



Tuesday, January 21, 2020  
7:00 pm

City Hall – Council Chambers  
5200 - 85<sup>th</sup> Ave North

**THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF BROOKLYN PARK  
ANNUAL MEETING – AGENDA #1**

**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**

For reasonable accommodations or alternative formats, contact Theresa Freund, 763-493-8059 or email [theresa.freund@brooklynpark.org](mailto:theresa.freund@brooklynpark.org).

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Yog xav tau kev pab, hu 763-493-8059

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*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**

-Introduction of Brooklynk Staff

**3. APPROVAL OF AGENDA**

**II. STATUTORY BUSINESS AND/OR POLICY IMPLEMENTATION**

**4. CONSENT**

4.1 Consider Approving EDA Meeting Minutes

4.1A September 16, 2019 Meeting Minutes

4.2 Consider Designating US Bank as the Official EDA Depository

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 Election of Officers

6.2 Consider Approving Loan Agreement and Associated Documents between the EDA and Aeon BP, LLC for the Acquisition and Rehabilitation of Huntington Place Apartment Community

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

**7. Discussion Items**

7.1 Status Update

7.1A Village Creek Street Banners

7.2 Housing Update

**IV. WORK SESSION**

**8. Work Session**

8.1 Discuss the Potential Acquisition and Redevelopment of the Villas Townhouses

8.1A Location Map

8.1B Estimated Market Values

**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](http://www.brooklynpark.org)

**The Next Scheduled EDA Meeting is February 18, 2020 (February 17 is Presidents' Day)**

# City of Brooklyn Park Request for EDA Action

<b>Agenda Item No:</b>	4.1	<b>Meeting Date:</b>	January 21, 2019
<b>Agenda Section:</b>	Consent	<b>Prepared By:</b>	Theresa Freund, EDA Secretary
<b>Resolution:</b>	N/A	<b>Presented By:</b>	Theresa Freund, EDA Secretary
<b>No. of Attachments:</b>	1		
<b>Item:</b>	Consider Approving EDA Meeting Minutes		

**Executive Director's Proposed Action:**

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ TO APPROVE THE SEPTEMBER 16, 2019 EDA MEETING MINUTES.

**Overview:**

N/A

**Primary Issues/Alternatives to Consider:**

N/A

**Budgetary/Fiscal Issues:**

N/A

**Attachments:**

4.1A SEPTEMBER 16, 2019 MEETING MINUTES

THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF BROOKLYN PARK  
SEPTEMBER 16, 2019 REGULAR MEETING MINUTES

I. ORGANIZATIONAL BUSINESS:

1. CALL TO ORDER: President Jeff Lunde at 7:00 p.m.

ROLL CALL PRESENT: President Jeff Lunde, Vice President Lisa Jacobson, Treasurer Wynfred Russell (7:29 p.m.) and Commissioners Mark Mata (7:05 p.m.), Terry Parks, Susan Pha and Tonja West-Hafner, Executive Director Kim Berggren and EDA Secretary Theresa Freund

ABSENT/EXCUSED: None.

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 JACOBSON APPROVING THE AGENDA AS PRESENTED. MOTION PASSED UNANIMOUSLY.

II. STATUTORY BUSINESS:

4. CONSENT:

4.1 Consider Approving Meeting Minutes.

MOTION WEST-HAFNER, SECOND PARKS TO APPROVE THE MAY 20, 2019 MEETING MINUTES. MOTION PASSED UNANIMOUSLY.

5. PUBLIC HEARINGS:

5.1 None.

6. GENERAL ACTION ITEMS:

6.1 Consider Approving a Contract for Agricultural Lease between the Brooklyn Park Economic Development Authority and Bill Brooks.

MOTION JACOBSON, SECOND PARKS TO WAIVE THE READING AND ADOPT RESOLUTION #2019-20 APPROVING A CONTRACT FOR AGRICULTURAL LEASE BETWEEN THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY AND BILL BROOKS. MOTION PASSED UNANIMOUSLY.

III. DISCUSSION:

7. DISCUSSION ITEMS

- 7.1 Status Update – Kim Berggren highlighted the following:
- We had a nice groundbreaking for the IBEW, the International Brotherhood of Electrical Workers. They are a new group coming to our community. Thank you for those who attended the groundbreaking and welcoming them.
  - The Business Forward Advisory Board kicked off their September meeting. Vice President Lisa Jacobson is the liaison to that group. It is a very active group. At any time if commissioners are interested, we would welcome your participation.
  - We do have a business park that banded together to host a food truck event. Takeda led the charge in coordinating the event. We have a list of participating businesses in that event. This is along the line of what Vice President Lisa Jacobson and others have said about trying to get food trucks to be a more prominent amenity in the community and help support those small businesses. This is a nice success story for that happening. It is also leveraging the private sector capacity to make it happen as well.
  - Commissioners have likely seen the Restaurant Week work that has been happening. We are highlighting five different restaurants. Camille Hepola, our Communications Manager has presented to the Council and some of our EDA has been supporting that work as well. Keep an eye out for that work.
  - The Brooklyn Restaurant has received some regional attention with assistance from Camille Hepola, who was on tv. Hopefully this is moving in the direction the EDA wants to see happen with more attention to the great array of restaurants we have here in Brooklyn Park.
  - There was a very nice summit that was hosted by the Minnesota Africans United, a new organization being formed, a couple of weeks ago. There was great representation of leadership and Lieutenant Governor Peggy Flanagan spoke at the event. The event was hosted here in Brooklyn Park and we are happy to see all the current and emerging leaders in the African community participating in that event.
  - There is a Minnesota Opportunity Collaborative conference on attracting investment in Minnesota's Opportunity Zones happening this week. It is being hosted in Brooklyn Park at the Marriott Northwest. This is a private event and we have some staff attending. Commissioner Tonja West-Hafner is attending and other commissioners are welcome to come.
  - We would like to say goodbye to Luis Salado-Herrera who was running BrookLynk for a long period. BrookLynk just celebrated its five-year anniversary. BrookLynk has been housed here in Brooklyn Park since 2018.
  - We are welcoming Catrice O'Neal to BrookLynk as our new Program Manager who will move BrookLynk forward. The program just received another \$90,000 grant from DEED. They have been successful in receiving grants to help support their work.

President Jeff Lunde stated Restaurant Week is working even better than I anticipated. This weekend I had four people who are not from the Brooklyn Park but from White Bear Lake, Egan, Eden Prairie and Lakeville send me notes about it. Clearly what the team is doing and what the restaurants have been working on with this has paid off because two of the people came up here to check out restaurants.

7.2 Housing Update – Erika Byrd highlighted:

- Minnesota Housing has awarded \$38,350 to the University of Minnesota and the city, as joint applicants to do a study on apartment stability and evictions. Hennepin County will also be contributing \$15,000 to this study along with the EDA. Staff is sorting out the timelines and contracts given that there is quite a bit of money coming in from different entities into this project. We hope to get it off the ground this month or next.
- Staff will be bringing a Tenant Notification Ordinance to the Council. Initially we told this group that it would be in September but given some scheduling we have moved it to October 14.
- Construction work is underway at Brooks Landing and Brook Gardens. They were able to close on their financing at the beginning of this month, so the project is moving ahead.

Commissioner Tonja West-Hafner stated remind me what the budget is for the research on apartment stability and evictions. Does the \$38,350 go into the max that the EDA was going to pay? Is that how it is going to work? Erika Byrd answered we are still working out the exact numbers. The study is about \$89,000. CURA is putting in \$11,000 of their own money, Hennepin County is providing \$15,000, Minnesota Housing \$38,350 and the EDA would be contributing about \$25,000. Some of the Minnesota Housing money would offset some of the research costs for Brooklyn Park.

Commissioner Tonja West-Hafner asked what the timeline is for Brooks Landing and Brook Gardens rehab? Are they doing them both at the same time and how long? Erika Byrd responded that both are concurrently happening. Staff expects the rehab to wrap up in October 2020.

Commissioner Tonja West-Hafner asked staff to send commissioners the Tenant Notification Policy and the latest Fair Housing Policy early so that we have time to think about it before October 14. Erika Byrd responded that there were no changes made at the work sessions on the Fair Housing Policy. We will send out the policies to you early.

Commissioner Mark Mata asked if the Tenant Notification Policy was going through the Human Rights Commission? Erika Byrd answered no. Staff has discussed it with the commission twice this year and has received their feedback which will be included in the staff report. We are not anticipating having them take an action before bringing it to the city council. Commissioner Mark Mata asked how difficult would it be to bring the report to them before the council? Kim Berggren respond that staff is happy to take direction from the EDA on how you want us to proceed on the Human Rights Commission. One of the things that staff struggles with is the roles of the commissions whether they are formally taking actions and recommendations on certain items. Multiple commissions sometimes want to see the same items. Getting clear direction from the council if they have

a certain body that they want to be the advising body on certain topics and what that would look like. The other element of this is expediency because this policy is one that we have taken the input of Human Rights Commission and taking the additional step of going back another time would delay bringing it to the Council. We have heard a sense of urgency from folks about getting these policies in place. We always present the opportunity for anyone on these commissions to come and participate in the council work conversation and provide input at that time too, if they are not happy with the work that staff is bringing forward. So certainly, they would have additional opportunities to provide input that way as well.

7.3 Housing Programs Update – Breanne Rothstein stated before you tonight are updates to the housing improvement loan programs. As you may recall in April the EDA approved a series of amendments to the homeownership housing programs that included:

- Revolving Home Loan Program.
- Senior Deferred Program which allows seniors to make no payments on loans until they sell.
- Down Payment Assistance Program which provides a deferred loan that is forgivable if the homeowner remains in the home.
- Code Corrections Program which was specifically geared toward people who had outstanding code violations.

The 2019 budget for the loan programs was \$300,000. Staff rolled out the program in June through a series of marketing efforts that were enhanced. Tonight, staff is here to present the status of the utilization of these programs. It has been a very successful three months and the EDA has gone through its entire budget amount. This is very exciting because last year we provided two loans and the year before that we provided one. This is evidence that the adjustments that we made were very popular and we have utilized the fund balance by putting it to good use.

In commissioners' packet there is a detailed list of the program utilization data and the demographics in both race and age of the people that are utilizing the programs. We have closed twenty-two loans some deferred and some forgivable. One thing to note is that the revolving loan program has closed six loans. Even though the funds are exhausted that includes are revolving loan program which is money that we do get immediate payments back. You can see that there is another ten waitlisted for that program. Between the marketing effort and the fact that we have had even more enticing programs has driven more people to the programs.

Some of the marketing strategies we have done besides are our standard marketing include:

- Advertised on websites for city and CEE.
- Display of brochures and posters.
- Promoted with culturally specific media and professionals.
- Digital media advertising – Channel 12.
- Targeted social media advertising – FB, Instagram, etc.
- Special events – Housing Resources Workshop.
- New connect program.

- Through Environmental Health and Assessing staff.

Tonight, staff wanted to provide an update to you on the status and to be able to show you the success that is due to the changes you have made to the programs.

Possible small guideline adjustments moving forward would be to increase the funds particularly for the Revolving Home Loan Program, where we have a \$500,000 fund balance. We know that there will be an insatiable demand for down payment assistance and for any deferred or forgivable loans. We have talked to a couple of loan officers that have made suggestions to reduce the down payment assistance to \$5,000 so that we can do more assistance. Staff will be bringing back some small guideline adjustments over the next couple of months.

Commissioner Mark Mata stated I would like to have something in the Code Corrections Program that repeat offenders can't apply. I would like to have some criteria on that.

Commissioner Susan Pha stated I am very excited to hear that this program has been used as much as it has been. We have been talking about it for the last couple of years and trying to find out how we could structure it so that people would utilize it. The numbers prove that we have found a good way. I would like to see that we add more money to this fund as you have recommended. For the Senior Deferred Loan Program and the Revolving Loan Program we get paid back for both so I don't see a reason to cap them at a \$100,000 and I think we can increase that amount. I would like staff to bring back to us a plan showing what other funds we can put into this program so that we can make it bigger. I anticipate them becoming more popular. I agree that we should reduce the amount for the Down Payment Assistance Program so that we can give it to more people. Typically, what I have seen throughout the twin cities for other down payment assistance programs they are right around \$6,000-7,000. There are some that are a lot more. I think if we stick around \$5,000-6,000 that is still a good deal for homebuyers that are looking to buy in our city. I would support putting more into all these funds so that people can invest in their homes in our city.

Commissioner Tonja West-Hafner stated am I correct that the Code Corrections Program is also revolving and not deferred? Breanne Rothstein responded that is correct. It is a low interest loan that needs to be paid back monthly.

Commissioner Tonja West-Hafner reported I am happy that we have made these changes so that people can access the funds. I would be in support of doing more however we can. I would like to have some more information about why the loan officers are telling you less down payment assistance. I get calls every single day from people that are looking for assistance and closing costs are around \$6,000-7,000. The average value in Hennepin County is \$247,000, \$10,000 doesn't make too much of a dent depending upon which income bracket is trying to buy. A consistent down payment assistant program is Minnesota Housing and you must go to a specific lender, you must do certain things and it isn't always accessible for people. I would like to have more information before we bring the assistance down to \$5,000.

7.4 Business Support and Incubator Update – Daniela Lorenz reported this is an update to a strategic priority that was set by the EDA in April. A little bit of background about Brooklyn Park and our business community:

- It is certainly thriving with almost 1,500 businesses in our community in a wide range of industries.
- The industry that we have the most concentration in is in manufacturing, at around 20%. We are diversified across all industries and we are not dependent on only one.
- Consistently what we see in Brooklyn Park is we have a very highly entrepreneurial community. A lot of that is because we have a large immigrant population. We are very supportive of entrepreneurs and we want to continue to be supportive and understand what our entrepreneurial community and small business community looks like in Brooklyn Park.

Some of the things we currently do for businesses:

- We have had a partnership with Open to Business since 2009. They provide free technical assistance to anyone that comes into their door. They are in city hall monthly, every fourth Tuesday. They are accessible and always free for residents to use through our partnership agreement and they also finance one of our loans, micro loan that is available through the Brooklyn Park Development Co.

Halfway through the year Open to Business gives staff statistics on businesses served. For example, the stats we received in July shows fourteen businesses in Brooklyn Park. Of the fourteen: nine individuals are low income, which is 80% of AMI; all are owned by people of color; and about half are women owned businesses. It is important to see that these services are being tapped into by a variety of people but also people who might have difficulty opening a business otherwise. They are using this service that is offered to them and available.

- The Brooklyn Park Development Corporation is another thing we have for businesses. It is a limited liability partnership that the EDA has been part of since the mid-90s. They offer a variety of financing options for businesses. It is a board of five business leaders in the community that offer financing options to businesses that qualify for the program.

The Brooklyn Park Development Corporation entered into this limited liability partnership to assist small businesses. It currently offers two loan programs: 1) a Revolving Loan Program up to \$300,000 largely to finance real estate and fixed asset costs. For businesses you tend to see second stage businesses pick up this loan. A lot of times to buy property or to equip machinery. It is a larger loan and they must provide at least 50% of the financing, basically a match. 2) The Micro Loan Program that MCDD administers for us. Loans are up to \$50,000 to finance inventory, fixed assets, working capital, etc. This loan is more for first stage businesses that are target to them. It has a 10% interest rate. We have offered this loan since 2009 and we are starting to see less utilization of it. Since 2013 BPDC has assisted twelve businesses. Of the twelve, five have were for the Micro Loan Program and the

remaining were for the Revolving Loan Program. Currently we have one open in the Revolving Loan Program, which is Design Ready Controls. The BPDC is set to sunset on December 31, 2020. Staff will prepare some recommendations for the EDA on how to proceed.

- The Business Development Coordinator is my position. This position acts as a liaison between businesses and the city. I also spend a lot of time connecting businesses to available resources that we may not be directly involved with, but we know about through some of the connections we have. This can be very valuable especially for small businesses that don't have the time go out and find resources they can call me.
- We have many other programs. Commissioners are all familiar with the SAC and WAC Reduction Program, the Deferral Program, including knowledge of programs offered through the State of Minnesota that a business owner would need to connect to the city to access.
- In partnership with ACER we hosted one small business focus group on August 27 at their headquarters. ACER did a lot of organizing for us. We did have some early stage entrepreneurs attend. Staff really wanted to hear from small businesses about:
  - What was it like to start your business?
  - What made you want to start a business.
  - What resources do you wish were available from the city?
  - What do you wish the city knew about starting a business that we might not know already?

Some of the findings we heard:

- A lot of discussion on additional technical assistance resources.
- Creation of a "how to" sheet for new businesses.
- Access to entrepreneurial classes.
- Mentorship program.
- Access to affordable space, funding with lower interest rates.
- Less focus on credit when making decisions about whether to give a business loan. Technical assistance around credit remediation if needed.
- Flexible payment terms.
- Longer term loans.
- Lower equity requirements for some loans.

Next steps specific to small business assistance is to:

- Continue collecting information on small business needs through survey work and focus groups. We did commit at the August 27 meeting that ACER helped us with, to bring that group back together to have them react to some of the work we are going to do.
- Update loan program guidelines to be more small/micro business friendly and more flexible to meet the needs of the business community as it exists.
- Prepare recommendations for additional resources that might be helpful to businesses.

The other part of this strategic work had to do with business Incubators. A business incubator is a space dedicated to helping new and startup companies to develop by providing technical assistance and shared or coworking space to allow them to thrive. The topic has been a point of discussion for many years within the community, including reference in the station area plans for 63<sup>rd</sup> Avenue Station. Since the EDA set this strategic priority in April, we have had six meetings with business representatives. Those meetings have mentioned commercial kitchens, coworking space, retail space and food truck/food hall. There has been a lot of energy from people talking about very specific ethnic spaces as well.

The next steps to the business incubator would be to develop project concepts and partners related to an ethnic marketplace based on the meetings. This would include seeking grant opportunities and what that would look like and, to better understand any involvement the EDA would have in a business incubator project going forward.

President Jeff Lunde stated I do appreciate the update. I have been on the BPDC and lately there has not been much activity. I look forward to seeing staffs' recommendations.

President Jeff Lunde I really like the business incubator. One thing about business incubators is that they lose money and that is ok. Everyone should know going into it that they lose money. There is assistance from the State and other groups. Some of the assistance can be in the form of grants for one or two years and then they are gone. I would like to get more people through, give them as much assistance and then make room for the next person. I think we will have plenty of people who will use this.

President Jeff Lunde I do like the micro grants and the return on investment is very high. I would love to hear some more about that.

Commissioner Susan Pha stated my thoughts on the Brooklyn Park Development Corporation, there is a lot of nonprofit lenders and small business lenders in the community that I think if we leveraged them and partnered with them I think that might be the best use of our time and resources. Rather than having a development corporation of our own and trying to do some of that work ourselves. I know that because I am the Director of Economic and Community Development over at Hmong American Partnership. We are a huge micro lender and I consistently go to SBA meetings and lender meetings and meet other lenders in the community. I know that there are a lot of resources out there that if we just tap into, they will do the work for us and it is part of their mission and work. We would have to communicate with them and keep in touch with them and build a partnership with them. That might be a better use of our energy.

Commissioner Susan Pha I am a big supporter of business incubator spaces. With a business background I just want to say that small businesses even in incubator space typically would need at least two to three years to survive and leave the incubator space. It may seem long term but at a minimum it would need to be at least a year. I believe there is a need because anytime you have such a diverse people in your community, 20% of our residents are foreign born, they may not know America's way of doing business systems, processes, legal and those are the things they are learning. They are not technically learning how to do business because they are super savvy. The business incubator space

gives people an opportunity to start a business small and grow their business larger and outside of the incubator space. I think this is important to have this as an option for our community members. I think partnerships between the EDA, nonprofits, chambers and private investors we can find a way to do incubator space here in Brooklyn Park.

Commissioner Wynfred Russell stated thank you Daniela for all the work you have put into this. Our community members are grateful for what you have done. This work has been going on for a long time now, back to the station area planning. The business incubator models you have looked at are there successes? I remember the midtown market initially was struggling financially. What was responsible for them turning the corner. Daniela Lorenz responded staff has not done a lot of the research yet and that will be part of the development of a project concept to really understand who has been successful and what that looks like and what success means. Also understanding what it looks like to subsidize a business or provide the resources that they will need. I can't speak to that now but hopefully within a few we will be able to. Commissioner Wynfred Russell there are a lot of different types of business incubators with very good models. I have seen good models Portland, Denver, Seattle and most recently Vancouver.

Commissioner Wynfred Russell can you tell me what the distinction is between an accelerator and incubator? Daniela Lorenz shared that an incubator is mostly inexpensive space, shorter term leases and providing technical assistance. There are many different models and it looks very different from a manufacturing incubator to a retailing incubator. They can be very business specific. An accelerator is more focused on the mix of tenants. So, they may like to have a tax prep agency in with maybe a financial counselor and real estate broker because it is really about the synergy that is created within those businesses. They are growing each other's businesses. Some of that can happen in an incubator and there is certainly overlap with both of those. However, the technical assistance looks different on both sides. Accelerators are very intentional about businesses that are in there. Incubators can do that do because you can have a retail incubator you are incubating retail spaces. Depending upon the model that gets set up.

Commissioner Wynfred Russell stated I would like to add my strong support for a business incubator. While going around in the community and talking to folks there is a strong interest and desire to see a business incubator in the city. Folks are desperately looking for this opportunity. I look forward to seeing what you bring back to us.

Commissioner Tonja West-Hafner asked can you help me understand what assets the Brooklyn Park Development Corporation has right now that is listed at \$1.9 million? Daniela Lorenz responded that that is how much money they have.

Commissioner Tonja West-Hafner stated for the small business conversation you mentioned additional technical assistance by MCDD. Daniela Lorenz responded that staff does make the connection with MCDD when people come to the counter and they ask for assistance. Particularly for the micro loans they would have to go to MCDD to have technical assistance and that is part of the program as it currently exists. What we are starting to find is that some people prefer to use culturally specific

technical assistance. I always like to say to people that finding a good business support person is like finding a therapist. Not all are going to work for everyone, everywhere. I give them a whole host of option. We mention that MCDD is one of several different places that they can explore. Sometimes different funding sources are tied to getting technical assistance from other places. We like to make sure that they know that to Commissioner Susan Pha's point before there is a lot of people that do this work and if we know a loan exists that might work for them we would steer them in that direction.

Commissioner Tonja West-Hafner asked do we have underwriting loan standards that includes a focus on credits? Daniela Lorenz responded yes MCDD underwrites all the loans for the micro loan and MCDC underwrites our loan for the revolving loan. Both I believe use the SBA standards for underwriting which has a credit component.

Commissioner Susan Pha reported for myself I would like to look at both types of incubators (short term or ethnic market place long term) because I would like to see what partners we could find for each and which one is more feasible with the partners we do have. We could put both of those ideas out into the community and see which of the ideas would develop and they would be more interested in. I don't see us as a city overseeing this. It would be great to have a partner that does, and we may help with EDA money, subsidies, grant or land. Not owning, operating or managing an incubator space something similar to the CITA project or the dome project.

IV. WORK SESSION:

8. WORK SESSION ITEMS

8.1 None.

V. ADJOURNMENT

Meeting adjourned at 8:12 p.m.

Respectfully Submitted  
EDA Secretary Theresa Freund

# City of Brooklyn Park Request for EDA Action

<b>Agenda Item No:</b>	4.2	<b>Meeting Date:</b>	January 21, 2019
<b>Agenda Section:</b>	Consent	<b>Prepared By:</b>	Theresa Freund, EDA Secretary
<b>Resolution:</b>	N/A	<b>Presented By:</b>	Theresa Freund, EDA Secretary
<b>No. of Attachments:</b>	0		
<b>Item:</b>	Consider Designating US Bank as the Official EDA Depository for 2020		

## Executive Director's Proposed Action:

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ DESIGNATING US BANK AS THE OFFICIAL EDA DEPOSITORY FOR 2020.

## Overview:

Minnesota Statute [118A.02](#) states the governing body of each government entity shall designate, as a depository of its funds, one or more financial institutions and the governing body may authorize the treasurer or chief financial officer to:

- Designate depositories of the funds;
- Make investments of funds under sections [118A.01](#) to [118A.06](#) or other applicable law; or
- Both designate depositories and make investments as provided in this subdivision.

US Bank has been the official depository for both the City and EDA since 2004. On January 6, 2020, the City Council designated US Bank as the official depository for the City of Brooklyn Park for 2020.

## Primary Issues/Alternatives to Consider:

- **What does this action do?**

This action designates US Bank as the official EDA depository for the calendar year 2020.

## Budgetary/Fiscal Issues:

N/A

## Attachments:

None

# City of Brooklyn Park Request for EDA Action

<b>Agenda Item No:</b>	6.1	<b>Meeting Date:</b>	January 21, 2020
<b>Agenda Section:</b>	General Action Items	<b>Prepared By:</b>	Theresa Freund, EDA Secretary
<b>Resolution:</b>	N/A	<b>Presented By:</b>	Jeff Lunde, President
<b>No. of Attachments:</b>	0		
<b>Item:</b>	Consider Election of Officers		

## Executive Director's Proposed Action:

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ TO ELECT \_\_\_\_\_ AS PRESIDENT OF THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY.

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ TO ELECT \_\_\_\_\_ AS VICE PRESIDENT OF THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY.

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ TO ELECT \_\_\_\_\_ AS TREASURER OF THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY.

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ TO ELECT \_\_\_\_\_ AS SECRETARY OF THE BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY.

## Overview:

The officers of the Authority shall consist of a President, a Vice President, a Secretary, a Treasurer and an Assistant Treasurer. The President, the Vice President and the Treasurer shall be members of the Board and shall be elected annually. No Commissioner may serve as President and Vice President at the same time. The offices of Secretary and Assistant Treasurer need not be held by a Commissioner.

The **President** shall preside at all meetings of the Board.

The **Vice President** shall preside at any meeting of the Board in the absence of the President and may exercise all powers and perform all responsibilities of the President if the President cannot exercise or perform the same due to absence or other inability.

The **Treasurer** shall receive and be responsible for Authority money, shall disburse authority money by check only, keep an account of all Authority receipts and disbursements and the nature and purpose relating thereto, shall file the Authority's financial statement with its secretary at least once a year as set by the Authority, and be responsible for the acts of the assistant treasurer.

The **Assistant Treasurer** shall be the **City Finance Director** and shall have all the powers and duties of the Treasurer, if the Treasurer is absent or disabled.

The **Secretary** shall keep or cause to be kept minutes of all meetings of the Board and shall maintain or cause to be maintained all records of the Authority. Traditionally this position has been held by the Executive Director's Assistant.

<b>City of Brooklyn Park Request for EDA Action</b>			
<b>Agenda Item No:</b>	6.2	<b>Meeting Date:</b>	January 21, 2020
<b>Agenda Section:</b>	General Action Items	<b>Prepared By:</b>	Breanne Rothstein, Economic Development and Housing Director
<b>Resolution:</b>	N/A	<b>Presented By:</b>	Breanne Rothstein, Economic Development and Housing Director
<b>Attachments:</b>	10		
<b>Item:</b>	Consider Approving Loan Agreement and Associated Documents between the EDA and Aeon BP, LLC for the Acquisition and Rehabilitation of Huntington Place Apartment Community		

**Executive Director’s Proposed Action**

MOTION \_\_\_\_\_, SECOND \_\_\_\_\_ APPROVING LOAN AGREEMENT AND ASSOCIATED DOCUMENTS BETWEEN THE EDA AND AEON BP, LLC FOR THE ACQUISITION AND REHABILITATION OF HUNTINGTON PLACE APARTMENT COMMUNITY

**Overview:**

Aeon, a regional developer and property manager of affordable housing in the Twin Cities metro, has a purchase agreement for Huntington Place apartments. Aeon seeks to purchase and own the community for the long-term, maintain rents as affordable, and improve living conditions at the property. Huntington Place is the second largest apartment community in the state of Minnesota, consisting of six buildings on 13 acres and 834 one-bedroom homes. Aeon has submitted a request for financial assistance from the Brooklyn Park Economic Development Authority (EDA). Dominion, the current owner, recently completed \$8 million in investments at the property, and is working directly with Aeon in an off-market transaction which is slated to close by the end of January.

**Background:**

Huntington Place was built in the 1960s as three story walk-ups with split entries. At the time of construction, Brooklyn Park was experiencing significant growth, particularly in multi-family housing to accommodate young baby boomers. Over 5,000 multi-family housing units were constructed in the Zane Avenue corridor over a 20-year period in Brooklyn Park. All 834 units were constructed as one bedrooms, and the original occupants were mostly single or coupled people living there with very few children. Starting in the 1990s, the property started to house more families. Huntington Place has historically been an affordable place to call home, attracting many lower resourced families, as other parts of the metro (and country) became increasingly less affordable.

Due to a variety of factors, Huntington Place has also experienced a higher than average crime rate. The property has been a focus of city, property managers, and other community organizations since the nineties. A desire to reduce crime and improve safety for the residents living there (as well as other apartment communities) has resulted in the establishment of the Police’s Blue Blocks program on the property, the hiring of outreach workers to connect youth to community resources, and increased focus on maintenance and property inspections.

In the past decade, rents in Brooklyn Park and Huntington Place have dramatically increased, while the quality and safety of housing has not improved significantly, particularly at Huntington. Since 2011, the City has completed an annual rent survey in coordination with property managers. In 2011, the average rent at Huntington was \$619. In 2019, the average rent was reported at \$950, representing an over 50 percent increase in rent in eight years. This is a higher rate of increase than one bedrooms citywide over the same period, and a significantly higher rate than county trends (22% rent growth in suburban Hennepin County since 2010).

Given these circumstances regionally and within the city, Aeon has recently shifted its focus toward the acquisition and re-habilitation of existing, market rate affordable homes (also called NOAH – naturally occurring affordable housing). In 2017, the company purchased 1,200 apartment homes with the goal to maintain rents at levels

affordable to households earning 60% or less of the area median income (less than \$1,200 for a one-bedroom unit). The company identifies properties that are at risk of continuing to see rapid price increases through market trends or potential “value add” sales and that are currently priced at “affordable” levels and negotiates with existing owners of such properties. Huntington meets these criteria, and therefore Aeon is working to put together a financing package to purchase the property.

**Primary Issues/Alternatives to Consider:**

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

Aeon representatives are proposing two phases of development financing and capital investments, should they be able to purchase the property. Aeon also has a goal for a third phase of modifications/improvements to the community.

Phase One is short term, acquisition financing and includes acquisition and an additional \$4 to 6 million in capital investment, totaling approximately \$83M in total project costs (\$100K per unit). Phase One improvements are proposed to include community rooms that are staffed in each building, the installation of cameras, staffing resident support services, and establishing a system and resolution of resident maintenance and other issues.

The dollars proposed to be spent from the EDA would be used to fund the following capital improvements, per the term sheet:

- Cameras in all buildings and on site
- Electronic locks and door alarms on all existing doors
- Fire safety improvements
- The construction of at least one staffed office/community space in each building
- Completion of any maintenance items identified in Aeon’s pre-sale inspections

Phase Two would occur when the property is re-financed with permanent financing, potentially with the use of Low Income Housing Tax Credits or another source of affordable housing financing, and a permanent mortgage. Improvements at that time would be based on available funding, but it is anticipated that an additional \$2 to 4 million of in-unit improvements would be made upon re-finance. Phase Three could include more substantial changes to the community such as re-configuration of units, the addition of family units, or a re-design of the site plan layout to improve community feel and providing a better unit mix. However, the details of Phase Three are not known at this time and will be dependent on available financing from other sources.

- **What assistance is being requested?**

The total project cost in Phase I is \$84M. The primary/senior mortgage financing, still being pursued with National Equity Fund, a potential lender, would cover 78 percent of the project cost. LISC has also been secured as a secondary debt funding source for a \$5M, five-year loan. Aeon will also apply for 4-d tax status as a part of its use of EDA financing, which will limit property tax increases over time. This allows Aeon to take on more debt rather than applying the operating income to rising property taxes.

Below is a summary of the sources of the Phase I financing:

Loan from senior mortgage:	\$72,500,000
Second Position debt – LISC:	\$ 5,000,000
Third Position debt – BP EDA:	\$ 5,000,000
Equity from Aeon:	\$ 1,000,000
	\$ 83,500,000

Below is a summary of the uses of the Phase I financing:

Acquisition:	\$ 74,500,000
Capital Improvements:	\$ 6,000,000
Transition Reserve:	\$ 80,000
Other Costs/Closing:	\$ 2,160,000

- **What are the proposed terms of the assistance?**

The development agreement specifies an EDA contribution from the Housing Set Aside. The deal would be for capital improvements, structured with the following terms:

Amount of Loan	\$5,000,000
Duration	20 years
Payment Terms	No payments for 2 years, interest accrues. Annual payment of principal and interest due thereafter.
Balloon Payment	Accrued interest and \$1M due at 5 years, or re-finance, whichever is sooner.
Interest Rate	3%
Source of Payment	% of disburseable cash flow (15% long term)

- **What are the proposed conditions of the assistance?**

The city has collected feedback and provided an opportunity for input from residents, housing stakeholders, community organizations, and the Apartment Action Plan task force of city staff regarding conditions that could be placed on the EDA's financial participation to advance the stated goals of the EDA to stabilize the property, improve living conditions and residents' perception of safety, and minimize displacement during the sale. Below is a listing of such conditions, which are included in the loan agreement and/or the restrictive covenants. It should be noted that failure to comply with these conditions will not result in the calling of the loan or any other financial remedy, but would need to be pursued as contractual violations. Therefore, there is inherent risk in the ability for the city to enforce these conditions.

Operational Conditions:

- Submittal of a short-term transition, and a long term permanent staffing plan;
- Maintenance of a standardized schedule of staffing community rooms in each building;
- Continuation employment of permanent on-site managers/caretakers in each building;
- Continuation of employment and support of city's youth outreach workers;
- Collaboration with local housing stakeholder group in the development and submittal of a resident support service plan;
- Submittal of tenant screening process;
- Submittal of a crime reduction strategy;
- Compliance with all housing policies, existing and future;
- Submittal of a 30 year capital needs assessment and reinvestment plan;
- Support the establishment and operation of a resident council;
- Provide an annual tenants rights and responsibilities training;
- Establish reasonable rent payment methods;
- Hire and retain 2 full time resident support coordinators to assist people having to move, with a focus on those having to move due to over-occupancy and proactively connect residents who are facing displacement in the future with appropriate housing resource.

Covenants:

- At least 60% of units must be affordable for households earning less than 60% of AMI, with no more than 40% affordable at households earning 80% of AMI (income averaging allowed);
  - At least 20% of the units must be affordable for households earning less than 50% of AMI (which includes an opportunity for property manager to petition the EDA to modify those terms if they affect financial feasibility of the project);
  - The property must participate in the Section 8 voucher program;
  - Displacement is minimized by grandfathering tenants in place at the time of sale to be exempt from affordability requirements;
  - Submittal of an annual report
- **What is the financial risk in supporting this project?**

The EDA's risk in this project is similar to other housing projects the EDA has supported over the years. As a subordinate debt holder, if an entity defaults on re-payment of their mortgages, the EDA would be in subordinated position to the primary and secondary mortgage holder to get paid. Should foreclosure of the property occur, there would likely be no proceeds from which to pay the EDA's loan. Also, if the EDA is unsatisfied with progress or conditions on the property over time, calling the mortgage and requiring total re-payment is unlikely to be a viable option given the EDA's subordinated position and related subordination agreement. This loan is not a standard, amortized loan, but payments will be based on available cash flow, as defined within the agreement. If the property does as expected or better, the loan will be re-paid in 20 years. If the property cash flows worse than projected, the loan will get re-paid at a slower rate (notwithstanding a re-finance).

- **Who benefits from the EDA participation in this project?**

The financial assistance would be part of the overall capital stack for the project that goes toward Aeon acquiring the property with the expressed purpose of limiting rent increases and improving community livability. Aeon will benefit from the addition of units to its portfolio and in annual net operating income. Aeon's equity investors will expect a rate of return from their equity investment, although Aeon is working with a group of philanthropic investors who expect a lower rate of return than a typical project (i.e. 6 percent rate of return rather than 12 percent) to become part of the deal at re-finance.

In Phase I, the current residents will experience de-centralized maintenance/leasing functions, and increased staffing of each building for improved customer experience. Through security enhancements, it is the goal to reduce victimization of residents and improve livability overall at Huntington.

Current and future residents will be able to access homes that do not rise in cost as quickly as current market conditions. The EDA's contribution, combined with the State's 4-d tax program, will trigger long-term affordability requirements on these homes.

Finally, the sale of Huntington to a non-profit, affordable housing developer could net positive outcomes for the buildings and the security and safety of the community by annual re-investment of the property and provide better access to available social service resources.

- **What are the next steps?**

Should the EDA approve the Development Agreement tonight, Aeon and Dominion seek to complete the sale at the end of January and Phase I improvements would be completed by a deadline of August 2021. Aeon will work to re-finance as soon as their long-term financing plan is secured (one to five years).

**Budgetary/Fiscal Impacts:**

The EDA contribution to this project would come from the Housing Set Aside fund, a fund established from excess TIF funds for the purpose of affordable housing development and re-habilitation, through special legislation. The current balance of the Housing Set Aside is approximately \$10 million. The dollars in that fund can be used for the development of new or rehabilitation of housing that meets affordability requirements. The NOAH program established by the EDA in June of 2019 calls for use of approximately \$5 million for NOAH preservation.

**Recommendation:**

The Executive Director of the Economic Development Authority recommends approval of the development agreement and associated documents for the Aeon BP, LLC purchase and capital improvements at Huntington Place apartments.

**Attachments:**

- 6.2A LOCATION MAP
- 6.2B LETTER FROM AEON, DATED 1/7/2020
- 6.2C LOAN AGREEMENT
- 6.2D DISBURSING AGREEMENT
- 6.2E COVENANT
- 6.2F GUARANTY
- 6.2G NOTE
- 6.2H MORTGAGE
- 6.2I REQUEST FOR FORECLOSURE
- 6.2J RESOLUTION

Map Scale = 1: 5,680

-  City Boundary
-  City Background





## MEMORANDUM

TO: EDA Members, Kim Berggren, Breanne Rothstein  
FROM: Bill Mague  
DATE: 7-Jan-20  
RE: NOAH Fund Investment Duration

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This memo articulates the need for long-term capital investment by the City of Brooklyn Park through its NOAH fund and concerns expressed by staff with respect to the form, terms, and duration of the NOAH fund investment being considered for approval at the 1/21 EDA meeting.

Aeon is willing, able, and excited to be a partner *with* the City, National Equity Fund, and the residents of Huntington Place in a new future for this project. We are not, however, able to change *any* of the circumstances that have plagued this property for the past decade without long-term commitments by the City, County, MHFA, and others to transformational change. We have been clear and deliberate about the fact that, at minimum, it will take 3-5 years to change the operating reality of the project, after making initial changes to the physical design of the individual buildings. For this to occur, we must put in place at inception a long-term capital plan to support not only the initial physical improvements, but also the capacity over time to take advantage of these changes to improve perception, behavior, and overall performance.

There are three stages of activity needed in order for this to be successful:

1. Acquisition: This acquisition is of the second largest apartment community in MN. Because of the short time-frame by which the Seller obliged us to acquire the project, all \$5.0MM of available NOAH funds are needed from the City, along with acquisition funding from National Equity Fund (NEF) and a subordinate acquisition loan from LISC. Both of these latter sources are specifically acquisition sources, more flexible in their terms than traditional long-term financing, and are structured to address a short-term acquisition time-frame.
2. Initial Improvements: The City of BP has required that its funds be used *not for acquisition*, but rather for the first of substantial long-term capital repairs at the



property, specifically to subdivide individual floors of the buildings to create smaller communities, add additional security elements, and create a management presence in each building. The funds needed for this work are necessarily long-term funds, as there is *no other source of long-term capital for these community improvement expenditures*.

- a. Because the City also expressed the desire to have its NOAH fund be geographically dispersed, we recognize the need to return a portion, proposed at \$1.0MM, back to the City for future use in other projects. The balance of \$4.0MM is necessary for the long-term if we are to leverage it with additional capital for unit renovations, systems replacement, and similar improvements to the overall quality of life for residents.
3. Permanent Financing: We intend to capitalize the project with permanent capital, including agency or FHA long-term financing and private equity, within the first 2 years of our ownership. Attached is a sources and uses schedule showing how the two initial phases lead into the third. As you can see, traditional long-term financing, distinct from acquisition financing, is limited to 80% LTV, and a substantial amount of the new equity is needed simply to retire the additional acquisition loan sources, including NEF and LISC. *If we are obliged to pay back all of the City of BP funds at that time, there will be little or no additional capital for unit renovations and quality of life enhancements. Without those additional funds Aeon will not be able to address the many challenges at that site.*

These issues are not Aeon's to solve alone. We are skilled at capital formation, property ownership and operation, and long-term ownership of affordable housing. We are, however, only a tool for a community that seeks to improve the well-being of its residents and *are not successful without the long-term commitment of the host city*. Our recent NOAH acquisitions included long-term, subordinate capital from the City of Minneapolis (Mpls 220, \$4.5MM), Season's Park (MHFA/Richfield, \$8.2MM), and the City of Bloomington (Village Club, \$7.0MM).

We are requesting that the \$4.0MM of NOAH investment be 20-year term minimum, subordinate to our primary financing, and with a low or zero interest rate. As a non-profit Aeon is committed to long-term affordability and improving quality of life for residents of Huntington Place and Brooklyn Park.

<b>SOURCES AND USES</b>		Huntington Place: <b>LOCAL</b>	
		Closing:	1/31/2020    9/1/2020
<b>SOURCES:</b>		<u>Acquisition</u>	<u>Equity 1</u>
SENIOR DEBT		72,515,000	62,380,000
INVESTOR EQUITY		-	18,808,473
MHFA			4,000,000
DEFFERED SUBORDINATE DEBT			
ASSUMED DEBT			
AEON		1,000,000	1,000,000
City of BP NOAH Funds		5,000,000	4,000,000
LISC Subordinate Loan		5,000,000	-
SUBTOTAL DEFFERED DEBT		<u>5,000,000</u>	<u>-</u>
<b>TOTAL SOURCES</b>		<b>83,515,000</b>	<b>90,188,473</b>
<b>USES:</b>			
PURCHASE PRICE		74,500,000	83,515,000
CAPITAL IMPROVEMENTS		5,996,800	2,722,297
REPLACEMENT/OTHER RESERVE	500.00		417,000
REAL ESTATE TAX 4D ESCROW		394,417	
AEON TRANSITION RESERVE		841,000	841,000
LISC CAPITALIZED INTEREST			900,000
NEF ACCRUED INTEREST		-	784,391
OTHER			
TRANSACTION COSTS			
CLOSING COSTS, SURVEY, TITLE, MISC		50,000	15,000
LEGAL FEES		100,000	50,000
DUE DILIGENCE COSTS		60,000	50,000
SENIOR DEBT PLACEMENT FEE		361,900	333,200
OPERATING PARTNER FEE		372,500	372,500
EQUITY PARTNER FEE		-	188,085
INSURANCE & TAX EXPENSE/ESCROW		833,633	
CONTINGENCY		4,750	-
SUBTOTAL TRANSACTION COSTS		<u>4,750</u>	<u>-</u>
<b>TOTAL DEVELOPMENT COSTS</b>		<b>83,515,000</b>	<b>90,188,473</b>
<b>Net</b>		<b>(0)</b>	<b>0</b>

Total Capital Improvements

5,996,800

8,719,097

**LOAN AGREEMENT**

THIS LOAN AGREEMENT is made this \_\_\_ day of January, 2020 (the “Loan Agreement”), between **AEON BP LLC**, a Minnesota limited liability company (the “Borrower”), and the **BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY**, a public body corporate and politic of the State of Minnesota (the “Lender”).

**RECITALS**

WHEREAS, the Borrower has proposed to acquire property known as Huntington Place Apartments located at 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City of Brooklyn Park, Minnesota (the “City”), which property is legally described in EXHIBIT A attached hereto (the “Property”); and

WHEREAS, the Borrower has proposed to rehabilitate the existing 834-unit multifamily housing development on the Property as further described in Section 5 hereof (collectively, the “Projects”); and

WHEREAS, the City and the Lender have established within Development District No. 1 (the “Development District”) Tax Increment Financing District No. 15 (“TIF District 15”) pursuant to Minnesota Statutes, Sections 469.174 to 469.1794 (the “TIF Act”) and Minnesota Laws of 1994, Chapter 587, Article 9, Section 20 (the “1994 Special Law”), as amended by Minnesota Laws of 2005, Chapter 152, Article 3, Section 29 (the “2005 Special Law”), and as further amended by Minnesota Laws of 2006, Chapter 259, Article 10, Section 16 (the “2006 Special Law” and, together with the 2005 Special Law and the 1994 Special Law, the “TIF 15 Special Laws”); and

WHEREAS, the TIF 15 Special Laws authorize and require the Lender to spend up to 15% of the tax increment from TIF District 15 for the rehabilitation, acquisition, demolition, and financing of new or existing single family or multifamily housing located anywhere in the City, if the occupants meet certain income qualifications (the “TIF 15 Housing Set Aside”); and

WHEREAS, the City and the Lender have established within the Development District Tax Increment Financing District No. 17 (“TIF District 17”) pursuant to the TIF Act and Minnesota Laws of 1996, Chapter 471, Article 7, Sections 28 through 31 (the “TIF 17 Special Law” and, together with the TIF 15 Special Laws, the “Special Laws”); and

WHEREAS, the TIF 17 Special Law authorizes and requires the Lender to deposit all of the tax increment from TIF District 17 for in excess of the amount needed to pay the costs of relocation of tenants residing in a distressed rental property (as defined in the TIF 17 Special Law) into the TIF 15 Housing Set Aside account (the “TIF 17 Housing Set Aside TIF” and, together with the TIF 15 Housing Set Aside, the “Housing Set Aside TIF”); and

WHEREAS, in order to make the Projects more economically feasible and to preserve affordable housing in the City, the Lender has proposed to make a loan to the Borrower in the amount of \$5,000,000 (the “Loan”) from the Housing Set Aside TIF; and

WHEREAS, in consideration for the Loan, the Borrower will execute and deliver to the Lender a Declaration of Restrictive Covenants of even date herewith (the “Declaration of Restrictive Covenants”), setting forth the affordability covenants for the Property; and

WHEREAS, the Loan is secured by a Combination Mortgage, Security Agreement, and Fixture Financing Statement of even date herewith (the “Mortgage”) by the Borrower in favor of the Lender, against the Property, and a Guaranty Agreement (the “Guaranty”) from Aeon (the “Guarantor”) in favor of the Lender.

ACCORDINGLY, to induce the Lender to make the Loan to Borrower, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Loan Amount. Subject to and upon the terms and conditions of this Loan Agreement, the Lender agrees to make the Loan to the Borrower in the amount of Five Million and 00/100ths Dollars (\$5,000,000), or so much thereof as is disbursed to Borrower in accordance with this Loan Agreement. The Loan shall be evidenced by a Promissory Note of even date herewith (the “Note”), payable by the Borrower to the Lender, which Note shall be secured by the Mortgage and in part by the Guaranty.

2. Repayment of Loan. The Loan shall be repaid with interest as provided in the Note.

3. Disbursement of Loan Proceeds.

(a) The Loan proceeds shall be disbursed to, or at the direction of, the Borrower to pay or reimburse the Borrower for costs of the Projects in accordance with the Disbursing Agreement, of even date herewith (“Disbursing Agreement”), between the Lender, the Borrower and Commercial Partners Title, LLC (“Title”).

(b) The following events shall be conditions precedent to the disbursement of the Loan proceeds:

(i) the Borrower shall have provided to the Lender evidence of having obtained financing for the acquisition of the Property;

(ii) the Borrower shall have executed and delivered to the Lender on or prior to the date hereof, without expense to the Lender, executed copies of this Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty, the Mortgage, and the Note;

(iii) the Borrower shall have paid all attorney fees, costs, and expenses incurred by the Lender in connection with this Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty, the Mortgage, and the Note then due as provided in Section 11(e) hereof;

(iv) on the date hereof, the Title shall have irrevocably committed to issue to Lender an owner’s policy of title insurance with respect to the Property in form and substance approved by Lender;

(v) the conditions to disbursement set forth in Section 2 of the Disbursing Agreement shall have been satisfied;

(vi) no Event of Default under any of this Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty, the Mortgage, and the

Note shall have occurred and be continuing, unless waived in writing by the Lender in its sole discretion;

(vii) the Borrower shall have submitted a short and long-term staffing plan for the Property to, and obtained the approval thereof from, the Executive Director of the Lender or her designee; and

(viii) as applicable with respect to each disbursement, the Borrower shall have received or the Lender shall have determined that the Borrower will receive all necessary rezoning, variances, conditional use permits, building permits and other permits, and subdivision, site plan and other approvals needed to permit the construction of a Project for which funds are requested.

4. Representations and Warranties. The Borrower represents and warrants to the Lender that:

(a) The Borrower is a limited liability company duly organized and existing in good standing under the laws of the State of Minnesota.

(b) The Borrower is duly authorized and empowered to execute, deliver, and perform this Loan Agreement, the Note, the Declaration of Restrictive Covenants, the Disbursing Agreement, and the Mortgage and to borrow money from the Lender.

(c) The execution and delivery of this Loan Agreement, and the performance by the Borrower of its obligations hereunder, do not and will not violate or conflict with any provision of law or the operating agreement of the Borrower and do not and will not violate or conflict with, or cause any default or event of default to occur under, any agreement binding upon the Borrower.

(d) The execution and delivery of this Loan Agreement has been duly approved by all necessary action of the Borrower, and this Loan Agreement has in fact been duly executed and delivered by the Borrower and constitutes its lawful and binding obligation, legally enforceable against it.

(e) The Borrower warrants that it shall keep and maintain books, records, and other documents relating directly to the receipt and disbursements of Loan proceeds and that any duly authorized representative of the Lender shall, at all reasonable times, have access to and the right to inspect, copy, audit, and examine all such books, records, and other documents of the Borrower respecting the Loan until the completion of all closeout procedures and the final settlement and conclusion of all issues arising out of this Loan.

(f) The Borrower warrants that it has fully complied with all applicable state and federal laws pertaining to its business and will continue said compliance throughout the term of this Loan Agreement. If at any time the Borrower receives notice of noncompliance from any governmental entity, the Borrower agrees to take any necessary action to comply with the state or federal law in question.

(g) The Borrower will obtain, or cause to be obtained, 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 for the completion of the Projects and operation of the Property.

(h) The Borrower will not increase the number of Units on the Property without the prior written consent of the City and the Lender.

5. Phase I Minimum Improvements. Not later than 18 months after the date hereof, the Borrower shall complete the following improvements to the Property (each a “Project” and collectively, the “Project”):

(a) Install cameras which provide verifiable video surveillance in all buildings and around the Property which are accessible by local law enforcement officials according to a plan submitted and reasonably satisfactory to the Executive Director of the Lender or her designee;

(b) Install electronic locks (FOBs) for outside entrances with alarms that ring to an on-site office when left open;

(c) Install the following fire safety improvements: (i) new Knox, or similar, brand key boxes for all buildings and wireless communicator (or phone line) for monitored fire alarms, (ii) local alarms on hallway fire extinguisher cabinets, (iii) installation of automatic cooking extinguishing devices in each Unit;

(d) Construct at least one community room and leasing office in each of the 6 apartment buildings on the Property in accordance with plans, specifications, drawings and related documents for the construction of each such Project (the “Construction Plans”) which the Borrower shall have submitted to the Executive Director of the Lender or her designee; and

(e) Complete the critical maintenance items listed on the Physical Needs Assessment (the “PNA”) dated \_\_\_\_\_, 2019 prepared by \_\_\_\_\_.

Not later than 3 months after the date hereof, the Borrower shall commence the physical improvement of the Property in connection with at least one of the foregoing Projects.

6. Operational Requirements.

(a) Commencing not later than 3 months after the date hereof and for as long as the Borrower owns or operates the Property, the Borrower shall post and adhere to a regular schedule of staffing of each of the 6 apartment buildings on the Property;

(b) Commencing not later than 3 months after the date hereof and for as long as the Borrower owns or operates the Property, the Borrower shall employ on-site managers/caretakers in each of the 6 apartment buildings on the Property and shall notify the Executive Director of the Lender or her designee when hiring and replacing on-site managers/caretakers;

(c) Commencing as of the date hereof and for as long as the Borrower owns or operates the Property, the Borrower shall support Youth Outreach Workers and permit Youth Outreach Workers to continue to work on the Property in cooperation with the City Parks and Recreation Department through Zanewood Park and Recreation Center;

(d) Not later than 6 months after the date hereof the Borrower shall develop a resident support service plan for the Property, in collaboration with local housing stakeholders reasonably acceptable to the Executive Director of the Lender or her designee;

(e) Not later than 3 months after the date hereof the Borrower shall have submitted a tenant screening process for the Property to the Executive Director of the Lender or her designee;

(f) Not later than 3 months after the date hereof the Borrower shall submit a crime reduction strategy (security plan) plan for the Property reasonably acceptable to the Executive Director of the Lender or her designee, that:

(i) follows the Crime Free Drug Free Lease addendum, the “Conduct on Rental Property” ordinances, and all rental licensing requirements;

(ii) requires all on-site managers attend crime free housing training;

(ii) includes a method for verifiable video surveillance; and

(iii) includes posted rules and enforcement of such rules;

(g) Commencing as of the date hereof and for as long as the Borrower owns or operates the Property, the Borrower shall operate the Property in compliance with the City’s Mixed-Income Housing Policy, Tenant Notification Policy and other applicable City policies;

(h) The Borrower agrees to comply at all times during the Qualified Project Period (as defined in the Declaration of Restrictive Covenants) with the requirements of the Declaration of Restrictive Covenants. The terms of the Declaration of Restrictive Covenants are incorporated herein by reference;

(i) Prior to the payment in full of the Loan, the Borrower shall not make any transfer, sale, assignment, conveyance, lease, or transfer in any other mode, of all or any portion of its right, title and interest in the Property, without the prior written consent of the Lender other than leases to residential tenants of Units within the Property, a transfer permitted by Section 1(b) of the Declaration, or a transfer to an entity owned or controlled by the Borrower; and

(j) Borrower 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 Loan Agreement to pay before delinquency all real estate taxes assessed against the Property and any improvements, provided the Borrower may contest the amount of real estate taxes by appropriate proceeding in accordance with Minnesota law. The Borrower acknowledges that this obligation creates a contractual right on behalf of the Lender, prior to the payment in full of the Loan, to sue the Borrower 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 Lender is the prevailing party, the Lender shall also be entitled to recover its costs, expenses and reasonable attorney fees. The Borrower further agrees that so long as it owns all or any portion of the Property:

(i) It will not cause a reduction in the real property taxes paid in respect of the Property through: (A) willful destruction of the Development Property or any part thereof; or (B) willful refusal to reconstruct damaged or destroyed property; and

(ii) It will not apply for an exemption from or a deferral of property tax on the Property pursuant to any law, or transfer or permit transfer of the Property to any entity whose ownership or operation of the property would result in the Property being exempt from real property taxes under State law; provided, however, the Borrower may

apply for and obtain designation of the Property as low-income rental property classified as “4d” under Minn. Stat. 273.13, subdivision 25 (“4d Classification”); and

(k) Not later than 60 months after the date hereof the Borrower shall complete a 30-year capital needs assessment and reinvestment plan and shall operate the Property substantially in accordance with such reinvestment plan, subject to changes approved by the EDA, which approval shall not be unreasonably withheld.

(l) Unless waived by the EDA, the Borrower shall support the establishment and operations of a resident councils, if any, established by residents of the Property.

(m) Not later than 12 months after the date hereof and at least once per calendar year thereafter, the Borrower shall provide an annual training session on tenant rights to residents of the Property.

(n) The Borrower shall establish procedures to accept multiple methods of payment and shall cooperate with residents of the Property to develop reasonable payment plans, as necessary.

(o) Not later than 3 months after the date hereof the Borrower shall hire and retain at least 2 full time equivalent employees dedicated to resident connection and support who focus on connecting residents of the Property with resources[, especially in connection with relocations due to over-occupancy\_].

(p) The Borrower shall work proactively to connect residents of the Property who are in need of services, particularly those facing displacement, with housing navigators, housing resource organizations, advocacy groups, and other appropriate service providers and reasonably facilitate the efforts of such service providers to assist residents of the Property.

(q) Subject to the requirement of Section 6(f), not later than 3 months after the date hereof the Borrower shall establish a procedure to minimize displacement of residents of the Property, including without limitation displacements that could be triggered by changes in lease provisions initiated by the Borrower.

7. Phase II Minimum Improvements. The Borrower shall complete, not later than 72 months after the date hereof, the following improvements to the Property (“Phase II”):

(a) Undertake a full evaluation of long-term fire suppression needs, develop a remediation plan to address such needs in coordination with Fire Chief, and complete all financially feasible improvements identified in such remediation plan;

(b) Undertake a full evaluation of compliance with American with Disabilities Act (ADA), develop a remediation plan to address any noncompliance and complete all financially feasible improvements identified in such remediation plan; and

(c) Undertake additional improvements to the Property such that those improvements plus the Projects listed in Section 5 equal an investment by the Borrower of at least \$10,000/dwelling unit.

8. Phase III Minimum Improvements. The Borrower shall pursue funding, and submit to the EDA evidence of its efforts to obtain such funding, in an amount sufficient to be able to complete, not later than 60 months after the date hereof, the following improvements to the Property:

(a) Create greater diversity of unit size offerings by converting and/or adding 2-and 3-bedroom Units on the Property; provided that the Borrower shall have obtained all necessary rezoning, variances, conditional use permits, building permits and other permits, and subdivision, site plan and other approvals needed to permit the renovation or construction of any Units and shall have obtained prior written approval from the City and the Lender for any additional Units in accordance with Section 4(i) hereof;

(b) Modify exterior of buildings and site plan to create more community gathering spaces and a better sense of place; provided that the Borrower shall have obtained all necessary rezoning, variances, conditional use permits, building permits and other permits, and subdivision, site plan and other approvals needed to permit the renovation or construction of the Property;

(c) Divide each of the 6 apartment buildings on the Property into at least two wings; provided that the Borrower shall have obtained all necessary rezoning, variances, conditional use permits, building permits and other permits, and subdivision, site plan and other approvals needed to permit the renovation or construction of the Property;

(d) All improvements identified in the long-term fire suppression remediation plan developed pursuant to Section 7(a) to the extent not completed as part of Phase II; and

(b) All improvements identified in the American with Disabilities Act (ADA), noncompliance remediation plan developed pursuant to Section 7(b) to the extent not completed as part of Phase II.

9. Event of Default by Borrower. The following shall be “Events of Default” under this Loan Agreement:

(a) any breach or failure of Borrower to perform any term or condition of this Loan Agreement, the Note, the Declaration of Restrictive Covenants, the Disbursing Agreement, or the Mortgage and such failure continues for 30 days after the Lender has given written notice to the Borrower specifying such default or breach unless the Lender agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lender will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and is being diligently pursued until the default is corrected, but no such extension shall be given for a default that can be cured solely by the payment of money (i.e., payment of taxes, insurance premiums, or other amounts required to be paid hereunder);

(b) any representation or warranty made by the Borrower herein or in any document, instrument, or certificate given in connection with this Loan Agreement, is materially false when made; or

(c) either the Borrower or the Guarantor is dissolved, liquidated, or wound up, or fails to maintain its existence as a going concern in good standing (excepting reorganizations, consolidations and/or mergers into or with affiliates owned by, owning or under common control of or with such entity or into the parent of such entity, provided the succeeding organization assumes and accepts such entity’s obligations hereunder or under the Guaranty, as applicable).

10. Lender's Remedies upon Borrower's Default. Upon an Event of Default by the Borrower and after receipt of written notice from the Lender, the Lender shall, subject to the terms of the Note, have the right to exercise any or all of the following remedies (and any other rights and remedies available to it):

(a) declare the principal amount of the Loan and any accrued interest thereon to be immediately due and payable upon providing written notice to Borrower;

(b) suspend or terminate its performance under this Loan Agreement and the Disbursing Agreement;

(c) suspend its obligation to advance any further amounts under the Note. Notwithstanding anything to the contrary contained herein or in any other instrument evidencing or securing the Loan, the Lender may exercise the foregoing remedy upon the occurrence of an event that would constitute such an Event of Default but for the requirement that notice be given or that a period of grace or time elapse

(d) take any action to enforce the Guaranty;

(e) foreclose the Mortgage and proceed against the collateral described therein; and

(f) take any action provided for at law to enforce compliance by the Borrower with the terms of this Loan Agreement or the Declaration of Restrictive Covenants.

11. Lender's Costs of Enforcement of Loan Agreement. If an Event of Default has occurred as provided herein, then upon demand by the Lender, the Borrower will pay or reimburse the Lender for all expenses, including all reasonable fees and disbursements of legal counsel, incurred by the Lender in connection with the enforcement of this Loan Agreement, or in connection with the protection or enforcement of the interests of the Lender in any litigation or bankruptcy or insolvency proceeding or in any action or proceeding relating in any way to the transactions contemplated by this Loan Agreement.

12. Miscellaneous.

(a) Waiver. The performance or observance of any promise or condition set forth in this Loan Agreement may be waived only in writing. No delay in the exercise of any power, right or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right or remedy.

(b) Assignment. This Loan Agreement shall be binding upon the Borrower and its successors and assigns and shall inure to the benefit of the Lender and its successors and assigns. All rights and powers specifically conferred upon the Lender may be transferred or delegated by the Lender to any of its successors and assigns. The Borrower's rights and obligations under this Loan Agreement may be assigned only when such assignment is approved in writing by the Lender.

(c) Law Governing; Other Matters. This Loan Agreement shall be governed by the substantive laws of the State of Minnesota. If any provision or application of this Loan Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Loan Agreement shall be construed as if the unlawful or unenforceable provision or application had

never been contained herein or prescribed hereby. All representations and warranties contained in this Loan Agreement or in any other agreement between the Borrower and the Lender shall survive the execution, delivery and performance of this Loan Agreement and the creation and payment of any indebtedness to the Lender. The Borrower waives notice of the acceptance of this Loan Agreement by the Lender.

(d) Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To the Lender: Brooklyn Park Economic Development Authority  
5200 85th Ave. N.  
Brooklyn Park, MN 55443  
Attention: Executive Director

To the Borrower: Aeon BP LLC  
c/o Aeon  
901 North Third Street, Suite 150  
Minneapolis, MN 55401  
Attn: President

(e) Borrower to Pay Lender's Fees and Expenses. The Borrower will pay all of the Lender's reasonable Administrative Costs (as defined below) and must pay such costs to the Lender within 30 days after receipt of a written invoice from the Lender describing the amount and nature of the costs to be reimbursed. For the purposes of this Loan Agreement, the term "Administrative Costs" means out of pocket costs incurred by the Lender together with staff and consultant (including reasonable legal, financial advisor, etc.) costs of the Lender, all attributable to or incurred in connection with the review, negotiation and preparation of this this Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty, the Mortgage, and the Note (together with any other agreements entered into between the parties hereto contemporaneously therewith) and review and approvals of other documents and agreements in connection with the Projects. 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 City's planning, zoning, and building fee schedules. The parties agree and understand that Borrower deposited with the Lender \$10,000 toward payment of the Lender's Administrative Costs. If such costs exceed such amount, then at any time, but not more often than monthly, the Lender will deliver written notice to Borrower setting forth any additional fees and expenses, together with suitable billings, receipts or other evidence of the amount and nature of the fees and expenses, and Borrower agrees to pay all fees and expenses within 30 days of Lender's written request. Any unused amount of such deposit shall be returned to the Borrower.

(f) This Agreement terminates on the earlier of (a) the end of the Qualified Project Period as defined in the Declaration (January \_\_, 2050); or (b) the date this Agreement is terminated in accordance with Section 9 hereof; provided however Sections 11(e), and 12 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 (or outstanding amount thereof) in accordance with the Note until such amount is paid in full.

13. Indemnification. The Borrower shall and does hereby agree to indemnify against and to hold the Lender, and its officers, agents, and employees, harmless of and from any and all liability, loss, or damage which it may or might incur by reason of or arising from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained herein. Should the Lender, or its officers, agents, or employees incur any such liability or be required to defend against any such claims or demands, or should a judgment be entered against the Lender, the amount thereof, including costs, expenses, and reasonable attorneys' fees, shall bear interest thereon at the rate then in effect on the Note, shall be added to the Loan, and the Borrower shall reimburse the Lender for the same immediately upon demand, and upon the failure of the Borrower so to do, the Lender may declare the Loan immediately due and payable.

14. Insurance.

(a) The Borrower will provide and maintain or cause its contractor to maintain, as applicable during the process of constructing the Projects, Broad Form Insurance Policy or Policies and, from time to time during that period, at the request of the Lender, furnish the Lender with appropriate certificates of insurance 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 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 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 shall be endorsed if necessary to show the City and Lender as additional insureds (to accomplish the above-required limits, an umbrella excess liability policy may be used); and

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

(b) The Borrower shall maintain, at its cost and expense, and from time to time at the request of the Lender shall furnish proof of the payment of premiums on, insurance as follows:

(i) Property insurance against physical loss and/or damage to the Improvements under a policy or policies covering such risks as are ordinarily insured against by similar businesses.

(ii) Commercial general public liability insurance, including personal injury liability, against liability for injuries to persons and/or property, in the minimum amount for each occurrence and for each year of \$2,000,000 and shall be endorsed to show the City and Lender as additional insureds (to accomplish the above-required limits, an umbrella excess liability policy may be used).

(iii) Such other insurance, including workers' compensation insurance respecting all employees of Borrower, in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure.

(c) All insurance required in this Section 13 shall be taken out and maintained in responsible insurance companies selected by the Borrower that are authorized under the laws of the State to assume the risks covered thereby. Upon request, the Borrower will deposit annually with the Lender a certificate or certificates or binders of the respective insurers stating that such insurance is in force and effect. The Borrower shall give written notice to the Lender 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, Borrower may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required herein, in which event Borrower shall deposit with the Lender a certificate or certificates of the respective insurers as to the amount of coverage in force upon the Property.

(d) The Borrower agrees to notify the Lender within 10 Business Days in the case of damage exceeding \$500,000 in amount to, or destruction of, the Property or any portion thereof resulting from fire or other casualty. In such event the Borrower will forthwith repair, reconstruct, and restore the Property 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 Borrower will apply the net proceeds of any insurance relating to such damage received by the Borrower to the payment or reimbursement of the costs thereof.

The Borrower shall complete the repair, reconstruction and restoration of the Improvements, regardless of whether the net proceeds of insurance received by the Borrower for such purposes are sufficient to pay for the same. Any net proceeds remaining after completion of such repairs, construction, and restoration shall be the property of the Borrower.

15. Cure Rights. Any member or partner of the Borrower shall have the right, but not the obligation, to cure any Event of Default by the Borrower under this Loan Agreement or any default under the Note, the Declaration of Restrictive Covenants, the Disbursing Agreement, or the Mortgage, and the Lender shall accept performance by the member or partner of the Borrower of any obligation of the Borrower thereunder as though tendered by the Borrower itself, provided such performance by the member or partner of the Borrower has occurred during the applicable cure period, if any, provided to the Borrower thereunder with respect to such default or Event of Default.

16. Subordination. The Lender agrees to execute a Subordination Agreement in the form attached hereto as **EXHIBIT B**.

17. Amendments. Any subordination agreements and all amendments to this Loan Agreement, the Note, the Declaration of Restrictive Covenants, and the Mortgage must be approved by the Board of the Lender.

IN WITNESS WHEREOF, the undersigned officers of the Lender and the Borrower have executed this Loan Agreement as of the date and year first written above.

**BROOKLYN PARK ECONOMIC  
DEVELOPMENT AUTHORITY**

By \_\_\_\_\_  
Its Executive Director

Execution page of Borrower to the Loan Agreement, dated as of the date and year first written above.

**AEON BP LLC**

By \_\_\_\_\_  
Alan Arthur  
Its President

**EXHIBIT A****LEGAL DESCRIPTION OF PROPERTY**

Land situated in the City of Brooklyn Park in the County of Hennepin in the State of Minnesota

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21 lying North of the South 633 feet thereof except the following described tracts:

That part of the Southeast Quarter of the Southwest Quarter of said Section 28, lying South of a line which is parallel to and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter a distance of 874.18 feet; thence Northwesterly on a tangential circular curve having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangential to said curve, to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; also lying West of the East 355 feet thereof.

The West 333 feet of the East Half of the Southwest Quarter of said Section 28 lying North of the South 1173 feet and lying South of the North 548 feet thereof.

The West 333 feet of that part of the Southeast Quarter of the Southwest Quarter of Section 28, Township 119, Range 21, lying North of a line which is parallel with and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter, distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter, a distance of 874.18 feet; thence Northwesterly on a tangential circular curve, having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangent to said curve to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; and lying South of the North line of the South 1,173.00 feet thereof, and lying East of Zane Avenue North.

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21, Hennepin County, Minnesota described as follows:

Commencing at the Northeast corner of said East Half of the Southwest Quarter; thence Southerly along the East line of said East Half of the Southwest Quarter to its intersection with the North line of the South 633 feet of said East Half of the Southwest Quarter said intersection being the point of beginning of the tract of land to be described; thence Westerly along said North line, to the West line of the East 355 feet of said East Half of the Southwest Quarter; thence Northerly, along the said

West line to its intersection with a line drawn parallel to and 1,121.10 feet North of the South line of said East Half, as measured along the East line of said East Half of the Southwest Quarter; thence Easterly, along said parallel line, 355.10 feet to its intersection with the East line of said East Half; thence South, along said East line of East Half to the point of beginning.

Hennepin County, Minnesota

**EXHIBIT B**

**FORM OF SUBORDINATION AGREEMENT**

Prepared by, and after recording  
return to:  
Faegre Baker Daniels LLP (AMC)  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

**SUBORDINATION AGREEMENT**

**GOVERNMENTAL ENTITY**

**Property Name: Huntington Place Apartments**

## SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (“**Agreement**”) is entered into as of January \_\_\_\_, 2020, by and between (i) **NEF PRESERVATION MORTGAGE LOAN FUND I LP**, a Delaware limited partnership (“**Senior Lender**”) and (ii) **BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY**, a public body corporate and politic of the State of Minnesota (“**Subordinate Lender**”).

### RECITALS

- A. Aeon BP LLC, a limited liability company organized under the laws of Minnesota (“**Borrower**”) is the owner of certain land located in Hennepin County, Minnesota, described in Exhibit A (“**Land**”). The Land is improved with a multifamily rental housing project (“**Improvements**”).
- B. Senior Lender has made or is making a loan to Borrower in the original principal amount of \$72,515,000.00 (“**Senior Loan**”) upon the terms and conditions of a Loan Agreement dated as of January \_\_\_\_, 2020 between Senior Lender and Borrower (“**Senior Loan Agreement**”) in connection with the Mortgaged Property. The Senior Loan is secured by a Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement dated as of the date of the Senior Loan Agreement (“**Senior Mortgage**”) encumbering the Land, the Improvements and related personal and other property described and defined in the Senior Mortgage as the “**Mortgaged Property.**”
- C. Pursuant to a Loan Agreement dated January \_\_\_\_, 2020 between Subordinate Lender and Borrower (“**Subordinate Loan Agreement**”), Subordinate Lender has made or is making a loan to Borrower in the original principal amount of \$5,000,000.00 (“**Subordinate Loan**”). The Subordinate Loan is or will be secured by a Mortgage dated January \_\_\_\_, 2020 (“**Subordinate Mortgage**”) encumbering all or a portion of the Mortgaged Property.
- D. The Senior Mortgage will be recorded in the Office of the County Recorder for Hennepin County, Minnesota (“**Recording Office**”). The Subordinate Mortgage will also be recorded in the Recording Office.
- E. The execution and delivery of this Agreement is a condition of Senior Lender’s making of the Senior Loan.

### AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Definitions.** The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), will have the following meanings:

The terms “**Condemnation**,” “**Imposition Deposits**,” “**Impositions**,” “**Leases**,” “**Rents**” and “**Restoration**,” as well as any term used in this Agreement and not otherwise defined in this Agreement, will have the meanings given to those terms in the Senior Loan Agreement.

“**Bankruptcy Proceeding**” means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

“**Borrower**” means all persons or entities identified as “Borrower” in the first Recital of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term “Borrower” will not include Senior Lender if Senior Lender acquires title to the Mortgaged Property.

“**Casualty**” means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.

“**Enforcement Action**” means any of the following actions taken by or at the direction of Subordinate Lender: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker’s lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.

“**Enforcement Action Notice**” means a Notice given from Subordinate Lender to Senior Lender following one or more Subordinate Mortgage Default(s) and the expiration of any applicable notice or cure periods, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Subordinate Loan Enforcement Actions proposed to be taken by Subordinate Lender.

“**Lien**” means any lien, encumbrance, estate or other interest, recorded against or secured by the Mortgaged Property.

**“Loss Proceeds”** means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty.

**“Notice”** means all notices, requests, demands, consents, approvals or other communication pursuant to this Agreement provided in accordance with the provisions of Section 10.

**“Regulatory Agreement”** means the Declaration of Restrictive Covenants between Borrower and Subordinate Lender to be recorded in the Recording Office of Hennepin County, Minnesota.

**“Senior Indebtedness”** means the “Indebtedness” as defined in the Senior Loan Agreement.

**“Senior Lender”** means the “Lender” as defined in the Senior Mortgage. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity will automatically become Senior Lender.

**“Senior Loan Documents”** means the “Loan Documents” as defined in the Senior Loan Agreement, as such documents may be amended.

**“Senior Mortgage Default”** means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of Notice or the passage of time, or both, would constitute, an “Event of Default” as defined in the Senior Loan Agreement.

**“Senior Note”** means the promissory note or other evidence of the Senior Indebtedness and any replacement of the Senior Note.

**“Subordinate Indebtedness”** means all sums evidenced or secured or guaranteed by, or otherwise due and payable to Subordinate Lender pursuant to, the Subordinate Loan Documents.

**“Subordinate Lender”** means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.

**“Subordinate Loan Documents”** means the Subordinate Mortgage, the Subordinate Note, the Subordinate Loan Agreement, the Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as such documents may be amended.

**“Senior Loan Enforcement Action”** means any of the following actions taken by or at the direction of Senior Lender: the acceleration of all or any part of the Senior Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in

lieu of foreclosure or sale, the obtaining of or seeking of the appointment of a receiver, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Senior Note or any other of the Senior Loan Documents, the exercising of any banker's lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Senior Indebtedness or obligated under any of the Senior Loan Documents, or the Mortgaged Property.

**“Senior Loan Enforcement Action Notice”** means a Notice given from Senior Lender to Subordinate Lender following one or more Senior Mortgage Default(s) and the expiration of any applicable notice or cure periods, setting forth in reasonable detail the Senior Mortgage Default(s) and the Senior Lender's intention to pursue a Senior Loan Enforcement Action.

**“Subordinate Mortgage Default”** means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), Subordinate Lender to take an Enforcement Action.

**“Subordinate Note”** means the promissory note or other evidence of the Subordinate Indebtedness and any replacement of the Subordinate Note.

## 2. Subordinate Lender's Representations and Warranties.

- (a) Subordinate Lender represents and warrants that each of the following is true as of the date of this Agreement:
- (i) Subordinate Lender is now the owner and holder of the Subordinate Loan Documents.
  - (ii) No Subordinate Mortgage Default has occurred and is continuing.
  - (iii) The current unpaid principal balance of the Subordinate Indebtedness is \$5,000,000.
  - (iv) No scheduled payments under the Subordinate Note have been prepaid.
- (b) Without the prior written consent of Senior Lender, Subordinate Lender will not do any of the following:
- (i) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.
  - (ii) Take any action which has the effect of increasing the Subordinate Indebtedness (other than an increase in interest rate as set forth in Section 2(a) of the Subordinate Loan Agreement), except to cure a Senior Mortgage Default as contemplated under Section 5(a) of this Agreement.

(iii) Accept any voluntary prepayment of the Subordinate Indebtedness.

### 3. Terms of Subordination.

- (a) Agreement to Subordinate. The Subordinate Indebtedness is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness. Each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.
- (b) Subordination of Subrogation Rights. If Subordinate Lender, by indemnification, subrogation or otherwise, acquires any Lien on any of the Mortgaged Property, then that Lien will be fully subject and subordinate to the receipt by Senior Lender of payment in full of the Senior Indebtedness, and to the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.
- (c) Payments Before Senior Loan Default; Soft Subordinate Debt. Until the occurrence of a Senior Mortgage Default, Subordinate Lender will be entitled to retain for its own account all payments of the principal of and interest on the Subordinate Indebtedness pursuant to the Subordinate Loan Documents; provided that Subordinate Lender expressly agrees that it will not accept any such payment that is made more than 10 days in advance of its due date.
- (d) Payments After Senior Loan Default or Bankruptcy.
- (i) Immediately upon Subordinate Lender's receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Lender will not accept any payments of the Subordinate Indebtedness, and the provisions of Section 3(d) of this Agreement will apply.
- (ii) If Subordinate Lender receives any of the following, whether voluntarily or by action of law, after a Senior Mortgage Default of which Subordinate Lender has actual knowledge (or is deemed to have actual knowledge as provided in Section 4(c)) or has been given Notice, such will be received and held in trust for Senior Lender:
- (A) Any payment, property, or asset of any kind or in any form in connection with the Subordinate Indebtedness.
- (B) Any proceeds from any Enforcement Action.
- (C) Any payment, property, or asset in or in connection with any Bankruptcy Proceeding.

- (iii) Subordinate Lender will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets described in Section 3(d)(ii) to Senior Lender. Senior Lender will apply any payment, asset, or property so received from Subordinate Lender to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Lender determines in its sole and absolute discretion.
- (e) Payments after Senior Mortgage Default Cured. At any time a Senior Mortgage Default has been cured and is no longer continuing, the Subordinate Lender may continue to collect payments on the Subordinate Indebtedness as described in Section 3(c).
- (f) Bankruptcy. Without the prior written consent of Senior Lender, Subordinate Lender will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Lender will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Lender has also voted affirmatively in favor of such plan.

#### **4. Default Under Subordinate Loan Documents.**

- (a) Notice of Subordinate Loan Default and Cure Rights.
  - (i) Subordinate Lender will deliver to Senior Lender a copy of each Notice delivered by Subordinate Lender pursuant to the Subordinate Loan Documents within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Senior Lender pursuant to this Section 4(a) will affect the validity of any Notice given by Subordinate Lender to Borrower.
  - (ii) For a period of 90 days following delivery to Senior Lender of an Enforcement Action Notice, Senior Lender will have the right, but not the obligation, to cure any Subordinate Mortgage Default. However, if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Lender has commenced and is diligently pursuing such cure to completion, Senior Lender will have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as Senior Lender takes either of the following actions:
    - (A) Discontinues its pursuit of any cure.
    - (B) Delivers to Subordinate Lender Senior Lender's written consent to the Enforcement Action described in the Enforcement Action

Notice.

- (iii) Senior Lender will not be subrogated to the rights of Subordinate Lender under the Subordinate Loan Documents as a result of Senior Lender having cured any Subordinate Mortgage Default.
  - (iv) Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default will be added to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.
- (b) Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.
- (i) In the event of a Subordinate Mortgage Default, Subordinate Lender will not commence any Enforcement Action until 90 days after Subordinate Lender has delivered to Senior Lender an Enforcement Action Notice. During such 90-day period or such longer period as provided in Section 4(a), Subordinate Lender will be entitled to seek specific performance to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to Senior Lender's right to cure a Subordinate Mortgage Default set forth in Section 4(a).
  - (ii) Subordinate Lender may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the earlier of:
    - (A) The expiration of such 90-day period or such longer period as provided in Section 4(a).
    - (B) The delivery by Senior Lender to Subordinate Lender of Senior Lender's written consent to such Enforcement Action by Subordinate Lender.
  - (iii) Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender's Enforcement Action in Senior Lender's sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 4(a) and, subject to Senior Lender's right to cure set forth in Section 4(a), Subordinate Lender may commence any Enforcement Action.
  - (iv) Senior Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by Subordinate Lender. No action or failure to act on the part of Senior Lender in the event of a Subordinate Mortgage Default or commencement of an

Enforcement Action will constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

- (c) Cross Default. Subordinate Lender acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Lender will be deemed to have actual knowledge of a Senior Mortgage Default. If Subordinate Lender notifies Senior Lender in writing that any Subordinate Loan Default of which Senior Lender has received Notice has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default will be deemed cured, and the Senior Loan will be reinstated.

## 5. Default Under Senior Loan Documents.

- (a) Notice of Senior Loan Default and Cure Rights.
- (i) Senior Lender will deliver to Subordinate Lender a copy of any Notice sent by Senior Lender to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Subordinate Lender pursuant to this Section 5(a) will affect the validity of any Notice given by Senior Lender to Borrower.
- (ii) Subordinate Lender will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice. During such 30-day period Senior Lender will be entitled to continue to pursue its remedies under the Senior Loan Documents.
- (iii) Subordinate Lender may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Lender keeps current all payments required under the Senior Loan Documents. If such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Lender's secured position relative to the Mortgaged Property, as determined by Senior Lender in its sole discretion, then during such 90-day period Senior Lender may exercise all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property.
- (iv) All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate Lender pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(a) to the contrary, Subordinate Lender's right to cure any Senior Mortgage Default will

terminate immediately upon the occurrence of any Bankruptcy Proceeding.

- (v) In addition to the other requirements set forth in this Section 5(a), in the event of a Senior Mortgage Default, Senior Lender will not commence any Senior Loan Enforcement Action until 30 days after Senior Lender has delivered to Subordinate Lender a Senior Loan Enforcement Action Notice. Following the expiration of such 30 day period, Senior Lender may commence any such Senior Loan Enforcement Action Senior Lender reasonably believes is necessary to protect its interest in the Mortgaged Property so long as Subordinate Lender is afforded the opportunity to pay off the Senior Loan or cause an assignment of Senior Lender's interest in such Senior Loan as provided in this Section 5(a)(v). Subordinate Lender shall have the right, by providing written Notice to Senior Lender of its desire to do so not later than 90 days following its receipt of such Senior Loan Enforcement Action Notice (the "Subordinate Lender Election Notice"), to elect either (i) to cure such Senior Mortgage Default by making a payment to Senior Lender in an amount to pay off the Senior Loan in full, which payment shall include all principal and accrued interest owed to Senior Lender under the Senior Loan Documents ("Senior Loan Payment"), or (ii) to cause Senior Lender to assign all of its right, title and interest in the Senior Loan to Subordinate Lender, or its designee, by making the Senior Loan Payment to Senior Lender. In such event, Subordinate Lender shall pay the Senior Loan Payment to Senior Lender in full by such date that is not later than 60 days following the date that Subordinate Lender delivers its Subordinate Lender Election Notice (the "Prepayment Period"). In the event that the Subordinate Lender shall fail to make the Senior Loan Payment during the Prepayment Period, Subordinate Lender shall no longer have the right to make the Senior Loan Payment and the Senior Lender shall be entitled to all rights and remedies under the Senior Loan Documents. In the event that Subordinate Lender exercises its right to cause the assignment of Senior Lender's interest in the Senior Loan and makes the Senior Loan Payment to Senior Lender during the Prepayment Period, Senior Lender will assign all of Senior Lender's right, title and interest in the Senior Mortgage, together with the Senior Note and all other Senior Loan Documents secured by the Senior Mortgage, to the Subordinate Lender or to a person or entity designated in writing by Subordinate Lender to Senior Lender. Senior Lender will make any such assignment without recourse to Senior Lender, using Senior Lender's then-current form of assignment. If the Senior Note is lost or destroyed, Senior Lender will provide a lost note affidavit, which will provide that Senior Lender will have no liability for such loss or destruction.

(b) Release of Mortgaged Property.

- (i) Subordinate Lender consents to and authorizes any future release by Senior Lender of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate

Lender waives to the fullest extent permitted by law, all equitable or other rights it may have in connection with the release of all or any portion of the Mortgaged Property, including any right to require Senior Lender to do any of the following:

- (A) To conduct a separate sale of any portion of the Mortgaged Property.
- (B) To exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness.
- (C) To proceed against Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as Senior Lender determines.

(ii) Subordinate Lender consents to and authorizes, at the option of Senior Lender, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Lender acknowledges that without Notice to Subordinate Lender and without affecting any of the provisions of this Agreement, Senior Lender may do any of the following:

- (A) Extend the time for or waive any payment or performance under the Senior Loan Documents.
- (B) Modify or amend in any respect any provision of the Senior Loan Documents.
- (C) Modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

**6. Conflicts.** If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will control. Borrower acknowledges that the terms and provisions of this Agreement will not, and will not be deemed to do any of the following:

- (a) Extend Borrower's time to cure any Senior Loan Default or Subordinate Loan Default.
- (b) Give Borrower the right to receive notice of any Senior Loan Default or Subordinate Loan Default, other than that, if any, provided, respectively under the Senior Loan Documents of the Subordinate Loan Documents.

- (c) Create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

**7. Rights and Obligations of Subordinate Lender Under the Subordinate Loan Documents and of Senior Lender under the Senior Loan Documents.**

(a) Insurance.

- (i) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Lender.
- (ii) All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Lender.
- (iii) Nothing in this Section 7(a) will preclude Subordinate Lender from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Loss Proceeds, or that Subordinate Lender be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

(b) Condemnation or Casualty.

In the event of a Condemnation or a Casualty, the following provisions will apply:

- (i) The rights of Subordinate Lender (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Lender's rights under the Senior Loan Documents, and Subordinate Lender will be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Lender.
- (ii) All Loss Proceeds will be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by Senior Lender in its sole discretion; provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds. In the event of any disagreement between Senior Lender and Subordinate

Lender over the application of Casualty proceeds, the decision of Senior Lender, in its sole discretion, will prevail.

- (iii) If Senior Lender holds Loss Proceeds, or monitors the disbursement of Loss Proceeds, Subordinate Lender will not do so. Nothing contained in this Agreement will be deemed to require Senior Lender to act for or on behalf of Subordinate Lender in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Lender, and all or any Loss Proceeds may be commingled with any funds of Senior Lender.
- (iv) If Senior Lender elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by Senior Lender will be paid to Subordinate Lender unless another party has asserted a claim to the remaining Loss Proceeds.
- (c) Modification of Subordinate Loan Documents. Subordinate Lender agrees that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of Senior Lender, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan (other than an increase in interest rate as set forth in Section 2(a) of the Subordinate Loan Agreement), or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon Senior Lender under the Senior Loan Documents. If Subordinate Lender either (i) amends the Subordinate Loan Documents in the manner set forth above or (ii) assigns the Subordinate Loan without Senior Lender's consent then such amendment or assignment will be void ab initio and of no effect whatsoever.
- (d) Modification of Senior Loan Documents. Senior Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Lender, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Lender may not modify any provision of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from advances made by Senior Lender to protect the security or lien priority of Senior Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.
- (e) Commercial or Retail Leases. If requested, Subordinate Lender will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Lender has granted attornment and non-

disturbance, on the same terms and conditions given by Senior Lender.

- (f) **Consent Rights.** Whenever the Subordinate Loan Documents give Subordinate Lender approval or consent rights with respect to any matter, and a right of approval or consent for the same or substantially the same matter is also granted to Senior Lender pursuant to the Senior Loan Documents or otherwise, Senior Lender's approval or consent or failure to approve or consent will be binding on Subordinate Lender. None of the other provisions of Section 7 are intended to be in any way in limitation of the provisions of this Section 7(f).
  - (g) **Escrows.** Except as provided in this Section 7(g), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Lender will not collect any escrows for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Senior Lender is not collecting escrow payments for one or more Impositions, Subordinate Lender may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Lender will be held in trust by Subordinate Lender to be applied only to the payment of such Impositions.
  - (h) **Certification.** Within 15 days after request by Senior Lender, Subordinate Lender will furnish Senior Lender with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as Senior Lender may request.
- 8. Refinancing.** Subordinate Lender agrees that its agreement to subordinate under this Agreement will extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Indebtedness (including reasonable and necessary costs associated with the closing and/or the refinancing, and any reasonable increase in proceeds for rehabilitation in the context of a preservation transaction). All terms and covenants of this Agreement will inure to the benefit of any holder of any such refinanced debt, and all references to the Senior Loan Documents and Senior Lender will mean, respectively, the refinance loan documents and the holder of such refinanced debt.
- 9. Governmental Powers.** Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Lender of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.
- 10. Notices.**
- (a) Any Notice required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be

deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any Notice so sent will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

Notices intended for Senior Lender will be addressed to:

NEF Preservation Mortgage Loan Fund I LP  
10 South Riverside Plaza, Suite 1700  
Chicago, IL 60606-3908  
Attn: General Counsel

Notices intended for Subordinate Lender will be addressed to:

Brooklyn Park Economic Development Authority  
5200 85<sup>th</sup> Avenue North  
Brooklyn Park, MN 55443  
Attn: Administrator

- (b) Any party, by Notice given pursuant to this Section 10, may change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its Notices, but Notice of a change of address will only be effective upon receipt. Neither party will refuse or reject delivery of any Notice given in accordance with this Section 10.

## 11. Miscellaneous Provisions.

- (a) Assignments/Successors. This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties to this Agreement. No other party will be entitled to any benefits under this Agreement, whether as a third-party beneficiary or otherwise. This Agreement may be assigned at any time by Senior Lender to any subsequent holder of the Senior Note.
- (b) No Partnership or Joint Venture. Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Lender as a joint venturer or partner of Subordinate Lender.
- (c) Further Assurances. Upon Notice from Senior Lender, Subordinate Lender will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Lender to further evidence or implement the provisions and intent of this Agreement.

- (d) Amendment. This Agreement may be amended, changed, modified, altered or terminated only by a written instrument signed by the parties to this Agreement or their successors or assigns.
- (e) Governing Law. This Agreement will be governed by the laws of the State in which the Land is located.
- (f) Severable Provisions. If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.
- (g) Term. The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events:
  - (i) The payment of all the Senior Indebtedness; provided that this Agreement will be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by Senior Lender as described in Section 2(e) of this Agreement.
  - (ii) The payment of all the Subordinate Indebtedness other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to this Agreement.
  - (iii) The acquisition by Senior Lender or by a third-party purchaser of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under the Senior Mortgage.
  - (iv) With the prior written consent of Senior Lender, without limiting the provisions of Section 5(d), the acquisition by Subordinate Lender of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.
- (h) Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.
- (i) Entire Agreement. This Agreement represents the entire understanding and agreement between the parties regarding the matters addressed in this Agreement and will supersede and cancel any prior agreements regarding such matters.
- (j) Authority. Each person executing this Agreement on behalf of a party to this

Agreement represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations under this Agreement.

- (k) No Waiver. No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.
- (l) Remedies. Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

**[SIGNATURE AND ACKNOWLEDGMENT PAGES FOLLOW]**



**SUBORDINATE LENDER:**

**BROOKLYN PARK ECONOMIC  
DEVELOPMENT AUTHORITY,**  
a public body corporate and politic of the State of  
Minnesota

By: \_\_\_\_\_

Its: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF HENNEPIN    )

The foregoing instrument was acknowledged before me this \_\_\_ day of January, 2020, by  
\_\_\_\_\_, the \_\_\_\_\_ of the Brooklyn Park Economic  
Development Authority, a public body corporate and politic, on behalf of the Authority.

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

[The remainder of this page intentionally left blank; signature page follows.]



**EXHIBIT A****LEGAL DESCRIPTION**

Land situated in the City of Brooklyn Park in the County of Hennepin in the State of Minnesota

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21 lying North of the South 633 feet thereof except the following described tracts:

That part of the Southeast Quarter of the Southwest Quarter of said Section 28, lying South of a line which is parallel to and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter a distance of 874.18 feet; thence Northwesterly on a tangential circular curve having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangential to said curve, to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; also lying West of the East 355 feet thereof.

The West 333 feet of the East Half of the Southwest Quarter of said Section 28 lying North of the South 1173 feet and lying South of the North 548 feet thereof.

The West 333 feet of that part of the Southeast Quarter of the Southwest Quarter of Section 28, Township 119, Range 21, lying North of a line which is parallel with and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter, distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter, a distance of 874.18 feet; thence Northwesterly on a tangential circular curve, having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangent to said curve to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; and lying South of the North line of the South 1,173.00 feet thereof, and lying East of Zane Avenue North.

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21, Hennepin County, Minnesota described as follows:

Commencing at the Northeast corner of said East Half of the Southwest Quarter; thence Southerly along the East line of said East Half of the Southwest Quarter to its intersection with the North line of the South 633 feet of said East Half of the Southwest Quarter said intersection being the point of beginning of the tract of land to be described; thence Westerly along said North line, to the West line of the East 355 feet of said East Half of the Southwest Quarter; thence Northerly, along the said West line to its intersection with a line drawn parallel to and 1,121.10 feet North of the South line of said East Half, as measured along the East line of said East Half of the Southwest Quarter; thence

Easterly, along said parallel line, 355.10 feet to its intersection with the East line of said East Half; thence South, along said East line of East Half to the point of beginning.

Hennepin County, Minnesota

## DISBURSING AGREEMENT

THIS AGREEMENT dated as of January \_\_, 2020, among AEON BP LLC, a Minnesota limited liability company (the “Borrower”), the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of the State of Minnesota (the “EDA”), and COMMERCIAL PARTNERS TITLE, LLC, as disbursing agent hereunder (“Title”).

### RECITALS

WHEREAS, the Borrower and the EDA have entered into that certain Loan Agreement, of even date herewith (the “Loan Agreement”), and Title has received a copy thereof;

WHEREAS, the Borrower and the EDA have requested that Title disburse certain Loan proceeds and Title is willing to do so, in accordance with the terms thereof and of this Agreement.

NOW, THEREFORE, in consideration of the premises, of the EDA’s agreement to lend funds to the Borrower under the Loan Agreement, and of the mutual covenants and agreements hereinafter set forth, it is agreed by among the parties hereto as follows:

### AGREEMENT

1. **Defined Terms.** For purposes of this Agreement, unless the context otherwise requires, all words used herein which are defined or given scope or meaning in the Loan Agreement or the Combination Mortgage, Security Agreement, And Fixture Financing Statement from the Borrower in favor of the EDA (the “Mortgage”) shall have the same definition, scope or meaning as is given to them in the Loan Agreement or the Mortgage, as the case may be.
2. **Conditions Precedent to Each Disbursement.** The obligation of Title to disburse the Loan proceeds to be disbursed hereunder shall be subject to the condition precedent that (i) the conditions set forth in Section 3 of the Loan Agreement shall have been satisfied or waived in writing by the EDA and (ii) EDA and Title shall have received on or before the date of disbursing the initial Loan proceeds, or in the case of items to be furnished in conjunction with a later disbursement, on or before the date of disbursing such later Loan proceeds, the following:
  - (a) A sworn construction statement furnished by the Borrower for each Project, to be updated with each Draw Request for such Project setting forth any contractors, subcontractors and suppliers, the amount of any contracts, the amount paid to-date, the amount being requested and the balances due;
  - (b) A sources and uses document for each Project to be updated and submitted with each Draw Request, reflecting all financial sources (and evidence satisfactory to the EDA that such sources are available to pay for such Project) and uses, i.e. the

amount paid to-date, the amount being requested, and the sources of funds and the costs remaining;

- (c) Copies of all written estimates from or signed agreements with the contractors who are the subject of the Draw Request;
- (d) A Draw Request (in the form attached hereto as **Exhibit A**) accompanied by:
  - (i) unconditional written lien waivers for work done and materials supplied which were paid for pursuant to the previous Draw Request; and
  - (ii) invoices or such other supporting evidence as may reasonably be requested by the EDA or Title to substantiate (a) all payments which are to be made out of the relevant Draw Request and (b) all payments then made with respect to the Projects.

Costs previously paid directly by the Borrower may be reimbursed, through a Draw Request; provided that evidence of such payments satisfactory to Title and the EDA is provided to Title. Title shall obtain verbal approval from the EDA prior to disbursing each Draw Request. Prior to disbursing any Draw Requests, Title shall undertake a search for mechanics liens and provide an email notice to the EDA of the results of such search.

3. **Delivery of Funds to Title.** Each transmittal of funds to Title (each an “Advance”) shall be made **by wire transfer** upon confirmation by Title that all documents submitted are complete and satisfactory and upon confirmation that no mechanics’ liens have been filed affecting the Property.
4. **Disbursement of Funds by Title.** Pursuant to the terms and conditions of this Disbursing Agreement and upon receiving the funds transmitted by the EDA pursuant to Section 3 and subject always to contrary directions from the EDA, Title will pay on behalf of the Borrower the amount shown in the relevant Draw Request or, if less, the amount approved by the EDA. Title shall have the right to make any or all payments directly to any general contractor, subcontractor, subcontractors or sub-subcontractors. If, for any reason, any of said funds on deposit in Title’s account are not disbursed by Title by the close of business on the 3<sup>rd</sup> business day following receipt of the EDA’s wire, Title will forthwith remit to the EDA upon the EDA’s request, in immediately available funds, the amount of funds in such account that were not so disbursed. Title shall not be liable to the EDA for interest on funds deposited with it, except and to the extent that Title fails to remit to the EDA undisbursed funds deposited with it, in accordance with this paragraph, in which event interest shall be payable on demand at the rate provided in the Note from the date such funds were deposited with Title.
5. **Title Policy Endorsement.** Upon receipt of a Draw Request for an Advance, Title shall make such searches as it deems necessary to determine that the status of the title to the Project and the Property has not changed since the date of prior notification given to the EDA. If the status has changed, Title will immediately notify the EDA by email or any intervening mechanics’ liens or other matters recorded in the land records or over which

Title is unwilling to insure (other than those expressly listed in the Title Policy, or as may have been approved and accepted by the EDA and shown in endorsements previously given to the EDA) and may discontinue disbursement until the encumbrance has been disposed of to Title's satisfaction.

Provided the draw documentation set forth in Section 2 is satisfactory to Title and there are no intervening mechanics' liens or other matters of title, Title will increase the amount of the EDA's insurance coverage by the amount of the Advance and date down the coverage for mechanics' liens with the endorsement attached hereto as "**Exhibit B**"

6. **First Draw Request.** Prior to making the first Draw Request, the EDA shall have received, or waived receipt of, all documents required by Section 3(b) of the Loan Agreement.
7. **Final Draw Request.** At the time of the submission of the final Draw Request, which shall fully Advance the Loan proceeds in the amount of \$4,100,000, the Borrower shall, in addition to the documents required in Section 2 hereof, also submit the following to the EDA and/or Title as indicated:
  - (a) To the EDA and Title, a final invoices or billing statements, in form and substance acceptable to such parties and signed by the Borrower, showing all costs and expenses of any kind theretofore actually paid or incurred in constructing the Projects;
  - (b) To Title, a written final Lien Waiver from each contractor, subcontractor, sub-subcontractor, and supplier, for all work theretofore done and for all materials theretofore furnished for construction or installation of the Projects, which shall conform in form and amount to the final billings or invoices referred to above; and
  - (c) To EDA and Title, such other supporting evidence that may be reasonably requested by the EDA or Title to substantiate all payments which are to be made out of such Draw Request.
8. **Books and Records.** Title will keep and maintain, at all times, full, true and accurate books and records, in sufficient detail to reflect the disbursements made by it hereunder. The EDA, acting by and through its officers, employees and agents, may, at any time and from time to time, during normal business hours, examine all books and records of Title pertaining to disbursements made by it hereunder and make extracts therefrom and copies thereof.
9. **Reporting.** The parties acknowledge that Title shall not be responsible for creating, furnishing or reporting any IRS 1099 notices or filings for any payments it disburses under this Agreement for the parties.
10. **Exculpation.** Neither Title nor any of its directors, officers or employees shall be liable for any action taken or omitted by it or them, except for its or their own negligence, bad faith or willful misconduct; nor shall it or the EDA be liable or responsible for the

validity, enforceability or sufficiency of any document furnished to Title pursuant to this Agreement, nor shall it or they or the EDA be responsible for any representations or statements made in any of those documents; provided, however, that if Title shall obtain actual knowledge of any misrepresentation in any documents furnished to it under this Agreement, it shall promptly notify the EDA in writing of such misrepresentation. Similarly, if EDA shall obtain actual knowledge of any misrepresentation in any documents, it shall promptly notify Title in writing of such misrepresentation. Title shall be entitled to rely upon advice of counsel concerning legal matters and upon any document or notice delivered to it hereunder which it believes to be genuine or to have been presented by a proper person. A disbursement by Title shall not be deemed to be an approval by it of any work performed on the Projects or any materials furnished with respect thereto or a representation by it that the unused portion of the Loan is sufficient to pay remaining construction costs. Title may conclusively rely upon and shall be protected in acting upon any document believed by Title to be genuine and to have been signed or presented by the proper parties, consistent with reasonable due diligence on Title's part.

11. **Fees.** For its services hereunder, the Borrower agrees to pay Title a fee of \$\_\_\_ per Draw, Title reserves the right to charge additional fees should circumstances warrant.
12. **Binding Effect; Governing Law.** This Agreement shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that Title may not delegate its duties hereunder without the prior written consent of the EDA. This Agreement is made solely by the signatory parties hereto, and no other persons (except the successors and assigns of the signatory parties) shall have any right to rely on, enforce, or have the benefit of any provision of this Agreement. This Agreement shall be governed by the laws of the State of Minnesota.
13. **Amendments.** This Agreement can be amended or modified only in a writing signed by the parties hereto.
14. **Consent.** The Borrower hereby consents to disbursement of the Loan proceeds in accordance with this Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed as of the day and year first written above.

**TITLE:**  
COMMERCIAL PARTNERS TITLE, LLC

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EDA:**

BROOKLYN PARK ECONOMIC  
DEVELOPMENT AUTHORITY

By: \_\_\_\_\_  
Its: Executive Director

**BORROWER:**

AEON BP LLC

By: \_\_\_\_\_  
Alan Arthur  
Its President \_\_\_\_\_

**EXHIBIT A**  
**Form of Draw Request**

AEON BP LLC, a Minnesota limited liability company (“Borrower”), hereby certifies as follows (all terms herein having the meanings set forth in the Loan Agreement (“Loan Agreement”) dated as of January \_\_ 2020, between Borrower and the Brooklyn Park Economic Development Authority (the “EDA”) with respect to the Property.

(a) At the date hereof, except as disclosed to the EDA on or before the date of the Loan, no suit or proceeding at law or in equity, and no notice has been received that any investigation or proceeding of any governmental body has been instituted or, to the knowledge of the Borrower, is threatened, which in either case could have a material adverse effect on the financial condition or business operations of the Borrower.

(b) At the date hereof, no Default or Event of Default (other than any attributable to the EDA) under the Loan Agreement or under any of the other Loan Documents has occurred and is continuing, and no event has occurred which, upon the service of notice and/or the lapse of time, would constitute an event of default thereunder, except the following: **[none]** **[explain]**

(c) The representations and warranties set forth in Article 4 of the Loan Agreement are hereby reaffirmed and restated, and the Borrower represents and warrants to the EDA that the same are true, correct and complete on the date hereof, except as to the following: **[none]** **[explain]**

(d) No material adverse change has occurred in the financial condition or in the assets or liabilities of the Borrower or the Guarantor, except the following: **[none]** **[explain]**

(e) All funds advanced under the Loan Agreement will be utilized exclusively to pay capital costs of the Projects authorized in Section 5 of the Loan Agreement. The Borrower further represents that all funds covered by this Draw Request are for payment of costs included in the Projects.

(f) Attached hereto are true and accurate copies of all invoices or other documentation for all amounts to be paid from the Draw Request, which amounts **[have not been paid or submitted under a previous Draw Request]** **[which amounts have been paid by the Borrower directly and have not been submitted or paid under a previous Draw Request]**.

(g) The Borrower authorizes and requests the EDA to charge the total amount of this Draw Request against the Loan and to advance \$\_\_\_\_\_ from the proceeds of the Loan on behalf of the Borrower to [\_\_\_\_\_, .] **[ in accordance with the AIA Form G702 Application and Certificate for Payment and AIA Form G703 Supplement attached hereto and incorporated herein by reference.]**

(h) The advance made pursuant to this Draw Request is acknowledged to be an accommodation to the Borrower and is not a waiver by the EDA of any Defaults or Events of Default under the Loan Documents or any other claims of the EDA against the Borrower.

(i) The advances and disbursements set for the herein are hereby approved and authorized.

BORROWER:

AEON BP LLC

By: \_\_\_\_\_

Type Name \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT B**  
**TITLE ENDORSEMENTS**

**CONSTRUCTION LOAN  
DISBURSEMENT ENDORSEMENT**

## DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS is made this \_\_\_ day of January, 2020 (the “Declaration”), by AEON BP LLC, a Minnesota limited liability company (the “Borrower”), for the benefit of the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of the State of Minnesota (the “EDA”).

### RECITALS

WHEREAS, the Borrower has proposed to acquire property known as Huntington Place Apartments located at 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City of Brooklyn Park, Minnesota (the “City”), which property is legally described in EXHIBIT A attached hereto (the “Property”); and

WHEREAS, the Borrower has proposed to rehabilitate the existing 834-unit multifamily housing development on the Property as further described in Section 5 of the Loan Agreement defined below (collectively, the “Projects”); and

WHEREAS, the EDA and the Borrower entered into that certain Loan Agreement of even date herewith (the “Loan Agreement”) pursuant to which the EDA agreed to make a loan to the Borrower in the amount of \$5,000,000 (the “Loan”) from the EDA’s Housing Set Aside TIF (as defined in the Loan Agreement) in order to make the Projects more economically feasible and to improve and retain affordable housing in the City; and

WHEREAS, in consideration for the Loan, the Borrower will agree to cause compliance with certain affordability covenants for the housing units (the “Units”) within the Property as further provided herein; and

WHEREAS, the Borrower 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 Borrower; and

WHEREAS, capitalized terms in this Declaration have the meaning provided in the Loan 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 Borrower 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 hereof. The period from commencement to the date that is 30 years after the date hereof is the "Qualified Project Period."

(b) Termination of Declaration. This Declaration will terminate at the end of the Qualified Project Period (January \_\_, 2050).

In addition, 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, any mortgagee (or any assignee of the mortgagee) or any purchasers at or after foreclosure thereof, by the successful bidder at the sale, to the title to the Development Property, may terminate this Declaration, by providing written notice to the EDA and by filing a termination document in the applicable real property records in Hennepin County, and thereafter this Declaration shall be of no further force and effect; 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 this Declaration as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Property for federal income tax purposes.

Each of the events set forth in the first two paragraphs of this Section 1(b) are referred to individually and collectively herein as the "Termination Date".

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

2. Project Restrictions. The Borrower represents, warrants, and covenants that:

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

(i) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(e) hereof); and

(i) Agrees that the family income at the time the lease is executed will be deemed 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 Borrower 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.

(b) Upon reasonable prior notice, the Borrower will permit any duly authorized representative of the EDA to inspect the books and records of the Borrower pertaining to the income of Qualifying Tenants residing in the Property.

3. Occupancy Restrictions.

(a) Income Averaging. Income averaging means the determination of the income limit and rents for low-income units pursuant to Section 42(g)(1) of the Internal Revenue Code. Pursuant to the Code, units must be rent-restricted and occupied by persons whose incomes do not exceed the imputed income limitation designated by the taxpayer with designated income limitation permitted from 20% to 80%, provided that the average of the imputed income limitations cannot exceed 60%. If the Borrower elects to construct additional units on the Property, the Borrower may elect to use Income Averaging only for the newly constructed units.

(b) Moderate Income Tenant Provisions. The Borrower represents, warrants, and covenants that from the commencement of the Qualified Project Period, at least 60% of the Units within the Property (the “Moderate Income Housing Units”) shall be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Moderate Income Tenants, provided that the Borrower may use Income Averaging to determine Moderate Income Housing Units.

“Moderate Income Tenants” means those persons and families who are determined at the time of initial occupancy after the date hereof by the Borrower to have combined adjusted income that does not exceed 60% of the area-wide median family income for the standard metropolitan statistical area which includes Minneapolis/St. Paul, Minnesota, as that figure is determined and announced from time to time by the U.S. Department of Housing and Urban Development, as adjusted for family size (“AMI”) for the applicable calendar year.

Furthermore, the Borrower shall restrict rents for the Units occupied, or held for occupancy, by Moderate Income Tenants to an amount which does not exceed 30% of 60% of AMI or the applicable imputed income limit (30% to 80%) if using Income Averaging, adjusted for family size.

The determination of whether an individual or family is of moderate income will be made at the time a new tenant commences occupancy of a Unit through a review of the self-reported income by the potential tenant on their rental application. In order to avoid displacement, existing tenants as of the date of the acquisition will be grandfathered in and will not be required to be income certified, even if the composition of the household changes. In addition, households will continue to qualify despite increases in income after the tenant commences initial occupancy.

(c) Low Income Tenant Provisions. The Borrower represents, warrants, and covenants that from the commencement of the Qualified Project Period, no fewer than 20% of the Units within the Property (the “Low Income Housing Units”) shall be occupied (or treated as occupied as provided herein) or held vacant and available for occupancy by Low Income Tenants.

“Low Income Tenants” means those persons and families who are determined at the time of initial occupancy after the date hereof by the Borrower to have combined adjusted income that does not exceed 50% of AMI for the applicable calendar year.

Furthermore, the Borrower shall restrict rents for the Units occupied, or held for occupancy, by Moderate Income Tenants to an amount which does not exceed 30% of 50% of AMI, adjusted for family size.

The determination of whether an individual or family is of low income will be made at the time a new tenant commences occupancy of a Unit through a review of the self-reported income by the potential tenant on their rental application. In order to avoid displacement, existing tenants as of the date of the acquisition will be grandfathered in and will not be required to be income certified, even if the composition

of the household changes. In addition, households will continue to qualify despite increases in income after the tenant commences initial occupancy.

The Borrower may petition the EDA, in writing, to modify the covenants of this Section if, (i) maintaining units at rents affordable to persons at 50% AMI adversely impacts the financial feasibility of the Property, including satisfying any requirements of the Borrower's mortgage lenders; (ii) additional operating subsidy funding is not reasonably available and the Borrower demonstrates commercially reasonable efforts to try to obtain such funding; and (iii) the Property is otherwise in compliance with all the terms of this Declaration. The Borrower's petition shall include the proposed reduction in the number of units subject to the 50% income limit and the new proposed income limit, provided that the proposed income limit shall not exceed 60% of AMI. The petition must contain all material facts and supporting documentation substantiating the Borrower's request. The EDA's approval of the petition shall not be unreasonably denied. If EDA does deny the petition, in whole or in part, the Borrower and the EDA shall meet develop a plan for the ongoing financial feasibility of the Property. If EDA grants Borrower's petition in whole or in part, the EDA and the Borrower will amend this Declaration as necessary.

(d) Compliance with Tax Increment Act. Notwithstanding the foregoing in this Section 3, in order to comply with the Special Laws (as defined in the Loan Agreement), at least 40% of the Units must be occupied by Moderate Income Tenants without the use of Income Averaging and the Borrower shall restrict rents for the Units occupied, or held for occupancy, by Moderate Income Tenants to an amount which does not exceed 30% of 60% of AMI, adjusted for family size.

(e) Certification of Tenant Eligibility. As a condition to initial occupancy, each tenant will be required at the commencement of the initial lease of a Unit to sign and deliver to the Borrower 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 Low Income Tenant or Moderate Income Tenant (collectively, a "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 reasonably deemed necessary by the EDA to substantiate the Eligibility Certification. Eligibility Certifications will be maintained on file by the Borrower with respect to each tenant who resides in a Unit or resided therein during the immediately preceding calendar year.

(f) Lease. The form of lease to be utilized by the Borrower in renting any Units in the Property to any person who is intended to be a Low Income Tenant or Moderate Income Tenant will provide for termination of the lease and consent by the person to 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. The Borrower covenants and agrees that during the Qualified Project Period. In addition, the Borrower shall not increase rents above the rents permitted by Section 3(b) above and shall only increase rents upon renewal of lease and, at any rate, will not increase the rent charged to any tenant more than once in any 6-month period. Each lease shall have an initial term of at least 12 months.

(g) Annual Report. The Borrower covenants and agrees that during the term of this Declaration, it will prepare and submit to the EDA on or before January 31 of each year, a certificate substantially in the form of **EXHIBIT C** hereto, executed by the Borrower, (a) identifying the tenancies and the dates of occupancy (or vacancy) for all tenants in the Property, including the percentage of the Units of the Property which were occupied by Low Income Tenants or Moderate Income Tenants (or held vacant and available for occupancy by Low Income Tenants or Moderate Income Tenants) at all times during the year preceding the date of the certificate; (b) describing all transfers or other changes in ownership of the Property or any interest therein; and (c) 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 Borrower was not otherwise in default under this

Declaration during the year. The certificate shall also contain a representation as to the number of Units occupied by Low Income Tenants and the number of Units occupied by Moderate Income Tenants.

(h) Notice of Non-Compliance. The Borrower will immediately notify the EDA if at any time during the term of this Declaration the Units in the Property are not occupied or available for occupancy as required by the terms of this Declaration.

(i) Section 8 Housing. The Borrower shall accept tenants who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, as amended, codified as 42 U.S.C. Sections 1401 et seq., or its successor. During the term of this Declaration, the Borrower shall not adopt any policies specifically excluding rental to tenants holding Section 8 certificate/voucher holders. For certificate/voucher holders, the Borrower shall restrict rents to an amount which does not exceed the rent permitted, assuming the total tenant payment does not exceed 40% of the household's monthly adjusted income.

(j) Applicable Standards. For purposes of this Declaration income and rent will be determined in accordance with the rules that apply under Section 42 of the Internal Revenue Code of 1986, as amended, and related regulations (the "Code").

4. Transfer Restrictions. Except for a transfer in accordance with Section 1(b), the Borrower covenants and agrees that the Borrower will cause or require as a condition precedent to any conveyance, transfer, assignment, or any other disposition of the Property or any portion thereof or interest therein prior to the termination of the Rental Restrictions and Occupancy Restrictions provided herein (the "Transfer") that the transferee thereof assume in writing, in a form acceptable to the EDA, all duties and obligations of the Borrower under this Declaration, including this Section, in the event of a subsequent Transfer by the transferee prior to expiration of the Rental Restrictions and Occupancy Restrictions provided herein (the "Assumption Agreement"). The Borrower will deliver the Assumption Agreement to the EDA prior to the Transfer.

5. Enforcement.

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

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

(c) The Borrower acknowledges that the primary purpose for requiring compliance by the Borrower with the restrictions provided in this Declaration is to ensure compliance of the Property with the housing affordability covenants set forth in the Loan Agreement, and by reason thereof, the Borrower, in consideration for assistance provided by the EDA under the Loan Agreement that makes possible the acquisition and rehabilitation of 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 Borrower of its obligations under this Declaration in a state court of competent jurisdiction. The Borrower hereby further specifically acknowledges that the EDA cannot be adequately compensated by monetary damages in the event of any default hereunder.

(d) The Borrower 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 the Loan Agreement.

(e) The EDA will have the right to appoint an agent to carry out any of its rights and oversight hereunder, and will inform the Borrower of any agency appointment by written notice.

6. Indemnification. The Borrower hereby indemnifies, and agrees to defend and hold harmless, the EDA from and against all liabilities, losses, damages, costs, expenses (including 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 Borrower to comply with the terms of this Declaration, or on account of any representation or warranty of the Borrower contained herein being untrue.

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

8. 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 Borrower 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 Ave. N.  
Brooklyn Park, MN 55443  
Attention: Executive Director

To the Borrower: AEON BP LLC  
c/o Aeon  
901 North Third Street, Suite 150  
Minneapolis, MN 55401  
Attn: President

9. 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.

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

11. Declaration Binding. This Declaration and the covenants contained herein will run with the Property and will bind the Borrower and its successors and assigns and all subsequent owners of the Property 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.

12. Notice of Sale. In consideration for the Loan, the Borrower agrees to provide the EDA with at least 90 days' prior written notice of any sale of the Property or any portion thereof or interest therein.

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

IN WITNESS WHEREOF, the Borrower has caused this Declaration of Restrictive Covenants to be signed by its respective duly authorized representatives, as of the day and year first written above.

**AEON BP LLC**

By \_\_\_\_\_  
Alan Arthur  
Its President

STATE OF MINNESOTA     )  
  ) SS  
COUNTY OF HENNEPIN    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of January, 2020, by Alan Arthur, the President of AEON BP LLC, a Minnesota limited liability company, on behalf of the limited liability company.

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

This instrument drafted by:

Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402  
612-337-9300

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 January, 2020, by \_\_\_\_\_, the Executive Director of the Brooklyn Park Economic Development Authority, a public body corporate and politic under the laws of the State of Minnesota, on behalf of the EDA.

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

**EXHIBIT A****LEGAL DESCRIPTION**

Land situated in the City of Brooklyn Park in the County of Hennepin in the State of Minnesota

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21 lying North of the South 633 feet thereof except the following described tracts:

That part of the Southeast Quarter of the Southwest Quarter of said Section 28, lying South of a line which is parallel to and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter a distance of 874.18 feet; thence Northwesterly on a tangential circular curve having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangential to said curve, to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; also lying West of the East 355 feet thereof.

The West 333 feet of the East Half of the Southwest Quarter of said Section 28 lying North of the South 1173 feet and lying South of the North 548 feet thereof.

The West 333 feet of that part of the Southeast Quarter of the Southwest Quarter of Section 28, Township 119, Range 21, lying North of a line which is parallel with and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter, distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter, a distance of 874.18 feet; thence Northwesterly on a tangential circular curve, having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangent to said curve to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; and lying South of the North line of the South 1,173.00 feet thereof, and lying East of Zane Avenue North.

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21, Hennepin County, Minnesota described as follows:

Commencing at the Northeast corner of said East Half of the Southwest Quarter; thence Southerly along the East line of said East Half of the Southwest Quarter to its intersection with the North line of the South 633 feet of said East Half of the Southwest Quarter said intersection being the point of beginning of the tract of land to be described; thence Westerly along said North line, to the West line of the East 355 feet of said East Half of the Southwest Quarter; thence Northerly, along the said West line to its intersection with a line drawn parallel to and 1,121.10 feet North of the South

line of said East Half, as measured along the East line of said East Half of the Southwest Quarter; thence Easterly, along said parallel line, 355.10 feet to its intersection with the East line of said East Half; thence South, along said East line of East Half to the point of beginning.

Hennepin County, Minnesota

**EXHIBIT B**  
**CERTIFICATION OF TENANT ELIGIBILITY**

**TENANT INCOME CERTIFICATION**

Effective Date: \_\_\_\_\_  
Move-in Date: \_\_\_\_\_

Initial Certification     Recertification     Other \_\_\_\_\_

**PART I - DEVELOPMENT DATA**

Property Name: \_\_\_\_\_ County: \_\_\_\_\_ BIN #: \_\_\_\_\_  
Address: \_\_\_\_\_ Unit Number: \_\_\_\_\_ # Bedrooms: \_\_\_\_\_

**PART II. HOUSEHOLD COMPOSITION**

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

**PART III. ANNUAL INCOME (USE ANNUAL AMOUNTS)**

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
<b>TOTALS</b>				
	Add totals from (A) through (D), above			TOTAL INCOME (E):

**PART IV. INCOME FROM ASSETS**

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
<b>TOTALS:</b>				

Total Cash Value \_\_\_\_\_ Passbook Rate \_\_\_\_\_  
If (H) is over \$5000 \_\_\_\_\_ X 0.06% = (J) Imputed Inc. \_\_\_\_\_  
Enter the greater of the total of column I, or J: imputed income    **TOTAL INCOME FROM ASSETS (K)** \_\_\_\_\_  
**(L) Total Annual Household Income from all Sources Add (E) and (K)** \_\_\_\_\_

**HOUSEHOLD CERTIFICATION & SIGNATURES**

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/We certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)



**EXHIBIT C****CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE**

**Certification Dates: From \_\_\_\_\_ to \_\_\_\_\_**

Date: \_\_\_\_\_

The following information with respect to the Property known as Huntington Place Apartments located at 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City of Brooklyn Park, Minnesota (the "Property"), is being provided by AEON BP LLC (the "Owner") to the Brooklyn Park Economic Development Authority (the "EDA"), pursuant to that certain Declaration of Restrictive Covenants, dated January \_\_, 2020 (the "Declaration"), with respect to the Property:

A. The total number of residential units which are available for occupancy is \_\_\_\_\_.  
The total number of these units occupied is \_\_\_\_\_.

B. The following residential units were occupied by Low Income Tenants (as defined in the Declaration) at the commencement of the initial lease of the Housing Unit based on the following information set forth below (see attachment from the Owner):

- a. Unit
- b. Name of Tenant
- c. Number of Household Members
- d. Number of Bedrooms
- e. Total Adjusted Gross Income
- f. Date of Initial Occupancy
- g. Rent

C. The following residential units were occupied by Moderate Income Tenants (as defined in the Declaration) at the commencement of the initial lease of the Housing Unit based on the following information set forth below (see attachment from the Owner):

- a. Unit
- b. Name of Tenant
- c. Number of Household Members
- d. Number of Bedrooms
- e. Total Adjusted Gross Income
- f. Date of Initial Occupancy
- g. Rent

D. The Owner has obtained a "Tenant Income Certification" in the form provided as EXHIBIT B to the Declaration, from each Tenant named in C and D above, and each such Certificate is being maintained by the Owner in its records with respect to the Property.

E. In renting the residential units in the Property, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants). All of the residential units in the Property have been rented pursuant to a written lease, and the term of each lease is at least 12 months.

F. 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 "Tenant Income Certification" obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

G. The Property is in continuing compliance with the Declaration.

H. The Owner certifies that as of the date hereof at least \_\_\_\_\_ of the residential dwelling units in the Property are occupied or held open for occupancy by Moderate Income Tenants, as defined and provided in the Declaration and at least \_\_\_\_\_ of the residential dwelling units in the Property are occupied or held open for occupancy by Low Income Tenants, as defined and provided in the Declaration.

I. The rental levels for each Low Income Tenant and each Moderate Income Tenant comply with the maximum permitted under the Declaration.

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

**AEON BP LLC**

By \_\_\_\_\_  
Stacy McMahon  
Its Vice President of Asset Management, Aeon

## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (the “Guaranty”) is made and entered into this \_\_\_ day of January, 2020, by AEON, a Minnesota non-profit corporation (the “Guarantor”), for the benefit of the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of the State of Minnesota (the “EDA”).

WITNESSETH:

WHEREAS, Aeon BP LLC, a Minnesota limited liability company (the “Borrower”) proposes to acquire and rehabilitate the existing 834-unit multifamily housing development known as Huntington Place Apartments (the “Property”) located at 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City of Brooklyn Park, Minnesota (the “City”); and

WHEREAS, the EDA has agreed to provide a loan in the amount of \$4,100,000 (the “Loan”) to the Borrower to finance certain improvements to the Property pursuant to a Loan Agreement of even date herewith (the “Loan Agreement”), between the EDA and the Borrower, from the Housing Set Aside TIF (as defined in the Loan Agreement); and

WHEREAS, the Loan is evidenced by a Promissory Note of even date herewith (the “Note”) from the Borrower to the EDA; and

WHEREAS, the Borrower will execute and deliver to the EDA a Declaration of Restrictive Covenants of even date herewith (the “Declaration of Restrictive Covenants”) setting forth the affordability covenants for the Property; and

WHEREAS, the Borrower will execute and deliver to the EDA a Combination Mortgage, Security Agreement, and Fixture Financing Statement of even date herewith (the “Mortgage”) against the Property to secure the indebtedness evidenced by the Note; and

WHEREAS, to provide additional security for the indebtedness evidenced by the Note, the EDA has required that the Guarantor execute and deliver this Guaranty for the benefit of the EDA, guarantying \$1,000,000 of the amount due under the Note.

NOW, THEREFORE, to induce the EDA to make the Loan to the Borrower, the Guarantor hereby covenants and agrees with the EDA, for the benefit of all who at any time become holders of the Note, as follows:

Section 1. The Guarantor hereby unconditionally guarantees to the EDA for the benefit of the Holders (as defined in the Note) from time to time of the Note: the full and prompt payment of \$1,000,000 of the principal of the Note due on the Refinancing Date, as defined in the Note whether at the stated maturity thereof, by acceleration or otherwise. All payments shall be paid in lawful money of the United States of America. Each and every default in payment of the principal of or interest on the Note shall give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises.

Section 2. The obligations of the Guarantor under this Guaranty shall be absolute and unconditional and shall remain in full force and effect until \$1,000,000 of the principal of the Note shall have been paid, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following:

- (a) The compromise, settlement, or release of less than all of the obligations, covenants or agreements of the Borrower under the Note;
- (b) The failure to give notice to any person of the occurrence of an event of default under the terms and provisions of this Guaranty, the Loan Agreement, the Declaration of Restrictive Covenants, the Mortgage, or the Note;
- (c) The extension of the time for payment of principal of or interest on the Note or under this Guaranty;
- (d) Any failure, omission, delay, or lack on the part of the EDA to enforce, assert, or exercise any right, power, or remedy conferred on the EDA in this Guaranty or other instruments executed and delivered in connection with the loan contemplated thereby, or any other act or acts on the part of the EDA or any of the holders from time to time of the Note; and
- (e) The default or failure of the Guarantor to perform any of the obligations set forth in this Guaranty.

Section 3. No set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature that the Guarantor has or may have the EDA shall be available hereunder to the Guarantor against the EDA.

Section 4. In the event of a default in the payment of principal of the Note when and as the same shall become due, whether at the stated maturity thereof, by acceleration or otherwise, or in the event of a default in the payment of any interest on the Note when and as the same shall become due, or upon the occurrence and continuance of any Event of Default under the Loan Agreement, the EDA may proceed hereunder; and the EDA, in its sole discretion, shall have the right to proceed first and directly against the Guarantor for \$1,000,000 of the amount due under the Note without proceeding against or exhausting any other remedies it may have as to the Guarantor.

Section 5. The Guarantor hereby expressly waives notice from the EDA or the Holders from time to time of the Note of acceptance of or any reliance upon this Guaranty. The Guarantor agrees to pay all the costs, expenses, and fees, including attorneys' fees, which may be incurred by the EDA in enforcing or attempting to enforce this Guaranty whether the same shall be enforced by suit or otherwise.

Section 6. This Guaranty is entered into by the Guarantor for the benefit of the EDA and the Holders from time to time of the Note, all of whom shall be entitled to enforce performance and observance of this Guaranty.

Section 7. The Guarantor is duly authorized and empowered to execute and deliver this Guaranty, perform all obligations hereunder, and borrow money from the EDA.

Section 8. The performance or observance of any promise or condition set forth in this Guaranty may be waived, amended, or modified only by a writing signed by the Guarantor and the EDA. No delay in the exercise of any power, right, or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right, or remedy.

Section 9. This Guaranty is made and shall be governed in all respects by the laws of the State of Minnesota. Any disputes, controversies, or claims arising out of this Guaranty shall be heard in the state or federal courts of Minnesota, and all parties to this Guaranty waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

Section 10. If any provision or application of this Guaranty is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications that can be given effect, and this Guaranty shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby.

Section 11. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, first class mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To the EDA:                    Brooklyn Park Economic Development Authority  
5200 85th Ave. N.  
Brooklyn Park, MN 55443  
Attention: Executive Director

To the Guarantor:        Aeon BP LLC  
c/o Aeon  
701 North 3<sup>rd</sup> Street, Suite 150  
Minneapolis, MN 55401  
Attn: President

Section 12. This Guaranty constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to this Guaranty, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, concerning the Guaranty. Nothing contained herein shall affect or impair the EDA's rights under the Loan Agreement or the Note.

Section 13. The Guarantor is the sole member of the Borrower and the Guarantor acknowledges and agrees that the Loan is being utilized by Borrower to finance the acquisition and renovation of a facility for a purpose which furthers the Guarantor's charitable purposes and business operations and, therefore, the Guarantor's obligations under this Guaranty are proper, valid and enforceable. The obligation of the Guarantor under this Guaranty shall be binding upon the representatives, successors and assigns of the Entity Guarantor.

(The remainder of page is intentionally left blank.)

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty Agreement to be executed as of the date first above written.

**AEON**

By \_\_\_\_\_  
Its \_\_\_\_\_

**PROMISSORY NOTE**

\$5,000,000

January \_\_, 2020

**AEON BP LLC**, a Minnesota limited liability company (the “Borrower”), for value received, hereby promises to pay to the **BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY**, a public body corporate and politic of the State of Minnesota (the “EDA”), or its assigns (the EDA and any assigns are hereinafter referred to as the “Holder”), at its designated principal office or such other place as the Holder may designate in writing, the principal sum of Five Million and 00/100ths Dollars (\$5,000,000), or so much thereof as may be advanced by the EDA to the Borrower (the “Principal Balance”) pursuant to that certain Loan Agreement, dated as of the date hereof, by and between the EDA and the Borrower, (the “Loan Agreement”) with interest as hereinafter provided, in any coin or currency which at the time or times of payment is legal tender for the payment of private debts in the United States of America. All terms capitalized herein and not defined have the definitions given such terms in the Loan Agreement.

1. Simple, non-compounding interest at the rate of 3.00% per annum shall accrue on this Promissory Note from the date hereof, until the Loan is repaid in full.

2. This Note shall be paid as follows:

(a) During the first twenty-seven (27) months, no payments shall be due on this Note, provided that payments described in 2(d) shall commence 30 days after the Refinancing Date (as defined below) if that occurs before April \_\_, 2022.

(b) On the earlier of the Refinancing Date or January \_\_, 2025, the Borrower shall pay Lender \$1,000,000 principal plus all accrued interest due on this Note. The Refinancing Date shall be the date that the Borrower refinances its existing \$72,515,000 loan (the “Senior Loan”) from NEF Preservation Mortgage Loan Fund I LP, a Delaware limited partnership (“NEF”).

(c) Commencing on April \_\_, 2022 and each April \_\_ thereafter until the Maturity Date (as defined below), the Borrower shall annually pay to Lender an amount equal to 15% of Net Cash Flow. “Net Cash Flow” shall be calculated as set forth in the pro forma financial statement attached as **Exhibit A** and means Borrower’s gross cash receipts for the prior fiscal year, less for the prior fiscal year (1) all required payments on the Senior Loan or the \$5,000,000 loan in favor of Local Initiatives Support Corporation, a New York not-for-profit corporation (“LISC”), (2) all reserve account payments required by NEF or LISC, (3) all operating expenses incurred for the Property or the Borrower, including but not limited to administrative expenses of the Borrower, maintenance costs, insurance premiums, amounts required to fund deductibles, claims and related expenses to the extent not funded from insurance proceeds, utilities, property management fees, taxes, assessments, and all other ordinary payments or expenditures then currently due and payable and necessary in connection with the proper operation of the Property; provided that no capital expenditures costing in excess of \$100,000 in any fiscal year or any indebtedness other than the Senior Loan or the aforementioned LISC loan shall be treated as reducing Net Cash Flow without the prior written consent of the EDA, which shall not be unreasonably withheld, (4) an asset management fee to Borrower not to exceed \_\_% of Borrower’s gross revenues.

(d) After the Refinancing Date, operating expenses factored into “Net Cash Flow” shall include an administrative fee to Borrower’s equity partner not to exceed \$ \_\_\_\_\_.

(e) All outstanding principal of and interest on this Note shall be due and payable in full (i) 10 days after Borrower makes or allows to be made any total or partial transfer, sale, assignment,

conveyance, lease (except a lease to a residential tenant of a unit within the Property), or transfer in any other mode, of the Property; or (ii) February 1, 2040 (collectively, the “Maturity Date”).

(f) Payments shall be applied first to interest due on the Principal Balance and thereafter to reduction of the Principal Balance.

3. The Borrower shall have the right to fully or partially prepay this Note at any time without penalty. Any partial prepayment shall be applied first to any unpaid, accrued interest with the balance, if any, applied to principal.

4. This Note is given pursuant to the Loan Agreement, as the same may be amended from time to time, and is secured by a Combination Mortgage, Security Agreement, and Fixture Financing Statement of even date herewith (the “Mortgage”) by the Borrower in favor of the EDA, covering certain real property located in Hennepin County, Minnesota and legally described in the Mortgage (the “Property”) and a Guaranty Agreement (the “Guaranty”) from Aeon (the “Guarantor”) in favor of the EDA. The Borrower has executed and delivered to the EDA a Declaration of Restrictive Covenants of even date herewith (the “Declaration of Restrictive Covenants”) which will set forth the affordability covenants for the Property. The Loan will be disbursed for costs of the Projects pursuant to the Loan Agreement and a Disbursing Agreement between the Borrower, the EDA and Commercial Partners Title, LLC (“Disbursing Agreement”). All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty and the Mortgage are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note.

5. The outstanding Principal Balance of this Note and accrued interest and all other amounts due hereon shall, at the option of the Lender, become immediately due and payable, upon the occurrence of an Event of Default (as defined in the Loan Agreement), or at any time thereafter, subject to any notice and cure periods provided in the Loan Agreement. Failure to exercise the option provided herein shall not constitute a waiver of the right to exercise the same subsequently or in the event of any subsequent Event of Default. The remedies of the Holder, as provided herein and in the Loan Agreement, the Declaration of Restrictive Covenants, the Disbursing Agreement, the Guaranty and the Mortgage, shall be cumulative and concurrent, may be pursued singly, successively, or together, and, at the sole discretion of the Holder of this Note, and may be exercised as often as occasion therefor shall occur.

6. The Holder of this Note shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder of this Note and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. This Note may not be amended, modified, or changed except only by an instrument in writing signed by the party against whom enforcement of any such amendment, modifications, or change is sought.

7. If any Event of Default occurs, and if the Holder engages legal counsel or others in connection with advice to the Holder or the Holder’s rights and remedies under the Loan Agreement or this Note, the Borrower shall pay all reasonable expenses incurred by the Holder for such persons, irrespective of whether any suite or other proceeding has been or is filed or commenced. Any such expenses, costs and charges shall constitute additional principal, payable upon demand, and subject to this Note, Loan Agreement, the Declaration of Restrictive Covenants, the Guaranty, or the Mortgage.

8. Except as otherwise provided in this Note, the Loan Agreement, the Declaration of Restrictive Covenants, the Guaranty, or the Mortgage, the Borrower hereby (a) waives demand,

presentment for payment, notice of nonpayment, protest, notice of protest, and all other notice; (b) agrees to any substitution, exchange, addition, or release of any party or person primarily or secondarily liable hereon; (c) agrees that Holder shall not be required first to institute any suit or to exhaust its remedies against the Borrower or any other person or party in order to enforce payment of this Note; (d) consents to any extension, rearrangement, renewal, or postponement of time or payment of this Note and to any other indulgence with respect hereto without notice, consent, or consideration to any of them.

9. If any term of this Note, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

10. It is intended that this Note is made with reference to and shall be construed as a Minnesota contract and governed by the laws thereof.

11. IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts, and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened, and have been performed in regular and due form as required by law.

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

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed as of the date and year first written above.

**AEON BP LLC**

By \_\_\_\_\_  
Alan Arthur  
Its President

**Exhibit A**  
**Pro Forma Financial Statement Showing Calculation of Net Cash Flow**

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

**THIS MORTGAGE IS EXEMPT FROM REGISTRATION TAX  
PURSUANT TO MINN. STAT. § 287.04(f)**

THIS COMBINATION MORTGAGE, SECURITY AGREEMENT, AND FIXTURE FINANCING STATEMENT is made this \_\_ day of January, 2020 (the "Mortgage"), by AEON BP LLC, a Minnesota limited liability company (the "Mortgagor"), in favor of the BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic of the State of Minnesota (the "Mortgagee").

WITNESSETH:

That the Mortgagor, in consideration of the sum of Five Million and 00/100ths Dollars (\$5,000,000) and other good, valuable and sufficient consideration, the receipt whereof is hereby acknowledged, does hereby grant, bargain, sell, and convey unto the Mortgagee, its successors and assigns, forever, all the tract or parcel of land lying and being in the County of Hennepin and State of Minnesota and legally described in **EXHIBIT A** attached 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 Mortgagor 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); (v) all rents, leases, profits and issues now due or which may hereafter become due under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the Property or any part thereof; and (vi) all proceeds of all of the foregoing 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:	Aeon BP LLC c/o Aeon 901 North Third Street, Suite 150 Minneapolis, MN 55401 Attn: President
Names and Addresses of Secured Party:	Brooklyn Park Economic Development Authority 5200 85th Ave. N. Brooklyn Park, MN 55443 Attention: Executive Director
Description of the Types (or items) of property covered by this financing statement:	See above
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.

To have and to hold the same, together with the hereditaments and appurtenances thereto belonging to the Mortgagee, its successors and assigns, forever; and the Mortgagor, for itself, and its successors and assigns, does covenant with the Mortgagee, its successors and assigns, as follows: That it is lawfully seized of said premises and has good right to sell and convey the same; that the same are free from all encumbrances, save and except reservations, restrictions and easements set forth on **EXHIBIT B** attached hereto; that the Mortgagee, its successors and assigns, shall quietly enjoy and possess the same; and that the Mortgagor will warrant and defend the title to the same against all lawful claims not hereinbefore specifically excepted; and

Provided, nevertheless, that if the Mortgagor, its successors and assigns, shall keep and perform each and every one of its obligations under and pursuant to that certain Promissory Note of even date herewith (the "Note"), given by the Mortgagor in favor of the Mortgagee, and shall keep and perform all the covenants and agreements herein contained, then this deed to be null and void, and to be released at the Mortgagor's expense.

This Mortgage secures a principal debt in the amount of Five Million and 00/100ths Dollars (\$5,000,000) payable by the Mortgagor to the Mortgagee under the terms of the Note and the Loan Agreement of even date herewith (the "Loan Agreement") between the Mortgagor and the Mortgagee, which Note matures on February \_\_\_, 2040 or such earlier date provided in the Note.

Notwithstanding the provisions of this Mortgage or any other document, the Mortgagor shall not be personally liable for payment of the indebtedness evidenced by the Note, and the Mortgagee's sole recourse for payment of such indebtedness upon the occurrence of an Event of Default (hereinafter defined) shall be to pursue the security provided by this Mortgage and other instruments securing payment of the Note. Nothing in this Section shall affect, limit or impair (i) the security provided by this Mortgage or any other document, (ii) the right to seek monetary judgment against the Mortgagor or any owner of the

mortgaged property to the extent necessary to permit foreclosure of this Mortgage by action (except that the Mortgagor shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by the Note and no deficiency judgment will be sought or obtained against the Mortgagor for payment of the indebtedness evidenced by the Note), (iii) the enforcement by the Mortgagee of any other legal or equitable rights or remedies or any other provision of any instrument by which the Note is secured, or (iv) the personal liability of the Mortgagor for the failure to observe or perform any of the covenants or obligations of the Mortgagor and other instruments securing payment of the Note other than the obligation to pay the indebtedness evidenced by the Note.

1. The Mortgagor, for itself, and its successors and assigns, does hereby covenant and agree with the Mortgagee, its successors and assigns, to perform its obligations as above specified, to pay all taxes and assessments now due or that may hereafter become liens against said premises at least 10 days before penalty attaches thereto; to pay, when due, both principal and interest of all prior liens or encumbrances, if any, above mentioned and to keep said premises free and clear of all other prior liens or encumbrances; to commit or permit no waste on said premises and to keep them in good repair; to complete forthwith any improvements which may hereafter be under course of construction thereon, and to pay any other expenses and attorneys' fees incurred by the Mortgagee, its successors or assigns, by reason of litigation with any third party for the protection of the lien of this Mortgage.

2. The Mortgagor does further covenant and agree that if any lien for labor, skill or material shall be filed for record during the life of this Mortgage, upon or against the premises hereby mortgaged, the Mortgagor will, within 30 days after the date of its filing for record, either pay off the lien and secure its satisfaction of record, or will protect the Mortgagee against any loss or damage growing out of its enforcement, by furnishing a bond for the same amount in the form and with the sureties to be approved by the Mortgagee or a cash escrow in an amount acceptable to the Mortgagee.

3. In case of failure to pay said taxes and assessments, prior liens or encumbrances, expenses and attorneys' fees as above specified, or to insure said buildings and deliver the policies as aforesaid, the Mortgagee, its successors or assigns, may pay such taxes, assessments, prior liens, expenses and attorneys' fees and interest thereon, or effect such insurance, and the sums so paid shall bear interest at the rate of eight percent (8%) per annum or, if less, the highest rate permitted by law from the date of such payment, shall be impressed as an additional lien upon said premises, and be immediately due and payable from the Mortgagor, its successors or assigns, to the Mortgagee, its successors or assigns, and this Mortgage shall from date thereof secure the repayment of such advance with interest.

4. In case of default in any covenant hereunder or under the Loan Agreement or the Note (each an "Event of Default"), the Mortgagor confers upon the Mortgagee the option, of declaring a default and hereby authorizes and empowers the Mortgagee, its successors and assigns, to foreclose this Mortgage by judicial proceedings or to sell said premises at public auction and convey the same to the purchaser in fee simple in accordance with the statute, and out of the money arising from such sale to retain all sums secured hereby, with interest and all legal costs and charges of such foreclosure and the maximum attorneys' fee permitted by law, which costs, charges and fees the Mortgagor herein agrees to pay.

5. Any member or partner of the Mortgagor shall have the right, but not the obligation, to cure any Event of Default by the Mortgagor under this Mortgage or any default under the Note, the Loan Agreement, the Declaration of Restrictive Covenants, or the Disbursing Agreement, and the Mortgagee shall accept performance by the member or partner of the Mortgagor of any obligation of the Mortgagor thereunder as though tendered by the Mortgagor itself, provided such performance by the member or partner of the Mortgagor has occurred during the applicable cure period, if any, provided to the Mortgagor thereunder with respect to such default or Event of Default.

6. Capitalized terms used herein that are otherwise not defined shall have the meanings provided in the Loan Agreement.

7. This Mortgage is exempt from mortgage registration tax imposed by Minnesota Statutes, Section 287.035, pursuant to Minnesota Statutes, Section 287.04(f), because the principal amount of the 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, which is a public body corporate and politic of the State of Minnesota.

8. This Mortgage secures an obligation incurred for the construction of an improvement on land and is a "Construction Mortgage" as that term is used in the Minnesota Uniform Commercial Code, Minnesota Statutes, Section 336.9-334(h).

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

IN WITNESS WHEREOF, the Mortgagor has executed this Combination Mortgage, Security Agreement, and Fixture Financing Statement as of the date and year first written above.

**AEON BP LLC**

By \_\_\_\_\_  
Alan Arthur  
Its President

STATE OF MINNESOTA     )  
  ) SS  
COUNTY OF HENNEPIN    )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of January, 2020, by Alan Arthur, the President of Aeon BP LLC, a Minnesota limited liability company, on behalf of the limited liability company.

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

This instrument drafted by:

Kennedy & Graven, Chartered (JSB)  
470 U.S. Bank Plaza  
200 South Sixth Street  
Minneapolis, MN 55402  
612-337-9300

**EXHIBIT A****DESCRIPTION OF PROPERTY**

Land situated in the City of Brooklyn Park in the County of Hennepin in the State of Minnesota

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21 lying North of the South 633 feet thereof except the following described tracts:

That part of the Southeast Quarter of the Southwest Quarter of said Section 28, lying South of a line which is parallel to and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter a distance of 874.18 feet; thence Northwesterly on a tangential circular curve having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangential to said curve, to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; also lying West of the East 355 feet thereof.

The West 333 feet of the East Half of the Southwest Quarter of said Section 28 lying North of the South 1173 feet and lying South of the North 548 feet thereof.

The West 333 feet of that part of the Southeast Quarter of the Southwest Quarter of Section 28, Township 119, Range 21, lying North of a line which is parallel with and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter, distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter, a distance of 874.18 feet; thence Northwesterly on a tangential circular curve, having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangent to said curve to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; and lying South of the North line of the South 1,173.00 feet thereof, and lying East of Zane Avenue North.

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21, Hennepin County, Minnesota described as follows:

Commencing at the Northeast corner of said East Half of the Southwest Quarter; thence Southerly along the East line of said East Half of the Southwest Quarter to its intersection with the North line of the South 633 feet of said East Half of the Southwest Quarter said intersection being the point of beginning of the tract of land to be described; thence Westerly along said North line, to the West line of the East 355 feet of said East Half of the Southwest Quarter; thence Northerly, along the said West line to its intersection with a line drawn parallel to and 1,121.10 feet North of the South

line of said East Half, as measured along the East line of said East Half of the Southwest Quarter; thence Easterly, along said parallel line, 355.10 feet to its intersection with the East line of said East Half; thence South, along said East line of East Half to the point of beginning.

Hennepin County, Minnesota

**EXHIBIT B**

**PERMITTED ENCUMBRANCES**

1. [insert from Title Commitment/pro forma]

## REQUEST FOR NOTICE OF FORECLOSURE

Dated January \_\_, 2020

The Brooklyn Park Economic Development Authority, a public body corporate and politic under the laws of the State of Minnesota (the “EDA”), hereby requests notice, in accordance with Minnesota Statutes §§ 580.032 and 582.32, of any foreclosure by advertisement or any voluntary foreclosure with respect to the following real property located in Hennepin County, Minnesota, and legally described as set forth in **Exhibit A** attached hereto (the “Property”) which has a real property address of 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City of Brooklyn Park, Minnesota.

The redeemable interest held by the County in the Property is a mortgage lien pursuant to a Combination Mortgage, Security Agreement, and Fixture Financing Statement dated January \_\_, 202\_\_, and recorded on \_\_\_\_\_, 2020 as Document No. \_\_\_\_\_ in the Office of the County Recorder or Registrar of Titles of Hennepin County, Minnesota.

All notices of foreclosure should be provided to:

Brooklyn Park EDA  
c/o Community Development Dept.  
5200 85<sup>th</sup> Avenue N.  
Brooklyn Park, MN 55443  
Attention: Director



**EXHIBIT A****LEGAL DESCRIPTION**

Land situated in the City of Brooklyn Park in the County of Hennepin in the State of Minnesota

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21 lying North of the South 633 feet thereof except the following described tracts:

That part of the Southeast Quarter of the Southwest Quarter of said Section 28, lying South of a line which is parallel to and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter a distance of 874.18 feet; thence Northwesterly on a tangential circular curve having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangential to said curve, to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; also lying West of the East 355 feet thereof.

The West 333 feet of the East Half of the Southwest Quarter of said Section 28 lying North of the South 1173 feet and lying South of the North 548 feet thereof.

The West 333 feet of that part of the Southeast Quarter of the Southwest Quarter of Section 28, Township 119, Range 21, lying North of a line which is parallel with and 30 feet South of the following described line:

Commencing at a point on the East line of said Southeast Quarter of the Southwest Quarter, distant 1,151.10 feet North of the Southeast corner thereof; thence West parallel with the South line of said Southeast Quarter of the Southwest Quarter, a distance of 874.18 feet; thence Northwesterly on a tangential circular curve, having a central angle of 11 degrees 32 minutes 23 seconds and a radius of 1,500.00 feet for a distance of 302.11 feet; thence Northwesterly on a line tangent to said curve to its intersection with the West line of said Southeast Quarter of the Southwest Quarter and there terminating; and lying South of the North line of the South 1,173.00 feet thereof, and lying East of Zane Avenue North.

That part of the East Half of the Southwest Quarter of Section 28, Township 119, Range 21, Hennepin County, Minnesota described as follows:

Commencing at the Northeast corner of said East Half of the Southwest Quarter; thence Southerly along the East line of said East Half of the Southwest Quarter to its intersection with the North line of the South 633 feet of said East Half of the Southwest Quarter said intersection being the point of beginning of the tract of land to be described; thence Westerly along said North line, to the West line of the East 355 feet of said East Half of the Southwest Quarter; thence Northerly, along the said West line to its intersection with a line drawn parallel to and 1,121.10 feet North of the South line of said East Half, as measured along the East line of said East Half of the Southwest Quarter; thence

Easterly, along said parallel line, 355.10 feet to its intersection with the East line of said East Half; thence South, along said East line of East Half to the point of beginning.

Hennepin County, Minnesota

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

RESOLUTION #2020-

RESOLUTION AUTHORIZING A LOAN FOR THE  
HUNTINGTON PLACE APARTMENTS PROJECT AND  
APPROVING THE EXECUTION OF RELATED DOCUMENTS

WHEREAS the Brooklyn Park Economic Development Authority (the “EDA”) and the City of Brooklyn Park, Minnesota (the “City”) have established within Development District No. 1 (the “Development District”) Tax Increment Financing District No. 15 (“TIF District 15”) pursuant to Minnesota Statutes, Sections 469.174 to 469.1794 (the “TIF Act”) and Minnesota Laws of 1994, Chapter 587, Article 9, Section 20 (the “1994 Special Law”), as amended by Minnesota Laws of 2005, Chapter 152, Article 3, Section 29 (the “2005 Special Law”), and as further amended by Minnesota Laws of 2006, Chapter 259, Article 10, Section 16 (the “2006 Special Law” and, together with the 2005 Special Law and the 1994 Special Law, the “TIF 15 Special Laws”); and

WHEREAS, the TIF 15 Special Laws authorize and require the EDA to spend up to 15% of the tax increment from TIF District 15 for the rehabilitation, acquisition, demolition, and financing of new or existing single family or multifamily housing located anywhere in the City, if the occupants meet certain income qualifications (the “TIF 15 Housing Set Aside”); and

WHEREAS, the City and the Lender have established within the Development District Tax Increment Financing District No. 17 (“TIF District 17”) pursuant to the TIF Act and Minnesota Laws of 1996, Chapter 471, Article 7, Sections 28 through 31 (the “TIF 17 Special Law” and, together with the TIF 15 Special Laws, the “Special Laws”); and

WHEREAS, the TIF 17 Special Law authorizes and requires the EDA to deposit all of the tax increment from TIF District 17 for in excess of the amount needed to pay the costs of relocation of tenants residing in a distressed rental property (as defined in the TIF 17 Special Law) into the TIF 15 Housing Set Aside account (the “TIF 17 Housing Set Aside TIF” and, together with the TIF 15 Housing Set Aside, the “Housing Set Aside TIF”); and

WHEREAS Aeon BP LLC (the “Borrower”) proposes to acquire and rehabilitate the existing 834-unit multifamily housing development on the property located at 5801, 5805, 5809, 5817, 5331, 5841, 5849 73rd Avenue North in the City (the “Project”); and

WHEREAS, in order to make the Project more economically feasible and to preserve affordable housing in the City, the Borrower has requested that the EDA make a loan to in the amount of \$5,000,000 (the “Loan”) from the Housing Set Aside TIF; and

WHEREAS, the Loan will be made to the Borrower in accordance with the terms set forth in a certain Loan Agreement between the Borrower and the EDA (the “Loan Agreement”); the Borrower’s obligations to repay the Loan will be evidenced by a Promissory Note (the “Note”) and will be secured by a subordinate lien Combination Mortgage, Security Agreement, and Fixture Financing Statement on the Project property and a Guaranty Agreement from Aeon; the proceeds of the Loan will be advanced to the Borrower pursuant to a Disbursing Agreement between the EDA, the Borrower and a title company; and the Project property will be subject to a Declaration

of Restrictive Covenants from the Borrower related to requirements for affordable housing (collectively, and together with other related documents, the "Loan Documents"); and

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 making the Loan to the Borrower in accordance with the terms of the Loan Documents and approves the Loan Documents, in substantially the forms 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 Loan Documents and hereby authorizes the Executive Director to execute, on behalf of the EDA, the Development Documents to which the EDA is a party 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 Loan 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 Loan Documents shall not be effective until the date of execution thereof as provided herein. In the event of absence or disability of the authorized 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 Loan Documents and consents required under the Loan 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.

The foregoing resolution was introduced by Commissioner \_\_\_\_ and duly seconded by Commissioner \_\_\_\_\_. The following Commissioners voted in favor of the resolution: \_\_\_\_\_. The following Commissioners voted against the resolution: \_\_\_\_\_. The following Commissioners were absent: \_\_\_\_\_. Whereupon the resolution was adopted.

ADOPTED: January 21, 2020

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President

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Executive Director

**MEMORANDUM**

**DATE:** January 16, 2020  
**TO:** EDA Commissioners  
**FROM:** Kim Berggren, Executive Director  
**SUBJECT:** Status Update

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**STAFF INTRODUCTION**

- Catrice O’Neal, BrookLynk Program Manager
- Paul Vang, BrookLynk Coordinator
- Merissa Murray, BrookLynk Specialist

**BUSINESS DEVELOPMENT**

**Plan It! Graduation**

On Saturday January 4, Daniela Lorenz was invited to speak at the Plan It! entrepreneur cohort graduation held at North Hennepin Community College. Plant It! is a 12-week class offered by Neighborhood Development Corporation (NDC) in collaboration with African Career Education and Resource, Inc (ACER) to current and prospective entrepreneurs. The class covers topics such as accounting, finance, credit review process, marketing, management, and more and is designed to help business owners start and expanding their businesses. The City of Brooklyn Park, City of Brooklyn Center, NDC staff, and North Hennepin Community College all spoke briefly about how they can help entrepreneurs as they look to start and grow their businesses.



**January Business Forward Forum Meeting**

The Business Forward Advisory Board (BFAB) held its first meeting of 2020 on January 7. The board reviewed and discussed a slate of potential loan programs that could be implemented to help new and early stage businesses. The group weighed in on six different loan programs that ranged from revamping the existing microbusiness loan program to introducing a new program to help businesses fix code enforcement issues and looking beyond credit when lending to start-ups and early stage entrepreneurs. The other item the board reviewed was the marketing and outreach for the 2020 Restaurant Week. The board offered several helpful ideas including; making it a restaurant month instead of a week, new social media competitions to drive people into participating restaurants, and changing the name to something new.

January’s meeting was the final meeting with Commissioner Jacobson as the liaison to BFAB. The board has appreciated her presence in the group and dedication to helping make Brooklyn Park as business friendly as possible. Beginning in February Commissioner Russell will be the new BFAB liaison. The board looks forward to hearing his perspective and working with him to make Brooklyn Park a great place to do business.

**Business Retention and Expansion (BR&E) Program Update**

The revamped business retention and expansion (BR&E) was officially launched at the Business Forward Forum in November of 2019. The most significant piece of the revamped program is conducting business visits and surveying businesses. The purpose of these visits is to make a connection with businesses, learn key information about the participating businesses, and then to identify trends in the answers that can help the City best serve the business community.

Since the program relaunched in November, staff has sat down with 12 businesses. The type of business ranges from small, family-owned retail businesses to large international companies. The survey asks several questions regarding business ownership, employees and hiring practices, potential for expansion, and where the business felt the City could improve. A few trends have begun to emerge from the survey answers:

- Employee retention and recruitment continues to be a challenge for employers
- Businesses would like more chances to network with both the City and fellow businesses
- The City is generally doing a good job and is easy to work with
- Resources such as marketing services, legal help, financial help, and other learnings would be helpful
- Most businesses imagine they will be expanding physically and adding employees in the next three years

Staff continues to personally reach out to businesses to schedule visits with the goal of visiting 50 businesses by June 2020. If you know of any businesses interested in a business visits, have them contact Daniela Lorenz at 763-493-8145

Along with the revamped BR&E work the City has also partnered with the Liberian Business Association (LIBA) to conduct surveys of small and microbusinesses. LIBA is focused on reaching out to homebased businesses to understand how what resources they need to grow and expand. LIBA has begun training volunteers to connect the interviews and has over 50 businesses lined up to be surveyed. LIBA plans on conducting most of those surveys in January and February. Once LIBA has completed a substantial number of surveys LIBA representatives will report back to City staff about their findings.

### **Minnesota: 2030: Empowering Minnesota's Economy**

On January 8, the *Minnesota Chamber hosted Minnesota: 2030: Empowering Minnesota's Economy* at the Optum Health campus in Eden Prairie. The event was a roll out of the initial findings of a research project the Chamber undertook in partnership with its members to learn about how Minnesota's economy will change and grow in the next decade. The roll out was phase one of a multi-phase research project aimed at determining where Minnesota's economy has strengths and where it can improve. The basic findings to date have shown that Minnesota's economy is set to slow down primarily due to workforce challenges and the State's ability to attract and retain employees. However, Minnesota continues to be a State that is welcoming to new Americans which is a plus. Minnesota also tends to be a place that people stay despite a higher than average nominal tax rate and cold winters. In the coming months the Chamber will host additional events to talk about where Minnesota has opportunities to improve and how to capitalize on the State's many strengths.

## **WORKFORCE DEVELOPMENT**

### **Minnesota Dual-Training Pipeline Workforce Program**

On January 14, Daniela Lorenz attended an informational session about the Minnesota Dual-Training Pipeline Workforce Program at the Rum River Library in Anoka. The Minnesota Department of Labor and Industry (DLI) held the session in order to speak with employers, employees, and economic development organizations, about challenges related to hiring and retaining employees. DLI staff also discussed ways employers and employees can benefit from the Dual-Training Pipeline program.

The Dual-Training Pipeline program is designed to help employers develop training programs for their employees to help them learn important skills related to a specific business while also gaining a professional credential or degree. The program is currently focused on increasing training opportunities for four major industries: health care services, agriculture, information technology, and advanced manufacturing. Grant funds will be available for businesses interested in taking advantage of the program. EDA staff will continue to learn about the program and how to help Brooklyn Park businesses that might be able to use it to address their workforce development needs.

## **OTHER**

### **Village Creek Street Banners**

Staff have completed the designs for new banners along Brooklyn Boulevard in Village Creek. The new designs feature vibrant colors and reflect the diversity of our Brooklyn Park community. Four variations of the design each represent different aspects of what make Brooklyn Park unique. New banners are expected to be installed in March of 2020 and designs are attached in exhibit 7.1A.

### **Center for Innovation and the Arts (CITA)**

Staff is working on the formation of the CITA Advisory Council, which will launch in February 2020. Other steps underway include developing a Joint Powers Agreement with representatives from North Hennepin Community College and Metropolitan State University and engagement of elected representatives at the State. The Center for Innovation and the Arts proposes an 83,000 square foot dynamic and inclusive center focused on leveraging resources of multiple partners to create a flexible facility at the northeast corner of 85<sup>th</sup> and West Broadway avenues.

### **MN Real Estate Journal Affordable Housing Summit**

Kim Berggren and Erika Byrd attended the Minnesota Real Estate Journal's Affordable Housing Summit December 13. Experts across the industry discussed market trends, preservation of naturally occurring affordable housing stock, and capital investment and financing for affordable housing. The event also provided an opportunity to network with housing leaders across the metro.

### **Network Next Metro Transit Meeting**

On December 20, a large group of City staff including Daniela Lorenz, Breanne Rothstein, and Kim Berggren, gathered with representatives from Metro Transit to discuss Metro Transit's long-range planning effort. The conversation centered around ideas for potential improvements in the transit system throughout the region as it relates to local, express, and arterial bus rapid transit. Staff was able to share thoughts about how public transportation could be improved in Brooklyn Park. Metro Transit is currently conducting an online survey about the regional transit system and will continue to do engagement with riders. To learn more about Network Next and take the survey, follow the link below. The City Council will be discussing this topic at its February work session.

<https://www.metrotransit.org/network-next>

### **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>

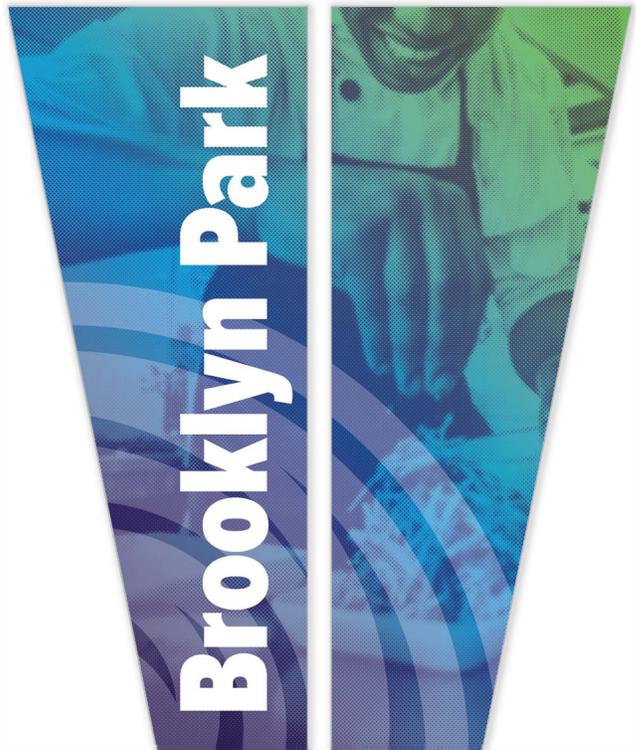
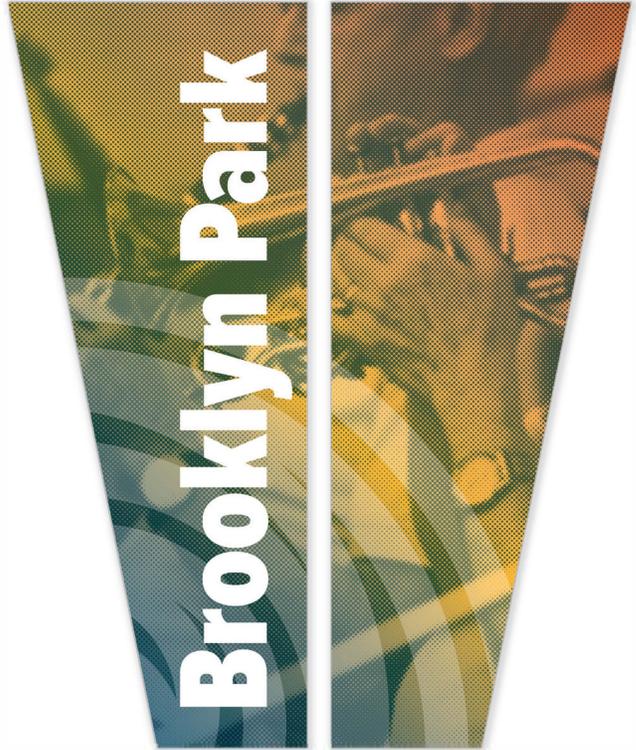
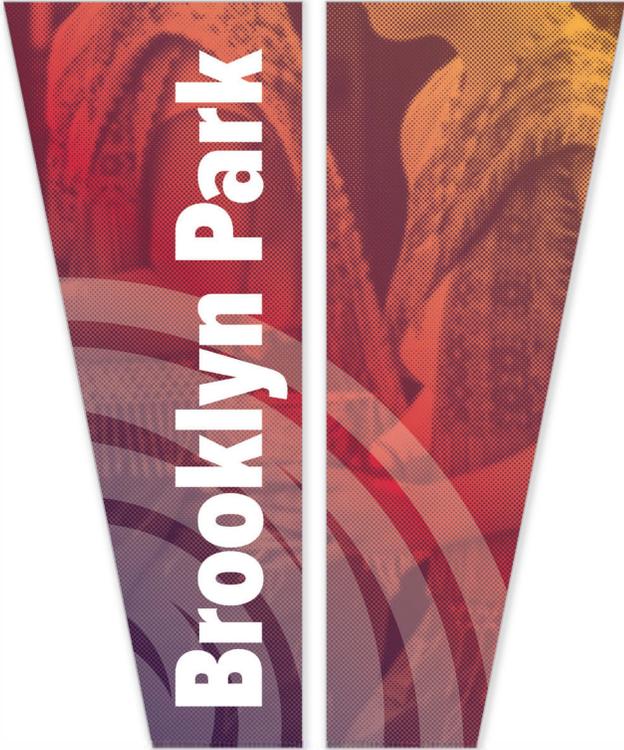
### **BrookLynk:**

Registration for Get Ready! 2020 went live on BrookLynk's website, January 2<sup>nd</sup>. Get Ready! Is BrookLynk's annual work readiness training open to youth across the north metro ages 14-21 to develop and enhance work readiness skills on their college and career pathway and to land jobs and internships. Get Ready! is also the first step for youth 16-21 who live or attend school in Brooklyn Park and Brooklyn Center to get summer internships through BrookLynk. This year's training will be held on March 7<sup>th</sup> & 14<sup>th</sup> at Hennepin Technical College. If you are interested in

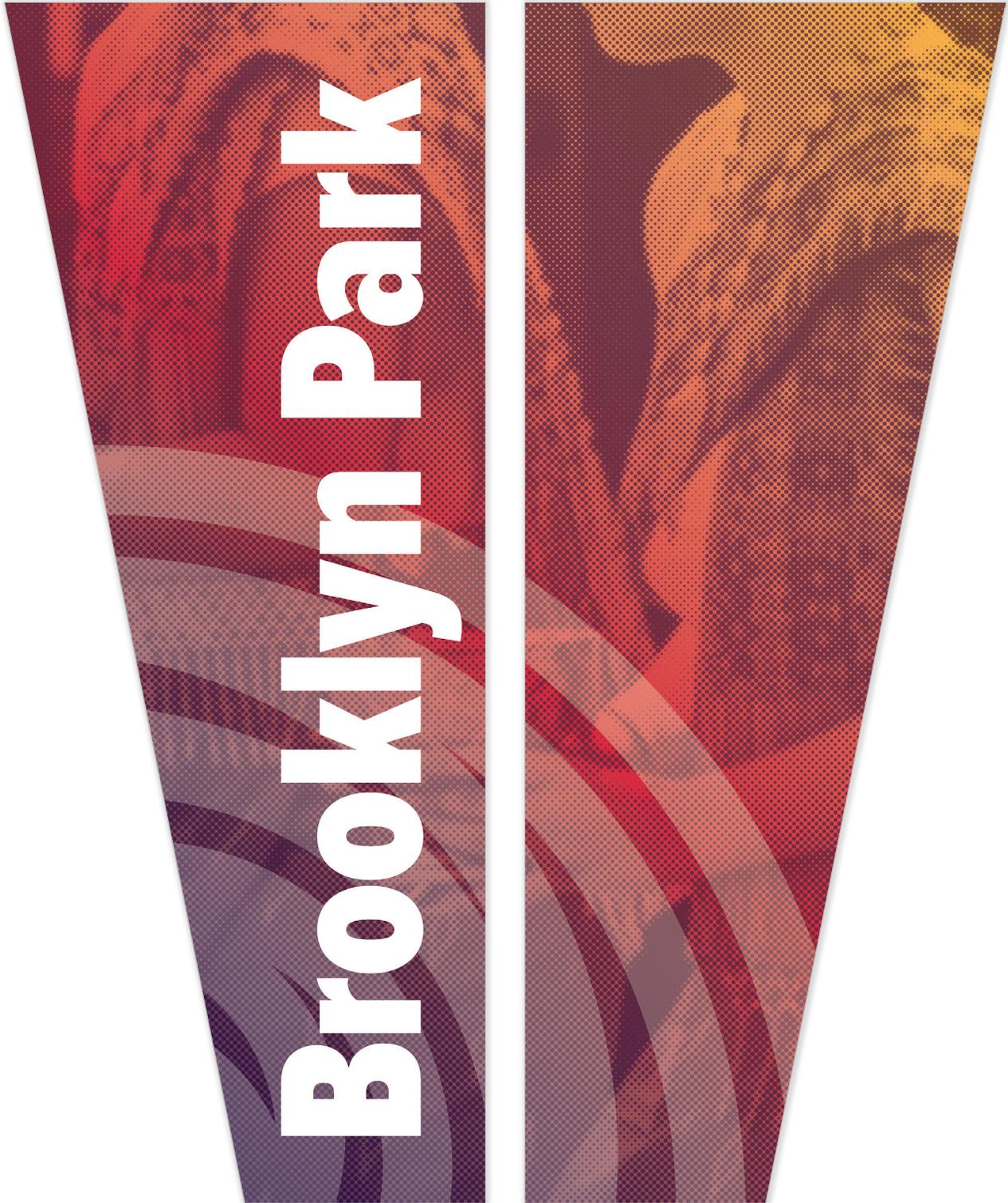
volunteering at Get Ready! or other BrookLynk events contact Paul Vang, Program Coordinator paul.vang@brooklynk.works.

**Attachment:**

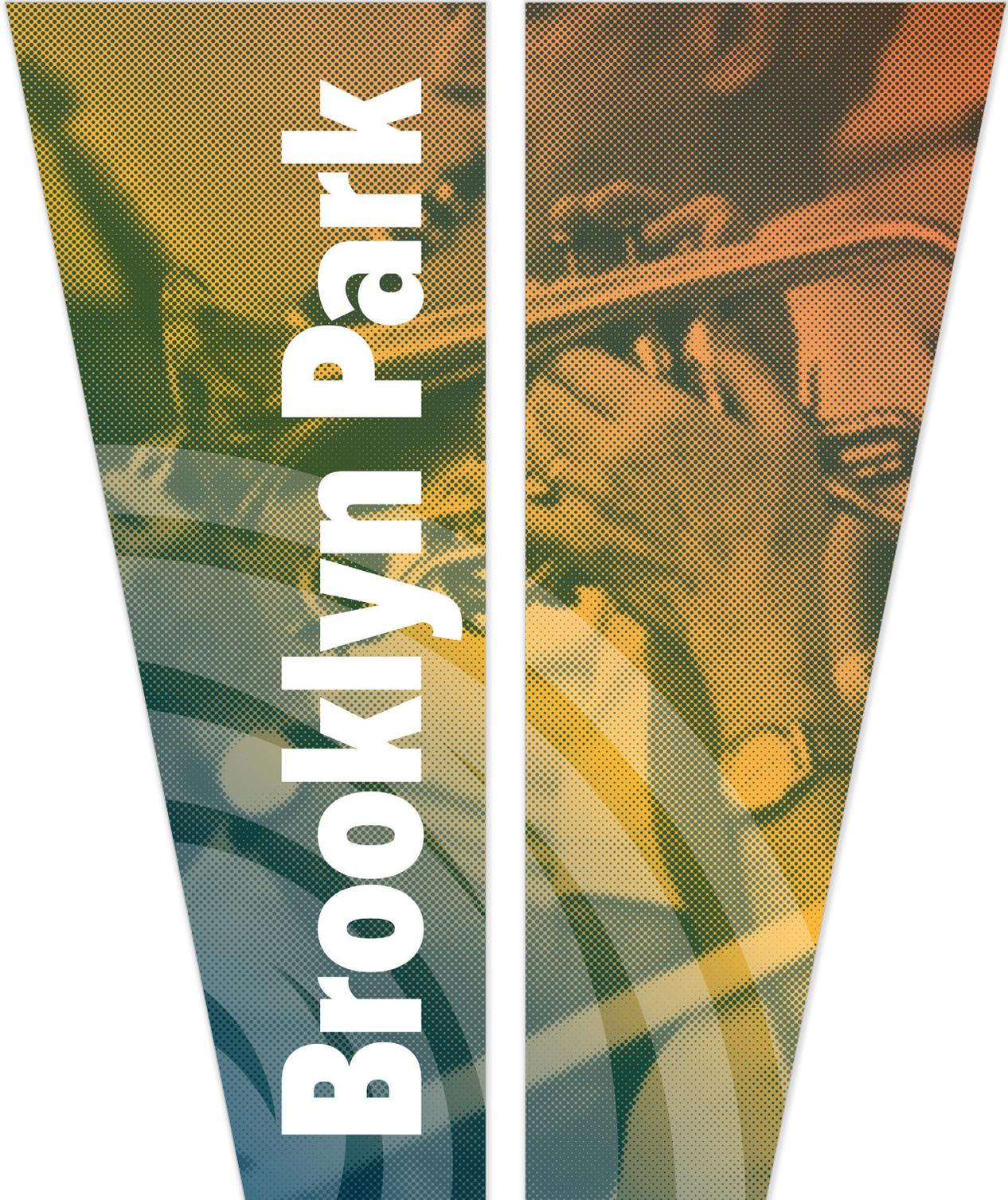
7.1A VILLAGE CREEK STREET BANNERS



*Banner One: culture/diversity*



*Banner Two: arts/entertainment*



*Banner Three: recreation/activities*



*Banner Four: food/attractions*



**MEMORANDUM**

**DATE:** January 16, 2019

**TO:** EDA Commissioners

**FROM:** Erika Byrd, Development Project Coordinator

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

**SUBJECT:** Housing Update

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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 informed of this work.

**HOUSING POLICY UPDATES****Eviction and CURA Research Project**

Researchers from the Center for Urban and Regional Affairs (CURA) at the University of Minnesota are conducting a year-long qualitative research project in Brooklyn Park to investigate the issues of eviction, housing stability, and renter quality of life. The research is led by Dr. Brittany Lewis and Dr. Shana Riddick and is being funded by the Brooklyn Park Economic Development Authority, Hennepin County, and Minnesota Housing. The researchers have held the first two advisory committee meetings for the project on December 19 and January 9, respectively. The advisory group, which is composed of tenants, property managers, City and County staff, City Council members, housing service providers, and housing advocates, will help to shape the direction of the research. The qualitative research will include in depth interviews with approximately 30 tenants and 10 property owners.

**HOUSING PROJECT UPDATE****Huntington Place**

At its January 21 meeting, the EDA will be considering a development agreement between Aeon and the EDA for the acquisition and re-habilitation of Huntington Place Apartment Community. Aeon is a Twin Cities-based, nonprofit affordable housing developer, owner and manager that has entered into negotiations for the acquisition of Huntington Place apartments. Aeon has submitted a request to the Brooklyn Park EDA for a \$5 million loan to fund reinvestments into the apartment community with a focus on improving safety and security. Aeon will maintain affordable rents for the long-term.

The City hosted a Huntington Place resident meeting on January 7 at Zanewood Recreation Center. Residents in attendance heard from EDA and Aeon staff about the current status of the proposed purchase and asked questions. Staff from Fire, Police, Community Engagement, Operations and Maintenance, and Environmental Health were also in attendance to provide information and resources to residents. Additionally, the event featured resources tables with representatives from Community Mediation and Restorative Services, African Career Education and Resources, and Housing Link.

### **Brooks Landing and Brook Gardens**

Rehabilitation work at Brooks Landing and Brook Gardens is underway. The scheduled work at both properties is extensive, covering exterior and interior renovations. Currently, interior renovation at both communities is about halfway done. This includes new electrical and plumbing fixtures, new kitchen cabinets, countertops and sinks, new appliances and blinds, flooring, fresh wall painting and windows, as well as new doors. Brook Gardens is also currently in the process of working on exterior siding and shingle replacement, along with updates to water service and heating lines. All the work is being done without displacing any of the current residents.

Brooks Landing and Brook Gardens are apartment communities that serve low-income households and have received project-based Section 8 rental assistance since 1978. The EDA is providing a \$400,000 rehabilitation loan toward the project. The loan serves as one source in a project with just over \$30 million in total refinancing and re-habilitation costs. The rehabilitation project kicked off in August 2019 and is expected to take up to two years.

### **OVERVIEW OF RECENT EDA HOUSING POLICY AND PROGRAMS**

- Mixed-Income Housing Policy (2017)
- Apartment Action Plan 2.0 (2018 - current)
- Autumn Ridge Apartments Rehabilitation Project (2018-current)
- Transitional Housing Facility Rehabilitation (2018-current)
- Homeowner Programs (April 2019 - current)
  - Senior Deferred Loan Program established
  - Down Payment Assistance Program established
  - Code Correction Loan Program established
  - Revolving Loan Program updated
- Fair Housing Policy (May 2019)
- Naturally Occurring Affordable Housing (NOAH) Preservation Program (July 2019)
- Brooks Landing and Brook Gardens Rehabilitation Project (September 2019 – current)
- Tenant Notification Ordinance (October 2019)
- Eviction and Housing Stability Research (current)

# City of Brooklyn Park EDA Work Session

<b>Agenda Item:</b>	8.1	<b>Meeting Date:</b>	January 21, 2020
<b>Agenda Section:</b>	Work Session	<b>Prepared By:</b>	John Kinara, Housing and Economic Development Specialist
<b>Attachments:</b>	2	<b>Presented By:</b>	Breanne Rothstein, Economic Development and Housing Director
<b>Item:</b>	Discuss the Potential Acquisition and Redevelopment of the Villas Townhouses		

## Overview:

Staff requests that the Economic Development Authority discuss its interest in purchasing the Villas Townhomes for redevelopment. Staff has had several discussions with potential developers and will share options the EDA could consider related to this property.

The Villas Townhomes are located on the northeast corner of Brookdale Boulevard and Yates Avenue. The property is located between the Moonraker apartments and the Landings townhouses on 1.13 acres of land. The Villas Townhouses is comprised of six attached three-bedroom townhomes in a single row-style building.

The Villas townhomes are owned by three different ownership groups. Four units are rentals; two units are owner-occupied. The townhomes were constructed in the 1960s. The property is aging and has experienced challenges with unit and property maintenance for several years due in part to a defunct homeowner's association. The property owners have expressed interest in selling for re-development rather than investing significant dollars into the re-habilitation of the properties and common area (namely the parking lot reconstruction). It is estimated that \$50,000 worth of work is required, on average, for each unit.

## What are Primary Issues/ Alternatives to Consider:

- **What are the problems associated with the property?**

The Villas Townhouses have several ongoing city code violations. Code enforcement and housing staff have held several meetings with the owners on the need to address these violations and to date the owners have chosen not to make the requested investments. Some of these active violations include:

- The parking lot is in poor condition. There are many large spots of bare dirt, grass and is no longer a flat impervious surface.
- Several areas of the property require significant repairs and painting due to chipped and peeling paint and deteriorating wood structures. These damages are highly visible around the windows, fascia, soffit, walls, exterior siding, decks and the garages.
- Loose trash is common on the property in the common areas, particularly along the fence and the parking area.
- Vehicles are often parked on areas of the property that are not paved. Per City Code, vehicles should be parked on paved impervious surfaces. There are also several inoperable vehicles abandoned in the parking lot from time to time.
- The sidewalks are poorly maintained and hardly visible due to overgrown weeds and grass.
- The unit interiors vary in condition and some are in very poor condition.

- **What is the proposal?**

- Purchase and demolish the 6 existing aging townhouses.
- Pursue a development partnership with Twin Cities Habitat for the redevelopment of up to 15 new owner occupied affordable three-bedroom townhomes.

- Pursue funding through Hennepin County administered HOME Program, the Brooklyn Park EDA and potential funding from other sources like Minnesota Housing Finance Agency to construct the new townhomes.
- Combine the newly built townhomes with the Landings Homeowner's Association or establish a new homeowners association. Primary discussions with the Landings management staff are optimistic, but the Landings board would need to approve the addition of units.

- **Are there other options for redevelopment?**

The EDA could choose to acquire and demolish the townhomes for a different redevelopment scenario. For example, one developer indicated an interest in a small 100-unit apartment development on the site. Because of the code enforcement issues on the site, if the EDA wanted to pursue redevelopment, staff recommends purchasing and demolishing the existing building before the owners make any code corrections.

- **What are the benefits of moving forward with this project?**

If the project moves forward with Habitat, the proposed acquisition and redevelopment provides the EDA with an opportunity to address the issue of blight removal in the neighborhood while developing new, owner-occupied, family sized homes for moderate-income residents in the community. Owner occupied, family-sized homes have been identified as a large need in this neighborhood.

Staff has been in preliminary conversations with the Landings about combining any future development on the property with their homeowners' association. The board chair and management staff person have expressed an interest in continuing conversations to proceed with an action to expand their association to this property, which would improve the management and financial situation of the homes on the property into the future.

- **What are the risks associated with this project?**

- No development proceeds and/or the EDA is unable to recover its investment from a land sale (\$1M cost estimate for acquisition/relocation/demolition)
- With three property owners – one or more could hold out and request unreasonable compensation for their units; Relocation costs can vary dramatically.
- Criticism for removing affordable housing, especially three-bedroom units.

- **What are the funding sources?**

It is anticipated that substantial EDA funding would be needed to support this re-development. The TIF Housing Set Aside would be available to assist the development of affordable housing on the site. The EDA has indicated an interest in spending up to \$5 million (half) of the Affordable Housing Set Aside on new development and the other half on preservation of existing affordable housing.

### **Next Steps:**

Should the EDA Commissioners provide direction to move forward, staff will move forward with appraisals and negotiations with the property owners, identify and apply for potential funding sources for owner-occupied townhomes, proceed with a more formal discussion with the full homeowners' association board at the Landings, and a pursue a partnership with Habitat for Humanity.

### **Attachments**

8.1A Location Map

8.1B Estimated Market Value of existing units

Yates Ave N

7808 YATES AVE N  
EMV \$601900

48 ADDRESS UNASSIGNED  
EMV \$0

Brookdale Drive

5672 BROOKDALE DR N  
EMV \$94700

5676 BROOKDALE DR N  
EMV \$84800

5680 BROOKDALE DR N  
EMV \$98300

5684 BROOKDALE DR N  
EMV \$96200

5688 BROOKDALE DR N  
EMV \$84800

5692 BROOKDALE DR N  
EMV \$94100

5668 BROOKDALE DR N  
EMV \$111900

5660 BROOKDALE DR N  
EMV \$119700

5652 BROOKDALE DR N  
EMV \$119700

5664 BROOKDALE DR N  
EMV \$111900

5656 BROOKDALE DR N  
EMV \$111900

5660 BROOKDALE DR N  
EMV \$119700

5668 BROOKDALE DR N  
EMV \$111900

48 ADDRESS UNASSIGNED  
EMV \$0

5528 BROOKDALE DR N  
EMV \$119700

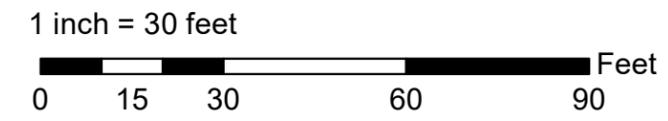
5532 BROOKDALE DR N  
EMV \$111900

5524 BROOKDALE DR N  
EMV \$111900

8.1A LOCATION MAP Page 3

The Villas

Spring 2018 Air Photo  
December 10, 2019 Map Date



**THE VILLAS TOWNHOUSES DATA**

<b>Property Address</b>	<b>Purchase Date</b>	<b>Purchase Price</b>	<b>2020 Estimated Market Value</b>
5672 Brookdale Dr. N	Feb-12	\$40,500	\$118,700
5676 Brookdale Dr. N	Dec-11	\$35,000	\$107,000
5680 Brookdale Dr. N	Mar-01	\$105,000	\$122,900
5684 Brookdale Dr. N	Oct-84	\$58,500	\$120,400
5688 Brookdale Dr. N	Dec-77	\$36,500	\$107,000
5692 Brookdale Dr. N	May-13	\$51,000	\$118,000