



**ECONOMIC DEVELOPMENT AUTHORITY MEETING
VIRTUAL MEETING HELD VIA WEBEX
JUNE 15, 2020
7:15 PM (IMMEDIATELY FOLLOWING THE HRA MEETING)**

Call to Order

Attendance

Open Forum

Approval of the minutes of the Regular Economic Development Authority meeting of April 20, 2020.

AGENDA APPROVAL

1. Approval of the Agenda

OTHER BUSINESS

2. Consideration of a Master Amendment to the Apartment Remodeling Program mortgage, promissory note, and loan agreement with Aeon Seasons Park and a subordination of the mortgage.

Staff Report No. 13

EDA DISCUSSION ITEMS

3. EDA Discussion Items

EXECUTIVE DIRECTOR REPORT

4. Executive Director's Report
 - COVID-19 Small Business Loan update

CLAIMS

5. Claims

6. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



**ECONOMIC DEVELOPMENT
AUTHORITY MEETING MINUTES**
Richfield, Minnesota

Regular Meeting
Virtual Meeting held via Webex
April 20, 2020

CALL TO ORDER

The meeting was called to order by President Supple at 7:32 p.m. via Webex.

HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl; Erin Vrieze Daniels; and Pat Elliott.

EDA Members Absent: None

Staff Present: John Stark, Executive Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.

OPEN FORUM

No speakers

APPROVAL OF MINUTES

M/Regan Gonzalez, S/Sandahl to approve the minutes of the regular Economic Development Authority meeting of March 16, 2020.

Motion carried 5-0

Item #1	APPROVAL OF THE AGENDA
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M/Sandahl, S/Regan Gonzalez, to approve the agenda.

Motion carried 5-0

Item #2	CONSIDERATION OF A MOTION TO SUSPEND THE ECONOMIC DEVELOPMENT AUTHORITY SMALL BUSINESS REVOLVING LOAN FUND AND A RESOLUTION ESTABISHING A COVID-19 SMALL BUSINESS ASSISTANCE FORGIVABLE LOAN. (S.R. NO 12)
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Executive Director Stark presented Staff Report No.12, went over the guidelines for the loan and offered explanation of the qualifications criteria.

Commissioner Vrieze Daniels inquired about who would administer the loan.

Executive Director expressed the Economic Development Authority staff would administer the loan.

RESOLUTION NO. 22

RESOLUTION IMPLEMENTING A COVID-19 SMALL BUSINESS ASSISTANCE FORGIVABLE LOAN PROGRAM

M/Sandahl, S/Elliott to approve a motion to suspend the Economic Development Authority Small Business Revolving Loan Fund and a resolution establishing a Covid-19 Small Business Assistance Forgivable Loan and to authorize staff to independently administer the loan with guidelines substantially similar to what was presented.

Motion carried 5-0

Commissioners spoke of their appreciation for staff and the ability to administer this loan to provide assistance for small businesses.

Executive Director Stark encouraged commissioners to help get the word out about the loan.

Item #3	EDA DISCUSSION ITEMS
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None.

Item #4	EXECUTIVE DIRECTOR'S REPORT
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Executive Director Stark informed commissioners that the Energy Efficiency Business Grant program is still going and marketing materials are coming soon.

Item #5	CLAIMS
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M/Elliott, S/Sandahl that the following claims be approved:

U.S. BANK	4/20/2020
EDA Checks: 20360-20376	\$34,252.50
TOTAL	\$34,252.50

Motion carried 5-0

Item #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 7:56 p.m.

Date Approved: June 15, 2020

Mary B. Supple
President

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



STAFF REPORT NO. 13
ECONOMIC DEVELOPMENT AUTHORITY
MEETING
6/15/2020

REPORT PREPARED BY: Julie Urban, Housing and Redevelopment Manager
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
6/10/2020

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a Master Amendment to the Apartment Remodeling Program mortgage, promissory note, and loan agreement with Aeon Seasons Park and a subordination of the mortgage.

EXECUTIVE SUMMARY:

In 2019, the Economic Development Authority (EDA) provided an Apartment Remodeling Program loan (Loan) in the amount of \$98,512 to Aeon Seasons Park to help provide security improvements to several buildings located in the center court. Aeon is in the process of refinancing their principal mortgage with Minnesota Housing. The EDA's Loan was issued to enable Aeon to begin some of the critical security improvements while waiting for the refinance that will free up additional resources for rehabilitating the property.

A condition that Minnesota Housing is placing on the refinance is that all mortgages on the property have the same term as the principal mortgage, which is 35 years. The term of the Loan is 15 years. Approval of the Master Amendment will cover the mortgage, promissory note and loan agreement and extend the term from 2034 to 2055. In addition, the HRA is being asked to subordinate its mortgage to the principal mortgage.

The Master Amendment is being reviewed by Minnesota Housing, and the Subordination Agreement is in the process of being revised. The EDA Attorney would approve any technical revisions to the documents that may be required.

RECOMMENDED ACTION:

By Motion: Approve a resolution authorizing the execution of a Master Amendment to the Apartment Remodeling Program mortgage, promissory note, and loan agreement with Aeon Seasons Park and approve a subordination of the mortgage to the Minnesota Housing principal mortgage.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- In September 2017, the Housing and Redevelopment Authority (HRA) authorized payment of \$150,000 to Aeon to assist in purchasing the Seasons Park apartment complex. In exchange, 100% of the units are maintained as affordable to households earning no more than 60% of the Area Median Income (AMI).
- After purchasing the property, Aeon determined that the complex needed significantly more improvements than originally anticipated. They were unable to identify sufficient resources to pay

for the needed repairs and improvements until last year, when Minnesota Housing agreed to refinance the existing mortgage and allow Aeon to cash out the funds needed for rehabilitating the property.

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

Preserving naturally occurring affordable housing and supporting improvements to the City's apartment buildings is a priority of the EDA.

C. CRITICAL TIMING ISSUES:

- The refinance of the principal mortgage is scheduled for July 22, and an Amendment to the mortgage and approval of a subordination is needed before closing can occur. Documents are needed by the closing team well in advance of that date.
- Extending the loan term will ensure affordability for the 422 units of affordable rental housing until 2055.
- Work on the security improvements proposed under the Loan has begun but is waiting to be completed until the refinance process is complete.

D. FINANCIAL IMPACT:

- With the refinance, six million dollars will be available to make improvements to the property. The following improvements will be made: roof replacement, security upgrades, critical drainage improvements, repair of driveway and parking lot areas, and unit renovations, including flooring, appliances, and bath fixture replacements.
- Apartment Remodeling Loans are forgivable after 15 years. Once the original maturity date of 2034 is reached, Aeon may request that the EDA forgive the loan.

E. LEGAL CONSIDERATION:

- The Loan is currently secured with a corporate guaranty with the understanding that a mortgage will be recorded once the refinance process is complete.
- The EDA Attorney prepared the Master Amendment and will review the Subordination Agreement.
- The Master Amendment is being reviewed by Minnesota Housing. Any technical changes requested will be approved by the EDA Attorney.

ALTERNATIVE RECOMMENDATION(S):

Decide not to approve the Master Amendment and subordination.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative from Aeon.

ATTACHMENTS:

Description	Type
□ Resolution	Resolution Letter
□ Description of Seasons Park Improvements	Backup Material
□ Master Amendment	Contract/Agreement

RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

RESOLUTION APPROVING A MASTER AMENDMENT AGREEMENT WITH AEON SEASONS PARK LLC RELATED TO AN AFFORDABLE HOUSING PROJECT IN THE CITY OF RICHFIELD AND TAKING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Richfield Economic Development Authority (the “Authority”) provided a loan to Aeon Seasons Park LLC, a Minnesota limited liability company (the “Borrower”), in the amount of \$98,512 (the “Loan”) pursuant to a Loan Agreement, dated October 30, 2019 (the “Loan Agreement”), between the Authority and the Borrower, to assist the Borrower in financing the remodeling of the Borrower’s property located at 701-729 77th Street East and 620-638 78th Street East in the City of Richfield, Minnesota, which contains eight buildings with seventeen units per building (the “Project”); and

WHEREAS, to secure the Borrower’s repayment obligations under the Loan Agreement, the Borrower executed and delivered to the Authority a Promissory Note, dated October 30, 2019 (the “Note”), in the original aggregate principal amount of \$98,512, and the Borrower caused Aeon, a Minnesota nonprofit corporation and the sole member of Seasons Park I LLC, the manager of Seasons Park Preservation JV LLC, and the sole member of the Borrower, to execute and deliver to the Authority a Guaranty Agreement, dated October 30, 2019 (the “Guaranty”); and

WHEREAS, the Loan Agreement provides that once a mortgage (the “Mortgage”) was recorded against the Project, the Guaranty would be released; and

WHEREAS, the Borrower intends to refinance a loan provide to acquire the Project and obtain additional loan funds to remodel the Project, with the proceeds of loans in the principal amount of \$42,500,000 (the “MHFA Loan”) from the Minnesota Housing Finance Agency (“MHFA”); and

WHEREAS, the Authority and the Borrower have determined the need to amend certain provisions of the Loan Agreement and the Note to incorporate certain requirements of MHFA, including but not limited to the extension of the maturity date of the Note, and MHFA requires that the Authority subordinate its interest in the Mortgage and the Note and the Borrower’s repayment obligations thereunder to MHFA; and

WHEREAS, in connection with the MHFA Loan, MHFA has requested that the Authority and the Borrower enter into a subordination agreement (the “MHFA Subordination Agreement”) with MHFA; and

WHEREAS, there has been presented before the Board of Commissioners of the Authority forms of the MHFA Subordination Agreement and the Master Amendment Agreement (the “Master Amendment Agreement”) between the Authority and the Borrower, which sets forth the amendments to the Note and the Loan Agreement, including but not limited to the extension of the maturity date of the Note, and a Release of Guaranty Agreement (the “Guaranty Release”); and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Richfield Economic Development Authority as follows:

1. The MHFA Subordination Agreement, the Master Amendment Agreement, and the Guaranty Release are hereby in all respects authorized, approved, and confirmed, and the President and the Executive Director are hereby authorized and directed to execute the MHFA Subordination Agreement, the Master Amendment Agreement, and the Guaranty Release for and on behalf of the Authority in substantially

the forms now on file with the Executive Director but with such modifications as shall be deemed necessary, desirable, or appropriate, the execution thereof to constitute conclusive evidence of their approval of any and all modifications therein.

2. The President and the Executive Director are hereby authorized to execute and deliver any and all documents deemed necessary to carry out the intentions of this resolution.

Adopted by the Richfield Economic Development Authority this 15th day of June, 2020.

Mary Supple, President

ATTEST:

John Stark, Executive Director



MEMORANDUM

TO: Julie Urban

FROM: Bill Mague

DATE: 8-Jun-20

RE: Seasons Park Refinance and Renovation

Seasons Park is a 422-unit family apartment community in Richfield, acquired by Aeon in late 2017. The property is a Naturally Occurring Affordable Housing (NOAH) project, in that its rental rates are currently affordable to folks at 60% AMI and below, consistent with federal and state guidelines. Older Class B & C properties like Seasons Park are at significant risk of being acquired by national investment funds for “value add” conversion to market-rate housing. The result of this sort of conversion, as was seen in case of the Crossroads at Penn, is substantial dislocation of at-risk, low-income families, loss of employment, financial impact on schools, and, notably, significant impacts on family stability.

Aeon acquired the 422-unit complex in stiff competition with such national “value add” buyers in late 2017 in order specifically to maintain its affordability at 60% AMI and below. 100% of the units will serve that income-population and the project is subject to a development agreement and we are now undertaking a refinancing with MHFA necessary to provide over \$6.0 million in renovation funds, complimenting the almost \$250,000 provided by the City of Richfield in its two property improvement loans.

Renovations will include:

Roof replacement, security upgrades, critical drainage and civil improvements to eliminate below-grade water infiltration/mold/mildew, unit-renovations, including flooring, appliance, and bath fixture replacements, and repair of driveway and parking lot areas.

Major systems repair will be completed in the next 12 months, weather permitting, and the unit renovations will be completed in a roughly 2-year period as units turnover. There will be some relocation of residents within the property as the renovations are completed, in order to maximize efficiency of renovation dollars and spaces.

Our refinancing with MHFA will pay off an existing \$21.5MM existing FNMA loan, provide approximately \$7.6MM of bridge financing, and provide \$8.0MM for renovation, reserves, and

transaction costs. It is necessary to request an extension of the terms of the Richfield loans to be coterminous with the Senior financing, confirm their subordination thereto, record the mortgage associated with the December 2019 apartment improvement loan, and release the guaranty from Aeon for that latter loan.

We have an anticipated closing date of July 22, or shortly thereafter. We have introduced the City and its legal counsel to the closing attorneys for MHFA and will work to coordinate the parties vis a vis document sharing and resolution of any outstanding issues, if any.

If you have any questions concerning this transaction, property operations, or project details, please contact Stephanie Karp at skarp@aeon.org or Bill Mague at bmague@aeon.org.

**First Draft
June 9, 2020**

MASTER AMENDMENT AGREEMENT

between

**RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY,
as Lender**

and

**AEON SEASONS PARK LLC,
as Borrower**

Dated July __, 2020

This instrument drafted by:
Kennedy & Graven, Chartered (JAE)
470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402

MASTER AMENDMENT AGREEMENT

THIS MASTER AMENDMENT AGREEMENT is entered into on July ____, 2020 (the “Master Amendment Agreement”), between the RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic (the “Lender”), and AEON SEASONS PARK LLC, a Minnesota limited liability company (the “Borrower”).

RECITALS

WHEREAS, the Lender provided a loan to the Borrower in the amount of \$98,512 (the “Loan”) pursuant to a Loan Agreement, dated October 30, 2019 (the “Loan Agreement”), between the Lender and the Borrower, to assist the Borrower in financing improvements to the Borrower’s property (the “Property”) located at 701-729 77th Street East and 620-638 78th Street East in the City of Richfield, Minnesota (the “City”), which contains eight buildings with seventeen units per building (the “Project”); and

WHEREAS, to secure the Borrower’s repayment obligations under the Loan Agreement, the Borrower executed and delivered to the Lender a Promissory Note, dated October 30, 2019 (the “Note”), in the original aggregate principal amount of \$98,512, and the Borrower caused Aeon, a Minnesota nonprofit corporation and the sole member of Seasons Park I LLC, the manager of Seasons Park Preservation JV LLC, and the sole member of the Borrower, to execute and deliver to the Lender a Guaranty Agreement, dated October 30, 2019 (the “Guaranty”); and

WHEREAS, the Borrower is obtaining a loan in the principal amount of \$42,500,000 (the “MHFA Loan”) from the Minnesota Housing Finance Agency (“MHFA”) in order to provide additional financing for the Project; and

WHEREAS, in connection with the MHFA Loan, the Borrower will execute and deliver to the Lender a Mortgage of even date herewith (the “Mortgage”) against the Property to secure the Borrower’s repayment obligations with respect to the Note, and the Lender will execute and deliver a release of the Guaranty; and

WHEREAS, the Lender and the Borrower have determined the need to amend certain provisions of the Loan Agreement and the Note to incorporate certain requirements of MHFA, and MHFA requires that the Lender subordinate its interest in the Mortgage and the Note and the Borrower’s repayment obligations thereunder to MHFA; and

WHEREAS, the Lender and the Borrower will enter into a separate subordination agreement with MHFA; and

NOW THEREFORE, the Lender and the Borrower, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

ARTICLE I

AMENDMENTS

Section 1.1. Amendments to the Note.

(a) Section 2 of the Note is hereby deleted in its entirety and replaced with the following:

2. If the Loan is not forgiven by the Holder, the entire unpaid balance of principal shall be due and payable upon the earliest of the following: (i) 30 days after written notification by Holder to Maker of the occurrence of any default or non-compliance with any provision or requirement of the Loan Agreement of even date herewith (the "Agreement") between the Maker and the Holder, which includes the Program Guidelines if the default is not cured within 30 days; or (ii) 30 days after the Maker makes or allows to be made any total or partial transfer, sale, assignment, conveyance or transfer in any other mode, of the Property, if such transfer occurs within 15 years following the date of this Note; or (iii) July __, 2055.

(b) All references to the Note and the Loan Agreement in the Note are hereby deemed to include the amendments set forth in this Master Amendment Agreement.

Section 1.2. Amendments to the Loan Agreement.

(a) Section 3 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

3. The Loan is evidenced by a Promissory Note of even date herewith (the "Note"), from the Borrower to the EDA. The Note shall have a maturity date of no later than July __, 2055. The Loan shall not accrue interest. If the Borrower retains ownership of and continues to rent out the residential apartment property during the fifteen years that follows October 30, 2019 (the original date of the Loan), then the Loan shall be forgiven on October 30, 2034.

(b) All references to the Guaranty in the Loan Agreement are hereby deleted.

(c) All references to the Note and the Loan Agreement in the Loan Agreement are hereby deemed to include the amendments set forth in this Master Amendment Agreement.

ARTICLE II

MISCELLANEOUS

Section 2.1. Effective Date. The amendments made to the Note and the Loan Agreement, as set forth in this Master Amendment Agreement, shall be effective on July __, 2020.

Section 2.2. Certain Defined Terms. Terms used in this Master Amendment Agreement and not defined herein shall have the meanings given in the Loan Agreement.

Section 2.3. Confirmation of Agreements. Except as specifically amended by this Master Amendment Agreement, the Note and the Loan Agreement are hereby ratified and confirmed and remain in full force and effect.

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

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Master Amendment Agreement to be executed in their respective names all as of the date and year first written above.

**RICHFIELD ECONOMIC DEVELOPMENT
AUTHORITY**

By _____
Its President

By _____
Its Executive Director

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

AEON SEASONS PARK LLC

By _____
Its _____