occupancy

by Qualifying Tenants) at all times during the year preceding the date of the certificate; and (ii) stating, that to the best knowledge of the person executing the certificate after due inquiry, all the units were rented or available for rental on a continuous basis during the year to members of the general public and that the Owner was not otherwise in default under this Declaration during the year.

(e) Notice of Non-Compliance. The Owner will immediately notify the EDA if at any time during the term of this Declaration fewer than 10% of the dwelling units in the Project are occupied or available for occupancy as required by the terms of this Declaration.

(g) For purposes of this Declaration income will be determined in accordance with the rules that apply under Section 142 of the Code and related regulations.

4. Transfer Restrictions. The Owner covenants and agrees that the Owner will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Project prior to the termination of the Occupancy Restrictions provided herein (the "Transfer") that the transferee of the Project pursuant to the Transfer assume in writing, in a form acceptable to the EDA, all duties and obligations of the Owner under this Declaration, including this Section 4, in the event of a subsequent Transfer by the transferee prior to expiration of the Occupancy Restrictions provided herein (the "Assumption Agreement"). The Owner will deliver the Assumption Agreement to the EDA prior to the Transfer.

5. Enforcement.

(a) The Owner will permit, during normal business hours and upon reasonable notice, any duly authorized representative of the EDA to inspect any books and records of the Owner regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Owner will submit any other information, documents or certifications requested by the EDA which the EDA deems reasonably necessary to substantiate the Owner's continuing compliance with the provisions specified in this Declaration.

(c) The Owner acknowledges that the primary purpose for requiring compliance by the Owner with the restrictions provided in this Declaration is to ensure compliance of the property with the housing affordability covenants set forth in Section 3.5 of the Agreement, and by reason thereof, the Owner, in consideration for assistance provided by the EDA under the Agreement that makes possible the construction of the Project (as defined in the Agreement) on the Property, hereby agrees and consents that the EDA will be entitled, for any breach of the provisions of this Declaration, and in addition to all other remedies provided by law or in equity, to enforce specific performance by the Owner of its obligations under this Declaration in a state court of competent jurisdiction. The Owner hereby further specifically acknowledges that the EDA cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Owner understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the EDA may exercise any remedy available to it under Article IX of the Agreement.

6. Indemnification. The Owner hereby indemnifies, and agrees to defend and hold harmless, the EDA from and against all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Owner to comply with the terms of this Declaration, or on account of any representation or warranty of the Owner contained herein being untrue.

7. Agent of the EDA. The EDA will have the right to appoint an agent to carry out any of its duties and obligations hereunder, and will inform the Owner of any agency appointment by written notice.

8. Severability. The invalidity of any clause, part or provision of this Declaration will not affect the validity of the remaining portions thereof.

9. Notices. All notices to be given pursuant to this Declaration must be in writing and will be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to any other place as a party may from time to time designate in writing. The Owner and the EDA may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications are sent. The initial addresses for notices and other communications are as follows:

To the EDA: Brooklyn Park Economic Development Authority
5200 85th Avenue North
Brooklyn Park, Minnesota, 55443
Attn: Executive Director

To the Owner: Dignicare Properties of Brooklyn Park LLC
1341 County Road D Circle E
Vadnais Heights, MN 55109

10. Governing Law. This Declaration is governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

11. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Owner to enforce the provisions of this Declaration, the Owner agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the EDA in connection with the action.

12. Declaration Binding. This Declaration and the covenants contained herein will run with the real property comprising the Project and will bind the Owner and its successors and assigns and all subsequent owners of the Project or any interest therein, and the benefits will inure to the EDA and its successors and assigns until the Termination Date of this Declaration as provided in Section 1(b) hereof.

This Declaration is acknowledged and consented to by:

**BROOKLYN PARK ECONOMIC
DEVELOPMENT AUTHORITY**

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of April, 2019, by _____, the Executive Director of the Brooklyn Park Economic Development Authority, on behalf of said Authority.

Notary Public

**EXHIBIT A TO DIGNICARE PROJECT
DECLARATION OF RESTRICTIVE COVENANTS**

Legal Description

Lot _____, Block _____, _____, Hennepin County, Minnesota

EXHIBIT B TO DECLARATION OF RESTRICTIVE COVENANTS

Certification of Tenant Eligibility

(INCOME COMPUTATION AND CERTIFICATION)

Project: _____ 8500 Regent Street, Brooklyn Park, MN 55443

Owner:

Unit Type: _____ 1 BR _____ 2 BR _____ 3 BR

1. I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons (including minors) who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

Name of Members of the Household	Relationship To Head of Household	Age	Place of Employment
_____	_____	___	_____
_____	_____	___	_____
_____	_____	___	_____
_____	_____	___	_____
_____	_____	___	_____

Income Computation

2. The anticipated income of all the above persons during the 12-month period beginning this date,

(a) including all wages and salaries, overtime pay, commissions, fees, tips and bonuses before payroll deductions; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); interest and dividends; the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; but

(b) excluding casual, sporadic or irregular gifts; amounts which are specifically for or in reimbursement of medical expenses; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for these types of purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs, is as follows: \$ _____.

3. If any of the persons described above (or whose income or contributions was included in item 2) has any savings, bonds, equity in real property or other form of capital investment, provide:

(a) the total value of all such assets owned by all such persons: \$ _____;

(b) the amount of income expected to be derived from such assets in the 12 month period commencing this date: \$ _____; and

(c) the amount of such income which is included in income listed in item 2: \$ _____.

4. (a) Will all of the persons listed in item 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____

No _____

(b) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____

No _____

THE UNDERSIGNED HEREBY CERTIFY THAT THE INFORMATION SET FORTH ABOVE IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGE THAT THE LEASE FOR THE UNIT TO BE OCCUPIED BY THE UNDERSIGNED WILL BE CANCELLED UPON 10 DAYS WRITTEN NOTICE IF ANY OF THE INFORMATION ABOVE IS NOT TRUE AND CORRECT.

Head of Household

Spouse

FOR COMPLETION BY OWNER
(OR ITS MANAGER) ONLY

1. Calculation of Eligible Tenant Income:

(a) Enter amount entered for entire household in 2 above: \$ _____

(b) If the amount entered in 3(a) above is greater than \$5,000, enter the greater of (i) the amount entered in 3(b) less the amount entered in 3(c) or (ii) 10% of the amount entered in 3(a):
\$ _____

(c) TOTAL ELIGIBLE INCOME (Line 1(a) plus Line 1(b)): \$ _____

2. The amount entered in 1(c) is less than or equal to 50% of Median Income for the area in which the Project is located, as defined in the Declaration. 50% is necessary for status as a “Qualifying Tenant” under Section 3(a) of the Declaration.

3. Number of apartment unit assigned: _____.

4. This apartment unit was ____ /was not ____ last occupied for a period of at least 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit was less than or equal to 50% of Median Income in the area.

5. Check as applicable: ____ Applicant qualifies as a Qualifying Tenant (tenants of at least 10% of units must meet), or ____ Applicant otherwise qualifies to rent a unit.

THE UNDERSIGNED HEREBY CERTIFIES THAT HE/SHE HAS NO KNOWLEDGE OF ANY FACTS WHICH WOULD CAUSE HIM/HER TO BELIEVE THAT ANY OF THE INFORMATION PROVIDED BY THE TENANT MAY BE UNTRUE OR INCORRECT.

**DIGNICARE PROPERTIES
OF BROOKLYN PARK LLC**

By: _____
Its: _____

EXHIBIT C TO DECLARATION OF RESTRICTIVE COVENANTS

Certificate of
Continuing Program Compliance

Date: _____

The following information with respect to the Project located at 8500 Regent Street, Brooklyn Park, Minnesota (the "Project"), is being provided by DIGNICARE PROPERTIES OF BROOKLYN PARK LLC (the "Owner") to the _____, a public body corporate and politic (the "EDA"), pursuant to that certain Declaration of Restrictive Covenants, dated April ____, 2019 (the "Declaration"), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 32. The total number of these units occupied by Qualifying Tenants is _____ (at least 4).

(B) The following residential units (identified by unit number) are currently occupied by "Qualifying Tenants," as the term is defined in the Declaration:

1 BR Units:

2 BR Units:

3 BR Units:

(C) The following residential units which are included in (B) above, have been re-designated as residential units for Qualifying Tenants since _____, 20____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the EDA by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____

(D) The following residential units are considered to be occupied by Qualifying Tenants based on the information set forth below:

	<i>Unit Number</i>	<i>Name of Tenant</i>	<i>Number of Persons Residing in the Unit</i>	<i>Number of Bedrooms</i>	<i>Total Adjusted Gross Income</i>	<i>Date of Initial Occupancy</i>
1						
2						
3						
4						

(E) The Owner has obtained a “Certification of Tenant Eligibility,” in the form provided as EXHIBIT B to the Declaration, from each Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent “Certification of Tenant Eligibility” for each Tenant named in (D) above who signed such a Certification since _____, 20____, the date on which the last “Certificate of Continuing Program Compliance” was filed with the EDA by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (D) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the occupied residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

(G) The information provided in this “Certificate of Continuing Program Compliance” is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any “Certification of Tenant Eligibility” obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof ____% of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner,
on _____, 20__.

**DIGNICARE PROPERTIES OF BROOKLYN PARK
LLC**

By: _____
Its: _____

EXHIBIT D**PROMISSORY NOTE****\$435,000.00**

April __, 2019

Pursuant to this Promissory Note (this "Note"), DIGNICARE PROPERTIES OF BROOKLYN PARK LLC (the "Borrower"), hereby acknowledges itself to be indebted and, for value received, hereby promises to pay to the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY or its assigns (the "Lender"), the principal sum of FOUR HUNDRED THIRTY FIVE THOUSAND AND 00/100 DOLLARS (\$435,000), or such amount as is advanced and outstanding (the "Principal Amount"), with interest thereon as provided below (the "Loan").

1. As used herein, the term "TIF Development Agreement" means the TIF Development Agreement dated April __, 2019, as the same may be amended from time to time, by and between the Lender and the Borrower. Defined terms not otherwise defined in this Note have the meaning ascribed to such defined term in the TIF Development Agreement.

2. Commencing on the date of issuance of this Note and continuing until all amounts due hereunder have been paid in full, interest shall accrue on the outstanding Principal Amount at the rate of 5.00% per annum. All interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

3. This Note shall initially be payable on October 1, 2019, April 1, 2020, October 1, 2020, April 1, 2021, and October 1, 2021, in consecutive semiannual installments of all interest accrued to the date of payment.

4. On April 1, 2022 (the "Maturity Date"), all outstanding principal of this Note and accrued but unpaid interest shall be due and paid in full.

5. Upon the occurrence of any Event of Default as defined in the TIF Development Agreement, the balance of principal and interest unpaid on this Note shall become due and payable at the option of the Lender without demand or notice, said demand or notice being expressly waived, and failure to exercise said option at any time shall not constitute a waiver of the right to exercise the same at any subsequent time.

6. None of Borrower or any of Borrower's members, officers, directors, employees, or agents shall have any personal liability for Borrower's obligations related to the Loan, it being recognized by Lender that except as expressly set forth in the TIF Development Agreement, that Borrower's obligations are nonrecourse obligations and that the Lender's remedies are limited to the security provided in connection with the Loan.

IN WITNESS WHEREOF, Dignicare Properties of Brooklyn Park LLC, has caused this Promissory Note to be executed and delivered as of the date first written above.

**DIGNICARE PROPERTIES OF BROOKLYN
PARK LLC**, a Minnesota limited liability company

By: _____

Its: _____

**EXHIBIT E
FORM OF DEVELOPER MORTGAGE**

**COMBINATION MORTGAGE, SECURITY AGREEMENT,
AND FIXTURE FINANCING STATEMENT**

THIS MORTGAGE IS EXEMPT FROM MORTGAGE REGISTRATION TAX IMPOSED BY MINNESOTA STATUTES, §287.035, PURSUANT TO MINNESOTA STATUTES, §287.04, BECAUSE THE PRINCIPAL AMOUNT OF THE ORIGINAL MORTGAGE LOAN REFERRED TO HEREIN IS MADE UNDER A LOW AND MODERATE INCOME OR OTHER AFFORDABLE HOUSING PROGRAM AND THE MORTGAGEE IS THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, A MINNESOTA MUNICIPAL CORPORATION AND A LOCAL GOVERNMENT AGENCY ORGANIZED AND EXISTING UNDER THE CONSTITUTION AND LAWS OF THE STATE OF MINNESOTA.

THIS COMBINATION MORTGAGE, SECURITY AGREEMENT, AND FIXTURE FINANCING STATEMENT (the “Mortgage”) is made effective this ___ day of April, 2019, by **DIGNICARE PROPERTIES OF BROOKLYN PARK LLC**, a Minnesota limited liability company, whose address is 1341 County Road D Circle E, Vadnais Heights, MN, 55109 (the “Mortgagor” or “Borrower”), in favor of **BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY**, a Minnesota municipal corporation, whose address is 5200 85th Avenue North, Brooklyn Park, Minnesota, 55443 (the “Mortgagee”).

WITNESSETH:

That said Mortgagor hereby mortgages and conveys unto said Mortgagee and grants a security interest in those certain premises situated in the County of Hennepin, State of Minnesota, and legally described on **Exhibit A** attached hereto and made a part hereto (the “Property”).

Together with (i) all of the buildings, structures and other improvements now standing or at any time hereafter constructed or placed upon the Property; (ii) all lighting, heating, ventilating, air-conditioning, sprinkling and plumbing fixtures, water and power systems, engines and machinery, boilers, furnaces, oil burners, elevators and motors, communication systems, dynamos, transformers, electrical equipment and all other fixtures of every description located in

or on, or used, or intended to be used in connection with the Property or any building now or hereafter located thereon (excluding, however, fixtures owned by tenants occupying space in any building now or hereafter located on the Property); (iii) all hereditaments, easements, appurtenances, riparian rights, rents, issues, profits, insurance proceeds, condemnation awards, mineral rights and water rights now or hereafter belonging or in any way pertaining to the Property or to any building now or hereafter located thereon and all the estates, rights and interests of the Borrower in the Property; (iv) all building materials, furniture, furnishings, maintenance equipment and all other personal property now or hereafter located in, or on, or used, or intended to be used in connection with the Property or any building now or hereafter located thereon and all replacements and additions thereto (excluding personal property owned by tenants occupying space in any building now or hereafter located on the Property); and (v) all proceeds of all of the foregoing (all of the foregoing, are collectively hereinafter referred to as the "Project" which is further described in Exhibit C) and the filing of this Mortgage shall constitute the filing of a financing statement in the office wherein it is filed and a carbon, photographic or other reproduction of this document may also be filed as a financing statement:

Name and Address of Debtor and Record Owner of the Property:	Dignicare Properties of Brooklyn Park LLC 1341 County Road D Circle E Vadnais Heights, MN 55109
Names and Addresses of Secured Party:	Brooklyn Park Economic Development Authority 5200 85th Avenue North Brooklyn Park, Minnesota, 55443 Attn: Executive Director
Description of the Types (or items) of property covered by this financing statement:	See above and <u>Exhibit C</u>
Description of real estate to which all or part of the collateral is attached or upon which it is located:	See <u>Exhibit A</u> attached hereto.

Some of the above described collateral are or shall become fixtures upon the real estate described on Exhibit A, and this financing statement is to be filed for record in the public real estate records.

This Mortgage is given in consideration of and as security for the payment of a loan (the "Loan") totaling **FOUR HUNDRED AND THIRTY FIVE THOUSAND AND 00/100 DOLLARS (\$435,000)** or such amount that is advanced which is made to Mortgagor to finance certain costs incurred by Mortgagor in connection with the construction on the Property of the Project. The Loan is evidenced by a Promissory Note in the amount of **FOUR HUNDRED AND THIRTY FIVE THOUSAND AND 00/100 DOLLARS (\$435,000)** of even date herewith made by Mortgagor (the "Developer Note"), with a maturity date of April 1, 2022, the terms and conditions of which are incorporated herein. The entire principal of the Loan, and all accrued

interest thereon, shall be due and payable in accordance with the terms of the Developer Note. The terms, conditions and definitions contained in the Developer Note are incorporated herein.

Mortgagor makes and includes in this Mortgage the Statutory Covenants and other provisions set forth in Minnesota Statutes Section 507.15, and Mortgagor covenants with Mortgagee the following covenants:

- A. To warrant title to the Property, subject to those matters set forth on **Exhibit B** attached hereto;
- B. To pay the indebtedness as provided in the Developer Note;
- C. To pay all taxes as applicable;
- D. That the Property shall be kept in repair and no waste shall be committed and no hazardous substances or materials shall be allowed on the Property except as may be used in the ordinary course of operation of the Minimum Improvements;
- E. Mortgagor shall keep any buildings on the Property insured against loss by fire and other hazards for at least the sum of the full insurable value of said buildings, for the protection of Mortgagee subject to the rights of any prior Mortgagee;
- F. That the whole of the principal sum evidenced by the Developer Note, and all accrued interest thereon, shall become due after default by Mortgagor in any payment of principal or of any tax as and where due and payable, or in the performance of any other covenant, at the option of the Mortgagee, as provided hereafter and in the Developer Note; and
- G. To pay, when due, the principal and interest on other mortgages, as set forth in **Exhibit D** hereto.

In case of failure to pay said taxes and assessments, prior liens or encumbrances and attorney's fees as above specified, or to insure said buildings, improvements, and fixtures and deliver the policies as aforesaid, Mortgagee may, in its sole discretion, pay such taxes, assessments, prior liens, expenses, and attorney's fees and interest thereon, or obtain such insurance, and the sums so paid shall bear interest from the date of such payment at the rate of 8.00% per annum, and shall be impressed as an additional lien upon the Property and be immediately due and payable from Mortgagor to Mortgagee and this Mortgage shall from date thereof secure the repayment of such advances with interest.

The Mortgagee, or its agents, shall have the right at all reasonable times upon prior written notice, to enter upon the Property for purposes of inspecting the Property and the Project or any part thereof. The Mortgagee shall however, have no duty to make such inspection.

Mortgagor shall not lease, sublease, encumber, sell, transfer, convey, assign or otherwise transfer all or any part of its interest in the Property without prior written consent of Mortgagee,

provided however, nothing in this paragraph shall prohibit Mortgagor, without the consent or approval of the Mortgagee, from (i) entering into leases with tenants in the ordinary course of business, (ii) entering into easement or other agreements necessary for the operation of the Property or the Project, or (iii) admitting or removing members or transferring direct or indirect membership interests in the Mortgagor in accordance with the applicable organizational documents.

Subject to the terms of the Developer Note and any subordination agreement, in the event of damage or destruction to the Property, Mortgagee shall make any insurance proceeds available to Mortgagor for restoration or rebuilding so long as Mortgagor is not then in continued material default hereunder.

If default shall be made in payment of said sum when due or in any of the covenants or agreements contained herein or an Event of Default in and/or as defined in the Developer Note shall occur (and such default or Event of Default shall continue for a period of 30 days after written notice to Mortgagor from Mortgagee specifying such default or Event of Default), Mortgagee, subject to the restrictions and limitations set forth in the Developer Note, may declare immediately due and payable the entire unpaid principal balance of the Developer Note together with interest hereon, and Mortgagee, and its successors and assigns, are hereby authorized and empowered to foreclose this Mortgage by action or advertisement, pursuant to the statutes of the State of Minnesota, in such case made and provided, power being expressly granted to sell the Property at public auction and convey the same to the purchaser in fee simple and, out of the proceeds arising from such sale, to pay the principal of the Developer Note with interest, together with all legal costs and charges of such foreclosure and the maximum attorney's fees permitted by law, and to exercise and enforce any and all of its rights and remedies available after default to a secured party under Minnesota's Uniform Commercial Code.

Notwithstanding anything to the contrary set forth in this Mortgage, members of the Mortgagor and the lenders providing construction or permanent financing for the Project shall have the right, but not the obligation, to cure an Event of Default during the cure period provided for the Mortgagor, and the Mortgagee agrees to accept or reject such cure on the same basis as if tendered by the Mortgagor.

Mortgagee, prior to acceleration, shall furnish written notice to Mortgagor at the address provided above, by certified or registered United States mail, postage prepaid, specifying:

1. The event of default;
2. The action required to cure such event;
3. A date, not less than 30 days from the date the notice is mailed to Mortgagor, by which such default on or before the date specified in the notice may result in acceleration of the sums secured by this Mortgage and Sale of the Property. The notice shall further inform Mortgagor of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any

other defense of Mortgagor to acceleration and sale. If the default is not cured on or before the date specified in the notice, Mortgagee at Mortgagee's option, but subject to the restrictions and limitations in the Agreement, may declare all of the sums secured by this Mortgage to be immediately due and payable without further demand and may invoke the power of sale hereby granted and any other remedy permitted by applicable law. Notwithstanding Mortgagee's acceleration of the sums secured by this Mortgage, Mortgagor shall have the right to have any proceedings begun by Mortgagee to enforce this Mortgage discontinued at any time prior to the earlier of:

- (a) Sale of the Property pursuant to the power of sale contained in this Mortgage; or
- (b) A judgment enforcing this Mortgage if:
 - (1) Mortgagor pays Mortgagee all sums constituting the default actually existing under this Mortgage and the Developer Note at the commencement of foreclosure proceedings under this Mortgage;
 - (2) Mortgagor cures all breaches of any other covenants or agreements by Mortgagor contained in this Mortgage;
 - (3) Mortgagor pays all reasonable expenses incurred by Mortgagee in enforcing the covenants and agreements of Mortgagor contained in this mortgage and in enforcing Mortgagee's remedies as provided herein, including, but not limited to, reasonable attorney's fees; and
 - (4) Mortgagor takes such action as Mortgagee may reasonably require to assure that the lien of this Mortgage, Mortgagee's interest in the Property, and Mortgagor's obligation to pay the sums secured by this Mortgage and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

MORTGAGOR HEREBY EXPRESSLY CONSENTS TO THE FORECLOSURE AND SALE OF THE MORTGAGED PROPERTY BY ACTION PURSUANT TO MINNESOTA STATUTES CHAPTER 581 OR, AT THE OPTION OF MORTGAGEE, BY ADVERTISEMENT PURSUANT TO MINNESOTA STATUTES CHAPTER 580, WHICH PROVIDES FOR SALE AFTER SERVICE OF NOTICE THEREOF UPON THE OCCUPANT OF THE MORTGAGED PROPERTY AND PUBLICATION OF SAID NOTICE FOR SIX WEEKS IN THE COUNTY IN MINNESOTA WHERE THE MORTGAGED PROPERTY IS SITUATED. MORTGAGOR ACKNOWLEDGES THAT SERVICE NEED NOT BE MADE UPON MORTGAGOR PERSONALLY UNLESS MORTGAGOR IS AN OCCUPANT AND THAT NO HEARING OF ANY TYPE IS REQUIRED IN CONNECTION WITH THE SALE. AND EXCEPT AS MAY BE PROVIDED IN SAID STATUTES AND THIS MORTGAGE,

MORTGAGOR EXPRESSLY WAIVES ANY AND ALL RIGHTS TO PRIOR NOTICE OF SALE OF THE MORTGAGED PROPERTY AND ANY AND ALL RIGHTS TO A PRIOR HEARING OF ANY TYPE IN CONNECTION WITH THE SALE OF THE MORTGAGED PROPERTY.

MORTGAGOR ACKNOWLEDGES THAT IT IS REPRESENTED BY LEGAL COUNSEL; THAT BEFORE SIGNING THIS MORTGAGE, THIS SECTION AND MORTGAGOR'S CONSTITUTIONAL RIGHTS WERE FULLY EXPLAINED BY SUCH COUNSEL; AND THAT MORTGAGOR UNDERSTANDS THE NATURE AND EXTENT OF THE RIGHTS WAIVED HEREBY AND THE EFFECT OF SUCH WAIVER.

This Mortgage and the Developer Note shall be construed in accordance with the laws of the State of Minnesota.

Mortgagor shall have the right and privilege, but not the obligation, to borrow additional funds and to further encumber the security and collateral given and pledged to Mortgagee hereunder at any time, from time to time, and as often as Mortgagor shall determine, without the consent of the Mortgagee unless required by the Agreement.

This Mortgage shall constitute a security agreement within the meaning of the Minnesota Uniform Commercial Code ("Code"), and the Mortgagor hereby grants to the Mortgagee a security interest within the meaning of the Code in the property described in Exhibit C attached hereto.

In addition to other obligations described herein, the Borrower is liable for:

- (a) Damage to the Property or injury to persons or property as a result of hazardous materials, substances or violations of environmental laws;
- (b) Application of insurance proceeds or condemnation award other than pursuant to the provisions of the Mortgage;
- (c) Waste or damage to the Property; and
- (d) Failure to pay real estate taxes or assessments on the Property.

All notices to be given pursuant to this Mortgagee shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing. The Mortgagor and the Mortgagee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent. The initial addresses for notices and other communications are as follows:

To the Mortgagee: Dignicare Properties of Brooklyn Park LLC
1341 County Road D Circle E
Vadnais Heights, MN 55109
Attn: _____

The Mortgagor: Brooklyn Park Economic Development Authority
5200 85th Avenue North
Brooklyn Park, Minnesota, 55443
Attn: Executive Director

None of Mortgagor or any of Mortgagor's members, officers, directors, employees, or agents shall have any personal liability for Mortgagor's obligations related to the Loan, it being recognized by Lender that except as expressly set forth in the TIF Development Agreement, dated April __, 2019, as the same may be amended from time to time, by and between the Mortgagee and the Mortgagor (the "TIF Development Agreement"), that Mortgagor's obligations are nonrecourse obligations and that the Mortgagee's remedies are limited to the security provided in connection with the Loan.

EXHIBIT A
to Combination Mortgage,
Assignment of Rents and Leases
and Security Agreement
LEGAL DESCRIPTION

Lot ____, Block ____, _____, Hennepin County, Minnesota

EXHIBIT B
to Combination Mortgage,
Assignment of Rents and Leases
and Security Agreement
PERMITTED ENCUMBRANCES

BORROWER: Dignicare Properties of Brooklyn Park LLC, a Minnesota limited liability company

LENDER: Brooklyn Park Economic Development Authority

The Property is subject to the following liens and no others:

EXHIBIT C
to Combination Mortgage,
Assignment of Rents and Leases
and Security Agreement
COLLATERAL DESCRIPTION

As used herein, the term “Debtor” shall mean and include the terms “Mortgagor”, “Grantor”, and “Borrower”; and the term “Secured Party” shall mean and include the terms “Lender”, “Beneficiary”, and “Creditor”.

This Exhibit “C” is attached to, incorporated by reference in and forms a part of certain documents (collectively, the “Security Documents”), dated of even date herewith, executed and delivered by the Debtor in connection with the financing of the Project (as hereinafter defined), including (i) the Mortgage, Assignment of Rents and Security Agreement; and (ii) financing statements.

This Exhibit “C” refers to the following collateral, which may be now or hereafter located on the premises of, relate to, or be used in connection with that certain approximately 32-unit senior rental housing development described in the Agreement (the “Project”), located in Brooklyn Park, Minnesota.

1. All materials now owned or hereafter acquired by the Debtor and intended for construction, alteration and repair of any building, structure or improvement now or hereafter erected or placed on the property described in Exhibit A (the “Property”), all of which materials shall be deemed to be included within the Project immediately upon the delivery thereof to the Project.

2. All the walks, fences, shrubbery, driveways, fixtures, machinery, apparatus, equipment, fittings, and other goods and other personal property of every kind and description whatsoever, now owned or hereafter acquired by the Debtor and attached to or contained in and used or usable in connection with any present or future operation of the Project, including, by way of example rather than of limitation, all lighting, laundry, incinerating and power equipment; all engines, boilers, machines, motors, furnaces, compressors and transformers; all generating equipment; all pumps, tanks, ducts, conduits, wire, switches, electrical equipment and fixtures, fans and switchboards; all telephone equipment; all piping, tubing, plumbing equipment and fixtures; all heating, refrigeration, air conditioning, cooling, ventilating, sprinkling, water, power and communications equipment, systems and apparatus; all water coolers and water heaters; all fire prevention, alarm and extinguishing systems and apparatus; all cleaning equipment; all lift, elevator and escalator equipment and apparatus; all partitions, shades, blinds, awnings, screens, screen doors, storm doors, exterior and interior signs, gas fixtures, stoves, ovens, refrigerators, garbage disposals, dishwashers, cabinets, mirrors, mantles, floor coverings, carpets, rugs, draperies and other furnishings and furniture installed or to be installed or used or usable in the operation of any part of the Project or facilities erected or to be erected in or upon the Property; and every renewal or replacement thereof or articles in substitution thereof, whether or not the same are now or hereafter attached to the Property in any manner; all except

for any right, title or interest therein owned by any tenant (it being agreed that all personal property owned by the Debtor and placed by it on the Property shall, so far as permitted by law, be deemed to be affixed to the Property, appropriated to its use, and covered by each of the Security Documents to which this Exhibit is attached).

3. All of the Debtor's right, title and interest in and to any and all judgments, awards of damages (including but not limited to severance and consequential damages), payments, proceeds, settlements or other compensation (collectively, the "Awards") heretofore or hereafter made, including interest thereon, and the right to receive the same, as a result of, in connection with, or in lieu of (I) any taking of the Property or any part thereof by the exercise of the power of condemnation or eminent domain, or the police power, (II) any change or alteration of the grade of any street, or (III) any other injury or decrease in the value of the Property or any part thereof (including but not limited to destruction or decrease in value by fire or other casualty), all of which Awards, rights thereto and shared therein are hereby assigned to the Secured Party, who is hereby authorized to collect and receive the proceeds thereof and to give property receipts and acquittances therefor and to apply, at its option, the net proceeds thereof, after deducting expenses of collection, as a credit upon any portion, as selected by the Secured party, of the indebtedness secured by the Security Documents.

4. All of the Debtor's right, title and interest in and to any and all payments, proceeds, settlements or other compensation heretofore and hereafter made, including interest thereon, and the right to receive the same from any and all insurance policies covering the Property or any portion thereof, or any of the other property described herein.

5. The interest of the Debtor in and to all of the rents, royalties, issues, profits, revenues, income, and other benefits of the Property other than tax credits, or arising from the use or enjoyment pertaining thereto, and all right, title and interest of the Debtor in and to, and remedies under, all contract rights, account receivable and general intangibles arising out of or in connection with any and all leases and subleases of the Property, or any part thereof, and of the other property described herein, or any part thereof, both now in existence or hereafter entered into, together with all proceeds (cash and non-cash) thereof; and including, without limitation, all cash or securities deposited thereunder to secure performance by the lessees of their obligations thereunder.

6. All of the Debtor's rights, options, powers and privileges in and to (but not the Debtor's obligations and burdens under) any construction contract, architectural and engineering agreements and management contract pertaining to the construction, development, ownership, equipping and management of the Property and all of the Debtor's rights, title, and interest in and to (but not the Debtor's obligations and burdens under) all architectural, engineering and similar plans, specifications, drawings, reports, surveys, plats, permits and the like, contracts for construction operation and maintenance of, or provision of services to, the Property or any of the other property described herein, and all sewer taps and allocations, agreements for utilities, bonds and the like, all relating to the Property.

7. All intangible personal property, accounts, licenses, permits, instruments, contract rights, and chattel paper of the Debtor relating to the Project, including but not limited to cash;

accounts receivable; bank accounts; certificates of deposit; securities; promissory notes; rents; rights (if any) amounts held in escrow; insurance proceeds; condemnation rights; deposits; judgements, liens and causes of action; warranties and guarantees. Provided, however, that the security interest granted herein shall not include any of the foregoing which do not relate to the operation of the Project or any tax credits.

8. The interest of the Debtor in any cash escrow fund and in any and all funds, securities, instruments, documents and other property which are at any time paid to, deposited with, under the control of, or in the possession of the Secured Party, or any of its agents, branches, affiliates, correspondents or others acting on its behalf, which rights shall be in addition to any right of set-off or right of lien that the Secured Party may otherwise enjoy under applicable law, regardless of whether the same arose out of or relates in any way, whether directly or indirectly, to the Project located upon the Property.

9. The interest of the Debtor in and to any and all funds created or established and held by the trustee pursuant to any indenture of trust or similar instrument authorizing the issuance of bonds or notes for the purpose of financing the Project located upon the Property.

10. All inventory, including raw materials, components, work-in-process, finished merchandise and packing and shipping materials owned by the Debtor and located on the Property.

11. Proceeds, products, returns, additions, accessions and substitutions of and to any or all of the above, but not including sale proceeds of a permitted transfer of the Project.

12. Any of the above arising or acquired by the Debtor or to which the Debtor may have a legal or beneficial interest in on the date hereof and at any time in the future.

13. Any of the above which may become fixtures by virtue of attachment to the Property.

14. All of the records and books of account now or hereafter maintained by or on behalf of the Debtor in connection with the Project.

15. All names now or hereafter used in connection with the Project and the goodwill associated therewith.

EXHIBIT F

FORM OF ESCROW AGREEMENT



Suite Living Senior Care of Brooklyn Park

Overview

Suite Living Senior Care of Brooklyn Park (“Suite Living”) will feature 32 single-bed units with 18 units dedicated to Assisted Living (“A/L”) and 14 units to Memory Care (M/C”). The building will be a 22,000-sf single-story wood framed structure, with high quality finishes that resembles a single-family residential design. The building includes an in-floor heating system to ensure all residents are always comfortable. The floorplan is an open concept with valuated ceiling in the entrance and all common areas, wide hallways, fire places, fish tanks, and indoor / outdoor activity spaces.

The building will take approx. 7 months to construct, and once opened, the facility will achieve breakeven lease up by month 12, and full stabilization by month 17. The completed facility will provide an intimate setting where residents are encouraged to interact with one another in a homelike environment. Facility amenities will include dining facilities, sitting rooms, beauty shop, outdoor living areas, visiting physicians and home cooked meals. The open floor plan ensures ongoing care staff / resident interaction and monitoring.

The A/L residents will enjoy a home-like atmosphere in a setting that allows them the freedom to participate in many activities that not only help assist them in their daily care needs but also provide them with a higher quality of life. Each A/L unit is a single-bed configuration providing approx. 300 sf. These units include a microwave, small fridge, resident controlled thermostat for in-room ductless HVAC system (mini-split), and a bathroom with walk-in, no-trip, shower.

The M/C residents will be provided with their own code-lock secure area of the building that provides a congregate dining room, activity/craft area and a secure garden/patio area. These residents will benefit from life enrichment programs that are specially designed for residents with Alzheimer’s and Dementia. Each M/C unit is a single-bed configuration providing approx. 280 sf. These units include a care provider-controlled thermostat for in-room ductless HVAC system (mini-split), and a bathroom.

Staff at Suite Living are trained in serving those with Alzheimer’s/Dementia, Parkinson’s and other specialty needs usually unmet by other larger senior care facilities. Suite Living will employ approx. 25 full-time equivalent and part-time positions who provide 24 X 7 personalized care to the residents.

The 32-unit configuration is a dramatic departure from the senior care industry norm, where bigger is considered better, as a large facility helps create operational economies of scale. This “bigger is better” model has a number of drawbacks, the most important being the impersonalized resident care experience coupled with a lack of flexibility in the overall resident care model. By focusing on this 32-bed strategy, Suite Living can deliver a much more personalized care experience to its residents. This strategy further ensures that the Suite Living resident to care staff ratio never exceeds 8-1 (which is much lower than the typical large senior facility) and allows the care staff to deliver a highly flexible 24 X 7 care offering to the residents including customized group activities and meal plans.

Sponsorship

Collectively, the Suite Living sponsorship have over 150 years of collective development, construction, operations, and capital markets experience. They have developed and/or built 900 residential single family lots, 2,000 single-family and hospitality units; 250,000 sf of commercial space; and developed 400 senior housing units; and completed over \$1.5 BN in capital markets transactions.

Business Plan

The Suite Living executive team executes its business plan through 4 highly collaborative divisions being:

- Land
 - o Locates and entitles land, completes all reports and studies (Phase 1, soils, land appraisal, market analysis, etc.), completes all engineering and preliminary site planning
- Construction
 - o Completes all architectural drawings and constructs a fully completed “turn-key” 32-unit senior care facility
- Healthcare
 - o Provides daily management to each senior care facility including sales and marketing, leasing, resident care, property maintenance, etc.
- Operations / Administration
 - o Provides all of the above divisions with a comprehensive administrative support solution that includes all aspects of administration, reporting, accounting, and lender relationships

Site Selection

The Suite Living site selection process is driven by the combination of third-party empirical data and deep senior housing real estate development experience. Once a potential new site is identified, the management team will then run a comprehensive senior-specific demographic profile for the area based on a 3, 5, and 10-mile radius. This demographic profile is then over-layed with a comprehensive traffic study to ensure that the site offers maximum suitability and visibility for a facility.

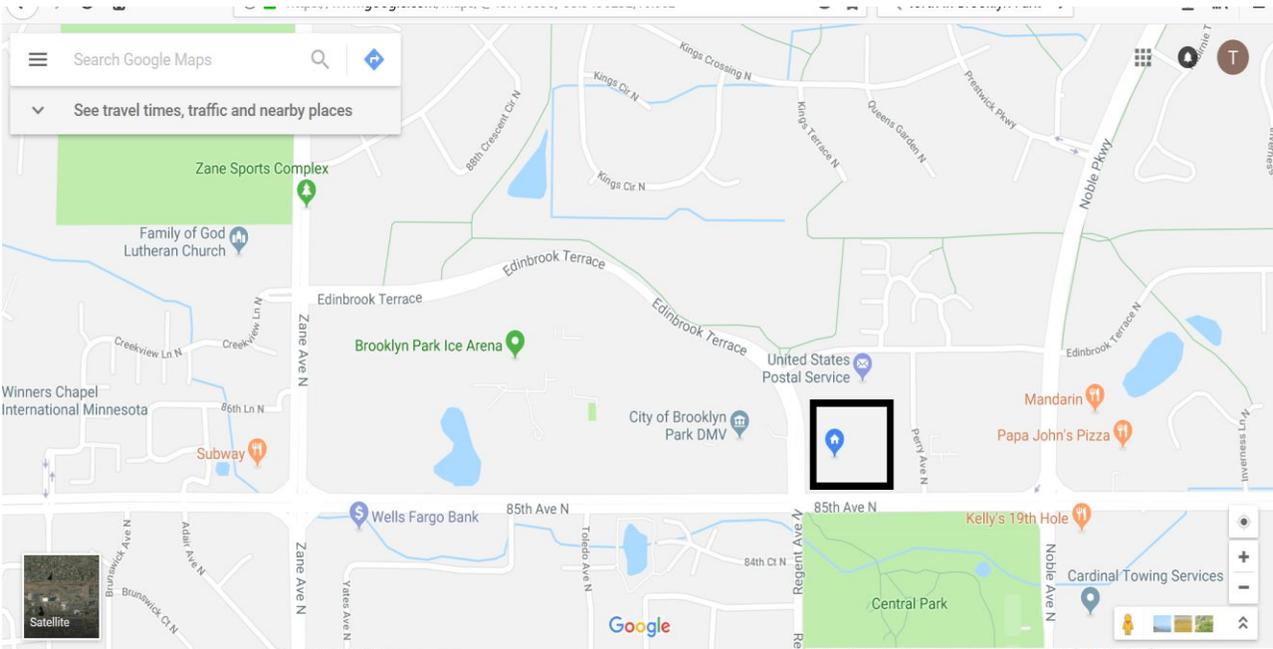
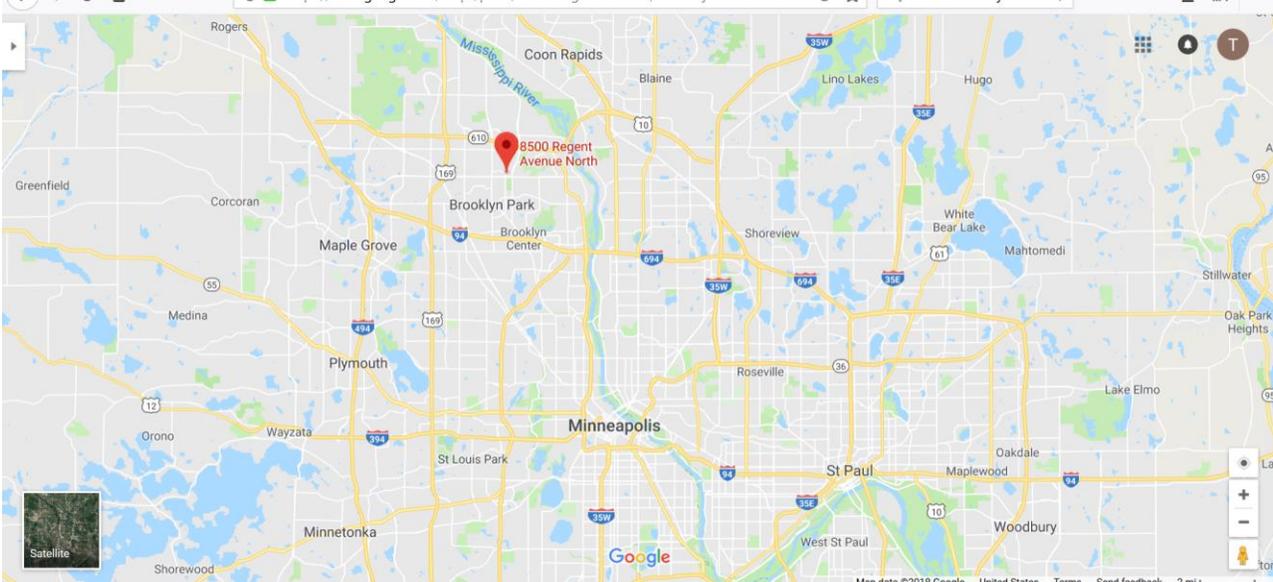
Resident Care Profile

The Suite Living business model focuses on providing high-acuity specialty care to its residents. The typical resident has an assessment grade of G or higher (based on the industry “A – K” assessment model). As previously noted, the 32-bed configuration allows the care staff to provide a highly customized care package to each resident based on his/her specific care needs. Based on existing facilities under management, the resident mix is forecasted to be 80% Private Pay and 20% Elderly Waiver. The Suite Living care model incorporates an “on-call” doctor model which ensures that each resident receives doctor assistance without having to leave the facility. This model helps significantly reduce the risk of outside viruses being brought into the facility.

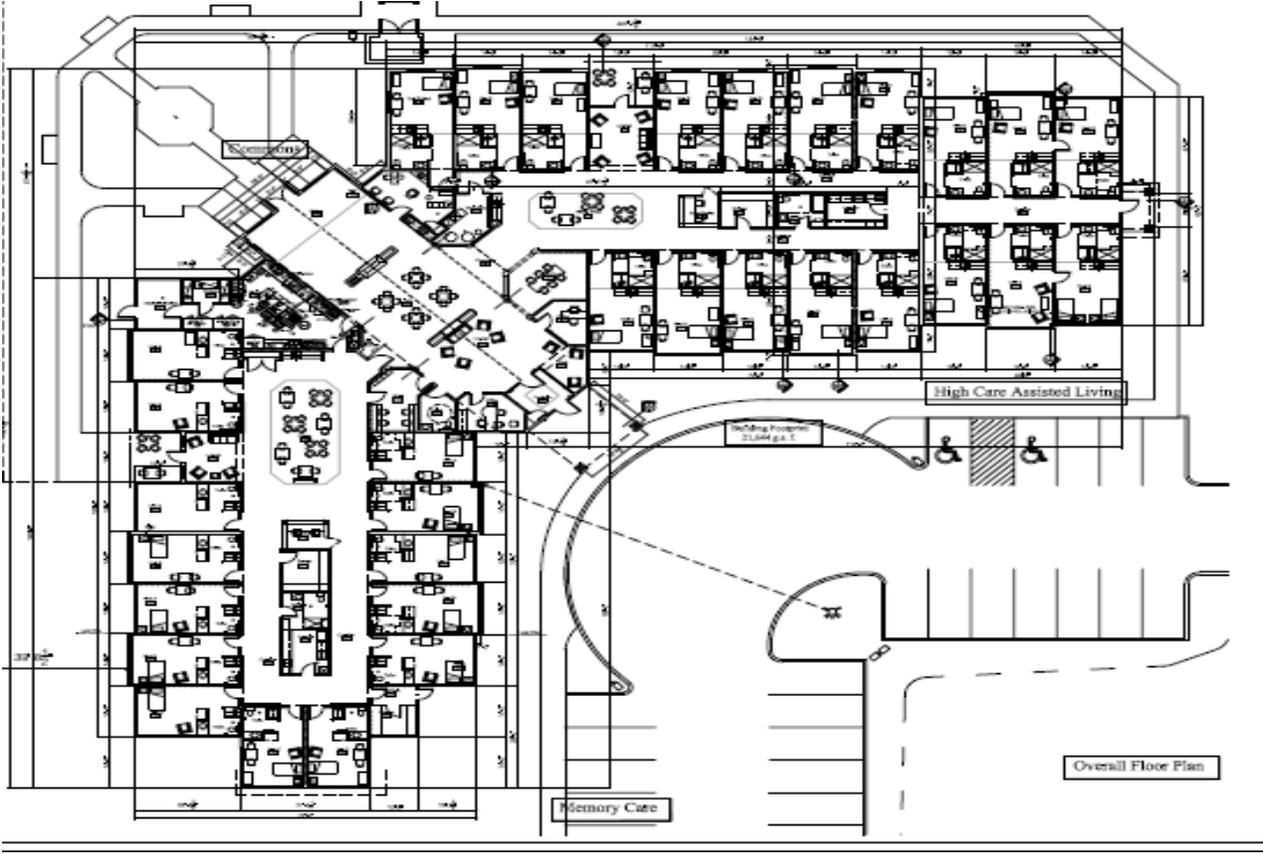
Property Location / Demographics

The property is located at 8500 Regent Ave North in Brooklyn Park which is the N/E corner of Regent Ave N and 85th Ave N. The site is a highly visible corner site with approx. 15,000 cars per day passing this location. The site is in close proximity to the Brooklyn Park administrative offices, police station, and is also directly across the street from Central Park.

Brooklyn Park is a commuter town located in Hennepin County, and is just 11 miles from downtown Minneapolis. 2018 census figures show a population base of approx. 80,000, with a median income of \$92,000, and 8% of the population 65 years and older. There are approx. 2,400 households within 5-mile radius of the site.



Rendering and Floorplan



Example of Completed Facility (Vadnais Heights)

Exterior



Entrance / Lobby



Nursing Station / Assisted Living



Nursing Station / Memory Care



Activities Area



Dining Area / Assisted Living



Dining Area / Memory Care



Beauty Salon



Kitchen



Existing Facilities

Vadnais Heights, MN

- 32 high acuity beds (18 Assisted Living and 14 Memory Care)
- L-Shape configuration
- Construction start date Dec/16
- Construction completion date Aug/17
- Formal opening date Sept/17
- Current occupancy 100%



Roseville, MN

- 25 high acuity beds (17 Assisted Living and 8 Memory Care)
- L-Shape configuration
- Construction start date Dec/17
- Construction completion date June/18
- Formal opening date July/18
- Current occupancy 100%



Under Construction

Little Canada, MN

- 32 high acuity beds (18 Assisted Living and 14 Memory Care)
- Straight-Line configuration
- Construction start date Nov/18
- Construction completion date Jun/19



North St Paul, MN

- 32 high acuity beds (18 Assisted Living and 14 Memory Care)
- L-Shape configuration
- Construction start date Nov/18
- Construction completion date July/19

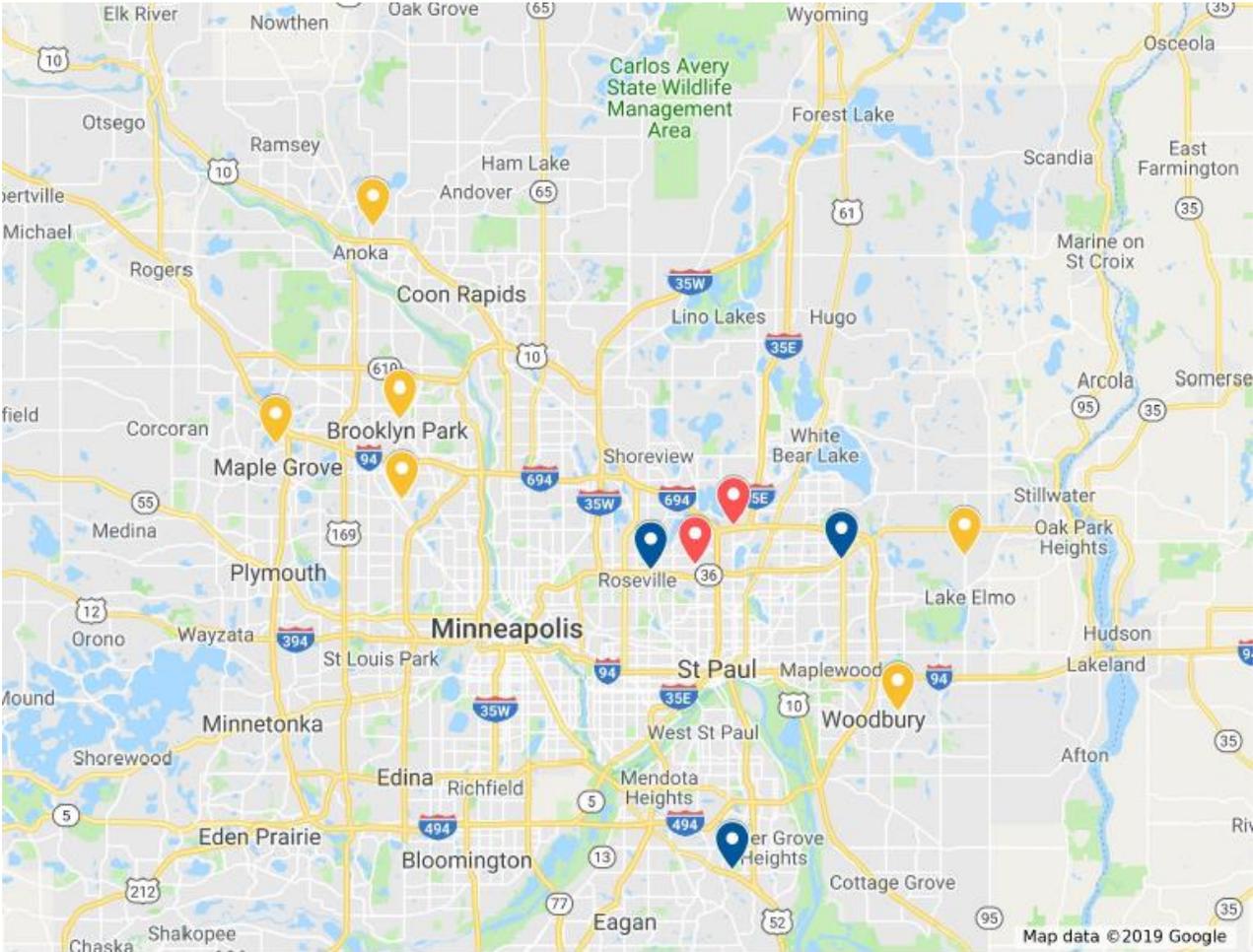


Under Development

- Inver Grove Heights, MN (Ground-breaking Jan/19)
- Brooklyn Park, MN (Ground-breaking Feb/19)
- Woodbury, MN (Ground-breaking May/19)
- Maple Grove, MN (Ground-breaking June/19)
- Anoka, MN (Ground-breaking Sept/19)
- Lake Elmo, MN (Ground-breaking Oct/19)
- Brooklyn Center, MN (Ground-breaking Nov/19)
-

Facility Locations

The map below highlights existing facilities + facilities under construction + future locations currently under contract (i.e. land is under contract and entitlements are being completed)



-  Existing Facility
-  Under Construction
-  Under Development

Budget

BROOKLYN PARK				
BUDGET + USES / SOURCES - BONDS				
Metrics				
Floor Count		1		
Total Unit Count		32		
GSP		22,446		
Uses / Sources				
Uses	Original	Unit	SP	Roll Up
Land				
Land Value	\$ 650,000	\$ 20,313	\$ 29	\$ 650,000
Direct Costs - Hard				
General Conditions	\$ 334,526	\$ 10,454	\$ 15	
Site Work / Utilities	\$ 400,853	\$ 12,527	\$ 18	
Concrete	\$ 303,653	\$ 9,489	\$ 14	
Masonry	\$ 165,615	\$ 5,175	\$ 7	
Metals	\$ 16,870	\$ 527	\$ 1	
Wood and Plastics	\$ 803,651	\$ 25,114	\$ 36	
Thermal & Moisture Protection	\$ 359,943	\$ 11,248	\$ 16	
Openings	\$ 105,846	\$ 3,308	\$ 5	
Finishes	\$ 466,907	\$ 14,591	\$ 21	
Specialties	\$ 65,100	\$ 2,034	\$ 3	
Equipment	\$ 151,782	\$ 4,743	\$ 7	
Furnishings	\$ 67,000	\$ 2,094	\$ 3	
Special Construction	\$ 72,500	\$ 2,266	\$ 3	
Mechanical	\$ 660,537	\$ 20,642	\$ 29	
Electrical	\$ 457,479	\$ 14,296	\$ 20	\$ 4,432,262
Direct Costs - Other				
Fish Tanks	\$ 35,000	\$ 1,094	\$ 2	
FF&E	\$ 110,000	\$ 3,438	\$ 5	
Landscaping	\$ 75,000	\$ 2,344	\$ 3	
Retaining Walls	\$ -	\$ -	\$ -	
Signage	\$ 12,500	\$ 391	\$ 1	
Contingency	\$ 37,500	\$ 1,172	\$ 2	\$ 270,000
Direct Costs - Ancillary				
Punch List	\$ 7,500	\$ 234	\$ 0	
Builders Risk	\$ 37,250	\$ 1,164	\$ 2	
Builders Profit and Overhead	\$ 295,250	\$ 9,227	\$ 13	
Contingency	\$ 275,000	\$ 8,594	\$ 12	\$ 615,000
Direct Costs - Remediation				
Mitigation / Remediation	\$ 435,000	\$ 13,594	\$ 19	\$ 435,000
Soft Costs - Architect / Reports / Title				
Architect / Civil / Structural	\$ 90,000	\$ 2,813	\$ 4	
Phase I / Soils / Other	\$ 15,000	\$ 469	\$ 1	
Appraisal / Title / Borrow / Other	\$ 25,000	\$ 781	\$ 1	\$ 130,000
Soft Costs - Legal / Admin				
Bond Counsel	\$ 12,500	\$ 391	\$ 1	
LW Counsel	\$ -	\$ -	\$ -	
Lender / Trustee Counsel	\$ 37,500	\$ 1,172	\$ 2	
Sponsor Counsel	\$ 10,000	\$ 313	\$ 0	
Administrative Services / Support	\$ 60,000	\$ 1,875	\$ 3	\$ 120,000
Soft Costs - Taxes				
Taxes During Construction	\$ 12,500	\$ 391	\$ 1	\$ 12,500
Soft Costs - Contingency				
Contingency	\$ 95,000	\$ 2,969	\$ 4	\$ 95,000
Fees - Sae / Wae / Watershed / Permits				
Sae / Wae / Watershed / Permits	\$ 120,000	\$ 3,750	\$ 5	\$ 120,000
Operation - Leasing / Marketing				
Operating Reserve	\$ 300,000	\$ 9,375	\$ 13	
Marketing / Website / Bro	\$ 100,000	\$ 3,125	\$ 4	\$ 400,000
Costs - Other				
Developer Fee	\$ 275,000	\$ 8,594	\$ 12	\$ 275,000
Financing - Fees / Interest / Capital Markets				
Capital Markets Fee	\$ 81,000	\$ 2,531	\$ 4	
Lender Interest / Construction - 12 Months	\$ 810,000	\$ 25,313	\$ 36	
Rounding / Contingency	\$ -	\$ -	\$ -	\$ 890,000
Total Uses	\$ 8,445,762	\$ 263,930	\$ 376	\$ 8,445,762

Income / DSC Analysis

BROOKLYN PARK				
INCOME / DSC ANALYSIS				
Income Analysis - Month 12	Total	Per Unit	%	DSC
Total Income	\$ 405,000	\$ 12,656		
Total Operating Costs	\$ (541,252)	\$ (16,914)		
Operating Reserve	\$ 250,000	\$ 7,813		
Net Income Before Senior Loan DSC	\$ 113,748	\$ 3,555		
Bonds - Year 1	\$ -	Year 1 - Interest Reserve		N/A
Net Income After Senior Loan DSC	\$ 113,748			
Income Analysis - Month 24	Total	Per Unit	%	DSC
Total Income	\$ 2,106,504	\$ 65,828	100%	
Total Operating Costs	\$ (1,095,356)	\$ (34,230)	52%	
Net Income Before DSC	\$ 1,011,148	\$ 31,598	48%	
Bonds - Year 2	\$ (810,000)			1.25
Net Income After DSC	\$ 201,148			
Income Analysis - Month 36	Total	Per Unit	%	DSC
Total Income	\$ 2,194,980	\$ 68,593	100%	
Total Operating Costs	\$ (1,151,772)	\$ (35,993)	52%	
Net Income Before DSC	\$ 1,043,208	\$ 32,600	48%	
Bonds - Year 3	\$ (810,000)			1.29
Net Income After Senior Loan DSC	\$ 233,208			

Sponsor Contact Info

Please direct questions to Tim C. Eppler

- Cell 916-390-0016
- Email tim@cofcapital.com

City of Brooklyn Park Request for EDA Action

Agenda Item No:	6.2	Meeting Date:	April 15, 2019
Agenda Section:	General Action items	Prepared By:	Daniela Lorenz, Business Development Coordinator
Resolution:	N/A	Presented By:	Daniela Lorenz, Business Development Coordinator
No. of Attachments:	1		
Item:	Consider Approving an Updated Sewer Availability Charge (SAC) and Water Access Charge (WAC) Reduction Policy		

Executive Director's Proposed Action:

MOTION _____, SECOND _____ APPROVING AN UPDATED SEWER AVAILABILITY CHARGE (SAC) AND WATER ACCESS CHARGE (WAC) REDUCTION POLICY.

Overview:

At its work session on January 22, 2019, the Economic Development Authority expressed interest in creating a policy related to pooling Sewer Availability Charge (SAC) paid credits (SAC) to be used as an economic development tool. The concept of using paid SAC credits as an economic development tool was first explored in 2018 when the City Council directed the EDA to administer the current SAC Reduction Program. The current program utilizes 32 paid SAC credits that were previously taken city-wide to support the development of new or expanding restaurants in the City (attachment B). The City Council also adopted Water Access Charge (WAC) policy in 2007 that allows for staff to use paid WAC credits from demolished buildings for other development projects as an incentive (attachment C).

Staff recommends consolidating the existing SAC Reduction Program and the WAC policy and expanding the existing SAC Reduction Program to provide fee assistance to a broader range of businesses and development or redevelopment projects in the city. In order to provide support to both businesses and development and redevelopment projects, staff is proposing that the program provide for two tracks:

- Track one will cater to eligible businesses looking to start, move to, or expand in Brooklyn Park
- Track two will be subject to broad discretion of the EDA and cater to development and redevelopment projects that meet the authority's strategic priorities.

Broadening the program gives the EDA more ability to provide fee reductions to projects that meet the authority's strategic priorities and offer critical resources to a wider-variety of businesses and projects in the city

Following the EDA's direction, staff will bring this item to the City Council to direct the EDA and its staff to administer the program.

Primary Issues/Alternatives to Consider:

- **What is the current SAC Reduction Program?**

In 2018, the Economic Development Authority approved a Sewer Availability Charge (SAC) Reduction Program that uses excess paid SAC that have been taken city-wide to attract restaurants to Brooklyn Park. The purpose of the program was to reduce the cost associated with connecting to the regional sewer system for new and expanding restaurants. The current SAC Reduction Program was started with 33 paid SAC credits from properties off 63rd Ave that were demolished as a result of the Highway 81 expansion. Since the SAC Reduction

program was created, one credit has been used by Skaalvenn Distillery for the expansion of its distillery and taproom located at 8601 73rd Ave N Suite #14.

- **What is the purpose of the proposed policy?**

The proposed policy has two purposes; first, is to ensure consistency when determining when paid SAC credits should be taken city-wide and when they should remain connected to a property. Second, is to attract new businesses, development and redevelopment, or help existing businesses expand in the city by providing an upfront fee reduction to qualified projects. The proposed program guidelines will continue to be available to support restaurants per the original program guidelines.

SAC is an upfront cost that can be a heavy burden for some projects. Currently, SAC costs \$2,485/SAC unit. It is not uncommon for projects to be assessed multiple SAC. The City of Brooklyn Park also assesses Water Access Charge (WAC) on a 1-to-1 ratio to the SAC assessment. WAC currently costs \$2,185/unit. Therefore, a business or project assessed six units each of SAC and WAC would be responsible for an upfront charge of almost \$28,020. Under the expanded program, that same business or project assessed \$28,020 could be issued a fee reduction of \$10,732.50 which could favorably tip the decision to move forward.

- **How does this work with Water Access Charge (WAC)?**

Part of the proposed policy is to consolidate the existing Water Access Charge (WAC) policy and the new SAC policy. The merging of these two policies helps to ensure the two fees work as a compliment to one another. The City of Brooklyn Park began charging a Water Access Charge (WAC) for access to the city's water system in 1994. Currently, the City has about 28 paid WAC credits from buildings that were built and demolished after June 1, 1994. Since 2007, WAC is charged on a 1-to-1 ratio with SAC, meaning for every one SAC charged, one WAC is also charged. In 2007, the City Council adopted a policy allowing for paid WAC credits from demolished buildings to be pooled and applied to other development projects in the City (attachment C).

Given the smaller number of available WAC credits only businesses in program track one of the Fee Reduction Program will be automatically eligible for a WAC fee reduction. WAC payments will be reduced by a ratio of up to half of the amount of paid SAC credit awarded through the Fee Reduction Program but may receive no more than two WAC credits. For example, a business that was awarded 3 SAC credits from the Fee Reduction Program will automatically receive a credit of 1.5 WAC. The ongoing reduction of WAC fees is subject to the availability of paid WAC credits.

- **Can this program be used with the existing SAC and WAC deferral programs?**

The City of Brooklyn Park also administers a SAC deferral program in agreement with the Metropolitan Council. The deferral program allows any eligible business to defer SAC payments at 0% interest over a 5-year period (attachment D). The City also administers a WAC deferral program that mirrors the SAC deferral program. A business that uses the SAC and WAC fee reduction program may also use the deferral programs. In the event a business uses both the fee reduction program and the deferral program the deferral payment amounts would be calculated using the amount owed after a business receives a fee reduction.

- **When will paid SAC credits be pooled and taken city-wide?**

The proposed policy would pool credits by appealing to the Met Council to take available credits City-wide from demolished properties without development potential (e.g. sidewalk or road construction) or properties demolished without plans for redevelopment beginning within one-year of the issuance of a demolition permit.

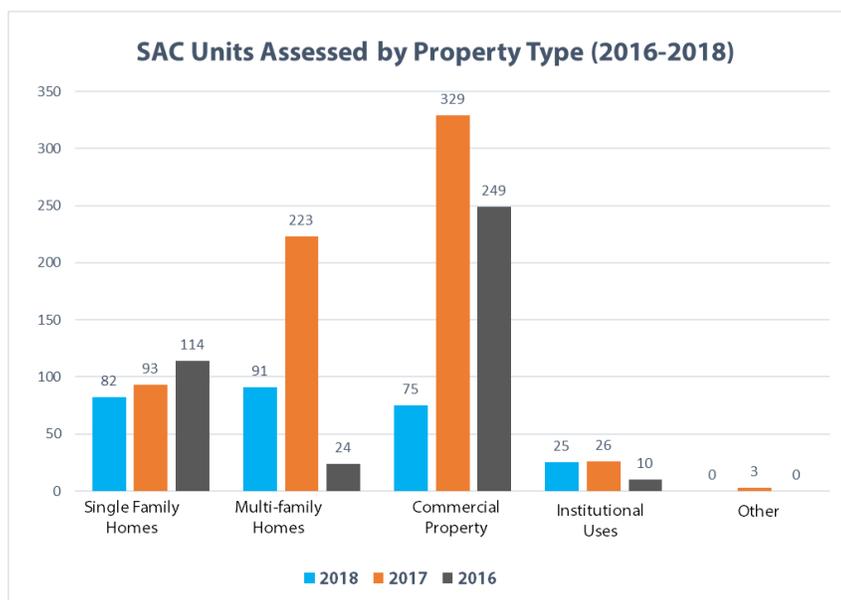
If a property has plans to be redeveloped after demolition, construction must start within three years of the issuance of a demolition permit. In the case that a property is redeveloped and a new user does not utilize most of the available paid credits, the City will attempt to pool the balance of the available credits.

- **What credits are available for a SAC program?**

The EDA/City currently has access to 132 credits that would be utilized as part of this program for economic development purposes. The demolition of Grand Rios water park formerly located at 6900 Lakeland Ave N resulted in a balance of 104 paid credits on the property. In 2016, CarMax redeveloped the site and utilized 4 of the 104 paid credits leaving a balance of 100 paid SAC credit available to be pooled and taken city-wide. The other 32 paid credits were a result of a demolition of a former commercial site off 63rd Ave and County Road 81. Most of the property was converted to stormwater use to accommodate the expansion of County Road 81. The ongoing availability of credits will be subject to the existence of paid SAC credits from demolished properties with no development plan within a year of demolition. When paid SAC credits qualify to be taken city-wide, it is anticipated that approximately half of the credits will go to each program track.

- **How many SAC units are assessed in Brooklyn Park every year?**

The amount of SAC units assessed to property in Brooklyn Park every year changes depending on the amount of development in the community and the land use types of those developments in a given year. The Met Council has a formula for reaching a SAC determination that looks at factors such as property use, type of business, or building size. Below is a table showing the amount of SAC units assessed in Brooklyn Park from 2016 to 2018. The table is separated by single family home development, multi-family home development (including townhomes and apartment projects), commercial development, institution development (like schools or government buildings), and other.



- **What Businesses Can Utilize the Program?**

Businesses eligible to use track one of the program include:

- a. **Independently-owned restaurants or other commercial businesses:**

- i. Independently owned businesses are defined as businesses that have no corporate headquarters where at least 25% the ownership interests and 25% of the decision-making control of the business is held by a Brooklyn Park resident, women, people of color, or immigrants.

- b. **All manufacturing and industrial businesses that meet at least one of the following criteria:**

- i. Businesses currently operating in the city that are planning to expand in order to add more capacity for employment (same or new location in Brooklyn Park);
- ii. Small businesses (25 or less full-time equivalent employees);
- iii. Businesses (at least 25% stake)-owned by a Brooklyn Park resident; and

- iv. Business owned (at least 25% stake) and/or operated by women, people of color, or immigrants

By limiting the program eligibility of restaurants and other commercial businesses to only included those that are independently owned, this program aims to primarily help small and start-up businesses. Franchises of chain brands are not consider independently-owned.

If a corporately owned restaurant or commercial business is part of a larger development or redevelopment project, those uses could receive a fee reduction if the project is eligible for track two of the program. In that case, the amount of the fee reduction would be determined by the EDA.

- **Would existing businesses and development projects qualify for the new program?**

Yes. Program track one can be used by businesses currently located in Brooklyn Park who were assessed at least one SAC unit as the result of an expansion. A business that was assessed one SAC unit would be eligible to receive a reduction of 0.5 WAC units.

- **Will credits be available to housing projects?**

Program track two credits can be used for housing projects. Eligibility for track two of the fee reduction program would be determined on a case by case basis at the discretion of the EDA. However, projects proposing only single-family home construction would not be eligible for the program.

- **What is the recommendation of the Business Forward Advisory Board on this program?**

The Business Forward Advisory Board discussed creating a program with paid SAC credits at its November 2018 meeting. It was in favor of creating a program that utilizes paid SAC/WAC credits as a way to incentivize new business development and to help existing businesses expand.

Budgetary/Fiscal Issues:

Funding for the SAC/WAC Reduction Program will come from funds accumulated by SAC/WAC credits the City of Brooklyn Park has collected and will continue to collect in accordance with the SAC/WAC policy. Existing staff resources will be used to administer the program.

Recommendation:

The Executive Director of the Economic Development Authority recommends approval.

Attachments:

- 6.2A PROPOSED SAC/WAC FEE REDUCTION PROGRAM
- 6.2B RESTAURANT ATTRACTION PROGRAM: SAC REDUCTION GUIDELINES
- 6.2C EXISTING WAC POLICY
- 6.2D EXISTING SAC DEFERRAL PROGRAM

Sewer Availability Charge (SAC) and Water Access Charge (WAC) Reduction Policy

Purpose: This policy aims to reduce the barriers to starting and expanding a business and completing strategic development or redevelopment projects in the City by reducing the number of Sewer Availability Charge (SAC) and/or Water Access Charge (WAC) a qualified business or project is obligated to pay.

It is the policy of the City of Brooklyn Park to pool paid SAC and/or WAC credits from demolished buildings where another use on the property is not planned within one year of demolition. The pooled credits can act as an economic development tool which can be offered to businesses and other qualified projects looking to start or expand in Brooklyn Park.

SECTION ONE: POOLING CREDIT POLICY

A. Demolished properties that will not be rebuilt upon

If a property is demolished and there is no plan for development such as, but not limited to, property used for a roadway project, then the City will pool the SAC/WAC credits (when available) at the time the demo permit is issued.

B. Demolished property that could be rebuilt upon

If a property is demolished and there is no is plan for development within one year, then the City will pool the SAC/WAC (when available) credits a year from the issuance of demolition permit by appealing to the Met Council.

If development is planned, the plan for development must be submitted to the EDA within 12 months after demolition and construction must commence within three years of demolition. If construction under the plan does not commence within three years of demolition, then the City will pool the SAC/WAC (when available) credits three years from the issuance of demolition permit by appealing to the Met Council

If the new user does not utilize most of the available paid credits, the City will pool or attempt to pool the balance of the available credits.

SECTION TWO: PROGRAM GUIDELINES

Given the wide-variety of projects that take place in Brooklyn Park and in an effort to best utilize the paid SAC/WAC credits that are available, there will be two fee reduction program options available. Track One will specifically cater to small and new businesses, including restaurants. Track Two will be used as a re-development and development project tool. It is anticipated that approximately half of the credits will be used for each track.

Track One-- Business Fee Reduction Program

Amount to be credited:

The program will credit up to half of the SAC units incurred by an eligible project as assessed by the Metropolitan Council with a maximum of 3 credits issued by the City of Brooklyn Park. For example, if a business is assessed 5 SAC units it would be eligible for a SAC fee reduction of 2.5 credits. With approval from the EDA, more credits can be awarded if the project demonstrates a financial need.

Due to the lower number of available WAC credits, eligible Track One businesses may be eligible to receive up to half their SAC credit allocation in WAC credits (if available). Example: a business that is awarded 2 SAC credits from this program will receive a credit of 1 WAC (if available).

Program Track One Eligibility:

1. An eligible business must be a qualified business type as defined below and have been assessed at least 3 SAC units for a new business or assessed 1 SAC credit for an expanding business;
2. Qualified business types include:
 - a. Independently-owned restaurants or other commercial businesses:
 - i. *Independently owned businesses are defined as businesses that have no corporate headquarters where at least 25% the ownership interests and 25% of the decision-making control of the business is held by a Brooklyn Park resident, women, people of color, or immigrants.*
 - ii. *Independently-owned businesses do not include franchises of chain brands.*
 - b. All manufacturing and industrial businesses that meet at least one of the following criteria:
 - i. Businesses currently operating in the city that are planning to expand in order to add more capacity for employment (same or new location in Brooklyn Park);
 - ii. Small businesses (25 or less full-time equivalent employees);
 - iii. Businesses (at least 25% stake)-owned by a Brooklyn Park resident; and
 - iv. Business owned (at least 25% stake) and/or operated by women, people of color, or immigrants

Track Two—Project Based Fee Reduction Program

As development continues across the City there is an opportunity to provide a project-based fee reduction to attract development and re-development projects that meet the strategic priorities of the Economic Development Authority. The purpose of this track of the program is to give the EDA broad discretion to award credits to businesses and/or projects that align with the goals of the EDA but do not meet the criteria outlined in track one.

Amount to be Credited:

The amount to be credited will be determined by the EDA with consideration of the financial need of the project.

Program Track Two Eligible Projects:

Eligibility of projects in Track Two of the fee reduction program is based on the discretion of the EDA and will be based on determined community benefit. Track Two can be used for housing, however, developments of only single-family detached units are ineligible.

SECTION THREE: PROGRAM ADMINISTRATION:

Awards of credits through track one of the program will be administered by EDA staff with the Executive Director of the EDA signing-off on all final awards. Awards of credits through track two will be subject to the approval of the EDA.



Restaurant Attraction Program:

Sewer Availability Charge Reduction Guidelines

The City of Brooklyn Park's Sewer Availability Charge (SAC) Reduction Program promotes new restaurant and destination business attraction by easing the startup costs incurred by new businesses. The program operates under the following guidelines:

1. This program applies to new businesses that open in Brooklyn Park after February 1st, 2018.
2. Qualifying businesses must meet one of the following designations:
 - a. Restaurants: casual, fast-casual, quick-casual, family style, fine dining or high end, café or coffeehouse, bistro, cafeteria, buffet, destination, gastropubs, teppanyaki-style, brasserie, or pop-up restaurants.
 - b. Destination businesses: distilleries, wineries, breweries, or taprooms.
3. Fast food restaurants as defined in Brooklyn Park City Zoning Code (152.008) are excluded from participation in this program, except for as identified above.
4. The SAC Reduction Program will credit up to half of the Sewer Availability Charge units incurred by an eligible business as assessed by the Metropolitan Council, with a maximum of three (3) credits issued by the City of Brooklyn Park. For example, a restaurant assessed seven SAC units could apply for a maximum of three credits while a restaurant assessed four SAC units could apply for a maximum of two credits. Credits will be issued in whole unit increments. Credits will be rounded up to the nearest whole unit in the event of an odd number SAC assessment (i.e., a business assessed five (5) SAC units can apply for 3 SAC credits).
5. Restaurants that participate in the SAC Reduction Program may also participate in the Sewer Availability Charge/Water Access Charge (SAC/WAC) Deferral Program. Only the SAC/WAC fees that remain after application of SAC credits will be considered for the deferral program.
6. Participating businesses agree to be included or featured in City of Brooklyn Park marketing or promotional materials.
7. Final determination of eligibility for program participation will be at the discretion of the Economic Development Authority with input from the Business Forward Advisory Board.

WATER ACCESS CHARGE CREDIT ALLOCATION PROGRAM (EXISTING)

The Brooklyn Park Economic Development Authority Board of Commissioners and the Brooklyn Park City Council hereby jointly adopt the following policy:

The current § 100.63 of the Brooklyn Park Code of Ordinances states that “in all areas and for all uses where city water service is available, at the time an application is filed with the city for a new or enlarged water service, or fire suppression system water service, a water access charge (WAC) must be paid to the city.”

WAC initially began to be collected by the City on June 1, 1994. At that time, one unit was charged regardless of the type or size of user being issued the permit. Effective January 1, 2003, the Water Access Charge total is calculated utilizing the same unit charge multiplier as per the Metropolitan Council Environmental Services (MCES) Sewer Availability Charge (SAC) Procedure Manual. The current WAC unit rate is \$1,575 and SAC unit rate is \$1,675. These charges have a substantial impact to businesses, specifically to those whose use is such that they are charged multiple units.

In cooperation with Brooklyn Park Engineering and Building Inspections Department and the Public Utilities Division, the Economic Development Authority will tabulate any Water Access Charge credits that result from the demolition of a building that had previously paid WAC upon the original issuance of a building permit. The credits may be allocated to projects located in targeted sectors or redevelopment areas, as defined in the EDA’s Redevelopment and Greenfield Commercial/Industrial Policies. Following staff evaluation and recommendation, the Brooklyn Park Economic Development Authority (EDA) will consider and approve requests.

Sewer Availability and Water Access Charge Payment Deferral Policy City of Brooklyn Park, Minnesota

Sections I through VII of this document govern the use of two programs, including the Metropolitan Council's "SAC Deferral Program" for certain sewer fees ("Regional Program") and the City of Brooklyn Park's "Payment of Permit Fees" for certain sewer and water fees ("Local Program"). Hereinafter, the City of Brooklyn Park is referred to as the "City".

SECTION I - PURPOSE.

The purpose of this policy is to establish procedures to regulate, coordinate, and facilitate the approval of certain sewer and water fee deferrals for eligible businesses or properties. Eligible businesses or properties can apply for the deferral of a portion of one or more sewer/water fees, including:

1. Metropolitan Council Sewer Availability Charge (SAC) – Regional Program sewer fee; and/or
2. Brooklyn Park Water Access Charge (WAC) – Local Program water fee.

SECTION II - AUTHORIZATION AND FUNDING SOURCES

On November 28, 2012 (based on Minnesota Statutes 473.517, Subd. 6), the Metropolitan Council adopted changes to its SAC program to include a small business deferral program. The Regional Program which became effective on January 1, 2013, and was later amended, allows a deferment of SAC fees up to ten (10) years at a low annual interest rate based on Metropolitan Council Environmental Services' (MCES) average cost of debt per statute and is applied to all new deferrals originating in that particular year. The Brooklyn Park Regional Program and Local Program will allow deferment of SAC and/or WAC fees over a five (5) year term with a fixed interest rate of 3%.

Brooklyn Park City Code Sections 99.76 and 100.63 allow any business or property owner who qualifies to defer a portion of the City's water fees. These Sections are to be amended to include the following category:

1. "Regional Program" allows eligible small businesses or property owners to apply for a sewer availability charge deferment for a maximum of ten (10) SAC charges.
2. "Local Program" allows eligible small businesses or property owners to apply for a City water access charge deferment for a maximum of ten (10) WAC charges to match the terms and conditions of the Regional Program.

The City reserves the right to approve or reject specific Local Program funding requests based on the availability of funding. Businesses with SAC and WAC determinations exceeding the program limit will be considered on a case by case basis. Funding for the Regional Program is not required due to the Metropolitan Council's deferral of its revenue for up to ten (10) years.

SECTION III - PROGRAM OBJECTIVE

The Metropolitan Council's stated objective is to encourage and help communities promote small business development by deferring SAC payment obligations. The City of Brooklyn Park's goal is to minimize the financial impact to new or expanding businesses.

SECTION IV - ELIGIBILITY

For the Regional Program and Local Program, an eligible applicant is a "small business" as defined in a Master SAC Deferral Agreement between Brooklyn Park and the Metropolitan Council. "Business"

means a property or business for which the aggregate SAC Determination results in a liability of twenty-five (25) SAC units or less, before application of any Credits available on the Site. Business does not include *any type* of “Residential Property” or “Publicly Assisted Housing” as those terms are defined in the *SAC Procedure Manual*; nor does it include motels, hotels, camps, nursing homes, senior housing or prisons. Business includes “Commercial Properties,” as that term is defined in the *SAC Procedure Manual*, but only when the aggregate SAC Determination for a Commercial Property is twenty-five (25) SAC units or less, before any applicable Credits.

For the Regional Program and Local Program, the City has chosen to limit the amount of units available for deferral to a maximum of ten (10) SAC and/or WAC units (total of 20 SAC and WAC units combined) before credits.

SECTION V - DEFERRAL STRUCTURE

The structure of the Regional and Local Program deferrals include the following provisions:

1. The deferral amount can equal up to eighty percent (80%) of the total sewer and/or water fees due.
2. The deferment term is five (5) years.
3. Each deferment liability will be effective the first day of the subsequent month (e.g., for an April building permit that is due and typically reported in May, interest will begin accruing June 1).
4. Interest for the Regional Program and Local Program is set at 3% for the deferment period. Interest is amortized over the term of the deferment period using whole months.
5. For the Regional Program, payments will be billed to the or property owner or business on a monthly basis
6. For the Local Program, payments will be billed to the property owner or business on a monthly basis
7. In the event of a default of payment that is at least sixty (60) days past due, the City shall assess the unpaid balance upon the fee owner’s property taxes the following taxable year subject to the same interest rate applied to the deferred amount. At the discretion of the City, the City may terminate any amount due related to assessments for the Regional Program, resulting in a SAC unit credit for only the amount paid by the small business or property.
8. A “Deferred Payment Agreement” will be executed between the eligible business, the fee property owner, and the City stating all conditions and requirements of the parties for the Regional and Local Programs. This document shall be recorded.

SECTION VI - INELIGIBLE CONDITIONS

The following conditions create ineligibility for a business or property to apply for the Regional or Local Programs:

1. The fee owner’s property taxes are delinquent.
2. The business is not in good standing with the State of Minnesota, or is in violation of a Brooklyn Park City Code.
3. The property is not located within the City of Brooklyn Park.
4. The small business does not meet the definition of eligible commercial properties in the Metropolitan Council’s SAC Deferral Program (for the Regional Program and Local Program).

SECTION VII - ADMINISTRATION

The City of Brooklyn Park is responsible for administering the Regional Program on behalf of the Metropolitan Council. Once the Master SAC Deferral Agreement has been executed by the City and the Metropolitan Council, the City is responsible for all loan deferral collections from the eligible small

business or properties participating in the Regional Program. The City is responsible for making payments of the required SAC deferment amount, plus interest, to the Metropolitan Council on an annual basis. The City of Brooklyn Park EDA is responsible for administering the Local Program on behalf of the City.

City of Brooklyn Park Request for EDA Action

Agenda Item No:	6.3	Meeting Date:	April 15, 2019
Agenda Section:	General Action items	Prepared By:	Breanne Rothstein, Economic Development & Housing Director John Kinara, Housing & Redevelopment Specialist
Resolution:	1	Presented By:	Breanne Rothstein, Economic Development & Housing Director John Kinara, Housing & Redevelopment Specialist
No. of Attachments:	2		
Item:	Consider Approving Revised Guidelines to the CDBG Home Rehabilitation Deferred Loan Program		

Executive Director's Proposed Action:

MOTION _____, SECOND _____ APPROVING REVISED GUIDELINES TO THE CDBG HOME REHABILITATION DEFERRED LOAN PROGRAM.

Overview:

The purpose of this proposed action is to revise program guidelines for the Community Development Block Grant (CDBG) funded Home Rehabilitation Deferred Loan Program, streamline the administration process and provide more financial resources per project.

Hennepin County administers the Home Rehabilitation Deferred Loan program using City of Brooklyn Park's allocated CDBG funds to provide deferred loans at 0% interest to qualifying homeowners (incomes not exceeding 80% of AMI) for home repairs. The City established the program to address capital improvement needs affecting homeowners in Brooklyn Park. Currently, qualifying homeowners receive between \$1,000 and \$15,000 as a deferred loan. This is a popular program due to the deferral of payments.

At the February 11, 2019 work session, the EDA discussed possible changes to the program guidelines intended to enhance the quality of the program.

Primary Issues/Alternatives to Consider:

- **What are the key recommended changes to the Home Rehabilitation Deferred Loan Program?**

Following discussions at the EDA and with Hennepin County staff, the following changes are recommended:

1. **Loan Amount.** Increase the loan amount to \$20,000, with an additional \$5,000 available upon approval by Brooklyn Park staff.
2. **Loan Frequency:** Allow more than one loan per household based upon the availability of funds and the homeowner's ability to qualify. The current guidelines restrict the use of the program to only one time in a lifetime. Staff recommends the use of the loan program by homeowners one time for every ten (10) years, not to exceed \$40,000 total per household per lifetime.
3. **Effective Date:** The new program changes will take effect on July 1, 2019 in line with the start of the Community Development Block Grant (CDBG) program year.

- **What are the reasons for revising the program guidelines?**

Hennepin County rehabilitation staff describe that scoping and/or renovation activity often reveals unanticipated structural or water damage issues so that having the ability to access more funds becomes important. Additionally, due to the age and size of much of the housing stock in Brooklyn Park, even in the older neighborhoods, a single item like siding can cost up to \$20,000.

Many cities provide up to \$30,000 with their programs. The EDA has stated a desire to maximum the number of homeowners benefitting from this program, so the revised guidelines allow a loan amount up to \$20,000 (with an additional \$5,000 available with staff review and approval).

Budgetary/Fiscal Issues:

The proposed changes do not impact the EDA budget. The Home Rehabilitation Deferred Loan Program is in the EDA budget using CDBG funds. In the fiscal year 2019 that runs from July 1, 2019 through June 30, 2020, the Brooklyn Park City Council allocated a total of \$259,400 in CDBG dollars to the program.

Attachments:

6.3A RESOLUTION

6.3B HOME REHABILITATION DEFERRED LOAN PROGRAM GUIDELINES

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK

RESOLUTION NO. #2019-

RESOLUTION APPROVING REVISED GUIDELINES TO THE CDBG
HOME REHABILITATION DEFERRED LOAN PROGRAM REQUIREMENTS

WHEREAS, the Brooklyn Park Economic Development Authority (“EDA”) was created pursuant to the Economic Development Authorities Act, Minnesota Statutes, Sections 469.090 to 469.1080 (the “EDA Act”), and is authorized to transact business and exercise its powers by a resolution of the City Council of the City of Brooklyn Park, Minnesota (the “City”) adopted on October 24, 1988 (the “Enabling Resolution”); and

WHEREAS, the Enabling Resolution was amended by Resolution No. 1995-72 dated March 20, 1995, whereby the EDA was granted all of the powers, rights, duties, and obligations set forth in Minnesota Statutes Sections 469.001 to 469.047 (the “HRA Act”); and

WHEREAS, two of the statutory purposes of the EDA are to assist in the redevelopment of blighted and underutilized properties and to provide safe, clean, sanitary and affordable dwellings; and

WHEREAS, on December 21, 2015, the EDA authorized the creation of the Home Rehabilitation Deferred Loan Program (the “Program”); and

WHEREAS, the Program helps homeowners by providing 0% interest forgivable loans for interior and exterior home improvements that preserve and enhance the structural quality, livability, and value of the City’s housing stock; and

WHEREAS, the Program is administered by Hennepin County in compliance with the federal Community Development Block Grant and EDA Program Guidelines (the “Guidelines”); and

WHEREAS, the EDA proposes to amend the Guidelines and documents relating to the Program in accordance with the terms and conditions described in the Request for EDA Action provided to the Board and incorporated herein by reference (the “Program Terms”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Brooklyn Park Economic Development Authority (the “Board”) as follows:

1. The EDA hereby approves the Program Terms to be effective on July 1, 2019 and finds, determines and declares that it is in the public interest of the residents of the City that the Program Terms be adopted.

2. The EDA hereby approves the Program Terms, together with any related documents necessary in connection therewith, including without limitation amendments to the Guidelines, all documents or certifications referenced in or attached to the Program Terms or (collectively, the “Program Documents”) and hereby authorizes the Executive Director to execute the Program Documents on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA’s obligations thereunder when all conditions precedent thereto have been satisfied.

3. The approval hereby given to the Program Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of legal counsel to the EDA, may act in their behalf.

4. The authority to approve, execute and deliver future amendments to the Program Documents is hereby delegated to the Executive Director, subject to the following conditions: (a) such amendments or consents to not materially adversely affect the interests of the EDA; (b) such amendments or consents do not contravene or violate any policy of the EDA, the City or applicable provision of law, and (c) such amendments or consents are acceptable in form and substance to the counsel retained by the EDA to review such amendments. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this Resolution. The execution of any instrument by the Executive Director shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Executive Director any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the EDA authorized to act in his or her place and stead.

5. The EDA hereby authorizes and directs the Executive Director and EDA staff undertake and implement the Program Terms and Program Documents as provided therein and take all actions necessary in connection therewith.

Brooklyn Park Home Rehabilitation Deferred Loan Program Guidelines

The City of Brooklyn Park Economic Development Authority (EDA) has made CDBG program income funds available to homeowners for interior home improvements to preserve and enhance the structural quality, livability and value of the community's housing stock. The Home Improvement Deferred Loan Program provides 0% interest loans that require no monthly payment and are entirely forgiven if the borrower owns and stays in the home for 10 years. Hennepin County will work to keep loans between **\$10,000** \$15,000 to \$20,000 per-household to increase the ability to serve more residents. There will be an additional \$5,000 in available funds in the event of severe structural damages in the property undergoing renovation. Hennepin County and Brooklyn Park staff will coordinate closely on any additional contingency funds approval.

Terms of the Brooklyn Park EDA Deferred Loan Program

1. **Loan Amount:** Minimum loan amount of \$1,000 and maximum of **\$15,000** \$20,000, with an additional \$5,000 allowed through review and approval by Brooklyn Park staff.
 2. **Amortization Type:** Deferred. No monthly payment is required.
 3. **Loan Term:** The loan term is 10 years.
 4. **Deferment terms:** The loan is 100% forgiven if the borrower retains ownership in the home for 10-years, commencing at the Note date. If ownership is transferred or if the property is no longer the borrower's primary residence within 10 years from the Note date, the loan is due and payable.
 5. **Interest Rate:** 0% for borrowers making 50% area median income (AMI) and less, 3% simple interest for borrowers making between 51% and 80% AMI
 6. **Income Limit:** Borrowers must meet **household income limits**, as outlined in the chart below, which are based on 80% of HUDs area median income ("AMI") for Hennepin County. Income will be determined based on the adjusted gross income from the most recent years Federal tax returns as filed with the IRS for all persons living in the Household.
- A Household is defined as all persons over 18-years of age living in the house which may include one or more families, a single person, a married couple, 2 or more unrelated persons, or any combination thereof.
7. **Loan Security:** The loan will be secured with a mortgage in favor of the City of Brooklyn Park EDA.

8. **Eligible Borrowers:** All borrowers must be legal residents of the United States, as evidenced by a social security number, including U.S. citizens, permanent resident aliens and non-permanent resident aliens. Tax identification numbers (TIN) are NOT acceptable.
9. **Ineligible Borrowers:** Include foreign nationals, non-occupant co-borrowers, properties held in the name of a trust, loans made to town home or condo associations, loans made in the name of a business, partnership, LLC, or similar.
10. **Eligible Properties:** All properties must be located within the geographical boundaries of the City of Brooklyn Park. Owner-occupied single family and owner-occupied duplex properties are eligible. Owner occupants of condominiums and townhouses will be eligible for this program if their individual unit's interior is not covered by the owner's association as stated in the association by laws. Properties held in a contract for deed are NOT eligible.
11. **Eligible Improvements:** Interior and some exterior repairs and improvements are eligible. HC will perform a site visit and prioritize improvements based on code violations, visually observed safety and health concerns first, and then on homeowner preference.
12. **Sweat Equity:** Work may be done on a sweat-equity basis if HC staff reasonably believes the homeowner has the ability to do the work in a workman-like manner within the program timeline. When the homeowner does the work, a materials list, including pricing is required. Payment will be reimbursed for materials only: no equipment purchase or rental or homeowner/household member (or related party) labor is eligible.
13. **Ineligible Improvements:** No saunas, whirlpools, furniture, skylights, non-built-in appliances, or funds for working capital, debt service or refinancing existing debts are allowed. HC will refer to City Staff whenever eligibility of an improvement project is questionable.
14. **Multiple Loans per Borrower:** Eligible borrowers may utilize the loan only one time. More than one loan allowed for every 10 years depending on the availability of funds and the homeowner's ability to qualify (maximum of \$40,000 over all original loan amounts)
15. **Debt - to - Income Ratio:** None
16. **Loan - to - Value Ratio:** None
17. **Underwriting Decision:** Applicants must be current on all mortgage payments and property taxes. Borrower may not have any outstanding judgments, defaulted government loans, collections, or liens that are tied to the property, HC may approve or

deny a loan based on a credit report or any other documentation received in connection with the application.

18. **Loan Servicing:** Hennepin County will be responsible for loan servicing. The Brooklyn Park Economic Development Authority will contract directly with Hennepin County for this loan servicing function.
19. **Source of funds:** The funding for this program comes from program income derived from previous CDBG programs offered by the City of Brooklyn Park.

General Program Conditions

Application Processing: Applications will be processed on a first-come, first-served basis until program funds are exhausted. Applicants must provide a completed application, and proof of income at the time of application.

Documentation Requirements:

City of Brooklyn Park, 1 page special "Deferred Loan" application
City of Brooklyn Park, Income verification/Eligibility form
Client Benefit Form
Most recent filed Federal tax return
Copy of social security cards for all household members
Lead form
SHPO or State Historic Preservation Office (for properties build before 1976)
Flood Certification
Ownership & Encumbrance Report
Credit Report

Start of Work: All borrowers must have their application approved by HC prior to beginning any work, and in any case, not before 7/1/2019. Project materials may not be purchased prior to this date nor can contractor(s) begin any work prior to 7/1/2019 or until the application has been approved by HC, whichever occurs later.

Custody of Funds: Loan proceeds will remain in the custody of HC until the disbursement is made for completed work.

Disbursement Process: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. In the event a permit is not required for the project, a post installation inspection will be performed by HC to verify the completion of the work. The following items must be received prior to final disbursement of funds:

1. Final invoice or proposal from contractor (or materials list from supplier)
2. Final approved inspection by designated City of Brooklyn Park employee (or HC if appropriate)
3. Completion certificate(s) signed by borrower and contractor
4. Lien waiver(s) for entire cost of work
5. Evidence that building permit(s) are closed

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final invoice exceeds the original loan amount, the borrower must obtain the additional funds. Additional funds may come from the borrower's personal savings, bonafide gifts, or other non-Brooklyn Park program loans. HC can direct borrowers to additional financing sources.

Contractors/Permits: A minimum of 2 bids are required. All contractors must be properly licensed by the State of Minnesota when required. All required City permits must be obtained by the contractor. It is the contractor's responsibility to arrange all inspections and final approval by the City building department of all open permits

Loan Costs: The EDA will pay the Administration Fees and Loan Origination Funds to HC. Borrowers will pay all filing fees and related closing costs. Servicing costs will be paid from funds extraneous to this agreement.

City of Brooklyn Park Request for EDA Action

Agenda Item No:	6.4	Meeting Date:	April 15, 2019
Agenda Section:	General Action items	Prepared By:	Breanne Rothstein, Economic Development & Housing Director John Kinara, Housing & Redevelopment Specialist
Resolution:	1	Presented By:	Breanne Rothstein, Economic Development & Housing Director
No. of Attachments:	2		
Item:	Consider Approving Revised Guidelines to the Brooklyn Park Homeowner Program and Establishing Four Sub-Categories and Approving an Amendment to the 2019 EDA Rehab Loan Program Budget Adding \$200,000.		

Executive Director's Proposed Action:

MOTION _____, SECOND _____ TO CONSIDER APPROVING RESOLUTION #__ APPROVING REVISED GUIDELINES TO THE BROOKLYN PARK HOMEOWNER PROGRAM REQUIREMENTS AND ESTABLISHING FOUR SUB-CATEGORIES.

MOTION _____, SECOND _____ TO APPROVE AN AMENDMENT TO THE 2019 EDA REHAB LOAN PROGRAM BUDGET ADDING \$200,000.

Overview:

The purpose of this proposed action is to revise the City of Brooklyn Park Homeowner programs in order to increase the number of Brooklyn Park residents making improvements to their homes and to provide needed resources to the community. The EDA has a fund balance of about \$780,000 in its Rehab Loan Program Fund and has expressed a desire to incentivize the use of these funds to encourage reinvestment in the City's housing stock. The EDA also can contribute additional funds toward these programs.

At the February 11 EDA work session, the EDA discussed the homeowner programs. Staff took the EDA's comments and designed program guidelines for the EDA's consideration.

Primary Issues/Alternatives to Consider:

- **What are the key recommended changes to the Homeowner Program?**

After discussions with the EDA and Center for Energy and Environment (CEE) staff and based on the inquiries from residents and the application process, staff recommends expanding this program to allow for the establishment of four sub-categories and revising some of the guidelines of the existing loan program. These changes are intended to increase the utilization of the program by making funds more attractive and affordable to a diverse spectrum of Brooklyn Park homeowners. The sub-categories are summarized below.

- A. **Home Improvement Loan Program** - The EDA established the Brooklyn Park Home Improvement Loan as a low-interest repayable loan using EDA funds. Staff recommends the following modifications to improve utilization of this program.

Proposed Revised Loan Terms

- **Loan Amount:** Revise the minimum loan amount to \$2,000 while increasing the maximum amount up to \$25,000. (Currently minimum amount is \$5,000 and the maximum is \$25,000). Allow more than one loan per household based upon the availability of funds and the homeowner's ability to qualify. Cap the total amount per household at \$50,000 maximum. (Currently, only one time per household.)
- **Loan Term:** up to 15 years (No Change)
- **Income Restrictions:** None, but the interest rate is determined by gross income and household size. (Currently, income limits based on 115% AMI).
- **Interest Rates:** Cap the interest rate at 3% for households earning up to 120% of the area median income (AMI) and 4% for households making over 120% AMI per year. (Currently the rate is 5% for all applicants.)
- **Bids:** Require only one bid per project, with CEE providing guidance on reasonableness of pricing. (Currently, two bids are required.)

- B. **On-Bill Repayment Loan Program** - An On-Bill Repayment program provides the option for property owners to pay for investments in energy efficiency upgrades through their CenterPoint Energy bill. CEE is administering On-Bill programs for the cities of St. Louis Park and Fridley and other cities are considering adding this option to their programs. On-Bill programs are attractive because they make loans more accessible for most homeowners since they do not need to manage a separate loan. Homeowners qualified under this program would repay the loans through a monthly charge on their utility bill rather than a separate loan payment. The Brooklyn Park EDA would provide the loan funds and CEE would administer the loan program in close partnership with CenterPoint Energy.

Additionally, On-Bill Repayment allows for a streamlined process as CenterPoint already has a billing relationship with their customers, as well as access to information about their energy usage patterns and payment history.

A point of note is that this system does not require a full loan agreement and does not include a lien on the property. While it is a bit riskier of a program, it allows more access. CenterPoint has had good luck with this program in other cities and a very low default rate.

Summary of Key Loan Terms

- **Loan Amount:** 1,000 - \$10,000
- **Loan Term:** 5 years
- **Income Restrictions:** None, but the interest rate is determined by gross income and household size.
- **Interest Rate:** Cap the interest rate at 3% for households earning up to 120% of the area median income (AMI) and 4% for households making over 120% AMI per year.
- **Loan Frequency:** More than one loan per household/property is permitted based upon the availability of funds and the borrower's ability to qualify. The cumulative outstanding balance cannot exceed \$10,000.

- **Home Type:** Residential single family, townhomes, duplexes and fourplexes.

- C. **Code Enforcement Loan Program** - The intent of the Code Enforcement Loan Program is to provide low interest funds to owner-occupied properties who have been issued corrective orders by the city for home repairs. The applicant's eligibility for other financing will be analyzed prior to consideration of the Code Enforcement Loan Program. The loan will be amortized for a 15-year term. Staff will work closely with CEE in qualifying eligible program participants.

Based on the data from the City's Code Enforcement and Public Health staff, there is an average of 20 to 50 serious code related violations each year with most of the affected homeowners unable to address the problems as required. The violations include severely damaged siding, driveways, windows to mold infestations, hoarding and plumbing issues. The intent of this program is to address conditions that makes housing units uninhabitable, dangerous to the occupants, or can cause severe health problems.

Summary of Key Loan Terms

- **Loan Amount:** \$1,000 - \$25,000
- **Loan Term:** 15 years
 - **Income Restrictions:** None
 - **Interest Rate:** 2%
- **Home Type:** Single Family, Townhouses, Condos, Duplexes, Fourplexes
- **Loan to Value Ratio:** 110%

- D. **Senior Deferred Loan Program** - This loan program will be designed as an incentive for Brooklyn Park seniors aged 62 and above to make improvements that will allow them to remain in their homes if they need to or update their homes for a potential future sale. Additionally, this program will help the Brooklyn Park seniors to invest in customized modifications of their homes to accommodate specific special needs like the installation of ramps for wheel chairs, handicap accessible bathrooms and kitchens, among others. This loan is due upon sale or transfer of the property ownership. CEE will administer this loan program.

This program aligns well with the BP2025 goal of beautiful spaces and quality infrastructure where quality and well-maintained housing for all ages and incomes are integrated throughout the community. Staff consulted with CEE and other partners in crafting the proposed guidelines to administer the program.

Summary of Key Loan Terms

- **Loan Amount:** \$2,000 - \$25,000
- **Loan Term:** Deferred until the sale or transfer of property ownership
- **Income Restrictions:** None
- **Interest Rate:** 0%
- **Borrower:** Must be owner – occupied and aged 62 and above
- **Property Type:** Single family homes, Townhomes, Condos, Duplexes and Fourplexes

- E. Down Payment and Closing Costs Deferred Loan Program** - The intent of this program is to provide down payment and closing costs loan options to first time homebuyers in the City of Brooklyn Park. This loan program will be deferred and forgiven after ten years if the homeowner maintains ownership and primary residence for the same period. Program participants must meet specific income limits to be eligible for assistance that will be indexed up to 120% of the area median income and tiered by household size. Homebuyer education for first time buyers will be required and a minimum cash investment of the lesser of 1% of the purchase price or \$1,000. The cash investment must come from the homebuyer's assets and may not be a loan or sweat equity contribution. Purchasing one's first home can be an overwhelming process and the homebuyer education is necessary to provide first time homebuyers with the knowledge to make informed decisions as they navigate the complexities of the home purchase process.

The most significant barrier to homeownership for low to moderate income households stem from the funds associated with down payment and closing costs of the mortgage loan. To address this issue, the proposed down payment assistance will assist income eligible households in purchasing a home. Promoting homeownership in the City will enhance a sense of community and responsibility in the neighborhoods.

The down payment and closing costs loan program can affect the interest rate that is qualified for an eligible homebuyer which in turns helps to reduce the amount of monthly mortgage payments. Depending on the level of demand for this program, EDA staff and CEE will focus on serving eligible low to moderate households on a first come first served basis.

- **What is the home sales activity in Brooklyn Park?**

Based on the data from Minneapolis Area Association of Realtors (MAAR), the current median sales price of a typical home in Brooklyn Park is \$249,900. This reflects an 8.7% increase from 2017. In the year 2018, 1,247 homes were sold compared to 1,277 in the previous year. In all the sales transactions that took place in the last two years, 99.9% of the original listed price was accepted with all the sold homes lasting an average of 35 days in the market.

For the down payment and closing costs loan program, the maximum allowable property value will be capped at \$328,200 as per Minnesota Housing guidelines. The household income for program participants will also be capped at 120% of the area median income or \$90,600 for a family of two members.

In assessing the current strong housing market, staff anticipates that the challenges of homeownership for low to moderate income households will only continue to rise. Therefore, the implementation of this program may play a role in addressing some concerns related to homeownership disparities.

- **How are these housing programs funded?**

The EDA has a fund balance of about \$780,000 in its Rehab Loan Program Fund and has expressed a desire to incentivize the use of these funds to encourage reinvestments in the City's housing stock.

The EDA will annually measure the program's success and may want to dedicate additional funds to the program over the next several years. The EDA budgets \$100,000-per-year for this revolving loan program. Due to the low utilization rate, staff proposes to bring forward a budget for each of the programs as part of the 2020 budget cycle after evaluating the popularity and usage of these programs.

- **What are the reasons for revising the program guidelines?**

The goal of these changes is to increase the utilization of the program by making it more attractive and affordable to a diverse spectrum of homeowners and by offering sub-categories to seniors, code enforcement cases, and first-time homebuyers.

The program's incentive of deferred loans and the low interest rates of 0 to 4% is intended to encourage more homeowners to proceed sooner with home repairs and deferred improvements.

- **What are the risks associated with these programs?**

Because some of the proposed loans would be deferred (senior loans and down payment assistance), the existing fund balance will be depleted over time. One way to manage the fund is to cap how much funding can be dedicated to each of the deferred/forgivable loan programs annually.

Staff anticipates a higher utilization rate in the first year due to pent up demand especially among the seniors, first time homebuyers and code violation property owners based on the long wait list at Hennepin County as well as open code enforcement cases.

The On-Bill program represents a greater risk as it is a newer program and the loans are not secured. Other cities using this program have not experienced high default rates.

- **How will the programs be marketed?**

Upon approval of these revised guidelines, and in conjunction with the spring and summer season, staff will work with all the program partners to implement a renewed marketing strategy that will create awareness and promote the increased utilization of the housing programs in the community. In order to increase community awareness about the EDA's housing programs, staff will enhance the community outreach efforts by implementing several existing and new strategies. Such strategies include:

- **Website Marketing:** EDA and CEE staff will partner to improve the design of the housing programs content, with a focus on generating and distributing relevant and consistent information to attract new customers in the community. The housing programs information will be hosted on the City and CEE websites. Some of the details in the housing programs content will feature program qualifying criteria, contact information, pictures of completed projects, application forms and a link to accredited contractors.
- **Digital Marketing:** Social media platforms like Facebook, Twitter, Instagram ads are low cost ways to target postings to residents. Facebook offers comprehensive options for ad targeting, for example, such as the ability to target members that reside within a specific geographic radius. Social media platforms will create the capabilities for EDA and CEE staff to engage the target audience and develop interactive relationships with homeowners in Brooklyn Park. This also includes working with cable television, as appropriate.
- **Direct Mail and Brochures:** The EDA and CEE staff will deploy direct mail strategy to deliver promotional printed material to the target audience in Brooklyn Park. These materials will include brochures/postcards, new connect bags, and content in the Park Pages newsletter.

- **Posters and Flyers:** These materials can serve a more permanent and attention-grabbing way to reach a broad audience in the community. EDA and CEE staff will work jointly to design creative posters and flyers that can make a strong visual impression that leaves a long-lasting image in the minds of viewers. These materials will be distributed in the community by displaying them in strategic locations like City Hall, Hennepin County Library, North Hennepin Community College, Community Activity Center, Zanewood Recreation Center and Lakeland Park.
 - **Code Enforcement and Public Health Staff:** The EDA staff will work diligently with the code enforcement and public health division to disseminate relevant information to homeowners related to housing programs resources available at the City. The Code enforcement officials are frequently out in the community inspecting property and enforcing code related statutes. This gives staff a unique opportunity to educate and pass on relevant information regarding the City's housing programs.
 - **Event Marketing:** Staff and CEE will partner to promote the housing programs at the City's various events focusing on target groups that involve high contact intensity. These events include; the real estate forum, business forward forum, senior services event, Tater Daze, Farmer's Market, National Night Out, and other community engagement events.
- **What are the next steps?**

Upon approval of the programs, staff will work with Center for Energy and Environment to finalize the application and program materials. The EDA will be asked to consider revised contracts for administration and servicing of these programs with CEE and/or Community Reinvestment Fund (CRF) at a future meeting.

Budgetary/Fiscal Issues:

The 2019 budgeted expenditures from the EDA Rehab Loan Program fund are \$100,000, and the total fund balance is \$780,000. Staff anticipates that program spending could exceed this amount in 2019 therefore is requesting a budget amendment for an additional \$200,000 for homeowner programs. Staff recommends capping the senior deferred loan program and the down payment assistance program at \$100,000 each. If program utilization increases as anticipated, staff will come back to the EDA for another budget amendment.

Recommendation:

The Executive Director recommends approval.

Attachments:

6.4A RESOLUTION

6.4B LOAN PROGRAM MATRIX

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF BROOKLYN PARK

RESOLUTION NO. #2019 -

RESOLUTION APPROVING REVISED GUIDELINES FOR THE BROOKLYN PARK
HOMEOWNERPROGRAM AND ESTABLISHING FOUR SUB-CATEGORIES

WHEREAS, the Brooklyn Park Economic Development Authority (“EDA”) was created pursuant to the Economic Development Authorities Act, Minnesota Statutes, Sections 469.090 to 469.1080 (the “EDA Act”), and is authorized to transact business and exercise its powers by a resolution of the City Council of the City of Brooklyn Park, Minnesota (the “City”) adopted on October 24, 1988 (the “Enabling Resolution”);

WHEREAS, the Enabling Resolution was amended by Resolution No. 1995-72 dated March 20, 1995, whereby the EDA was granted all of the powers, rights, duties, and obligations set forth in Minnesota Statutes Sections 469.001 to 469.047 (the “HRA Act”);

WHEREAS, two of the statutory purposes of the EDA are to assist in the redevelopment of blighted and underutilized properties and to provide safe, clean and sanitary dwellings; and

WHEREAS, the Brooklyn Park Economic Development Authority (the “EDA”) has established the Brooklyn Park Owner-Occupied Home Improvement Loan Program (the “Homeowner Program or Program”) and guidelines for the implementation thereof (the “Guidelines”);

WHEREAS, the Homeowner Program encourages neighborhood stability by utilizing financial resources to incentivize residents of the City to make improvements to owner-occupied properties, which enhances the City’s housing stock, property values, and tax base;

WHEREAS, the EDA has determined to update the Program to increase utilization rates by making the Program more attractive and affordable to a diverse spectrum of homeowners and to offer targeted programs to seniors, code enforcement cases, and first-time homebuyers;

WHEREAS, the EDA has determined that the Program can be made more effective by updating the Guidelines and documents relating to the Program in accordance with the terms and conditions described in the Request for EDA Action provided to the Board and incorporated herein by reference (the “Program Terms”);

WHEREAS, through the updated Program, the EDA proposes to establish four new sub-categories (the “Sub-Categories”) of loans within the Program;

WHEREAS, the EDA proposes to create a first sub-category of loans titled the “On-Bill Repayment Loan Program” that will allow property owners of single-family homes, townhomes, duplexes and fourplexes to finance investments in home energy upgrades and make repayments through a monthly utility bill charge;

WHEREAS, the EDA proposes to create a second sub-category of loans titled the “Code Enforcement Loan Program” that will provide low interest loans to owners of owner-occupied properties faced with City Code mandated home repairs;

WHEREAS, the EDA proposes to create a third sub-category of loans titled “Senior Deferred Loan Program” that will provide loans to property owners who are seniors aged 62 and above for improvements necessary for them to continue living in their homes or to update their homes for a potential future sale; and

WHEREAS, the EDA proposes to create a fourth sub-category of loans titled the “Down Payment and Closing Costs Deferred Loan Program” that will provide low-interest loans to first-time homebuyers in the City to assist with down payments and closing costs.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Brooklyn Park Economic Development Authority (the “Board”) as follows:

1. The EDA hereby approves the Program Terms and finds, determines and declares that it is in the public interest of the residents of the City that the Program Terms be adopted.

2. The EDA hereby approves the Program Terms, together with any related documents necessary in connection therewith, including without limitation amendments to the Guidelines, all documents or certifications referenced in or attached to the Program Terms or (collectively, the “Program Documents”) and hereby authorizes the Executive Director to execute the Program Documents on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA’s obligations thereunder when all conditions precedent thereto have been satisfied.

3. The approval hereby given to the Program Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of legal counsel to the EDA, may act in their behalf.

4. The authority to approve, execute and deliver future amendments to the Program Documents is hereby delegated to the Executive Director, subject to the following conditions: (a) such amendments or consents to not materially adversely affect the interests of the EDA; (b) such amendments or consents do not contravene or violate any policy of the EDA, the City or applicable provision of law, and (c) such amendments or consents are acceptable in form and substance to the counsel retained by the EDA to review such amendments. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this Resolution. The execution of any instrument by the Executive Director shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the absence of the Executive Director any instrument authorized by this paragraph to be executed and delivered may be executed by the officer of the EDA authorized to act in his or her place and stead.

5. The EDA hereby authorizes and directs the Executive Director and EDA staff undertake and implement the Program Terms and Program Documents as provided therein and take all actions necessary in connection therewith.

	A	B	C	D	E	F
1	Exhibit A-19	Homeowner Programs				
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
3	Interest Rate	4% for households with income over 120% AMI and 3% for household income equal to or less than 120% AMI		0%	2%	0%
4	Amortization Type	Amortizing	Amortizing	Deferred, due upon sale/transfer	Amortizing	Deferred, forgivable after 10 years
5	Loan Security	Mortgage - Subordinate	None	Mortgage - Subordinate		
6	Loan Amount	Minimum: \$2,000 Maximum: \$25,000 (2 loans max)	Minimum: \$1,000 Maximum: \$10,000	Minimum: \$2,000 Maximum: \$25,000	Minimum: \$1,000 Maximum: \$25,000	Up to \$10,000
7	Total Project Cost/Match	It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. In the event the final cost exceeds the requested loan amount, the borrower must obtain the additional funds and show verification of the additional funds in order to be approved for the loan.				Buyer must contribute at least \$1,000 or 1% of purchase price
8	Term	Up to 15 years	Up to 5 years	The Deferred Loan is 100% due when the borrower sells, transfers ownership or no longer occupies the property as the borrower's primary residence.	Up to 15 years	The Deferred Loan is 100% forgiven if the borrower(s) did not sell, transfer ownership or no longer occupied the property as the borrower's primary residence within 10 years of the loan closing date.

	A	B	C	D	E	F
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
9	Eligible Borrowers	<p>All borrowers must be a legal resident of the United States, as evidenced by a social security number, including:</p> <ul style="list-style-type: none"> *U.S. Citizens *Permanent Resident Aliens *Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable * Properties held in a Contract for Deed * Properties held in a Trust 		<p>All borrowers must be a legal resident of the United States, as evidenced by a Social Security Number including:</p> <ul style="list-style-type: none"> * US Citizens * Permanent Resident Aliens * Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable * Contract for deeds are eligible * Properties held in a Trust * At least one borrower in the household must be at least 62 years of age 	<p>All borrowers must be a legal resident of the United States, as evidenced by a social security number, including:</p> <ul style="list-style-type: none"> *U.S. Citizens *Permanent Resident Aliens *Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable * Properties held in a Contract for Deed * Properties held in a Trust *Borrower must have an active property maintenance corrective order issued by the city 	<p>All borrowers must be a legal resident of the United States, as evidenced by a social security number, including:</p> <ul style="list-style-type: none"> *U.S. Citizens *Permanent Resident Aliens *Non-Permanent Resident Aliens * Tax identification numbers (ITIN) are not acceptable * Properties held in a Trust The homebuyer(s) MUST attend a Home Stretch workshop or other valid homebuyers course offered through an approved counseling agency by HUD.
10	In-Eligible Borrowers	<ul style="list-style-type: none"> * Foreign Nationals * Non-Occupant Co-Borrowers * Business entities (such as Partnerships, Corporations, LLC's, etc.) *Applicants with no ownership interest in the property 				
11	Eligible Properties	<p>1-4 unit residential properties ***Properties held in a Trust are eligible</p>				
12	In-Eligible Properties	<ul style="list-style-type: none"> *Non-owner occupied *Dwellings with more than 4 units *Co-ops * Mobile Homes * Properties used for commercial purposes 				<ul style="list-style-type: none"> *Non-owner occupied *Dwellings with more than 4 units *Co-ops * Mobile Homes * Properties used for commercial purposes * Properties held in a Contract for Deed
13	Ownership/Occupancy	Owner Occupied				
14	Loan-to-Value	110%	None	110%	110%	110%

	A	B	C	D	E	F
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
15	Income Limits	No Income Limits, but the interest rate is determined by projected gross income and household size		None	None	120% AMI based on adjusted gross income and household size.
16	Debt-to-Income Ratio	Max 50%	None	None	Max 50%	None
17	Multiple Loans per Property/Borrower	More than one loan is permitted based upon availability of funds and ability to qualify. The cumulative outstanding balance cannot exceed the maximum loan amount allowed per program guidelines.				Only one loan, but if ownership changes the new owner is eligible. If previous owner purchases a new home in Brooklyn Park they would be eligible if considered a 1st time homebuyer (see HUD's definition of a 1st time homebuyer)
18	Eligible Improvements	Most permanent Interior and Exterior improvements	***Must meet whatever the current CNP OBLR efficiency requirements are at the time of loan: currently, Furnace >= 92% AFUE Boiler >=83.5% Programmable Thermostat w/eligible heating system Water Heater >=.67 EF Wall Insulation Attic Insulation & Air Sealing (R >=44) Other improvements are eligible to be included as long as at least one eligible energy conservation improvement is being done. These include, but are not limited to: Air conditioning (no window units) Energy Star Windows/Doors Ventilation/Bath Fans Electrical updates required due to energy improvement Asbestos and Radon mitigation HVAC cleaning Other health and safety issues	Most permanent Interior and Exterior improvements	***Must address corrective actions required by the city. Repairs must be directed at improving the safety and structural integrity of a housing unit. Durable and good quality materials must be used for long-term repairs. Exterior and Interior Repairs eligible are: Siding, trim, fascia and soffit, Roofing Garage doors, windows including egress Driveways, Tree removal that affects house foundation Demolition of pools and sheds Water heater and water boiler Plumbing, sump pumps HVAC repairs and electricals Pest control Mold and mildew remediation Foundation repairs Decks and patio repairs - not installation Hoarding cleanup Flooring Flooding remediation Other health and safety issues	N/A

	A	B	C	D	E	F
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
19	Ineligible Improvements	Work initiated before the loan has been approved and closed. Recreational items including gazebos, pools, hot tubs, saunas, lawn sprinklers, play ground equipment; Furniture and non permanent appliances (unless part of kitchen remodel); Funds used for working capital, debt management, or to refinance existing loans; Personal property items, and repairs to property used for business or trade purposes. Funds cannot be used to purchase equipment needed to complete the project. Any item not specifically listed as an Eligible Improvement is not eligible.			Any project not meeting the definition of an eligible improvement	N/A
20	Sweat Equity/Homeowner Labor	Work can be performed on a "sweat equity" basis, unless a licensed contractor is required. Loan funds cannot be used to compensate for labor, only for materials. Materials must be purchased and installed prior to the disbursement of the loan proceeds. When applicable, a signed city permit must be obtained.				N/A
21	Pre-Property Inspection	None	None	A property inspection will be performed to determine project eligibility and prioritization. If there are no health, safety or code violations the borrower may use for any permanent exterior or interior improvements.	The Brooklyn Park EDA staff will determine project eligibility in consultation with Code Enforcement staff and will supply CEE with the list of eligible project(s).	N/A
22	Post-Install Inspection	Prior to the release of loan proceeds, the property is subject to inspection by a CEE representative or, where a permit is required, work must be signed off by a City inspector.				N/A
23	Contractors/ Permits	Contractors must be properly licensed. Permits must be obtained when required by city ordinance.				N/A
24	Bids	1 bid is required. Bids must detail the scope of the work to be completed, the associated cost(s) and any rebates.				N/A
25	Work Completion	All work must be completed within 120 days of the loan closing. However, when warranted, CEE or EDA staff may authorize extensions on a case by case basis as warranted.				N/A

	A	B	C	D	E	F
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
26	Underwriting	In addition to CEE's standard underwriting criteria, applicants must: * Not have any payments more than 60-days late in the past 12 months (without reasonable explanation) * No Bankruptcy or Foreclosures in the past 18 Months (without reasonable explanation) * Be current on all mortgage payments * Be current on all real estate taxes	All borrowers must meet all CenterPoint Energy eligibility requirements. All mortgage payments and property taxes must be current. All borrowers must have a minimum credit score of 600.	In addition to CEE's standard underwriting criteria, applicants must: * Not have any payments more than 60-days late in the past 12 months (without reasonable explanation) * No Bankruptcy or Foreclosures in the past 18 Months (without reasonable explanation) * Be current on all mortgage payments * Be current on all real estate taxes		MUST COLLECT *Certificate of completed eligible Homebuyers Course *Purchase Agreement *Determination of property value *Title Commitment *1st Mortgage Commitment Letter *1st Mortgage Closing Disclosure
27	Disbursement of Funds	Funds are held by CEE and payment is made to the contractor (or owner in sweat equity situations) upon completion of work. An inspection will be performed by the City and/or CEE to verify completion of the work. The following items (and any additional as determined by CEE) must be received prior to disbursement of funds: 1. Final invoice from contractor (or materials list from supplier) 2. Final inspection verification by CEE (if necessary) 3. Completion certificate(s) signed by borrower and contractor 4. Lien waiver for entire cost of work and 5. Evidence of required city permit, where applicable	Funds will be disbursed to the borrower(s) upon closing of the loan.	Funds are held by CEE and payment is made to the contractor (or owner in sweat equity situations) upon completion of work. An inspection will be performed by the City and/or CEE to verify completion of the work. The following items (and any additional as determined by CEE) must be received prior to disbursement of funds: 1. Final invoice from contractor (or materials list from supplier) 2. Final inspection verification by CEE (if necessary) 3. Completion certificate(s) signed by borrower and contractor 4. Lien waiver for entire cost of work and 5. Evidence of required city permit, where applicable		Funds will be disbursed to the Closing Agent on behalf of the borrower, in coordination with the loan closing.
28	Loan Servicing	CRF	CEE		CRF	
29	City Paid Origination Fee to CEE	\$550	\$250		\$550	
30	City Paid Remodeling Advisor Visit/Property Inspection Fees to CEE		\$225 (not required)		None, all visits done by City of Brooklyn Park staff	N/A
31	Post Inspection Fee to CEE	\$100	N/A	\$100	\$100	N/A

	A	B	C	D	E	F
2	2019	Revolving	CenterPoint On-Bill	Senior Deferred	Code Enforcement Loan	Down Payment Assistance
32	Annual Program Admin Fee to CEE	\$500				
33	One time new program set up fee to CEE	Previously paid	None	\$500	\$500	\$500
34	Borrower Fees	1% Origination Fee and a \$50 Document Preparation Fee , mortgage filing fees, title work, credit report, flood cert and any other applicable closing costs associated with the loan. All fees may be financed.	\$50 Document Preparation Fee and credit report fee, which may be financed in the loan.	1% Origination Fee and a \$50 Document Preparation Fee , mortgage filing fees, title work, credit report, flood cert and any other applicable closing costs associated with the loan. All fees may be financed.		All applicable mortgage filing fees, wire transfer, title, credit report, flood and any other applicable closing cost associated with the loan.

MEMORANDUM

DATE: April 15, 2019
TO: EDA Commissioners
FROM: Kim Berggren, Executive Director
SUBJECT: Status Update

BUSINESS DEVELOPMENT

“Business in the Mix” Forum

On Friday, March 22, Daniela Lorenz attended the “Business in the Mix” forum hosted by ACER, Inc at Jambo Africa in Brooklyn Center. The event is the first in a series of quarterly forums planned to be hosted by ACER that brings business owners together with different resources and organizations to form connections and think about the possibility of on-going partnerships. The forum was attended by about 10 different businesses that operate in the Brooklyns. Attendees heard from Metro Transit, the NorthEast Investment Cooperative, the City of Brooklyn Park, and the Liberian Business Association.

BrookLynk

BrookLynk hosted two GetReady! Trainings for over 200 youth in March and April. GetReady! is an all-day training for high schoolers that includes 3 different tracks, depending on where they are in their skills and development. In March, employer partner and volunteers also helped participants with interview training by hosting mock interviews. In April, the EDA will have a full BrookLynk update.

Business Forward Advisory Board

BFAB held its monthly meeting on Tuesday April 2. The group discussed strategies, challenges, and opportunities to becoming a more food truck friendly community. In general, the board was excited about food trucks and understand the value of making operating in Brooklyn Park as easy as possible. The group discussed ideas for staff to pursue around storage, areas of permitted operations, and the potential of opening some public parks as operating locations.

Second Harvest Heartland Ground Breaking

Second Harvest Heartland officially “broke ground” and welcomed its new CEO, Allison O’Toole, on Tuesday, March 19. The event featured a group of speakers, including Mayor Lunde, who celebrated the partnership it takes for an organization like Second Harvest Heartland to succeed. Event attendees also heard from Second Harvest’s new CEO about her vision for the foodbank as she takes its top leadership role. Council Member Tonja West-Hafner got to take a ceremonial swing at a building wall to help signal the official ground breaking for the facility. The highlight of the evening was a surprise appearance by Governor Walz and Lieutenant Governor Flanagan who wished Second Harvest well in its next phase. Several staff



were in attendance to welcome Second Harvest to Brooklyn Park including Jay Stroebel, Cindy Sherman, Breanne Rothstein, Camille Hepola, Tim Pratt and Megan McKeen.



OTHER

Old Hennepin County Library facility – 8600 Zane Avenue

Brooklyn Park Recreation and Parks and Community Development staff are conducting due diligence around possible acquisition of the old Hennepin County Library facility located west of the City's campus at 8600 Zane. Staff are conducting cost assessments on the building's condition for possible re-use by either Recreation and Parks or possible redevelopment of the site by Community Development. Once cost estimates are collected, staff plan to hold a work session with the City Council to get direction on whether to move forward in the process.

Autumn Ridge Loan Extension Request

In 2016, the Brooklyn Park EDA approved a \$1,200,000 loan to Sherman Associates for the rehabilitation of Autumn Ridge. An extension to the original loan term of August 2018 was granted, and the deadline for the new term was January 30, 2019. The EDA has received all interest payments due on the loan. To date, the EDA has not received payment of the principal amount.

On April 2, 2019 we received a formal request for an extension to the loan and its terms. Upon review, staff determined that the level of complexity of the request warranted further review and analysis. Because the loan is past due, staff has initiated the Notice of Default process outlined in the Development Agreement, however will concurrently prepare an extension request for consideration at the May EDA meeting.

Center for Innovation and the Arts (CITA)

EDA staff discussed the Center for Innovation and the Arts (CITA) project with the Recreation and Parks Commission on March 20. The feasibility study for the project is nearing completion. The feasibility consultant team will be submitting the complete study this spring.

Project Facilitator Update

Staff welcomes Sarah Abe to the Economic Development & Housing team. Sarah started April 5 as the new Project Facilitator. Sarah has a Masters degree in Public Policy and Social Work from the University of Minnesota. She is on the Board of Directors for Reviving the Islamic Sisterhood for Empowerment (RISE) and Sisters Need a Place (SNAP), organizations that elevate community voices and provide economic and housing assistance to families in the Twin Cities. She also worked for several years as the General Manager at Daybreak Bookshop, a nonprofit bookstore that works to create space for positive community engagement in Minnesota.

Temporary Plaza Park at 85th and West Broadway

SRF Consulting will meet with Brooklyn Park, NHCC, and Hennepin County Library staff on a refined design for the planned temporary plaza park on April 18, 2019. Development of the temporary plaza park is proposed to start this spring with the installation of modest design elements and programming to occur in summer 2019.

Operations and Maintenance staff will maintain the site in conjunction with North Hennepin Community College. Brooklyn Park and Recreation and Hennepin County Library staff are planning for limited programming for the plaza park over the summer. Staff are working with Springboard for the Arts to enlist artists through the Cultivate arts initiative to develop artistic elements for the space. Hennepin County Community Works has offered grant funding to support this project as part of the "Beyond the Rails" work related to the Blue Line Extension Light Rail Transit project. It is anticipated that the temporary space will continue to evolve over the next three years.

Staff submitted a \$20,000 grant to the Blue Cross Blue Shield Center for Prevention Catalyst program seeking funding for summer gardening programming for the temporary plaza space for summer 2019. The proposed programming is focused on healthy eating and would consist of participants constructing 7-9 raised bed planters for the space, planting the beds with fruits and vegetables, and tend the beds throughout the growing season.

METRO Blue Line Extension (Bottineau LRT) Update

Agendas and previous meeting presentations can be found at:

<http://www.metrocouncil.org/Transportation/Projects/Current-Projects/METRO-Blue-Line-Extension/Committees.aspx>.

Connect Blue Line Now! Communication Coalition

<http://www.startribune.com/blue-line-expansion-advocates-lobby-minnesota-congressional-delegation/508083582/>

A group of Coalition members traveled to Washington, D.C. on March 25, 2019 to meet with members of the Minnesota congressional delegation and Federal Transit Administration officials. Attendees included Hennepin County Commissioner Mike Opat, Golden Valley Mayor Shep Harris, Robbinsdale City Council Member George Selman, North Hennepin Community College President Barbara McDonald, City Manager Jay Stroebel, Community Development Director Kim Berggren, and two local business representatives from Target Corporation and Allina Health.

The Connect Blue Line Now! Coalition is an ongoing collaboration effort around the METRO Blue Line Extension. The coalition includes elected representatives from cities along the future LRT route and other communities near the route. The goal of the coalition and campaign is to create a unified message about the benefits of the line to the Northwest suburbs.

Attachments:

7.1A EDINBURGH CLUBHOUSE UPDATE

Edinburgh Clubhouse Update

The Edinburgh USA Clubhouse project is making progress, with an estimated soft opening within the next month and D'Amico is planning a grand opening for early June. Reports from event hosts have been positive through construction, and staff is working with D'Amico to market and promote The Brooklyn restaurant.

Phase 1 – Bar/Restaurant Renovation:

The Bar/Restaurant area is nearing the end of the renovation. The carpet and tile flooring have been removed and replaced with tile. The bar was removed and relocated to create additional seats at the bar. A portion of wall that separated the back bar from the front restaurant has been removed to allow for more light in the area and views of the golf course from nearly every seat. Due to structural limitations, openings were not able to be cut in to the back wall to allow additional visibility to the course. Decorative wood has been added in several areas of the bar to a warm complement to the light airy feeling of the remainder of the bar. The woodwork and trim have been painted. The wallpaper has been removed and the walls painted with a fresh coat of paint. The tentative date to open the restaurant/bar to the public is April 20, 2019.

Photo 1: Bar/ Restaurant Area Before Renovation



Photo 2: Restaurant/Bar Area Nearing Completion



Phase 2 – Lower Level Ballroom Renovation:

The lower level ballroom renovations are complete. The renovation included painting walls and trim, installing chandeliers and sconces, and installing new carpeting. This space is back in full use for events.

Photo 3: Lower Level Ballroom Before Renovation



Photo 4: Lower Level Ballroom After Renovation



Phase 3 – Lower Level Hallway and Entrance Renovation:

The lower level hallways are complete. Wallpaper was removed and replaced with painted walls and trim. The carpet flooring was replaced with a herringbone pattern tile floor. New dimmable lighting was added to the hallways. The entrance area to the Restaurant/Bar area was updated with tile walls.

The front entrance area is nearing completion. The two display cases next to the front doors have been removed to add space to the lobby. The flooring has been replaced with tile to match the hallways. The walls, trim and railings have been painted. The chandelier will be replaced. The carpeting on the stairs will be replaced as well.

Photo 5: Lower Level Hallway Before

Photo 6: Lower Level Hallway After Renovation

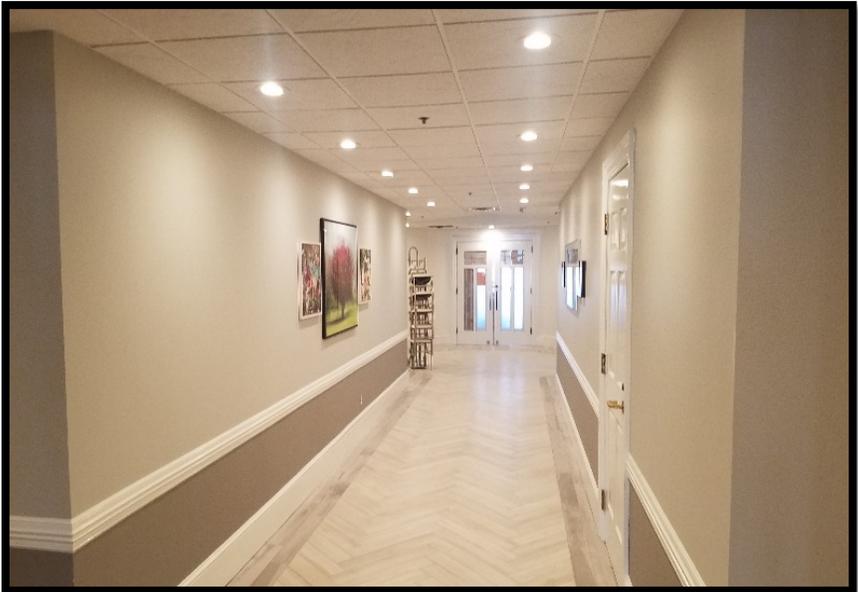


Photo 7: Lobby/Entrance Before Renovation



Photo 8: Front Lobby/ Entrance During Renovation



At the April 1, 2019 Special Meeting of the EDA, the Anderson Engineering contract for the design work of the second floor and the outdoor ceremony area was approved. This work is expected to begin in the latter part of April. We are working around existing bookings to create the construction schedule. Work on the second floor is expected to be completed in late May.

At the January meeting of the Economic Development Authority, a motion was approved authorizing the Executive Director to enter directly into contracts with vendors for the work being done at Edinburgh USA Clubhouse. The following contracts have been approved for work on the lower level hallway, ballroom and bar/restaurant area:

DESCRIPTION	VENDOR	AMOUNT
Millwork – Ballroom	ICG, Inc.	\$ 3,245.00
Millwork – Bar/ Hallways/Lobby	ICG, Inc.	\$ 64,687.00
Solid Surface Counter Tops	ICG, Inc.	\$ 24,576.00
Electrical	Connect Electric	\$ 25,840.00
Electrical	Burnsville Electric	\$ 45,900.00
Painting	Bengston Painting	\$ 121,750.00
Millwork Install	Sunrise Construction	\$ 1,280.00
Floor Demolition	Quaale Enterprises	\$ 6,975.00
Kitchen Equipment	Boelter Premier	\$ 47,468.53
Bar/Restaurant Furniture	Boelter Premier	\$ 35,700.53
Bar Equipment	Boelter Premier	\$ 37,398.77
Bar Restaurant Demolition	Rockway	\$ 6,304.95
Lower Level tile & Installation	Westlake Tile	\$ 78,800.00
Masonry Demolition	Ramsey Companies	\$ 25,953.00
Bar/Restaurant Masonry	G.B. Masonry	\$ 4,000.00
Bar/Restaurant Plumbing	B&D Plumbing	\$ 22,474.00
Bar/Restaurant Steel work	Boe Iron	\$ 4,967.00
Awning replacement	ACME Awning	\$ 8,270.00
Ceiling Tile Replacement	Acoustical Associates	\$ 10,170.00
Wall Installation	Logan Knutson Walls	\$ 11,450.00
Carpeting – lower level	Hamernicks	\$ 47,498.00
Kitchen Fire System	Olsen Fire	\$ 2,518.00
Bar Shelving	J&A Glass & Mirror	\$ 5,455.00
	TOTAL TO DATE:	\$ 561,117.34

MEMORANDUM

DATE: April 11, 2019

TO: EDA Commissioners

FROM: Erika Byrd, Economic Development Specialist

CC: Kim Berggren, Executive Director
Breanne Rothstein, Economic Development and Housing Director

SUBJECT: Housing Update

This memo provides an update to the Economic Development Authority (EDA) on several housing-related items. In addition to updating the EDA, this memo serves to keep interested stakeholders, such as City commissions and community groups informed of this work.

HOUSING POLICY UPDATES

Eviction

The City of Brooklyn Park and Minnesota Multi Housing Association hosted a facilitated discussion with Brooklyn Park rental property owners around the topic of eviction on March 28th. 24 rental property owners and managers, representing 13 different companies, attended the event. Commissioners Parks and Jacobson were also in attendance. Cathy Bennet of Bennett Community Consulting facilitated the meeting and will be summarizing the findings in a memo to be distributed to the EDA. As a next step, staff is organizing a facilitated conversation among housing organizations and advocates and developing a plan for qualitative research into the tenant experience of eviction in Brooklyn Park.



Fair Housing Policy

Starting in 2019, the Metropolitan Council is requiring that cities adopt a fair housing policy prior to the disbursement of any Livable Communities Demonstration Account funds. EDA staff discussed a proposed fair housing policy with the City's Human Right's Commission on March 21 and the Commission decide to recommend the policy. Staff will be bringing the proposed policy to the City Council later this spring.

Apartment Action Plan

On February 26, 2018, the City Council approved the Apartment Action Plan 2.0, a set of policies and procedures for supporting the long-term sustainability of the city's apartment communities. This updated document outlines actions the City should take around community engagement, communication, sustainability strategies, enforcement, and monitoring of apartment communities. Community Development and Police staff presented a year end status update to the City Council on April 8.

Tenant Protection Policies

At the February EDA work session, EDA commissioners reviewed possible strategies and tools to advance affordable housing and tenant protections. The EDA indicated an interest in working on a tenant protection and advanced notice ordinance. Staff will be working to discuss this with the Human Rights Commission and prepare some recommendations on this topic for the EDA's consideration this spring.

Estimated Timeline of Planned Housing Policy Work

- April
 - Bring Apartment Action Plan 2.0 status update to City Council for discussion
 - Develop plan for qualitative research into tenant experience of eviction in Brooklyn Park
 - Discuss tenant protection policy with Human Rights Commission
- May
 - Convene discussion with community and social service groups around evictions
 - Bring fair housing policy to City Council
 - Bring draft tenant protection policy to Human Rights Commission
 - Bring tenant protection policy to City Council

BROOKLYN PARK HOMEOWNER PROGRAMS

The EDA administers several programs that provide financial resources to single-family and townhome homeowners for capital improvement repairs. At the February EDA work session, the EDA reviewed current homeowner programs and recommended changes. Based on work session feedback, staff will bring proposed program changes to the EDA in April.

APARTMENT REHABILITATION

Brooks Landing and Brook Gardens

The Minnesota Housing Finance Agency recently awarded funding in the amount of \$5.7 million toward the rehabilitation of Brooks Landing and Brook Gardens. A \$400,000 rehabilitation loan from the EDA and \$15 million in Housing Revenue Bonds sponsored by the City of Brooklyn Park will be used in the project as well. All the apartment units are covered by Section 8 project-based Housing Assistance Payment (HAP) contracts and will remain affordable after renovation. This rehabilitation project is slated to begin in later 2019. Staff met with the owner in March to discuss resident engagement, communication, and construction plans, as well as to introduce the owner to Metro Blooms staff for a potential partnership on landscaping and storm water management at the rehabilitation site.

Autumn Ridge Apartments

Rehabilitation work continues at Autumn Ridge Apartments, with upgrades to common areas and interior units happening in the last two building. The City partnered with Sherman Associates at Autumn Ridge Apartments to assist them in the re-investment and rehabilitation of the property while maintaining long-term affordability. The EDA contributed a loan of \$1.2 million for contingency funding into the project. Sherman Associates has requested a modification to this loan, which will likely be considered by the EDA in May. Rehabilitation work of all buildings is scheduled to be completed by summer 2019 (see photo of current progress of common area rehab). Phase II of the landscaping project at the site will kick off in 2019 as well.

Fitness Room



Hallway



OTHER HOUSING ACTIVITY

Village Creek Apartments

Developer Devean George of George North Group hosted a community meeting on March 14, 2019 for the proposed Village Creek Apartments project. The prospective development would occur on a site currently owned by the EDA at Welcome Avenue and Brooklyn Boulevard. The project proposes a commercial community kitchen geared towards incubating culinary start-up businesses and a programmable community space on the ground floor with 80 units of rental housing above. The rental housing will consist of 16 units of affordable housing with the remaining units at market-rate. The project was awarded a \$832,000 Livable Community Development Account grant from Met Council in 2018. Additional community meetings for this project will be scheduled this summer.

North Hennepin Community College Housing Site

North Hennepin Community College (NHCC) is interested in selling a parcel of its campus for an affordable or mixed-income housing development. The EDA indicated general support for the project at a November 2018 work session. NHCC is currently in the process of working through the Minnesota State College System's process for offering the site for sale.

City of Brooklyn Park EDA WORK SESSION

Agenda Item No:	8.1	Meeting Date:	April 15, 2019
Agenda Section:	EDA Work Session	Prepared By:	Breanne Rothstein, Economic Development and Housing Director; Kim Berggren, Director of Community Development
No. of Attachments		Presented By:	Kim Berggren, Director of Community Development
Item:	Confirm Strategic Priorities for the Economic Development Authority		

Overview:

The EDA has resources to direct toward housing and business development, re-development, and affordable housing preservation including land, EDA general funds, Tax Increment Financing funding, housing set aside funds for affordable housing, and housing programs for rehabilitation. Staff is seeking additional direction from the EDA related to investments in housing and other economic development initiatives. At the EDA work session in March, the Commissioners provided a rank order of priorities to staff. Below is a compilation of the rank order priorities as well as a summary of the discussion.

Background:

The City of Brooklyn Park has an active Economic Development Authority. It is uniquely positioned and staffed to proactively influence the growth and development within the community. Over the years, the EDA has developed several funds with balances adequate to fund new economic and business development projects, market-rate housing, and affordable housing projects. Additionally, the EDA owns about 70 acres of land for economic development and housing purposes.

Primary Issues/Alternatives to Consider:

- **What did the EDA commissioners identify as priorities at its last meeting?**

The following rank order priorities were collected and summarized from those EDA Commissioners who returned their priorities sheet (six of seven). Each commissioner ranked the below 12 items 1 through 12 and scores were combined for a Total Score. Rankings were assigned based on points scored. A lower total score indicates a higher priority.

Based on the scores, and staff's interpretation of the conversation among the EDA commissioners, below is a draft list of priorities for the EDA to consider:

- 1) Pursue investment in the **Opportunity Zone**
- 2) Recruit new and market existing **restaurants**
- 3) Develop new programs to rehabilitate and preserve existing **naturally occurring affordable housing** (NOAH) to ensure long-term affordability
- 4) Plan for and promote investment in the **Village Creek** neighborhood, including developing EDA-owned land
- 5) Support the development of **new affordable** housing in areas of the city outside the Zane corridor
- 6) Research the opportunity for a business center that supports the **incubation and/or acceleration of small business**

Table 1: Scores from EDA poll of priority new initiatives

Ideas for New Initiatives	Work Included	Total Score	Ranking
Re-Development Initiatives			
Village Creek (including Regent Site, Luther Sites, Welcome Sites)	Update plan (last updated 2000) and actively market property, consider financial assistance for projects	28	3
Opportunity Zone	Write plan for Opportunity Zone; Recruit investment	18	1
85 th Avenue	Update redevelopment plan	33	7
Affordable Housing Initiatives			
Housing Re-investment/NOAH Policy/Program	Housing Program for rehab and long-term affordability	20	2A
New Development: Affordable Rental Housing	Recruit non-profit affordable housing developers, consider financial assistance (revisit 2011 Multi-Family Housing Assistance Policy)	29	4
Equitable Developer Score Card	Modify tool to use in Brooklyn Park to evaluate development	54	10
Mixed Income Development Initiatives			
New Development: Market Rate/Mixed Income Rental	Recruit developers, consider financial assistance	34	8
New Development: Senior Housing	Recruit developers, consider financial assistance	35	9
New Development: Owner-occupied	Consider financial assistance	56	11
Small Business Initiatives			
Restaurant Recruitment and Marketing Plan	Attend restaurant association events and actively market current restaurants (in addition to map)	20	2B
Business Incubator (small business)	Conduct/fund feasibility study in Village Creek or TOD	30	5
Small Business Entrepreneur support/reduce barrier to small business	TBD	32	6

- **What new strategic actions does staff recommend based on these identified priorities?**

Opportunity Zone/Village Creek Area

In the EDA poll, the evaluation, planning, and leveraging of the Opportunity Zone rose to the top priority and the Village Creek Area also rose to the third highest ranked priority. In 2019, EDA staff will complete analysis and revived plan for this area in order to best position it for investment. Because much of the vacant, developable land in the Opportunity Zone is EDA-owned land and located in the Village Creek re-development area, these priorities are related. In addition to planning and understanding market conditions, this work will include meeting and connecting Opportunity Zone fund managers with projects that have expressed interest in the EDA owned land. There is interest from housing developers in this area. It is staff's intention to bring projects forward for EDA consideration on these properties in 2019.

Housing Re-investment/NOAH policy/program

Given the history of housing studies, recommendations, and EDA/Council direction regarding the existing and new housing stock in Brooklyn Park, the historical, overarching guiding principles related to affordable housing in Brooklyn Park include:

- 1) Dispersal of affordable housing (maintained as policy position since Stable Neighborhood Action Plan (SNAP) study in 2005)
 - Reduce concentration of same type of apartments in Zane Corridor
 - Increase available affordable housing in other areas of the City
- 2) Focus on mixed-income housing and neighborhoods (Mixed-income Housing Policy in 2017)
- 3) Increase availability of affordable senior housing (Age Friendly Communities Report)
- 4) Avoid displacement of current community (protect existing affordable housing)
- 5) Ensure existing affordable housing is well-maintained and well-managed and renters are engaged and well-supported (Apartment Action Plan/Property Owner Coalition)

The EDA has a Housing Set Aside fund that can be used for the preservation and development of existing and/or new affordable housing. If there is support from the EDA to implement a program to rehabilitate and maintain (or slow the rapid increase of rents) affordable rental levels long-term, there are resources to fund such work.

Below is an example of how the Affordable Housing Set Aside could be used, which would result in approximately 1,000 long-term affordable units (Table 1). Currently the City has approximately 710 long-term affordable apartment units, located at Autumn Ridge, Park Haven, Brooks Landing and Brook Gardens. If fully implemented, about 27% of the apartment stock (1,710 long-term affordable of 6,250 apartment units) would be long-term affordable, meaning the renters in those units would need to qualify as low-income households (60 percent of area median income).

Table 2: Proposed use of Housing Set Aside funds for affordable housing

Strategy	Allocation	Estimated Set Aside Impact
Preserve NOAH (in strategic locations)	\$5,000,000	500 rehabilitated and preserved as affordable at \$10K per unit
Build new affordable housing (in strategic locations)	\$5,000,000	500 new at \$10K per unit

Restaurant Recruitment and Marketing Plan

This has been a top priority of the EDA for several years. In response to the desire from the EDA to grow the number of restaurants in the city and to specifically recruit nice, sit down restaurants, staff has enlisted a variety of tools, summarized below. In addition to these efforts, staff proposes the following initiatives to double down on restaurant recruitment and marketing:

Additional restaurant marketing

Staff from the communications and economic development division will coordinate closely with efforts from Minneapolis Northwest Tourism Board to deploy an enhanced marketing campaign around local restaurants. This includes videos, print media, and promotions for local area restaurants.

Enhanced recruitment strategies

Staff will engage formally with the restaurant industry by attending association events specifically geared toward restaurants who are expanding and growing. This includes networking and attending the Real Estate Journal’s Restaurant and Retail Summit, attending the Minnesota Restaurant Association’s event, and meeting with individual restaurant owners in other cities who are considering expansion, franchising, or re-locating

Food truck friendly changes

There is also an opportunity to work with the planning, code enforcement and public health, recreation and parks, and licensing departments to make Brooklyn Park a more food truck friendly community. Some work has been done involving food trucks in the past to give them more opportunities to operate in the city and there is now some energy around determining if there are additional steps that can be taken to incentivize food trucks to come to Brooklyn Park. Food trucks can operate as small-scale business incubators for restaurants that may start as a mobile food truck but then grow into a brick and mortar facility. Staff is planning to hold a meeting with food trucks that have operated in the city in the past to share their thoughts on the work Brooklyn Park has done around food trucks, what has worked well and where there is room for improvements.

Current Initiatives

Existing efforts include programs such as the SAC deferral program and the proposed adjustments to the SAC fee reduction program, which would provide businesses with a financial incentive to open or expand. Marketing efforts including the development and update of the restaurant map (both print and digital) and highlighting existing restaurants on social media. In 2018, the EDA was successful at entering into a contract with D'Amico at Edinburgh USA, who plans to open "The Brooklyn" a new sit-down restaurant at the Clubhouse later this spring. The city and D'Amico have been marketing and continue to advertise its opening (including a grand opening event).

Business Incubator

Also ranked in the top EDA priorities was the exploration and advancement of a small business incubator. This, as well as the effort to foster and grow small businesses within Brooklyn Park, has been a topic of discussion at the city and community level for many years. Staff is preparing to commission a feasibility report on the viability of the development and operation of a small business incubator. Staff intends to work with community partners in the development of the work and will seek matching grant funds from Hennepin County to support the project. There are several sites that have been topic of conversation, particularly on Brooklyn Boulevard and at the future Brooklyn Boulevard LRT station on West Broadway.

- **How does this strategic work fit in with other work the EDA is already doing?**

As context for this discussion, below is a listing of the current work of the EDA. These are areas where the staff has a high level of direction and engagement from the EDA. This list also provides a sense of the activity level of the EDA's staff.

Housing Programs and Policies

- Homeowner assistance program enhancements
- Fair Housing and Tenant Protection Policy and Eviction Research

Active Strategic Partnership Projects

- Central Park
- Center for Innovation and the Arts (CITA) – planned partnership project
- Old Hennepin County Library – possible acquisition
- BLRT (Cultivate, Advocacy, Temporary Plaza Project, Planning, Business Outreach)
- Second Harvest Heartland – underway
- Edinburgh USA Clubhouse - \$1.5 million reinvestment with D'Amico and Partners

Apartment Engagement

- Disorderly Behavior ordinance update – discussion with police and other stakeholders underway
- Collaboration/Communication with stakeholders (advocacy groups, property owners, and apartment managers)
- Apartment Action Plan coordination, with a focus on collaboration on improvements at Huntington Place

Financial Support for Multi-Family Housing Rehab and New projects

- Brooks Garden/Landing - rehab
- Autumn Ridge - rehab
- 4 plex Transitional Housing – EDA-owned rehab
- Suite Living Senior Housing – requested assistance
- Creekside Gables – requested amendment to previous assistance
- Village Creek Apartment development – support LCDA grant

Business Expansion and Retention Programs

- Business visits; relationship building
- Materials; response to Requests for Information (RFIs)
- Updated programs (Brooklyn Park Development Corporation (BPDC) work)
- Business Forward Advisory Board (BFAB)
- Expand SAC/WAC Reduction Program
- Business assistance policies and programs

Business Attraction (marketing, broker events, networking)

- Marketing coordinated with communications
- Cargo-oriented Development project
- Participation in Real Estate Journal events, EDAM, Ehlers, and site selection events
- Jobs Creation Fund (JCF) applications and administration (several projects)
- Minnesota Investment Fund (MIF) administration (several projects)

BrookLynk / workforce development strategies

- Internship recruitment and deployment (120 youth)
- Training for interns and employers (400 youth and 25 businesses)
- Participation in Hennepin Workforce Council
- Grants Administration

Infrastructure Investments

- BLRT and West Broadway corridor enhancements
- Hwy 252 conversion
- Interchange 101st/169, including possible excess land acquisition
- Utility burial
- Sidewalks and trails
 - Brooklyn Boulevard (2018-2019)
 - Property damage repair – Connections Trail

Other ongoing programs and event

- Annual Real Estate Forum - Spring
- Annual Business Forward Lunch – Fall
- State of the City – planned for May at Clubhouse
- Application and administration of grants – TOD, LCDA, BrookLynk, JCF, MIF, others
- Small business and homeowner support

Budgetary/Fiscal Considerations:

The EDA has resources to fund these efforts within several different funding sources. Staff will seek budget amendments for any specific efforts that are not already in the EDA's 2019 budget. Also, the 2020 Budget can be allocated based on these priorities.

Next Steps:

Provide strategic direction for the EDA staff in 2019/2020 and areas of priority.