



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING  
VIA WEBEX  
JUNE 15, 2020  
7:00 PM**

Call to Order

Attendance Roll Call

Open Forum

1. ***Each speaker is to keep their comment period to three minutes to allow sufficient time for others. Comments are to be an opportunity to address the Housing and Redevelopment Authority on items not on the agenda. Individuals who wish to address the Housing and Redevelopment Authority must have submitted comments to ldubois@richfieldmn.gov prior to the meeting.***

Approval of the minutes of the Regular Housing and Redevelopment Authority meeting of May 18, 2020.

**AGENDA APPROVAL**

2. Approval of the Agenda
3. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**

- A. Consideration of a change to the Richfield Housing and Redevelopment Authority Administrative Plan to conduct biennial inspections for units under the Section 8 Housing Choice Voucher Program.

Staff Report No. 18

4. Consideration of items, if any, removed from Consent Calendar

**OTHER BUSINESS**

5. Consideration of an amendment to the guidelines for the Apartment Improvement Grant Program to allow duplexes as eligible properties.

Staff Report No. 19

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

Staff Report No. 20

7. Consideration of a request to contribute to the cost of the remediation of hazardous materials at 6812 Emerson Lane.

**HRA DISCUSSION ITEMS**

8. HRA Discussion Items

**EXECUTIVE DIRECTOR REPORT**

9. Executive Director's Report

**CLAIMS**

10. Claims
11. 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.**



# HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

## Regular Meeting

May 18, 2020

### CALL TO ORDER

The meeting was called to order by Chair Supple at 7:03 p.m. via Webex.

*HRA Members Present:* Mary Supple, Chair; Sue Sandahl; and Erin Vreize Daniels

*HRA Members Absent:* Maria Regan Gonzalez; and Pat Elliott.

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

### OPEN FORUM

No speakers

### APPROVAL OF THE MINUTES

M/Sandahl, S/Vrieze Daniels to approve the minutes of the regular Housing and Redevelopment Authority meeting of April 20, 2020.

Motion carried 3-0

#### Item #1

### APPROVAL OF THE AGENDA

M/Vreize Daniels, S/Sandahl to approve the agenda.

Motion carried 3-0

#### Item #2

### APPROVAL OF THE CONSENT CALENDAR

Executive Director Stark presented the consent calendar.

- A. Consider adoption of a resolution authorizing the Housing and Redevelopment Authority to affirm monetary limits on statutory municipality tort liability. (S.R. No. 16)

M/Vreize Daniels, S/Sandahl to approve the consent calendar.

Motion Carried 3-0

<b>Item #3</b>	<b>CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM THE CONSENT CALENDAR</b>
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None

<b>Item #4</b>	<b>CONSIDERATION OF AN AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH VOLUNTEERS ENLISTED TO ASSIST PEOPLE TO PROVIDE EMERGENCY RENT ASSISTANCE TO LOW-INCOME RICHFIELD HOUSEHOLDS IMPACTED BY THE COVID-19 CRISIS. (S.R. NO. 17)</b>
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Housing Manager Urban presented Staff Report No.17 and read a thank you letter sent by VEAP.

Commissioner Vreize Daniels expressed support for the much needed funding and inquired about funding for the coming months.

Housing Manager Urban mentioned other sources of funding that may be available going forward if necessary.

Executive Director Stark added that the practice has been to keep the Capital Improvement Funds at a one million dollar balance, but there is no requirement to maintain the one million dollar balance of the Capital Improvement Fund could be spent down in an appropriate way if necessary.

Housing Manager Urban explained why funding was being assessed on a month to month basis.

Commissioner Sandahl inquired about when the fund was established and what the original balance was in the 1990's.

Executive Director Stark explained where the funds came from and what they have been used for in the past.

Commissioner Sandahl expressed desire to maintain funds close to the one million dollar balance.

Executive Director Stark explained that if the full \$95,000 was granted the Capital Improvement Fund balance would be at one million.

RESOLUTION NO. 1361

RESOLUTION APPROVING AN AMENDMENT TO THE PROFESSIONAL SERVICE AGREEMENT WITH VEAP, INC.

M/Sandahl, S/Vreize Daniels to approve an amendment to the professional services agreement with Volunteers Enlisted to Assist People, Inc., (VEAP).

Motion Carried 3-0

<b>Item #5</b>	<b>HRA DISCUSSION ITEMS</b>
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Chair Supple inquired about the EDA Small Business COVID-19 Loan program.

Executive Director Stark provided commissioners with an update to the EDA's Small Business COVID-19 Loan program applicants and next steps to get the funds distributed.

<b>Item #6</b>	<b>EXECUTIVE DIRECTOR REPORT</b>
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Executive Director Stark informed Commissioners that staff has begun work on the budget process.

<b>Item #9</b>	<b>CLAIMS</b>
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M/Sandahl, S/Vreize Daniels that the following claims be approved:

<b>U.S. BANK</b>	<b>5/18/2020</b>
Section 8 Checks 131694-131777	\$184,539.83
HRA Checks 33838-33845	\$71,029.94
Total	<b>\$255,569.77</b>

Motion carried 3-0

<b>Item #10</b>	<b>ADJOURNMENT</b>
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The meeting was adjourned by unanimous consent at 7:38 p.m.

Date Approved: June 15, 2020

\_\_\_\_\_  
Mary B. Supple  
HRA Chair

\_\_\_\_\_  
LaTonia DuBois  
Administrative Assistant

\_\_\_\_\_  
John Stark  
Executive Director



**STAFF REPORT NO. 18**  
**HOUSING AND REDEVELOPMENT AUTHORITY**  
**MEETING**  
**6/15/2020**

REPORT PREPARED BY: Lynnette Chambers, Multifamily Housing Coordinator  
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director  
6/11/2020

**ITEM FOR COUNCIL CONSIDERATION:**

**Consideration of a change to the Richfield Housing and Redevelopment Authority Administrative Plan to conduct biennial inspections for units under the Section 8 Housing Choice Voucher Program.**

**EXECUTIVE SUMMARY:**

In the past, the Department of Housing and Urban Development (HUD) required all housing authorities to annually inspect units under the Section 8 Housing Choice Voucher Program. In the last couple of years, they have allowed housing authorities more flexibility and now allow for biennial inspections.

On April 10, 2020, HUD released Notice PIH 2020-05 which gives housing authorities a number of waivers and guidance on how to continue to work during the COVID-19 pandemic. The guidance in this notice states housing authorities should consider changing their current process of conducting annual inspections to a biennial inspection which will help with social distancing and lead to less contact between program participants and staff.

**RECOMMENDED ACTION:**

**By motion: Approve changes to the Richfield Housing and Redevelopment Authority Administrative Plan to require biennial inspections of units under the Section 8 Housing Choice Voucher Program.**

**BASIS OF RECOMMENDATION:**

**A. HISTORICAL CONTEXT**

In the past, HUD required all housing authorities to annually inspect units under the Section 8 Housing Choice Voucher Program. In the last couple of years, they have allowed housing authorities more flexibility and now allow for biennial inspections.

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

On April 10, 2020, HUD released Notice PIH 2020-05 which suggested that housing authorities consider changing their current process of conducting annual inspections to a biennial inspection in light of social distancing requirements.

**C. CRITICAL TIMING ISSUES:**

HUD Notice PIH 2020-05 gives housing authorities a limited time frame in order to change their current policy and receive board approval.

Richfield Housing and Redevelopment Authority (HRA) has always conducted annual inspections for the Section 8 Housing Choice Voucher Program, but due to the current COVID-19 pandemic, it would

serve our participants and staff well to change our inspections to a biennial process. The inspections staff have already completed at least one half of the total annual inspections for this year, so by moving to a biennial inspection the remaining inspections could be scheduled for the beginning of 2021.

D. **FINANCIAL IMPACT:**

None.

E. **LEGAL CONSIDERATION:**

HUD has authorized housing authorities to make this change.

**ALTERNATIVE RECOMMENDATION(S):**

Not approve changes to the Richfield HRA Administrative Plan.

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

NA



**STAFF REPORT NO. 19**  
**HOUSING AND REDEVELOPMENT AUTHORITY**  
**MEETING**  
**6/15/2020**

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

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director  
6/9/2020

**ITEM FOR COUNCIL CONSIDERATION:**

**Consideration of an amendment to the guidelines for the Apartment Improvement Grant Program to allow duplexes as eligible properties.**

**EXECUTIVE SUMMARY:**

In 2019, the Housing and Redevelopment Authority (HRA) received a grant of \$100,000 from Affordable Suburban Housing (ASH) to use toward affordable housing in the community. The HRA created the Apartment Improvement Grant Program (Program) with the funds.

The Program provides financial resources to improve existing, affordable apartments. The HRA provides grants targeted at small rental buildings to make improvements to units currently occupied by tenants, while maintaining affordable rents. Grants of up to \$5,000 per unit are provided to units occupied by tenants who have lived in the unit for five or more years. The owner provides a 60% match and commits to maintaining the affordability of the unit for at least five years. Under the current guidelines, only buildings containing between four and fourteen units and charging rents affordable to households earning no more than 50% of the area median income (AMI) are eligible.

The City has a number of duplexes in which one or both of the units provide rental housing. These units provide larger rental opportunities in the community and in many cases owners work with our Housing Choice Voucher and other rental subsidy programs to provide subsidized rental housing for low-income households. Staff is recommending that the Program be expanded to allow duplexes to be eligible for improvement grants. Instead of requiring that units be occupied with long-term tenants, duplexes which participate in a rental subsidy program would be eligible for improvements.

**RECOMMENDED ACTION:**

**By motion: Approve an amendment to the guidelines for the Affordable Apartment Improvement Grant Program expanding eligibility to include duplexes that participate in a rental subsidy program.**

**BASIS OF RECOMMENDATION:**

**A. HISTORICAL CONTEXT**

- In January 2019, the HRA received a grant of \$100,000 from Affordable Suburban Housing. The HRA proposed to use the funds to remodel NOAH rental housing of four or more units, specifically for the improvement of units occupied by long-term tenants.

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

- The proposed Program furthers a goal of the City's Comprehensive Plan to encourage the maintenance and upgrading of aging rental property, while maintaining affordability and preventing displacement of residents.
- There are a limited number of rental property owners who are willing to participate in rental subsidy programs. Expanding the Program to allow duplexes participating in a rental subsidy program to make improvements offers an additional incentive to owners to participate.

**C. CRITICAL TIMING ISSUES:**

- There is a duplex owner interested in making improvements to the property this Summer.

**D. FINANCIAL IMPACT:**

- There is approximately \$53,000 remaining of the original \$100,000 grant.

**E. LEGAL CONSIDERATION:**

- There are no restrictions placed on the funds other than it be used for affordable housing in the community.

**ALTERNATIVE RECOMMENDATION(S):**

- N/A

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

NA

**ATTACHMENTS:**

Description	Type
Amended Guidelines	Backup Material



## Richfield Housing & Redevelopment Authority Affordable Apartment Improvement Grants Program Guidelines

**Purpose:** The purpose of the Affordable Apartment Improvement Grants (AAIG) Program is to provide financial resources to improve existing, affordable rental housing. The grants are targeted at small rental buildings and intended to make improvements to units currently occupied by tenants, while maintaining affordable rents.

### Program Objectives:

- To maintain and improve Richfield's rental housing stock.
- To provide improvement resources to small apartment buildings and rental duplexes.
- To improve units occupied by existing tenants while maintaining affordability.
- To incentivize owners to invest private resources into apartment buildings and rental duplexes.
- To stabilize and improve neighborhoods.

### Criteria for Eligibility:

1. Rental apartment buildings that contain between four and fourteen units.
2. Duplexes which participate in a rental subsidy program. Only the unit with a rental subsidy is eligible for improvements
3. Units to be improved must be occupied by tenants who have lived in the unit for five or more years, with priority given to tenants who have lived in the unit for ten or more years or in the case of a duplex, occupied by a tenant receiving a rental subsidy
4. The building(s) to be improved must be at least 30 years old.
5. The contract rent of the units to be improved must be affordable at 50% of the Twin Cities Area Median Income. As of April 1, 2018, the maximum rents to be charged are: Efficiency/Studio = \$826; 1BR = \$885; 2Br = \$1,061; 3BR = \$1,226.
6. The grant recipient must be willing to commit to five years of affordability for improved units and raise rents no more than three percent per year.
7. The Applicant must have a current rental housing license for the Property and be in compliance with applicable city codes and ordinances.

### Terms and Conditions of the Grants:

1. Funds will be awarded in the form of a grant.
2. Minimum grant amount = \$5,000. Maximum grant amount per unit = \$5,000.  
The HRA Executive Director may consider requests for amounts more than the maximum.
3. The grant recipient must provide a 60% match of the grant funds.
4. A grant agreement will detail the terms of the grant.
5. Eligible improvements include but are not limited to: kitchen cabinets, counters, bathroom vanities, flooring, accessibility improvements, energy-efficiency-related improvements, paint. The plan for improvements to individual units must be made in consultation with the tenant.
6. HRA funds can only be used for improvements to individual units. Matching funds may be used to improve individual units, common areas, and/or the building exterior.
7. Funds will be disbursed following completion of the improvement work and submission of invoices and digital photos of the improvements.
8. Funding is available on a limited basis.
9. Funding an application is at the HRA's discretion.

Revised 6/15/20



**STAFF REPORT NO. 20**  
**HOUSING AND REDEVELOPMENT AUTHORITY**  
**MEETING**  
**6/15/2020**

REPORT PREPARED BY: Julie Urban, Housing and Redevelopment Manager

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director  
6/9/2020

**ITEM FOR COUNCIL CONSIDERATION:**

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

**EXECUTIVE SUMMARY:**

The Housing and Redevelopment Authority (HRA) provided financial assistance to Aeon in 2017 to assist them in purchasing and preserving the naturally occurring affordable housing complex, Seasons Park. The \$150,000 in assistance from the City made the complex eligible for the 4d special tax classification, which helps to maintain affordability.

After closing on 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. The underwriting process is now complete, and closing on the new mortgage is scheduled for mid-July. A condition of the refinance is that all mortgages on the property have the same term as the principal mortgage, which is 35 years.

With the refinance, five 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.

Approval of the Master Amendment will cover the mortgage, promissory note and loan agreement and extend the term from 2047 to 2055. In addition, the HRA is being asked to subordinate its mortgage to the principal mortgage. The Master Amendment is in the process of being reviewed by Minnesota Housing, so the HRA is being asked to authorize the HRA Attorney to make any technical revisions to the document that may be required.

**RECOMMENDED ACTION:**

**By motion: Approve a resolution authorizing the execution of a Master Amendment to the 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 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).
- The complex has suffered from many years of deferred maintenance, requiring a significant financial investment to address that deferred maintenance and make the necessary improvements to 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 City.

**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.

**D. FINANCIAL IMPACT:**

- The loan is due and payable upon maturity. Lengthening the term will delay repayment of the mortgage; however, under the terms of the existing loan agreement, Aeon and the HRA have the option of extending the affordability and thereby delaying repayment.
- Seasons Park will be eligible for the lower 4d tax classification for a longer period of time with the refinance.

**E. LEGAL CONSIDERATION:**

- The HRA Attorney prepared the Master Amendment and reviewed the subordination agreement.
- The Master Amendment is being reviewed by Minnesota Housing. Any technical changes requested will be approved by the HRA Attorney.

**ALTERNATIVE RECOMMENDATION(S):**

Decide not to approve the Master Amendment and Subordination.

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

N/A

**ATTACHMENTS:**

Description	Type
<input type="checkbox"/> Resolution	Resolution Letter
<input type="checkbox"/> Description of Seasons Park Improvements	Backup Material
<input type="checkbox"/> Master Amendment	Contract/Agreement
<input type="checkbox"/> Draft Master Subordination	Contract/Agreement

**HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE CITY OF RICHFIELD, MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION APPROVING A MASTER AMENDMENT AGREEMENT WITH AEON SEASONS  
PARK LLC RELATED TO AN AFFORDABLE HOUSING PROJECT IN THE CITY OF  
RICHFIELD**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota (the “Authority”) provided a loan to Aeon Seasons Park LLC, a Minnesota limited liability company (the “Borrower”), in the amount of \$150,000 (the “Loan”) pursuant to a Loan Agreement, dated October 5, 2017 (the “Loan Agreement”), between the Authority and the Borrower, to assist the Borrower in financing the acquisition of the 422-unit Seasons Park apartment complex (the “Project”) on property located at 951 East 77<sup>th</sup> Street in the City of Richfield, Minnesota (the “City”); 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 5, 2017 (the “Note”), in the original aggregate principal amount of \$150,000, and a Mortgage, dated October 5, 2017 (the “Mortgage”); and

WHEREAS, to ensure that the Project maintained certain affordability covenants, the Authority and the Borrower entered into a Declaration of Restrictive Covenants, dated October 5, 2017 (the “Declaration”), recorded in the Office of County Recorder of Hennepin County, Minnesota on October 16, 2017, as Document No. A10489775, and in the Office of Registrar of Titles of Hennepin County, Minnesota on October 16, 2017, as Document No. T05482597; and

WHEREAS, in connection with the Project, the Borrower also obtained financing from Walker & Dunlop, LLC, a Delaware limited liability company (the “Fannie Mae Lender”), in the amount of \$20,400,000 (the “Fannie Mae Lender Loan”); and

WHEREAS, pursuant to a Subordination Agreement, dated October 5, 2017 (the “Fannie Mae Subordination Agreement”), between the Authority, the Borrower, and Fannie Mae, the indebtedness secured by the Note is subordinate to the right of payment in full of the indebtedness secured by a promissory note delivered by the Borrower to the Fannie Mae Lender in the principal amount of \$20,400,000, which was assigned to Fannie Mae; and

WHEREAS, the Borrower intends to refinance the Fannie Mae Lender Loan, and take out an additional loan provided to the Borrower in connection with financing improvements to the Project owned by the Borrower and located in the City, with the proceeds of loans in the cumulative amount of \$42,500,000 (the “MHFA Loans”) 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, the Note, and the Mortgage 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, the Fannie Mae Subordination Agreement will be released, and MHFA has requested that the Authority and the Borrower enter into a separate 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, the Loan Agreement, and the Mortgage, including but not limited to the extension of the maturity date of the Note; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota as follows:

1. The MHFA Subordination Agreement and the Master Amendment Agreement are hereby in all respects authorized, approved, and confirmed, and the Chair and the Executive Director are hereby authorized and directed to execute the MHFA Subordination Agreement, the Master Amendment Agreement 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 Chair 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 Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 15<sup>th</sup> day of June, 2020.

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Mary Supple, Chair

ATTEST:

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Maria Regan Gonzalez, Secretary

## MEMORANDUM

TO: Julie Urban

FROM: Bill Mague

DATE: 8-Jun-20

RE: Seasons Park Refinance and Renovation

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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](mailto:skarp@aeon.org) or Bill Mague at [bmague@aeon.org](mailto:bmague@aeon.org).

**First Draft**  
**June \_\_, 2020**

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**MASTER AMENDMENT AGREEMENT**

**between**

**HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE  
CITY OF RICHFIELD, MINNESOTA,  
as Lender**

**and**

**AEON SEASONS PARK LLC,  
as Borrower**

**Dated \_\_\_\_\_, 2020**

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This Master Amendment Agreement amends, among other things, a Mortgage, dated October 5, 2017 (the "Mortgage"), by Aeon Seasons Park LLC, a Minnesota limited liability company, in favor of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, recorded in the Office of County Recorder of Hennepin County, Minnesota on October 16, 2017, as Document No. A10489776, and in the Office of Registrar of Titles of Hennepin County, Minnesota on October 16, 2017, as Document No. T05482598. The Mortgage secured indebtedness in the amount of \$150,000, and mortgage registration tax in the amount of \$360 was paid. This Master Amendment Agreement, which amends, among other things, the Mortgage, does not secure any additional debt.

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 \_\_\_\_\_, 2020 (the “Master Amendment Agreement”), between the HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF RICHFIELD, MINNESOTA, 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 \$150,000 (the “Loan”) pursuant to a Loan Agreement, dated October 5, 2017 (the “Loan Agreement”), between the Lender and the Borrower, to assist the Borrower in financing the acquisition of the 422-unit Seasons Park apartment complex (the “Project”) on property located at 951 East 77<sup>th</sup> Street in the City of Richfield, Minnesota (the “City”) and legally described in EXHIBIT A attached hereto (the “Property”); 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 5, 2017 (the “Note”), in the original aggregate principal amount of \$150,000, and a Mortgage, dated October 5, 2017 (the “Mortgage”), recorded in the Office of County Recorder of Hennepin County, Minnesota on October 16, 2017, as Document No. A10489776, and in the Office of Registrar of Titles of Hennepin County, Minnesota on October 16, 2017, as Document No. T05482598; and

WHEREAS, to ensure that the Project maintained certain affordability covenants, the Lender and the Borrower entered into a Declaration of Restrictive Covenants, dated October 5, 2017 (the “Declaration”), recorded in the Office of County Recorder of Hennepin County, Minnesota on October 16, 2017, as Document No. A10489775, and in the Office of Registrar of Titles of Hennepin County, Minnesota on October 16, 2017, as Document No. T05482597; and

WHEREAS, in connection with the Project, the Borrower also obtained financing from Walker & Dunlop, LLC, a Delaware limited liability company (the “Fannie Mae Lender”), in the amount of \$22,420,000 (the “Fannie Mae Lender Loan”); and

WHEREAS, pursuant to a Subordination Agreement, dated October 5, 2017 (the “Fannie Mae Subordination Agreement”), dated October 5, 2017, between the Lender, the Borrower, and Fannie Mae, recorded in the Office of County Recorder of Hennepin County, Minnesota on November 20, 2017, as Document No. A10501767, and in the Office of Registrar of Titles of Hennepin County, Minnesota on November 20, 2017, as Document No. T05491608, the indebtedness secured by the Note is subordinate to the right of payment in full of the indebtedness secured by a promissory note delivered by the Borrower to the Fannie Mae Lender in the principal amount of \$22,420,000, which was assigned to Fannie Mae; and

WHEREAS, the Borrower is refinancing the Fannie Mae Lender Loan 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 Lender and the Borrower have determined the need to amend certain provisions of the Loan Agreement, the Note, and the Mortgage 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 Fannie Mae Subordination Agreement has been released, and 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) The maturity date in Section 2(iii) of the Note is hereby extended to July \_\_, 2055, unless further extended by written agreement between the Lender and the Borrower.

(b) Section 12 of the Note is hereby deleted in its entirety and replaced with the following:

12. The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by the Mortgage Note in the principal amount of \$34,500,000 (the "LMIR MHFA Note") and the Mortgage Note (Cash Flow) in the principal amount of \$8,000,000 (the "FFCC MHFA Note"), executed by the Maker and payable to the order of the Minnesota Housing Finance Agency ("MHFA"), to the extent and in the manner provided in that certain Master Subordination Agreement and Estoppel Certificate, dated July \_\_, 2020 (the "Subordination Agreement"), between the Maker, MHFA, and the Holder. The Mortgage (and any exhibits) securing this Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the mortgages securing the LMIR MHFA Note and the FFCC MHFA Note, as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of this Note under the Mortgage (and any exhibits) securing this Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder's acquisition of this Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Holder under the Subordination Agreement. Any capitalized terms used specifically in this Section that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

(c) All references to the Note, the Loan Agreement, and the Mortgage 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) The maturity date in Section 2(b)(iii) of the Loan Agreement is hereby extended to July \_\_, 2055, unless further extended by written agreement between the Lender and the Borrower.

(b) Section 11 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

11. The indebtedness evidenced by the Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by the Mortgage Note in the principal amount of \$34,500,000 (the "LMIR MHFA Note") and the Mortgage Note (Cash Flow) in the principal amount of \$8,000,000 (the "FFCC MHFA Note"), executed by the Borrower and payable to the order of the Minnesota Housing Finance Agency ("MHFA"), to the extent and in

the manner provided in that certain Master Subordination Agreement and Estoppel Certificate, dated \_\_\_\_\_, 2020 (the "Subordination Agreement"), between the Borrower, MHFA, and the Lender. The Mortgage (and any exhibits) securing the Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the mortgages securing the LMIR MHFA Note and the FFCC MHFA Note, as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of the Note under the Mortgage (and any exhibits) securing the Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of the Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Lender under the Subordination Agreement. Any capitalized terms used specifically in this Section that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

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

Section 1.3. Amendments to the Mortgage.

(a) The Mortgage is hereby amended to the extent that the Note shall mature no later than July \_\_, 2055, unless further extended by written agreement between the Lender and the Borrower.

(b) Section 6 of the Mortgage is hereby deleted in its entirety and replaced with the following:

6. The indebtedness evidenced by the Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by the Mortgage Note in the principal amount of \$34,500,000 (the "LMIR MHFA Note") and the Mortgage Note (Cash Flow) in the principal amount of \$8,000,000 (the "FFCC MHFA Note"), executed by the Borrower and payable to the order of the Minnesota Housing Finance Agency ("MHFA"), to the extent and in the manner provided in that certain Master Subordination Agreement and Estoppel Certificate, dated \_\_\_\_\_, 2020 (the "Subordination Agreement"), between the Mortgagor, MHFA, and the Mortgagee. This Mortgage (and any exhibits) securing the Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the mortgages securing the LMIR MHFA Note and the FFCC MHFA Note, as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of the Note under this Mortgage (and any exhibits) securing the Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of the Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Mortgagee under the Subordination Agreement. Any capitalized terms used specifically in this Section that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

(c) All references to the Note, the Loan Agreement, and the Mortgage in the Mortgage 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, the Loan Agreement, and the Mortgage, 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, the Loan Agreement, and the Mortgage are hereby ratified and confirmed and remain in full force and effect. The Declaration has not been amended and remains in full force and effect.

Section 2.4. Recording. The Authority shall record this Master Amendment Agreement against the Property with the Office of the County Recorder of Hennepin County, Minnesota and the Office of the Registrar of Titles of Hennepin County, Minnesota. The Borrower shall pay all costs for recording.

(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.

**HOUSING AND REDEVELOPMENT  
AUTHORITY IN AND FOR THE CITY OF  
RICHFIELD, MINNESOTA**

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

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

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF HENNEPIN     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_, 2020, by Mary B. Supple, the Chair of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Lender.

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

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF HENNEPIN     )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2020, by John Stark, the Executive Director of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota, on behalf of the Authority.

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

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 \_\_\_\_\_

STATE OF MINNESOTA     )  
  ) SS  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2020, by \_\_\_\_\_, the \_\_\_\_\_ of Aeon Seasons Park LLC, a Minnesota limited liability company, on behalf of the Borrower.

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

## **EXHIBIT A**

### **LEGAL DESCRIPTION OF PROPERTY**

#### Parcel 1:

That part of Government Lot 1, Section 34, Township 28, Range 24, Hennepin County, Minnesota, described as follows: Beginning at a point in the South line of said Section 34, distant 660 feet West of the Southeast corner of said Section; thence West along the South line of said Section 34 a distance of 256.65 feet; thence at a right angle North 462 feet; thence at a right angle East 256.65 feet; thence at a right angle South 462 feet to the point of beginning.

Hennepin County, Minnesota  
Abstract Property

#### Parcel 2:

The East Half of the Southwest Quarter of the Southeast Quarter of the Southwest Quarter and the West Half of the Southeast Quarter of the Southeast Quarter of the Southwest Quarter, all in Section 35, Township 28 North, Range 24, West of the 4th Principal Meridian, according to the U.S. Government Survey thereof, Hennepin County, Minnesota.

Abstract Property

#### Parcel 3:

That part of the Southeast Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 described as: Beginning at the Northeast corner of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence West along the North line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter a distance of 656.28 feet; thence South to a point on the South line of the North 132.5 feet of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter distant .57 of a foot East from the West line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence West along said South line a distance of .57 of a foot to said West line; thence South along said West line to the North line of the South 432 feet of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence East along the last mentioned North line to the East line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence North along said East line to the point of beginning.

The South 432 feet of the Southeast Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 except that part of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter described as: Beginning at the Southeast corner of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence North along the East line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter a distance of 209 feet; thence West at a right angle a distance of 209 feet; thence South at a right angle to the South line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence East to the point of beginning.

That part of the East half of the Southwest Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 lying South of the North 132.5 feet of said East half of the Southwest Quarter of the Southwest Quarter of the Southwest Quarter, Hennepin County, Minnesota.

Torrens Property  
Torrens Certificate No. 1332090

RC125-357 (JAE)  
656867v1

**MASTER SUBORDINATION AGREEMENT  
AND  
ESTOPPEL CERTIFICATE**

**THIS MASTER SUBORDINATION AGREEMENT AND ESTOPPEL CERTIFICATE** (this “Agreement”) is effective as of the \_\_\_\_ day of \_\_\_\_\_, 2020, and entered into among Aeon Seasons Park LLC, a Minnesota limited liability company (“Borrower”), the Minnesota Housing Finance Agency, a public body corporate and politic of the State of Minnesota (“MHFA”), and the Housing and Redevelopment Authority in and for the City of Richfield, a public body corporate and politic of the State of Minnesota (the “HRA”).

**RECITALS**

A. Borrower has applied to and obtained certain loans from MHFA and will use the proceeds of the loans and additional equity to fund the construction and/or rehabilitation of a multifamily housing development identified as MHFA Development No. 8265 (the “Development”), which is situated on real property located in the City of Richfield, County of Hennepin, State of Minnesota, and legally described in **Exhibit A** attached to this Agreement (the “Property”). Borrower previously applied to and obtained a loan from the HRA in October 2017 for security upgrades to the Development.

B. The following is a listing and description of the loans that Borrower has obtained from the other parties to this Agreement (collectively, the “Loans”), and the repayment of the Loans will be secured by liens on the Property, and a listing of the documents that evidence and secure the repayment of the Loans (collectively, the “Loan Documents”):

<b>Description of Loan</b>	<b>Amount of Loan</b>	<b>Loan Documents Evidencing and Securing Repayment</b>
A loan from MHFA through its Low and Moderate Income Rental Program.	\$34,500,000.00	Those documents set forth in <b>Exhibit B</b> attached to this Agreement.
A loan from MHFA through its Flexible Financing for Capital Costs Program.	\$8,000,000.00	Those documents set forth in <b>Exhibit C</b> attached to this Agreement.

A loan from the HRA.

\$150,000.00

Those documents set forth in  
**Exhibit D** attached to this  
Agreement.

C. The parties intend that the Loans, the corresponding Loan Documents, and other documents referred to in this Agreement and the liens created by the Loan Documents and other documents referred to in this Agreement have a certain order of priority.

D. The parties wish to specify how the terms and conditions contained in the Loan Documents will be interpreted in the event of a conflict or inconsistency.

**NOW, THEREFORE**, in consideration of good and valuable consideration, and in further consideration of the parties making and entering into the Loans, the parties to this Agreement agree as follows:

1. **Definitions.** For the purposes of this Agreement, the definitions set forth above are incorporated into this Section 1 by reference. The following terms have the meanings set out respectively after each term, and its meaning is equally applicable to both the singular and plural forms of the term defined:

(a) “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 Loan Documents, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

(b) “HRA Loan” means a loan from the HRA to Borrower in an original principal amount of \$150,000.00.

(c) “HRA Loan Documents” means those documents listed in **Exhibit D** attached to this Agreement which evidence and secure the repayment of the HRA Loan.

(d) “MHFA FFCC Loan” means a loan from MHFA through its Flexible Financing for Capital Costs Program to Borrower in an original principal amount of \$8,000,000.00.

(e) “MHFA FFCC Loan Documents” means those documents listed in **Exhibit C** attached to this Agreement which evidence and secure the repayment of the MHFA FFCC Loan.

(f) “MHFA LMIR Loan” means a loan from MHFA through its Low and Moderate Income Rental Program to Borrower in an original principal amount of \$34,500,000.00.

(g) “MHFA LMIR Loan Documents” means those documents listed in **Exhibit B** attached to this Agreement which evidence and secure the repayment of the MHFA LMIR Loan.

2. **Consent to Loans, Liens and Encumbrances.** The parties agree and consent to all of the Loans and agree that all of the liens and encumbrances created by the Loan Documents are deemed to be permitted encumbrances under their respective Loan Documents. The parties further agree to execute any and all documents that any party to this Agreement may reasonably request in order to document that the liens and encumbrances are permitted encumbrances under their respective Loan Documents.

3. **Use of Loan Documents.** The parties agree and consent to the use of the Loan Documents set forth in the attached exhibits in conjunction with the Loan referenced in each exhibit. In addition, each party, as to the Loan Documents that correspond to one of its Loans, does hereby covenant, warrant, consent and agree that (i) the described Loan Documents are all of the documents that the party has entered into regarding the corresponding Loan, (ii) there are no documents relating to its Loan other than the described Loan Documents for its Loan, (iii) it will not enter into any other document for its Loan that would adversely impact any other party or parties to this Agreement without the prior written consent of the party or parties (excluding documentation of amounts having been advanced by a party for the protection of its security interest or lien priority pursuant to the Loan Documents), (iv) any existing document or documents that may come into existence in the future to which a party is or becomes a party or from which a party obtains a benefit that is different from the benefits that the other parties have received or will receive, and that is not listed in the Loan Documents set forth in this Agreement for the Loan, will be of no force or effect until approved and consented to in writing by all of the parties to this Agreement upon which the document has, or will have, an adverse effect (excluding documentation of amounts having been advanced by a party for the protection of its security interest or lien priority pursuant to the Loan Documents), and upon written approval, the documents will automatically be considered to be included in the exhibit to this Agreement setting forth the Loan Documents for the Loan. The other parties to this Agreement will execute any document that may reasonably be requested in order to include the document in the exhibit.

4. **Subordination of Loans and Loan Documents.**

(a) Loan Priority. Except as specifically provided below, each party agrees to the following priority of the Loan Documents and any and all the liens and encumbrances created by the Loan Documents and subordinates its respective Loan Documents and the liens and encumbrances created by its respective Loan Documents to those Loan Documents and liens and encumbrances created by the Loan Documents that are listed as having a priority over its Loan Documents and the liens and encumbrances created by its respective Loan Documents:

<b>Loan Documents and Liens and Encumbrances Created by the Loan Documents</b>	<b>Party to the Loan Documents and Holder of Liens and Encumbrances Created by the</b>	<b>Order of Priority</b>
--	--	------------------------------

## Loan Documents

MHFA LMIR Loan Documents	MHFA	First
MHFA FFCC Loan Documents	MHFA	Second
HRA Loan Documents	HRA	Third

5. **Interpretation.** The parties are entering into and executing this Agreement in order to establish the subordination and priority of the Loan Documents and any liens and encumbrances created by the Loan Documents, and, accordingly, the parties agree, understand, and acknowledge that the enforceability of this Agreement is not, and will not be, restricted, limited, or impaired by the fact that not all of the parties to this Agreement are signatories to each or any of the Loan Documents.

6. **Most Restrictive Requirements.** Notwithstanding the order of priority and subordinations granted in this Agreement, the Borrower will comply not only with the Loan Documents having first priority but with all Loan Documents. For example, if a party's Loan Documents contain rent, income or occupancy requirements that are more restrictive than Loan Documents that are more senior in priority, then the Borrower will comply with the more restrictive Loan Documents for as long as they remain in effect.

7. **Absence of Events of Default and Compliance with Closing Requirements.** Each party states, represents, and warrants that as to each of its individual Loans, (i) its Loans have been duly closed, (ii) there are no events of default, or events that with the passage of time could constitute an event of default, currently existing with respect to any of its Loans, and (iii) all of its Loans are in good standing.

8. **Notice of Default and Cure Rights.** Each party will deliver to the other parties a default notice within five business days in each case where a party has given a default notice to Borrower (provided that each party will have no liability to any party for failure to timely give notice). Failure of the notifying party to send a default notice to the other parties will not prevent the exercise of the notifying party's rights and remedies under the Loan Documents, subject to the provisions of this Agreement. The other parties will have the opportunity, but not the obligation, to cure any default within 60 days following the date of the notice; provided, however that the notifying party will be entitled, during the 60-day period, to continue to pursue its rights and remedies under the Loan Documents.

9. **Use of Insurance and Condemnation Proceeds.** Notwithstanding any provisions to the contrary contained in this Agreement or in any of the Loan Documents, the parties agree that any and all insurance and/or condemnation proceeds will be used first to repair or reinstate the Development. If there are any remaining proceeds, or if the amounts are insufficient to repair or reinstate the Development, or if the Development cannot be repaired or reinstated, then the proceeds will be used to pay off the Loans in order of the priority of the Loan Documents specified in this Agreement.

10. **Agreement Not to Commence Bankruptcy Proceeding.** The parties agree that during the term of this Agreement they will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding with respect to Borrower, without the other parties' prior written consents.

11. **Survival of Termination.** The terms of this Agreement will continue, and will survive the termination of this Agreement, if any payment under the Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In the event, any or all of the Loans originally intended to be satisfied will be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if the payment had not been made.

12. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be an original but all of which will constitute one instrument.

(THE REMAINING PORTION OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

**IN WITNESS WHEREOF**, the parties have executed this Master Subordination Agreement and Estoppel Certificate as of the date first written above.

**BORROWER:**

**AEON SEASONS PARK LLC**  
a Minnesota limited liability company

By: \_\_\_\_\_  
Alan Arthur, President

STATE OF MINNESOTA    )  
  ) ss  
COUNTY OF \_\_\_\_\_)

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

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

THIS DOCUMENT WAS DRAFTED BY:  
Minnesota Housing Finance Agency  
400 Wabasha Street North, Suite 400  
St. Paul, MN 55102-1109

**MHFA:**

**MINNESOTA HOUSING FINANCE AGENCY**

By: \_\_\_\_\_  
James Lehnhoff  
Assistant Commissioner, Multifamily

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF RAMSEY    )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by James Lehnhoff, Assistant Commissioner, Multifamily of the Minnesota Housing Finance Agency, on behalf of the agency.

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

**HRA:**

**HOUSING AND REDEVELOPMENT  
AUTHORITY IN AND FOR THE CITY OF  
RICHFIELD, MINNESOTA**

a public body corporate and politic under the laws  
of the State of Minnesota

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

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

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

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

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
2020, by \_\_\_\_\_ the \_\_\_\_\_ of Housing and Redevelopment  
Authority in and for the City of Richfield, Minnesota, a public body corporate and politic under  
the laws of the State of Minnesota on behalf of the authority.

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

STATE OF MINNESOTA    )  
  ) ss.  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_ the \_\_\_\_\_ of Housing and Redevelopment Authority  
in and for the City of Richfield, Minnesota, a public body corporate and politic under the laws of  
the State of Minnesota on behalf of the authority.

Notary Public

**Exhibit A**  
**LEGAL DESCRIPTION**

Parcel 1:

That part of Government Lot 1, Section 34, Township 28, Range 24, Hennepin County, Minnesota, described as follows: Beginning at a point in the South line of said Section 34, distant 660 feet West of the Southeast corner of said Section; thence West along the South line of said Section 34 a distance of 256.65 feet; thence at a right angle North 462 feet; thence at a right angle East 256.65 feet; thence at a right angle South 462 feet to the point of beginning.

Abstract

Parcel 2:

The East Half of the Southwest Quarter of the Southeast Quarter of the Southwest Quarter and the West Half of the Southeast Quarter of the Southeast Quarter of the Southwest Quarter, all in Section 35, Township 28 North, Range 24 West of the 4<sup>th</sup> Principal Meridian, according to the U.S. Government Survey thereof, Hennepin County, Minnesota.

Abstract

Parcel 3:

That part of the Southeast Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 described as: Beginning at the Northeast corner of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence West along the North line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter a distance of 656.28 feet; thence South to a point on the South line of the North 132.5 feet of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter distant .57 of a foot East from the West line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence West along said South line a distance of .57 of a foot to said West line; thence South along said West line to the North line of the South 432 feet of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence East along the last mentioned North line to the East line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence North along said East line to the point of beginning.

The South 432 feet of the Southeast Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 except that part of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter described as: Beginning at the Southeast corner of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence North along the East line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter a distance of 209 feet; thence West at a right angle a distance of 209 feet; thence South at a right

angle to the South line of said Southeast Quarter of the Southwest Quarter of the Southwest Quarter; thence East to the point of beginning.

That part of the East Half of the Southwest Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 28, Range 24 lying South of the North 132.5 feet of said East Half of the Southwest Quarter of the Southwest Quarter of the Southwest Quarter, Hennepin County, Minnesota.

Registered Land-Certificate of Title No. 1450822.

**Exhibit B**  
**MHFA LMIR LOAN DOCUMENTS**

1. Low and Moderate Income Rental Program Combination Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement executed by Borrower to MHFA, of even date with the document to which this exhibit is attached, securing the repayment of a loan in an original principal amount of \$34,500,000.00, which will be recorded in the Office of the County Recorder and Registrar of Titles for Hennepin County, Minnesota.
2. Low and Moderate Income Rental Program Regulatory Agreement, of even date with the document to which this exhibit is attached, between Borrower and MHFA, which will be recorded in the Office of the County Recorder and Registrar of Titles for Hennepin County, Minnesota.
3. Low and Moderate Income Rental Program Declaration of Covenants, Conditions and Restrictions, of even date with the document to which this exhibit is attached, executed by Borrower in favor of MHFA, which will be recorded in the Office of the County Recorder and Registrar of Titles for Hennepin County, Minnesota.
4. The following additional Low and Moderate Income Rental Program Loan Documents:
  - (a) Assignment of Architect's Contract;
  - (b) Assignment of Construction Contract;
  - (c) Certification Regarding Identity of Interest or Family Relationship;
  - (d) Construction Loan Agreement;
  - (e) Disbursement Agreement;
  - (f) Guaranty;
  - (g) Mortgage Note in an original principal amount of \$34,500,000.00;
  - (h) Supplement to General Conditions of the Agreement Between Owner and Contractor; and
  - (i) UCC-1 Financing Statement.

**Exhibit C**  
**MHFA FFCC LOAN DOCUMENTS**

1. Flexible Financing For Capital Costs Program Combination Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement executed by Borrower to MHFA, of even date with the document to which this exhibit is attached, securing the repayment of a loan in an original principal amount of \$8,000,000.00, which will be recorded in the Office of the County Recorder and Registrar of Titles for Hennepin County, Minnesota.
2. Flexible Financing for Capital Costs Program Regulatory Agreement, of even date with the document to which this exhibit is attached, between Borrower and MHFA, which will be recorded in the Office of the County Recorder and Registrar of Titles for Hennepin County, Minnesota.
3. The following additional Flexible Financing for Capital Costs Program Loan Documents:
  - (a) Mortgage Note in an original principal amount of \$8,000,000.00.

**Exhibit D**  
**HRA LOAN DOCUMENTS**

1. Mortgage executed by Borrower to HRA, dated October 5, 2017, securing the repayment of a loan in an original principal amount of \$150,000.00, which was recorded in the Office of the County Recorder for Hennepin County, Minnesota on October 16, 2017 as Document No. A10489776 and in the Office of the Registrar of Titles for Hennepin County, Minnesota on October 16, 2017 as Document No. T05482598.
2. Declaration of Restrictive Covenants, dated October 5, 2017, executed by Borrower in favor of the HRA, which was recorded in the Office of the County Recorder for Hennepin County, Minnesota on October 16, 2017 as Document No. A10489775 and in the Office of the Registrar of Titles for Hennepin County, Minnesota on October 16, 2017 as Document No. T05482597.
3. The following additional HRA Loan Documents:
  - (a) Loan Agreement; and
  - (b) Mortgage Note in an original principal amount of \$150,000.00.

**\*\*Will need to add in the amendment documents once they have been circulated\*\***



**STAFF REPORT NO. 21**  
**HOUSING AND REDEVELOPMENT AUTHORITY**  
**MEETING**  
**6/15/2020**

REPORT PREPARED BY: Kate Aitchison, Housing Specialist

OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director  
6/11/2020

**ITEM FOR COUNCIL CONSIDERATION:**

**Consideration of a request to contribute to the cost of the remediation of hazardous materials at 6812 Emerson Lane.**

**EXECUTIVE SUMMARY:**

On July 15, 2019, the Richfield Housing and Redevelopment Authority (HRA) approved a Contract for Private Development (Contract) with Endres Custom Homes (Builder) for the development of five single-family homes on the HRA-owned property at 6812 Emerson Lane (Property). Construction on the homes began in earnest in March 2020 after closing on the sale of the property.

During excavation required for the installation of the public road, the Builder found substantial construction debris embedded in the soil, which was removed and back-filled for a total cost of \$15,448.00. The Builder is requesting reimbursement for the total cost. Staff recommends that the HRA contribute toward half of the cost.

The builder has asked that the HRA to contribute towards the unexpected costs associated with this debris and removal.

In the recent past, the HRA has contributed or reimbursed expenses accrued in the remediation of HRA owned property.

- 6310 Irving Avenue South - was a property purchased by Twin Cities Habitat for Humanity. During site preparation, a large amount of asbestos building materials were found buried on the property. The HRA contributed \$31,664.45 towards the cost of remediation.
- 6608 17th Avenue South - this property was purchased by Interstate Partners in 2017 for the construction of the Plaza 66 commercial center. Hazardous contaminants were found on the property prior to closing, and the HRA approved up to \$30,000 towards half the cost of the remediation of the site.

**RECOMMENDED ACTION:**

**By motion: Authorize the Housing and Redevelopment attorney to prepare an amendment to the Contract for Private Development with Endres Custom Homes, authorizing the Housing and Redevelopment Authority to provide \$7,500 for debris removal in the development of the property at 6812 Emerson Lane.**

**BASIS OF RECOMMENDATION:**

**A. HISTORICAL CONTEXT**

1. The HRA purchased the property at 6812 Emerson Lane in 2005.
2. The existing building and foundations were demolished in 2006.
3. No viable development proposals were received by the HRA until 2018, when Endres Custom Homes proposed the construction of five single-family homes on the property.
4. The HRA approved a Contract for Private Development with Endres Custom homes on July 15, 2019.
5. The HRA closed on the property with Endres in March 2020.
6. Construction on the five homes is expected to be completed by the end of July.
7. In May 2020, the Builder became aware of a substantial amount of debris buried on the property when he began constructing the public road that will service the five homes. In order to move forward with the project, the debris was excavated and disposed of, and clean backfill was transported to the site.

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

- The project meets all the requirements and objectives of the Richfield Rediscovered program.

**C. CRITICAL TIMING ISSUES:**

- When negotiating the Contract with Mr. Endres, he pointed out that given the high cost of making the property build-able, the project would be unable to accommodate any unexpected environmental clean-up, and he would have to cancel the Contract if anything was discovered. The construction debris was, however, discovered too late in the process to cancel the Contract.

**D. FINANCIAL IMPACT:**

- The cost of the debris removal and repair was \$15,448 (\$5,754 in trucking costs to remove the debris, \$2,944 for new fill dirt for the site, and \$6,750 for equipment rental).
- There are no State or County resources available for construction debris clean-up discovered in the middle of a project.
- Funds from the HRA General Fund or Development Opportunities are available to contribute to the clean-up cost.
- The Builder has incurred significant other costs to construct a road and utilities in order to make the property buildable.

**E. LEGAL CONSIDERATION:**

- The Contract for Private Development, Section 3.4, states that the HRA makes "no representations or warranties as to the condition of the soils on the Property." In recognition of the significant barrier environmental remediation presents to redevelopment, the HRA has sometimes shared the cost of remediation found on HRA-owned property.

**ALTERNATIVE RECOMMENDATION(S):**

- Decide not to contribute to the cost of the clean-up.

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

Dustin Endres, Endres Custom Homes

**ATTACHMENTS:**

Description	Type
☐ Photos of Debris - 6812 Emerson Lane	Backup Material

**6812 Emerson Lane—Debris found on site, May 2020**



