

AGENDA

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CRYSTAL
• SPECIAL MEETING •
TUESDAY, FEBRUARY 18, 2014
6:45 P.M.
CRYSTAL CITY HALL
COUNCIL CHAMBERS**

1. Call to order
2. Roll call
3. Consider approval of minutes from the February 3, 2014 regular meeting *
4. Consider a resolution approving a subordination agreement between the Crystal Economic Development Authority and U.S. Bank National Association (for The Cavanagh Apartments) *
5. Other business
6. Adjournment

* *Materials attached*

**Minutes of the
Crystal Economic Development Authority
Regular Meeting
February 3, 2014**

President Deshler called the regular meeting of the Crystal Economic Development Authority to order at 6:30 p.m.

Upon call of the roll, the following members were present: Jim Adams, John Budziszewski, Julie Deshler, Mark Hoffmann, Casey Peak and Joe Selton.

The following staff members were present: Anne Norris, Executive Director; Patrick Peters, Deputy Executive Director; John Sutter, City Planner/Assistant Community Development Director; and Rylee Retzer, City Attorney.

Motion by Commissioner Budziszewski (Selton) to approve the minutes from the January 21, 2014 special meeting.

Motion carried.

The EDA held a public hearing to consider a resolution authorizing the sale of a lot at 4720 Douglas Drive North to Novak-Fleck for construction of a new house.

President Deshler opened the public hearing. No one appeared and the hearing was closed.

Motion by Commissioner Budziszewski (Hoffmann) to adopt Resolution #2014-01 authorizing the sale of a lot at 4720 Douglas Drive North to Novak-Fleck for construction of a new house.

Motion carried.

The EDA considered acceptance of the 2013 Annual Report and 2014 Work Program.

Motion by Commissioner Budziszewski (Peak) to accept the 2013 Annual Report and 2014 Work Program as presented.

Motion carried.

Motion by President Deshler (Budziszewski) to adjourn the regular meeting.

Motion carried.

The meeting adjourned at 6:35 p.m.

Julie Deshler, President

ATTEST:

Mark Hoffmann, Vice President



EDA STAFF REPORT
Proposed Resolution approving subordination agreement (The Cavanagh Apartments)

FROM: Patrick A. Peters, Deputy Executive Director

TO: Anne Norris, EDA Executive Director (for February 18 EDA Meeting)

DATE: February 10, 2014

RE: Consider a Resolution approving a Subordination Agreement between the Economic Development Authority of the City of Crystal and U.S. Bank National Association (for The Cavanagh Apartments)

BACKGROUND

The Crystal Economic Development Authority and Crystal Leased Housing Associates I, Limited Partnership (Dominium entity) entered into a Contract for Private Redevelopment dated December 18, 2012 for the sale and redevelopment of the former Cavanagh Elementary School property for senior housing.

The redeveloper is in the process of securing its mortgage financing from U.S. Bank National Association to construct the required Minimum Improvements. In Section 7.2 of the original Contract, the EDA agrees to subordinate its rights under the Contract in order to facilitate the redeveloper securing financing for the purchase of the property and construction of the Minimum Improvements. The agreement subordinates the EDA's interests to the security interests of the mortgagee.

RECOMMENDATION

Recommend approval of the Resolution.

EXHIBITS

- A Resolution
- B Subordination Agreement

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CRYSTAL

RESOLUTION NO. 2014 - 02

RESOLUTION APPROVING A SUBORDINATION AGREEMENT BETWEEN THE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION

BE IT RESOLVED By the Board of Commissioners ("Board") of the Economic Development Authority of the City of Crystal ("Authority") as follows:

Section 1. Recitals.

1.01. The Authority and City of Crystal (the "City") have heretofore approved the establishment of Tax Increment Financing District No. 4 (the "TIF District") within Redevelopment Project No. 1 (the "Project").

1.02. The Authority and Crystal Leased Housing Associates I, Limited Partnership (the "Redeveloper") entered into a Contract for Private Redevelopment dated as of December 18, 2012, as amended by a First Amendment thereto dated as of October 1, 2013 and a Second Amendment thereto dated as of November 19, 2013 (as amended, the "Contract"), regarding redevelopment of certain property within the Project (the "Property"), consisting of conveyance by the Authority of the Property to the Redeveloper and the construction of certain multifamily senior housing (the "Minimum Improvements") on the Property.

1.03. In order to receive mortgage financing for construction of the Minimum Improvements, the Redeveloper's mortgage lender, U.S. Bank National Association (the "Lender") requires a collateral assignment of the Contract by the Authority and subordination of the Authority's rights under the Contract with respect to the Minimum Improvements and of the Authority's rights under the quitclaim deed with respect to the Property, as set forth in the subordination agreement presented to the Authority (the "Subordination").

1.04. The Contract provides for subordination of the Authority's rights under the Contract, so long as such subordination contains such reasonable terms and conditions as are mutually agreed by the Authority and Lender in writing.

1.05. The Board has reviewed the Subordination and finds that the approval and execution of the Subordination are in the best interest of the City and its residents.

Section 2. Authority Approval; Other Proceedings.

2.01. The Subordination as presented to the Board is hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the President and Executive Director, provided that execution of the Subordination by such officials shall be conclusive evidence of approval.

2.02. The President and Executive Director are hereby authorized to execute on behalf of the Authority the Subordination and any other documents requiring execution by the Authority in order to carry out the transaction described in the Subordination.

2.03. Authority staff and consultants are authorized to take any actions necessary to carry out the intent of this resolution.

Approved by the Board of Commissioners of the Economic Development Authority of the City of Crystal this 18th day of February, 2014.

President

ATTEST:

Executive Director

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (“Agreement”) is made as of this ____ day of _____, 2014, between U.S. BANK NATIONAL ASSOCIATION, a national banking association (“Lender”) and the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CRYSTAL, a public body corporate and politic (“Authority”).

RECITALS

A. Crystal Leased Housing Associates I, Limited Partnership, a Minnesota limited partnership (“Borrower”), is the owner and developer of certain real property situated in the City of Crystal (“City”) and legally described in Exhibit A attached hereto and incorporated herein (the “Property”).

B. Authority claims an interest in the Property pursuant to the terms and conditions of a Quit Claim Deed dated March __, 2014, filed March __, 2014, as Document No. _____. The Quit Claim Deed, among other things, creates certain re-entry and take-back rights in favor of the Authority.

C. Borrower and Authority have entered into that certain Contract for Private Redevelopment dated as of December 18, 2012, as amended by that certain First Amendment to Contract for Private Redevelopment dated as of October 1, 2013, and that certain Second Amendment to Contract for Private Redevelopment dated as of November 19, 2013 (as so amended, the “Development Contract”);

D. Lender is trustee with respect to those certain City of Crystal Multifamily Housing Revenue Bonds, Series 2014A (Crystal Leased Housing Associates I, Limited Partnership Project) and Subordinate Multifamily Housing Revenue Bonds, Series 2014B (Crystal Leased Housing Associates I, Limited Partnership Project) (the “Bonds”), which Bonds are evidenced and secured by documents, including but not limited to a mortgage, security agreement and assignment of rents and leases creating a first mortgage lien against the Property and a subordinate mortgage, security agreement and assignment of rents and leases creating a subordinate mortgage lien against the Property (“Mortgages”).

E. Authority is the owner and holder of certain rights under the Development Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto represent, warrant and agree as follows:

1. Subordination of Development Agreement. Authority hereby agrees that the rights of Authority under the Development Agreement are and shall remain subordinate and subject to liens, rights and security interests created by the Mortgages, and other documents securing the Loan

(the "Loan Documents") and to any and all amendments, modifications, extensions, replacements or renewals of the Loan Documents.

2. Subordination of Quit Claim Deed. Authority's rights under the terms of the Quit Claim Deed, and Authority's interest in the Property created thereby, shall be and hereby are completely and unconditionally subject and subordinate to the lien and security interest of the Mortgages and to all of the terms, conditions and provisions thereof, to all advances made or to be made thereunder, and to any renewals, extensions, modifications or replacements thereof.

3. No Assumption. Authority acknowledges that the Lender is not a party to the Development Agreement and by executing this Agreement does not become a party to the Development Agreement, and specifically does not assume and shall not be bound by any obligations of the Borrower to Authority under the Development Agreement, and that the Lender shall incur no obligations whatsoever to Authority except as expressly provided herein.

4. Standstill. Authority agrees that so long as the Bonds remain outstanding, it shall take no action to terminate the TIF Bond, as defined in the Development Contract.

5. Notice from Authority. So long as the Development Agreement remains in effect, Authority agrees to give to the Lender copies of notices of any Event of Default given to Borrower under the Development Agreement.

6. Governing Law. This Agreement is made in and shall be construed in accordance with the laws of the State of Minnesota.

7. Successors. This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including any person who acquires title to the Property through the Lender as a result of a foreclosure under the Loan Documents or Mortgages.

8. Severability. The unenforceability or invalidity of any provision hereof shall not render any other provision or provisions herein contained unenforceable or invalid.

9. Notice. Any notices and other communications permitted or required by the provisions of this Agreement shall be in writing and shall be deemed to have been properly given or served by depositing the same with the United States Postal Service, or any official successor thereto, designated as registered or certified mail, return receipt requested, bearing adequate postage, or delivery by reputable private carrier and addresses as set forth above.

10. Transfer of Title to Lender. Authority agrees that in the event the Lender, a transferee of Lender, or a purchaser at foreclosure sale, acquires title to the Property pursuant to a foreclosure, or a deed in lieu thereof, the Lender, transferee, or purchaser shall not be bound by the terms and conditions of the Development Agreement except as expressly herein provided. Further Authority agrees that in the event the Lender, a transferee of Lender, or a purchaser at foreclosure sale acquires title to the Property pursuant to a foreclosure sale or a deed in lieu thereof, then the Lender, transferee, or purchaser shall be entitled to all rights conferred upon the Borrower under the Development Agreement, provided that no condition of default exists and remains uncured beyond applicable cure periods in the obligations of the Borrower under the Development Agreement.

11. Amendments. Authority hereby represents and warrants to Lender that Authority will not agree to any amendment or modification to the Development Agreement or the TIF Bond that materially affects the collection of Available Tax Increment (as defined in the Development Agreement) or in any way affects the Property without the Lender's written consent.

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IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the day and year first written above.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF CRYSTAL**

By: _____
Its President

By: _____
Its Executive Director

STATE OF MINNESOTA)
)ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this _____ day of _____, 2014, by _____ and _____, the President and Executive Director, respectively, of the Economic Development Authority of the City of Crystal, a public body corporate and politic, on behalf of such public body.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

Faegre Baker Daniels LLP (SNG)
2200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

U.S. BANK NATIONAL ASSOCIATION

By: _____
Its _____

STATE OF MINNESOTA)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 2014, by _____, the _____, of U.S. BANK NATIONAL ASSOCIATION, a national banking association, on behalf of such banking association.

Notary Public

EXHIBIT A
LEGAL DESCRIPTION