

Agenda

Minnetonka Economic Development Authority

Monday, July 24, 2017

Following the Regular Meeting

Council Chambers

1. Call to Order
2. Roll Call: Ellingson-Allendorf-Acomb-Wiersum-Bergstedt-Wagner-Schneider
3. Approval of Agenda
4. Approval of Minutes: April 10, 2017 EDA meeting
5. Business Items:
 - A. Applewood Pointe TIF Note
Recommendation: Adopt the resolution (4 votes)
 - B. Resolution approving modifications to the TIF Plan for Rowland Housing District
Recommendation: Adopt the resolution (4 votes)
 - C. Resolution approving an assignment of loan to CHC Minnetonka Affordable Housing LLC; authorizing the execution of loan documents in connection therewith; and approving the subordination of payments
Recommendation: Adopt the resolution (4 votes)
6. Adjourn

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Sundays at 9 p.m., Wednesdays at 12 p.m. and Fridays at 9 a.m.
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Minutes
Minnetonka Economic Development Authority
Monday, April 10, 2017

1. Call to Order

Schneider called the meeting to order at 7:39 p.m.

2. Roll Call

Commissioners Tim Bergstedt, Bob Ellingson, Dick Allendorf, Brad Wiersum, and President Terry Schneider were present. Tony Wagner and Patty Acomb were excused.

3. Approval of Agenda

Allendorf moved, Bergstedt seconded a motion to accept the agenda, as presented. All voted "yes." Motion carried.

4. Approval of Minutes: October 24 and December 5, 2016 EDA minutes

Wiersum moved, Allendorf seconded a motion to approve the October 24, 2016 and the December 5, 2016 minutes. All voted "yes." Motion carried.

5. Business Items:

A. Resolution approving the subordination of a Contract for Private Development and Declaration of Restrictive Covenants to HUD

Allendorf moved, Wiersum seconded a motion to adopt Resolution 2017-001 approving the Subordination of Contract for Private Redevelopment and subordination of a Declaration of Restrictive Covenants to HUD between Glen Lake Senior Housing, LLC; the Minnetonka Economic Development Authority; and the city of Minnetonka. All voted "yes." Motion carried.

6. Adjournment

Wiersum moved, Bergstedt seconded a motion to adjourn the meeting at 7:40 p.m. All voted "yes." Motion carried.

Respectfully submitted,

David E. Maeda
City Clerk

**EDA Agenda Item #5A
Meeting of July 24, 2017**

Brief Description Applewood Pointe TIF Note

Recommendation Adopt the resolution

Background

In August 2014, the city council/Economic Development Authority (EDA) approved the Applewood Pointe project, an 89-units senior housing cooperative redevelopment located at 12201 Minnetonka Boulevard. As a part of the approvals for the development, approval was also given for the creation of a redevelopment Tax Increment Financing (TIF) district.

As outlined in the Contract for Private Development, the city would issue a TIF note for \$1,290,000 to the owner of Applewood Pointe. This note is expected to be issued in late July or August. At this time, the city has received written evidence of the qualified costs and will issue the TIF note upon the EDA's approval.

The city's legal counsel, Julie Eddington at Kennedy & Graven, has reviewed the list of qualified TIF costs and prepared a resolution for the EDA to issue the TIF note based upon the Contract for Private Development.

Recommendation

Staff recommends the EDA adopt the resolution granting approval of the issuance of the TIF note not to exceed \$1,290,000.

Submitted through:

Geraldyn Barone, City Manager

Merrill King, Finance Director

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager



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July 10, 2017

Alisha Gray
Economic Development and Housing Manager
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502

Re: Resolution relating to the approval of the delivery of the TIF Note in connection with the Applewood
Pointe Cooperative of Minnetonka

Dear Alisha,

The Economic Development Authority in and for the City of Minnetonka (the "Authority"), United Properties Residential LLC (the "Developer"), and Applewood Pointe Cooperative of Minnetonka (the "Owner") entered into a Contract for Private Development, dated November 2, 2015, which was amended by a Master Amendment Agreement, dated November 23, 2015, (the "Contract"). Pursuant to the terms of the Contract, the Developer agreed to construct a cooperative housing facility for seniors with 89 owner-occupied housing units and underground parking (the "Minimum Improvements") within the Applewood Pointe Redevelopment Tax Increment Financing District.

Under Section 3.4 of the Contract executed in 2015, the Authority agreed to reimburse the Developer for the costs of land acquisition and site preparation in an amount not to exceed \$1,290,000 by issuing a pay-as-you-go note (the "TIF Note") with interest at the rate of 7.0%. The Authority's delivery of the TIF Note is contingent on the Developer providing evidence of sufficient eligible costs incurred for the Minimum Improvements and delivering an investment letter.

The Developer has submitted documentation as required under Section 3.4 of the Contract for the Authority's consideration and has requested that the TIF Note be issued upon the Authority finding that the items are satisfactory.

Enclosed is a resolution for consideration by the Board of Commissioners at its meeting on July 24 2017. This resolution finds the documents submitted by the Developer fulfill the requirements for issuance of the TIF Note under Section 3.4 of the Contract and approves the issuance of the TIF Note under the terms set forth in the Contract.

Please contact me if you have questions regarding the foregoing.

Sincerely,

Julie A. Eddington

EDA Resolution No. 2017-_____

Resolution approving the issuance of, and providing the form, terms, covenants and directions for the issuance of a Tax Increment Revenue Note, Series 2017, in an aggregate principal amount not to exceed \$1,290,000

Be it resolved by the Board of Commissioners (the "Board") of the Economic Development Authority in and for the City of Minnetonka, Minnesota (the "Authority") as follows:

Section 1. Authorization; Award of Sale.

- 1.01. Authorization. The Authority has heretofore approved the establishment of Applewood Pointe Redevelopment Tax Increment Financing District (the "TIF District") within Applewood Pointe Redevelopment Project ("Redevelopment Project"), and has adopted a tax increment financing plan for the purpose of financing certain improvements within the Redevelopment Project.

Pursuant to Minnesota Statutes, Section 469.178, the Authority is authorized to issue and sell its bonds for the purpose of financing a portion of the public development costs of the Redevelopment Project. The bonds are payable from all or any portion of revenues derived from the TIF District and pledged to the payment of the bonds. The Authority hereby finds and determines that it is in the best interests of the Authority that it issue and sell its Tax Increment Revenue Note, Series 2017 (the "Note"), in the aggregate principal amount of \$1,290,000, for the purpose of financing certain public costs of the Redevelopment Project.

- 1.02. Issuance, Sale and Terms of the Note. The Authority has approved the Contract for Private Development between the Authority, United Properties Residential LLC (the "Developer"), and Applewood Pointe Cooperative of Minnetonka (the "Owner"), dated November 2, 2015, as amended by the Master Amendment Agreement, dated November 23, 2015 (as amended, the "Agreement"). Pursuant to the Agreement, the Note will be sold to the Developer. The Note will be dated as of the date of delivery and will bear interest at the rate of 7.0% per annum to the earlier of maturity or prepayment. In exchange for the Authority's issuance of the Note to the Developer, the Developer will pay certain land acquisition costs and site improvement costs related to the Minimum Improvements (as defined in the Agreement) pursuant to Section 3.3 of the Agreement. The Note will be delivered in the principal amount of \$1,290,000 for reimbursement of land acquisition costs and site improvement costs in accordance with the terms of Section 3.4 of the Agreement.

Section 2. Form of Note.

- 2.01. The Note will be in substantially the following form, with the blanks to be properly filled in and the principal amount and payment schedule adjusted as of the date of issue:

UNITED STATE OF AMERICA
STATE OF MINNESOTA
HENNEPIN COUNTY
ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE
CITY OF MINNETONKA

No. R-1

\$1,290,000

TAX INCREMENT REVENUE NOTE
SERIES 2017

<u>Rate</u>	<u>Date of Original Issue</u>
7.0%	_____

The Economic Development Authority in and for the City of Minnetonka, Minnesota (the "Authority"), for value received, certifies that it is indebted and hereby promises to pay to United Properties Residential LLC, or registered assigns (the "Note Holder"), the principal sum of \$1,290,000 and to pay interest thereon at the rate of seven percent per annum, as and to the extent set forth herein.

1. **Payments.** Principal and interest ("Payments") will be paid on August 1, 20__, and each February 1 and August 1 thereafter to and including February 1, 20__ ("Payment Dates"), in the amounts and from the sources set forth in Section 3 herein. Payments will be applied first to accrued interest, and then to unpaid principal.

Payments are payable by mail to the address of the Note Holder or any other address as the Note Holder may designate upon 30 days written notice to the Authority. Payments on this Note are payable in any coin or currency of the United States of America which, on the Payment Date, is legal tender for the payment of public and private debts.

2. **Interest.** Interest at the rate stated herein will accrue on the unpaid principal, commencing on the date of original issue. Interest will be computed on the basis of a year of 360 days and charged for actual days principal is unpaid. Interest on this Note shall not be compounded.

3. Available Tax Increment. Payments on this Note are payable on each Payment Date in the amount of and solely payable from "Available Tax Increment," which will mean, on each Payment Date, 90 percent of the Tax Increment attributable to the Development Property (defined in the Agreement) and paid to the Authority by Hennepin County in the six months preceding the Payment Date, all as the terms are defined in the Contract for Private Development between the Authority, United Properties Residential LLC (as the "Developer"), and Applewood Pointe Cooperative of Minnetonka, dated November 2, 2015, as amended by the Master Amendment Agreement, dated November 23, 2015 (as amended, the "Agreement"). Available Tax Increment will not include any Tax Increment if, as of any Payment Date, there is an uncured Event of Default under the Agreement.

The Authority will have no obligation to pay principal of and interest on this Note on each Payment Date from any source other than Available Tax Increment, and the failure of the Authority to pay the entire amount of principal or interest on this Note on any Payment Date will not constitute a default hereunder as long as the Authority pays principal and interest hereon to the extent of Available Tax Increment. The Authority will have no obligation to pay unpaid balance of principal or accrued interest that may remain after the final Payment on February 1, 20__.

4. Optional Prepayment. The principal sum and all accrued interest payable under this Note is prepayable in whole or in part at any time by the Authority without premium or penalty. No partial prepayment will affect the amount or timing of any other regular payment otherwise required to be made under this Note.

5. Termination. At the Authority's option, this Note will terminate and the Authority's obligation to make any payments under this Note will be discharged upon the occurrence of an Event of Default on the part of the Developer or the Owner as defined in Section 9.1 of the Agreement, but only if the Event of Default has not been cured in accordance with Section 9.2 of the Agreement.

6. Nature of Obligation. This Note is one of an issue in the total principal amount of \$1,290,000 all issued to aid in financing certain public development costs and administrative costs of a Redevelopment Project undertaken by the Authority pursuant to Minnesota Statutes, Sections 469.001 through 469.047, as amended, and is issued pursuant to an authorizing resolution (the "Resolution") duly adopted by the Authority on August 25, 2014, and pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Sections 469.174 to 469.1794, as amended. This Note is a limited obligation of the Authority which is payable solely from Available Tax Increment pledged to the payment hereof under the Resolution. This Note and the interest hereon will not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the Authority. Neither the State of Minnesota, nor any political subdivision thereof will be obligated to pay the principal of or interest on this Note or other costs incident hereto

except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Note or other costs incident hereto.

7. Estimated Tax Increment Payments. Any estimates of Tax Increment prepared by the Authority or its financial advisors in connection with the TIF District or the Agreement are for the benefit of the Authority, and are not intended as representations on which the Note Holder may rely.

THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY THAT THE AVAILABLE TAX INCREMENT WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF AND INTEREST ON THIS NOTE.

8. Registration and Transfer. This Note is issuable only as a fully registered note without coupons. As provided in the Resolution, and subject to certain limitations set forth therein, this Note is transferable upon the books of the Authority kept for that purpose at the principal office of the Community Development Director of the City, by the Note Holder in person or by the Note Holder's attorney duly authorized in writing, upon surrender of this Note together with a written instrument of transfer satisfactory to the Authority, duly executed by the Note Holder. Upon the transfer or exchange and the payment by the Note Holder of any tax, fee, or governmental charge required to be paid by the Authority with respect to the transfer or exchange, there will be issued in the name of the transferee a new Note of the same aggregate principal amount, bearing interest at the same rate and maturing on the same dates.

This Note will not be transferred to any person other than an affiliate, or other related entity, of the Note Holder unless the Authority has been provided with an investment letter in a form substantially similar to the investment letter submitted by the Note Holder or a certificate of the transferor, in a form satisfactory to the Authority, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen, and to be performed in order to make this Note a valid and binding limited obligation of the Authority according to its terms, have been done, do exist, have happened, and have been performed in due form, time and manner as so required.

IN WITNESS WHEREOF, the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota, has caused this Note to be executed with the manual signatures of its President and Executive Director, all as of the Date of Original Issue specified above.

**ECONOMIC DEVELOPMENT
AUTHORITY IN AND FOR THE CITY
OF MINNETONKA, MINNESOTA**

 Executive Director

 President

REGISTRATION PROVISIONS

The ownership of the unpaid balance of the within Note is registered in the bond register of the Authority's Executive Director, in the name of the person last listed below.

<u>Date of Registration</u>	<u>Registered Note Holder</u>	<u>Signature of Executive Director</u>
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	United Properties Residential LLC 3600 American Blvd. West Suite 750 Bloomington, MN 55431 Federal ID #41-1923469	
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[End of Form of Note]

Section 3. Terms, Execution and Delivery.

3.01. Denomination, Payment. The Note will be issued as a single typewritten note numbered R-1.

The Note will be issuable only in fully registered form. Principal of and interest on the Note will be payable by check or draft issued by the Registrar described herein.

3.02. Dates; Interest Payment Dates. Principal of and interest on the Note will be payable by mail to the note holder of record thereof as of the close of business on the fifteenth day of the month preceding the Payment Date, whether or not the day is a business day.

3.03. Registration. The Authority hereby appoints the Authority's Executive Director to perform the functions of registrar, transfer agent and paying

agent (the “Registrar”). The effect of registration and the rights and duties of the Authority and the Registrar with respect thereto will be as follows:

- (a) Register. The Registrar will keep at its office a bond register in which the Registrar will provide for the registration of ownership of the Note and the registration of transfers and exchanges of the Note.
- (b) Transfer of Note. Upon surrender for transfer of the Note duly endorsed by the registered note holder thereof or accompanied by a written instrument of transfer, in form reasonably satisfactory to the Registrar, duly executed by the registered note holder thereof or by an attorney duly authorized by the registered note holder in writing, the Registrar will authenticate and deliver, in the name of the designated transferee or transferees, a new Note of a like aggregate principal amount and maturity, as requested by the transferor. Notwithstanding the foregoing, the Note will not be transferred to any person other than an affiliate, or other related entity, of the note holder unless the Authority has been provided with an investment letter in a form substantially similar to the investment letter submitted by the note holder or a certificate of the transferor, in a form satisfactory to the Authority, that the transfer is exempt from registration and prospectus delivery requirements of federal and applicable state securities laws. The Registrar may close the books for registration of any transfer after the fifteenth day of the month preceding each Payment Date and until the Payment Date.
- (c) Cancellation. The Note surrendered upon any transfer will be promptly cancelled by the Registrar and thereafter disposed of as directed by the Authority.
- (d) Improper or Unauthorized Transfer. When the Note is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on the Note or separate instrument of transfer is legally authorized. The Registrar will incur no liability for its refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.
- (e) Persons Deemed Note Holders. The Authority and the Registrar may treat the person in whose name the Note is at any time registered in the bond register as the absolute owner of the Note, whether the Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Note and for all other purposes, and all the payments so made to

any registered note holder or upon the note holder's order will be valid and effectual to satisfy and discharge the liability of the Authority upon the Note to the extent of the sum or sums so paid.

- (f) Taxes, Fees and Charges. For every transfer or exchange of the Note, the Registrar may impose a charge upon the note holder thereof sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to the transfer or exchange.
- (g) Mutilated, Lost, Stolen or Destroyed Note. In case any Note becomes mutilated or be lost, stolen, or destroyed, the Registrar will deliver a new Note of like amount, maturity dates and tenor in exchange and substitution for and upon cancellation of the mutilated Note or in lieu of and in substitution for the Note lost, stolen, or destroyed, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case the Note lost, stolen, or destroyed, upon filing with the Registrar of evidence satisfactory to it that the Note was lost, stolen, or destroyed, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it, in which both the Authority and the Registrar will be named as obligees. The Note so surrendered to the Registrar will be cancelled by it and evidence of the cancellation will be given to the Authority. If the mutilated, lost, stolen, or destroyed Note has already matured or been called for redemption in accordance with its terms, it will not be necessary to issue a new Note prior to payment.

3.04. Preparation and Delivery. The Note will be prepared under the direction of the Executive Director of the Authority and will be executed on behalf of the Authority by the signatures of its President and its Executive Director. In case any officer whose signature appears on the Note ceases to be the officer before the delivery of the Note, the signature will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. When the Note has been so executed, it will be delivered by the Authority to the note holder following the delivery of the necessary items delineated in Section 3.4 of the Agreement.

Section 4. Security Provisions.

- 4.01. Pledge. The Authority hereby pledges to the payment of the principal of and interest on the Note all Available Tax Increment as defined in the Note. Available Tax Increment will be applied to payment of the principal of and interest on the Note in accordance with the terms of the form of Note set forth in Section 2 of this resolution.
- 4.02. Bond Fund. Until the date the Note is no longer outstanding and no principal thereof or interest thereon (to the extent required to be paid pursuant to this resolution) remains unpaid, the Authority will maintain a separate and special "Bond Fund" to be used for no purpose other than the payment of the principal of and interest on the Note. The Authority irrevocably agrees to appropriate to the Bond Fund in each year Available Tax Increment. Any Available Tax Increment remaining in the Bond Fund will be transferred to the Authority's account for the TIF District upon the payment of all principal and interest to be paid with respect to the Note.

Section 5. Certification of Proceedings.

- 5.01. The officers of the Authority are hereby authorized and directed to prepare and furnish to the note holder of the Note certified copies of all proceedings and records of the Authority, and the other affidavits, certificates, and information as may be required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all the certified copies, certificates, and affidavits, including any heretofore furnished, will be deemed representations of the Authority as to the facts recited therein.

Section 6. Effective Date.

- 6.01. This resolution will be effective upon full execution of the [Agreement].

Adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota on _____, 2017.

Terry Schneider, President

ATTEST:

David E. Maeda, Secretary

Action on this resolution:

Motion for adoption:
Seconded by:
Voted in favor of:
Voted against:
Abstained:
Absent:
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota, at a duly authorized meeting held on _____, 2017.

Secretary

EDA Agenda Item #5B
Meeting of July 24, 2017

Brief Description Resolution approving modifications to the TIF Plan for Rowland Housing District

Recommendation Adopt the resolution

Request

In April 2015, the city council/Economic Development Authority (EDA) approved the At Home Apartment redevelopment project, a 106 unit apartment building, located at 5709 Rowland Road. As part of the approvals for the development, the project was also approved for the creation of a housing Tax Increment Financing (TIF) district. The TIF district was created to assist reimbursing the developer for costs related to land acquisition, site preparation, remediation, and housing improvements structured as a pay-as-you-go TIF note for up to \$2,500,000.

The original Tax Increment Financing Plan that was adopted in 2015 provided an estimated budget for costs reimbursable to the developer. The actual costs submitted by the developer differ from the estimated amount budgeted; therefore, staff is recommending that the EDA consider adopting the enclosed resolution to modify the TIF Plan Budget to reflect the actual costs incurred by the developer.

The proposed modification to the TIF Plan Budget does not require a public hearing. The modification does not increase the amount of the TIF Note to the developer.

The city's legal counsel, Julie Eddington at Kennedy & Graven, and the city's financial consultant at Ehlers reviewed the proposed TIF plan modification. Julie Eddington will be in attendance at the meeting to answer any questions.

Recommendation

Staff recommends the EDA adopt the resolution approving the TIF Plan modification for the Rowland Housing District.

Submitted through:

Geraldyn Barone, City Manager

Merrill King, Finance Director

Julie Wischnack, AICP, Community Development Director

Originated by:

Alisha Gray, EDFP, Economic Development and Housing Manager

Supplemental Information

[April 10, 2015 City Council Agenda](#)



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July 11, 2017

Alisha Gray
Economic Development and Housing Manager
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502

Re: Resolution approving Modifications to the Tax Increment Plan for Rowland Housing Tax Increment Financing District

Dear Alisha,

The Economic Development Authority in and for the City of Minnetonka, Minnesota (the "Authority") created the Rowland Housing Tax Increment Financing District (the "TIF District") within the Rowland Housing Redevelopment Project to finance an affordable housing development project. In conjunction with the housing development, the Authority entered into a Contract for Private Development, dated April 20, 2015 (the "Contract"), with Rowland Investments, LLC (the "Developer"). Pursuant to Section 3.4 of the Contract, the Authority agreed to issue a pay-as-you-go TIF Note to the Developer in the amount of up to \$2,500,000 to reimburse the Developer for the costs of land acquisition, site preparation, remediation, and housing improvements eligible for reimbursement with tax increment.

Under Subsection 2-10 of the Tax Increment Financing Plan adopted by the Authority on April 20, 2015 (the "TIF Plan"), an estimated budget was approved to reimburse the developer for costs eligible to be reimbursed with tax increment (the "TIF Plan Budget"). The costs submitted by the Developer aren't in the same amounts as the categories in the existing TIF Plan Budget. In order to ensure that the TIF Plan Budget reflects the costs actually incurred by the Developer, we recommend the Board of the Authority adopt the enclosed resolution approving modifications to the TIF Plan Budget. The proposed modifications to the TIF Plan Budget are an administrative change to the TIF Plan and will not require a public hearing. The modifications to the TIF Plan Budget do not increase the amount of the TIF Note provided to the Developer.

Please contact me with any questions you may have prior to the meetings.

Sincerely,

Julie A. Eddington

EDA Resolution No. 2017-_____

**Resolution approving Modifications to the Tax Increment Plan for
Rowland Housing Tax Increment Financing District**

Be it resolved by the Board of Commissioners (the "Board") of the Economic Development Authority in and for the City of Minnetonka (the "Authority") as follows:

Section 1. Background and Authorization.

- 1.01. The Authority has previously approved the establishment of the Rowland Housing Tax Increment Financing District (the "TIF District") within the Rowland Housing Redevelopment Project (the "Redevelopment Project"), and has adopted a tax increment financing plan (the "TIF Plan") for the purpose of financing an affordable housing development within the Redevelopment Project. The TIF Plan includes a budget for the use of the tax increment funds in Subsection 2-10 therein (the "TIF Plan Budget").
- 1.02. In conjunction with the affordable housing development, the Authority entered into a Contract for Private Development, dated April 20, 2015 (the "Contract"), with Rowland Investments, LLC (the "Developer"). Pursuant to Section 3.4 of the Contract, the Authority agreed to issue a pay-as-you-go TIF Note to the Developer in the amount of up to \$2,500,000 to reimburse the Developer for the costs of land acquisition, site preparation, remediation, and housing improvements eligible for reimbursement with tax increment. The Developer provided the Authority evidence of such costs in the amount of \$2,500,000 but those costs did not match the estimated budget items in the TIF Plan Budget.
- 1.03. It has been proposed to modify the TIF Plan Budget to reflect the actual costs of the Developer expended on land acquisition, site preparation, remediation, and housing improvements. The proposed modification to the TIF Plan Budget does not increase the capital costs payable from tax increment and does not increase the amount of the TIF Note provided to the Developer.
- 1.04. Pursuant to Minnesota Statutes, Section 469.175, subdivision 4(b), a tax increment financing plan may be modified without public hearing or the findings required to be made for the original tax increment financing plan if the modification does not include (i) any reduction or enlargement of the geographic area of the project or tax increment financing district; (ii) an increase in the amount of bonded indebtedness to be incurred; (iii) a determination to capitalize interest on debt if that determination was not a part of the original plan; (iv) an increase in the portion of the captured net tax

capacity to be retained by the authority; (v) an increase in the estimated cost of the project, including administrative expenses, to be paid or financed with tax increment from the district; or (vi) the designation of additional property to be acquired by the authority.

Section 2. Approval of TIF Plan Modification.

2.01. Subsection 2-10 of the TIF Plan is hereby modified as follows:

<u>USES OF TAX INCREMENT FUNDS</u>	Original TOTAL	Modified TOTAL
Land/Building Acquisition	\$875,000	\$875,000
Site Improvements/Preparation	\$1,000,000	\$705,000
Utilities	\$0	\$0
Other Qualifying Improvements	\$1,626,617	\$1,921,617
Administrative Costs (up to 10%)	\$680,955	\$680,955
PROJECT COST TOTAL	\$4,182,572	\$4,182,572
<u>Interest</u>	<u>\$3,307,932</u>	<u>\$3,307,932</u>
PROJECT AND INTEREST COSTS TOTAL	\$7,490,504	\$7,490,504

Adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka this 24th day of July, 2017.

Terry Schneider, President

ATTEST:

David E. Maeda, Secretary

Action on this resolution:

Motion for adoption:

Seconded by:

Voted in favor of:

Voted against:

Abstained:

Absent:

Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota, at a duly authorized meeting held on July 24, 2017.

Secretary

EDA Agenda Item #5C
Meeting of July 24, 2017

Brief Description Resolution approving an assignment of loan to CHC Minnetonka Affordable Housing LLC; authorizing the execution of loan documents in connection therewith; and approving the subordination of payments

Recommendation Adopt the resolution

Background

The City has been working with CHC Minnetonka Affordable Housing (the Borrower) to finance tax-exempt bonds for the acquisition and rehabilitation of forty-six existing affordable housing units at 5400 Smetana Drive in Minnetonka and the acquisition and rehabilitation of eight townhome units located in Golden Valley.

In 2000, the city issued bonds for the Elmbrooke Townhomes and Golden Valley townhomes. In addition, the city provided a loan in the amount of \$108,000 to assist with the project. The loan was structured as a deferred loan due payable at sale or transfer of the property or at the maturity date on August 1, 2035.

The Borrower is now intending to acquire and rehabilitate the townhome units in Minnetonka and Golden Valley and is requesting that the city finalize the permanent financing in the form of two series of bonds. As part of this request, the Borrower is requesting that the EDA extend the term of the original EDA loan and subordinate the loan in accordance with Fannie Mae and Dougherty Mortgage (permanent financing).

The Subordination Agreement and Amended and Restated (Elmbrooke) Loan Agreement include the following terms:

- The borrower intends to purchase Elmbrooke Apartments and the Golden Valley Townhomes from Elmbrook –G.V. LP and rehabilitate the properties. The developer is requesting that the EDA renew the existing Elmbrooke loan that includes the following terms:
 - Extend the maturity date of the new loan to December 31, 2054 or earlier depending on MHFA requirements.
 - The new deferred interest loan will incur an interest rate of 2.6% (compounding annually) following the closing on the permanent financing that is anticipated to occur in August. This rate is based off of the Applicable Federal Rate (AFR) and will be adjusted the day of the closing. The principle and full interest are due upon transfer, sale of the property, conveyance, lease, or upon maturity of the loan. The estimated interest over the term of

the renewed loan is \$171,174 payable in 2054. The interest is in addition to the principle of \$108,000 that is also repayable.

- The Borrower is also requesting that the renewed loan is subordinated, as required by Fannie May. The Subordination Agreement allows the Borrower to repay the EDA Loan with 75% of available cash flow for the project.

Staff requested that the Borrower pay the interest on the existing Elmbrooke loan that accrued between August 1, 2000 and August 1, 2017, upon closing of the permanent financing. The original note was issued as a deferred loan in the amount of \$108,000 with a one-percent interest rate maturing on August 1, 2035. The estimated repayment of interest due in August 2017 is \$14,650. Staff is proposing that the interest is set aside to assist with establishing a revolving loan fund within the development account for future housing projects.

A memo from the city's EDA attorney, Julie Eddington, explaining the changes to the Amended and Restated Loan Agreement and the subordination request is attached. Julie Eddington will be present at the meeting to answer any questions.

Recommendation

Staff recommends the EDA adopt the resolution approving the assignment of the loan to CHC Affordable Housing, the Subordination of the Elmbrooke Loan, and related documents; and authorize the EDA President and Executive Director of the EDA to approve non-substantive changes to the Elmbrooke Loan document and Subordination documents.

Submitted through:

Geralyn Barone, City Manager
Julie Wischnack, AICP, Community Development Director
Merrill King, Finance Director

Originated by:

Alisha Gray, Economic Development and Housing Manager

EDA Resolution No. 2017-_____

Resolution approving an assignment of loan to CHC Minnetonka Affordable Housing LLC; authorizing the execution of loan documents in connection therewith; and approving the subordination of payments thereunder

Be it resolved by the Board of Commissioners (the “Board”) of the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “Authority”) as follows:

Section 1. Background.

- 1.01. The Authority and Elmbrook – G.V. LP, a Minnesota limited partnership (“Elmbrook”) are parties to a Loan Agreement (EDA Funds), dated as of August 1, 2000 (the “2000 Loan Agreement”), pursuant to which the Authority made a loan (the “Loan”) to Elmbrook in the amount of \$108,000 to provide financing for the acquisition and installation of certain rehabilitation items described therein for a 46-unit multifamily housing project known as the Elmbrooke Apartments (the “Elmbrooke Apartments”) located at 5420 Smetana Drive (the “Property”) in the City of Minnetonka (the “City”).
- 1.02. To evidence the Loan, Elmbrook executed and delivered a Promissory Note, dated as of August 1, 2000 (the “2000 Note”), to the Authority. To secure the repayment obligations of Elmbrook, Elmbrook executed and delivered to the Authority a Mortgage, dated as of August 1, 2000 (the “2000 Mortgage”).
- 1.03. Elmbrook has determined to convey the Property to Community Housing Corporation of America, Inc. (“CHC”) and CHC will immediately convey the Property to CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company (the “Borrower”), and to assign the Loan to the Borrower, and the Borrower has agreed to acquire the Property and assume the rights and obligations of Elmbrook with respect to the Loan.
- 1.04. In order to memorialize the assignment of the Loan to the Borrower, there has been prepared and presented before this Board an Assignment and Assumption Agreement (the “Assignment and Assumption Agreement”) proposed to be entered into between Elmbrook, the Borrower, and the Authority.
- 1.05. Following the assignment of the Loan to the Borrower, the Borrower has proposed to enter into an Amended and Restated Loan Agreement (the “Loan Agreement”) with the Authority, which will amend and restate the terms of the 2000 Loan Agreement. Additionally, the Borrower will execute and deliver a Promissory Note (the “Note”) to the Authority. The Borrower has also proposed to enter into an Amended and Restated Mortgage (the

“Mortgage”) with the Authority, which will amend and restate the 2000 Mortgage.

- 1.06. On August 8, 2016, the City of Minnetonka, Minnesota (the “City”) issued its Multifamily Housing Revenue Note (Minnetonka Affordable Housing Project), Series 2016 (the “Temporary Note”), in the original aggregate principal amount of \$11,500,000, for the purpose of providing short-term financing for the (i) acquisition, construction, and equipping of twenty-seven (27) new affordable apartment units to be located at 5750 Shady Oak Road, Minnetonka, Minnesota; (ii) acquisition and substantial rehabilitation of the Elmbrooke Apartments; and (iii) acquisition and substantial rehabilitation of six (6) existing affordable townhome units at 2100 Douglas Drive North and two (2) existing affordable townhome units at 3354 Lilac Drive North, Golden Valley, Minnesota (the “Golden Valley Townhomes”).
- 1.07. The City has agreed to issue one or more series of revenue obligations (the “Bonds”) in the maximum principal amount of \$7,500,000 to refund a portion of the principal amount of the Temporary Note and provide permanent financing for the acquisition and substantial rehabilitation of the Elmbrooke Apartments and the Golden Valley Townhomes.
- 1.08. The repayment of the Loan by the Borrower is expected to be subordinate to the repayment obligation of the Borrower with respect to a mortgage loan (the “Mortgage Loan”) to be advanced by Dougherty Mortgage LLC (the “Mortgage Lender”) to the Borrower and insured by Fannie Mae. The Mortgage Loan is being provided to the Borrower in connection with a portion of the Bonds to be issued by the City for the benefit of the Borrower.
- 1.09. The Loan Agreement provides for the subordination of payments by the Borrower under the Loan Agreement to the repayment in full of the obligations of the Borrower with respect to the Bonds to be issued by the City (collectively, the “Subordination”).
- 1.10. There has been presented before this Board a Subordination Agreement (Affordable) (the “Subordination Agreement”) proposed to be entered into between the City, the Authority, the Borrower, which sets forth the Subordination of the Borrower’s payment obligations under the Loan Agreement. The Subordination Agreement will be assigned the Mortgage Lender, who will subsequently assign the Subordination Agreement to Fannie Mae.
- 1.11. The Authority has also been requested to enter into a subordination agreement with the Minnesota Housing Finance Agency (the “MHFA Subordination”) pursuant to which the Authority will subordinate its right of

repayment under the Loan to the right of repayment with respect to a loan provided by the Minnesota Housing Finance Agency to the Borrower.

- 1.12. The Board has reviewed the Assignment and Assumption Agreement, the Loan Agreement, the Note, the Mortgage, and the Subordination Agreement (collectively, the "Loan Documents") and finds that the execution thereof by the Authority and performance of the Authority's obligations thereunder are in the best interest of the City and its residents.

Section 2. Board Action.

- 2.01. The Authority approves the Subordination described herein, subject to the provisions set forth in the Authority Loan Agreement.
- 2.02. The Loan Documents are approved in substantially the form on file in City Hall, subject to modifications that do not alter the substance of the transaction and are approved by the President and Executive Director of the Authority; provided that execution of the Loan Documents will be conclusive evidence of their approval.
- 2.03. The MHFA Subordination is hereby approved, subject to final review and approval by Authority staff and legal counsel. The President and Executive Director are hereby authorized and directed to execute the MHFA Subordination following such approval by Authority staff and legal counsel.
- 2.04. The President and Executive Director are authorized and directed to execute the Loan Documents, substantially in the forms on file with the Authority, and any other documents or certificates necessary to carry out the transactions described therein and herein.

Adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka on July 24, 2017.

Terry Schneider, President

ATTEST:

David E. Maeda, Secretary

Action on this resolution:

Motion for adoption:

Seconded by:

Voted in favor of:

Voted against:

Abstained:

Absent:

Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Commissioners of the Economic Development Authority in and for the City of Minnetonka, Minnesota, at a duly authorized meeting held on July 24, 2017.

Secretary



Offices in 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis Minneapolis, MN 55402
Saint Paul (612) 337-9300 telephone
(612) 337-9310 fax
St. Cloud www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

JULIE A. EDDINGTON
Attorney at Law
Direct Dial (612) 337-9213
Email: jeddington@kennedy-graven.com

July 14, 2017

Julie Wischnack
Community Development Director
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502

Re: Assignment, assumption, and renewal of Elmbrooke loan documents and subordination of payments to be made by CHC Minnetonka Affordable Housing LLC to the Economic Development Authority in and for the City of Minnetonka, Minnesota

Dear Julie,

CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company (the "Borrower"), has been working with the City of Minnetonka (the "City") to finance with tax-exempt bonds the acquisition and substantial rehabilitation of forty-six (46) existing affordable townhome units located at 5400 Smetana Drive in the City (the "Elmbrooke Apartments") and the acquisition and substantial rehabilitation of six (6) existing affordable townhome units located at 2100 Douglas Drive North and two (2) existing affordable townhome units located at 3354 Lilac Drive North in Golden Valley, Minnesota (the "Golden Valley Townhomes"). The permanent financing for the acquisition and substantial rehabilitation of the Elmbrooke Apartments and the Golden Valley Townhomes is expected to include two series of tax-exempt obligations (the "Bonds"), one series secured by a Fannie Mae-secured mortgage loan from Dougherty Mortgage LLC and a second series secured by tax credit investor contributions.

In 2000, the City issued conduit bonds for the Elmbrooke Apartments and the Golden Valley Townhomes for the benefit of the owner of those projects (Elmbrook-G.V. LP). In conjunction with the issuance of the bonds, the Economic Development Authority in and for the City of Minnetonka (the "EDA") provided a loan in the amount of \$108,000 to Elmbrook-G.V. LP (the "EDA Loan"). The principal of and interest on the EDA Loan was due and payable upon the earlier of an event of default, upon transfer, or August 1, 2035. The EDA Loan was secured by a Loan Agreement, Mortgage and Promissory Note. The EDA Loan was subordinated to an MHFA loan provided to Elmbrook-G.V. LP as part of the 2000 bond financing (as required by HUD guidelines).

The Borrower intends to purchase the Elmbrooke Apartments and the Golden Valley Townhomes from Elmbrook-G.V. LP and rehabilitate the properties. Both the Borrower and Elmbrook-G.V. LP have requested that the EDA renew the EDA Loan and waive the requirement to pay the EDA Loan at the time of a transfer, assign the Prior Loan to the Borrower, and extend the term of the EDA Loan to the date of maturity of the mortgage loan to be obtained by the Borrower to finance the Elmbrooke Apartments to December 31, 2054 (or an earlier date if the extension date of the loan the Borrower received from

Minnesota Housing Finance Agency matures on an earlier date). In order for Fannie Mae to insure the mortgage loan, Fannie Mae requires that the EDA Loan be subordinated to the mortgage loan provided by Dougherty Mortgage LLC.

In order to assign the EDA Loan to the Borrower, the following documents have been prepared for approval by the Board of Commissioners of the EDA:

- Assignment and Assumption Agreement;
- Amended and Restated Loan Agreement (EDA Funds);
- Amended and Restated Mortgage;
- Promissory Note; and
- Subordination Agreement (Affordable), as required by Fannie Mae.

In October 2016, the Board of Commissioners approved an earlier version of these documents when it was expected that HUD would provide an FHA-insured mortgage loan to secure the payment of a portion of the Bonds. Since the type of security has changed, the Board of Commissioners of the EDA is being asked to reconsider and approve the forms of the aforementioned documents. In addition, Fannie Mae is requesting a Subordination Agreement. The Subordination Agreement provides that the EDA Loan will be subordinate in payment to the City's bonds. The Subordination Agreement will be assigned by the City to Dougherty Mortgage LLC, the mortgage lender. Dougherty Mortgage LLC. will then assign the Subordination Agreement to Fannie Mae. As the ultimate beneficiary of the Subordination Agreement, Fannie Mae has the first priority for insurance and condemnation proceeds and the EDA cannot enforce its mortgage so long as the Fannie Mae insured mortgage remains outstanding. The Subordination Agreement allows the Borrower to pay the EDA Loan with seventy-five percent (75%) of available cash flow from the project.

The Borrower has also approached MHFA to assign its loan provided for this project to the Borrower and extend the loan's maturity date. MHFA will also require the EDA to subordinate its loan to MHFA's right of repayment on its loan. MHFA will not provide their subordination agreement until after the MHFA board takes action to assign and extend its loan. The resolution attached approves execution of a subordination agreement for MHFA in a form approved by EDA staff and legal counsel.

I will attend the meeting of the Board of Commissioners of the EDA on July 24, 2017 and can answer any questions that may arise during the meeting. Please contact me with any questions you may have prior to the Board meeting.

Sincerely,

Julie A. Eddington

Alisha Gray

Subject: FW: Music Barn and Elmbrooke Golden Valley

From: Jay Jensen <jay@thewaters.com>
Date: Tuesday, May 23, 2017 1:48 PM
To: Julie Klemp-Wischnack <jwischnack@eminnetonka.com>
Cc: Jay Jensen <jay@thewaters.com>
Subject: Music Barn and Elmbrooke Golden Valley

Julie,

Per our conversation, due to the significant devaluation of the housing tax credits, it is no longer financially feasible for Community Housing Corporation of America (“CHC”) to pursue the Music Barn. Last fall the tax credit pricing was \$1.04 and now has dropped to \$0.85 almost a twenty percent reduction that resulted in a \$1.2 million gap.

CHC will continue with the acquisition and substantial rehabilitation of the Elmbrooke Townhomes by using their funds that originally was sufficient to undertake both the Music Barn and Elmbrooke Townhomes to now only do the Elmbrooke Townhomes.

The \$500,000 tax increment funds that were dedicated to the Music Barn are no longer needed. The \$11.5 million tax-exempt bond financing will still be used for the Elmbrooke Townhomes with Minnetonka continuing to be the bond Issuer.

Thank you very much for all of your help with the Music Barn! Your team did an excellent job from the rezoning process through the tax increment assistance to the issuance of the tax-exempt bonds. The Mayor and City Council were always supportive even when a few neighbors raised some concerns about living near affordable housing. As a recent Minnetonka resident, I am fortunate to have such committed elected official and civil servants working for my City.

Jay

Jay Jensen | Principal
Direct(952) 358-5110 | **Main** (952) 358-5100 | **Fax** (952) 358-5010 | 1600 Hopkins Crossroad, Minnetonka, MN 55305



Senior Living Communities: www.thewatersseniorliving.com | Multi Family Communities: www.sheltercorp.com

**Eighth Draft
July 14, 2017**

**AMENDED AND RESTATED LOAN AGREEMENT
(EDA Funds)**

THIS AMENDED AND RESTATED LOAN AGREEMENT (EDA FUNDS) is made this August ____, 2017 (the "Agreement"), between CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company (the "Borrower"), and the ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA, MINNESOTA, a public body corporate and politic of the State of Minnesota (the "Lender").

RECITALS

On August 25, 2000, the City of Minnetonka, Minnesota (the "City"), issued its Multifamily Housing Revenue Refunding Bonds (Elmbrooke – Golden Valley Townhomes Project), Series 2000 (the "Series 2000 Bonds"), in the original aggregate principal amount of \$2,800,000, for the benefit of Elmbrook – G.V. LP, a Minnesota limited partnership ("Elmbrook"). On the date hereof, the Series 2000 Bonds have been paid in full and are no longer outstanding.

Elmbrook applied the proceeds of the Bonds to refinance certain multifamily housing developments, including but not limited to a 46-unit multifamily housing project known as the Elmbrooke Apartments (the "Project") located at 5420 Smetana Drive in the City on certain property legally described in EXHIBIT A attached hereto (the "Property").

In order to provide additional financing for the Project and thereby improve and retain affordable housing in the City, Lender made a loan to Elmbrook (the "2000 Loan") in the amount of \$108,000, pursuant to a Loan Agreement (EDA Funds), dated as of August 1, 2000 (the "2000 Loan Agreement"). The 2000 Loan was evidenced by a Promissory Note, dated as of August 1, 2000 (the "2000 Note"), payable by Elmbrook to Lender. The repayment obligations of Elmbrook were secured by a Mortgage, dated as of August 1, 2000 (the "2000 Mortgage"), from Elmbrook to Lender. To date, interest has accrued on the 2000 Loan in the amount of \$_____ [interest to closing, expected mid-August 2017], which accrued interest was paid by Elmbrook on the date hereof.

Pursuant to an Assignment and Assumption Agreement of even date herewith (the "Assignment and Assumption"), Elmbrook assigned all of its rights and obligations under the 2000 Loan Agreement to Borrower, and Borrower agreed to assume all of the rights and obligations of Elmbrook under the 2000 Loan Agreement.

The repayment of the Loan by Borrower shall be subordinate to the repayment obligation of Borrower with respect to a mortgage loan in the approximate principal amount of \$6,500,000 (the "Mortgage Loan") to be advanced by Dougherty Mortgage LLC, a Delaware limited liability company, to Borrower and insured by Fannie Mae. The Mortgage Loan is being provided to Borrower in connection with multifamily housing revenue bonds to be issued by Lender for the benefit of Borrower to provide permanent financing, in part, for the acquisition and substantial rehabilitation of the Project. The terms of the subordination is set forth in the Subordination Agreement of even date herewith (the "Subordination Agreement") between Lender, Borrower, and Mortgage Lender.

The parties hereto intend for this Agreement to amend and restate the 2000 Loan Agreement.

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

1. The Loan Amount. Subject to and upon the terms and conditions of this Agreement, Lender agrees to loan to Borrower the sum of One Hundred Eight Thousand and no/100ths Dollars (\$108,000), or so much thereof as is disbursed to Borrower in accordance with this Agreement (the "Loan"). The Loan shall be evidenced by a Promissory Note of even date herewith (the "Note"), payable by Borrower to Lender, which Note shall be secured by an Amended and Restated Mortgage of even date herewith (the "Mortgage") between Borrower and Lender, which amends and restates the 2000 Mortgage.

2. Repayment of Loan. The Loan shall be repaid with interest as follows:

(a) Interest to be compounded annually at the rate of 2.60% per annum [interest is tied to AFR and may need to change depending on closing date] shall accrue from the Loan Closing Date (as hereinafter defined) until the Loan is repaid in full.

(b) The entire unpaid balance of principal and interest shall be due and payable in full on the earliest of the following: (i) subject to Section 11 hereof, thirty (30) days after written notification by Lender to Borrower of the occurrence of an Event of Default as defined in Section 5 hereof and demand of payment according to Section 6; or (ii) ten (10) days after Borrower makes or allows to be made any total or partial transfer, sale, assignment, conveyance, lease (except a lease to a residential tenant of a unit within the Project and except transfer of any member interest), or transfer in any other mode, of the Project; or (iii) December 31, 2054.

3. [Intentionally Deleted].

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

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

(b) Borrower is duly authorized and empowered to execute, deliver, and perform this Agreement, the Note, and the Mortgage and to borrow money from Lender.

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

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

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

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

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

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

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

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

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

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

(b) suspend its performance under this Agreement; and

(c) take any action provided for at law to enforce compliance by Borrower with the terms of this Agreement, the Mortgage, or the Regulatory Agreement.

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

8. Miscellaneous.

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

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

(c) Law Governing; Other Matters. This Agreement shall be governed by the substantive laws of the State of Minnesota. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement or in any other agreement between Borrower and Lender shall survive the execution, delivery and performance of this Agreement and the creation and payment of any indebtedness to Lender. Borrower waives notice of the acceptance of this Agreement by Lender.

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

To Lender: Economic Development Authority in and for the
City of Minnetonka
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1597
Attn: Executive Director

To Borrower: CHC Minnetonka Affordable Housing LLC
c/o Community Housing Corporation of America, Inc.
161 St. Anthony Avenue, Suite 820
St. Paul, MN 55103
Attn: President

With copies to: Shelter Corporation
1600 Hopkins Crossroad
Minnetonka, MN 55305
Attn: President

and

Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402-4629
Attention: Jeffrey J. Koerselman, Esq.

A notice of any default under the terms of this Agreement, the Note or the Mortgage shall be provided to Wincopin Circle LLLP, a Maryland limited liability limited partnership, or its affiliate and their respective successors and assigns (the "Investor Member"), so long as it is a member of Borrower:

Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
70 Corporate Center
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attn: Asset Management

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

10. Nonrecourse. Notwithstanding anything to the contrary herein or in the Note, the Loan shall be nonrecourse as to Borrower, and Lender's sole recourse with respect to the Loan shall be as set forth in the Mortgage.

11. Subordination. 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 a Multifamily Note (and any schedules) of even date herewith (the "Multifamily Note") in the original principal amount of \$6,600,000, executed by Borrower and payable to the order of the City, to the extent and in the manner provided in Subordination Agreement. The Subordination Agreement shall be assigned to Dougherty Mortgage LLC, who will subsequently assign the Subordination Agreement to Fannie Mae. 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 Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily 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 this 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. Notwithstanding any provision herein to the contrary, all payments shall be made solely from up to seventy-five percent (75%) of available cash flow. Any capitalized terms used specifically in this Section 11 that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

12. Extended Low-Income Housing Commitment. The lien of the Mortgage shall be subordinate to any extended low-income housing commitment, as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (the "Code") (the "Extended Use Agreement"), recorded or to be recorded against the Property; provided that such Extended Use

Agreement, by its terms, must terminate upon foreclosure under the Mortgage or upon a transfer of the mortgaged property by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Code. Without limiting the foregoing, the Mortgage shall be subject to the requirements of Section 42(h)(6)(E)(ii) of the Code.

13. Investor Transfer Rights. Notwithstanding anything to the contrary contained in the Loan Agreement, the Mortgage, or the Note, it shall not constitute an Event of Default under this Agreement or a default under the Note or the Mortgage and the consent of Lender is not required, for: (a) the transfer of the investor member interest in Borrower owned Investor Member, to an affiliate of Investor Member, or to any other party after Investor Member's full payment of its capital contributions to Borrower, in accordance with the terms of Borrower's First Amended and Restated Operating Agreement, dated _____, as the same may be amended from time to time (the "Operating Agreement"), (b) the transfer of the ownership interests in the Investor Member, so long as the managing member or general partner of Investor Member is an affiliate of Investor Member, (c) the removal of the managing member of Borrower for cause in accordance with the Operating Agreement by the Investor Member, or (d) an amendment of the Operating Agreement (i) resulting from transfers as described above or (ii) which does not materially and adversely affect the ability of Borrower to perform its obligations under this Agreement, the Mortgage, and the Note.

14. Investor Cure Rights. The Investor Member shall have the right, but not the obligation, to cure any Event of Default by Borrower under this Agreement or any default under the Note or the Mortgage, and Lender shall accept performance by the Investor Member of any obligation of Borrower thereunder as though tendered by Borrower itself, provided such performance by the Investor Member has occurred during the applicable cure period, if any, provided to Borrower thereunder with respect to such default or Event of Default.

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

IN WITNESS WHEREOF, the undersigned officers of Lender and Borrower have executed this Amended and Restated Loan Agreement (EDA Funds) as of the date and year first written above.

**ECONOMIC DEVELOPMENT AUTHORITY IN
AND FOR THE CITY OF MINNETONKA,
MINNESOTA**

By _____
Its President

By _____
Its Executive Director

Execution page of Borrower to the Amended and Restated Loan Agreement (EDA Funds), dated as of the date and year first written above.

**CHC MINNETONKA AFFORDABLE HOUSING
LLC**, a Minnesota limited liability company

By: CHC Minnetonka Affordable Housing MM LLC
Its: Managing Member

By: _____
Name: Richard Martin
Title: Administrative Manager

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Tract B, Registered Land Survey No. 1530, Files of the Registrar of Title, County of Hennepin, State of Minnesota

Torrens Property
Torrens Certificate No. 1051689

**Sixth Draft
July 14, 2017**

AMENDED AND RESTATED MORTGAGE

THIS AMENDED AND RESTATED MORTGAGE, made as of August ___, 2017 (the “Mortgage”), is between CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company, as mortgagor (the “Mortgagor”), and the ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA, MINNESOTA, public body corporate and politic of the State of Minnesota, as mortgagee (the “Mortgagee”).

WITNESSETH:

That Elmbrook – G.V. LP, a Minnesota limited partnership (“Elmbrook”), pursuant to a Mortgage, dated as of August 1, 2000 (the “Original Mortgage”), recorded in the Office of Registrar of Titles of Hennepin County, Minnesota on August 29, 2000, as Document No. 3310325, granted Mortgagee a secured interest in the real property legally described in EXHIBIT A attached hereto (the “Land”), in order to secure the repayment obligations of Elmbrook with respect to a loan made by Mortgagee (the “Loan”) under a Loan Agreement (EDA Funds), dated as of August 1, 2000 (the “2000 Loan Agreement”), between Mortgagee, as lender, and Elmbrook.

That Elmbrook assigned its interest in the Loan and its rights and obligations under the 2000 Loan Agreement to Mortgagor and Mortgagor assumed such rights and obligations pursuant to an Assignment and Assumption Agreement of even date herewith between Elmbrook, Mortgagor, and Mortgagee.

That the said Mortgagor, in consideration of the sum of One (\$1.00) Dollar and other good, valuable and sufficient consideration, the receipt whereof is hereby acknowledged, does hereby Grant, Bargain, Sell, and Convey unto the said Mortgagee, its successors and assigns, Forever, all the tract or parcel of land lying and being in the County of Hennepin and State of Minnesota and legally described in EXHIBIT A attached hereto.

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

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

This Mortgage secures a principal debt in the amount of One Hundred Eight Thousand Dollars (\$108,000) payable by Mortgagor to Mortgagee under the terms of the Note and the Amended and Restated Loan Agreement of even date herewith (the "Loan Agreement") between Mortgagor and Mortgagee, which amends and restates the 2000 Loan Agreement, which Note matures no later than December 31, 2054.

Notwithstanding the provisions of this Mortgage or any other document, Mortgagor shall not be personally liable for payment of the indebtedness evidenced by the Note, and Mortgagee's sole recourse for payment of such indebtedness upon the occurrence of an Event of Default (hereinafter defined) shall be to pursue the security provided by this Mortgage and other instruments securing payment of the Note. Nothing in this Section shall affect, limit or impair (i) the security provided by this Mortgage or any other document, (ii) the right to seek monetary judgment against Mortgagor or any owner of the mortgaged property to the extent necessary to permit foreclosure of this Mortgage by action (except that Mortgagor shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by the Note and no deficiency judgment will be sought or obtained against Mortgagor for payment of the indebtedness evidenced by the Note), (iii) the enforcement by Mortgagee of any other legal or equitable rights or remedies or any other provision of any instrument by which the Note is secured, or (iv) the personal liability of Mortgagor for the failure to observe or perform any of the covenants or obligations of this Mortgage and other instruments securing payment of the Note other than the obligation to pay the indebtedness evidenced by the Note.

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

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

3. In case of failure to pay said taxes and assessments, prior liens or encumbrances, expenses and attorneys' fees as above specified, or to insure said buildings and deliver the policies as aforesaid, Mortgagee, its successors or assigns, may pay such taxes, assessments, prior liens, expenses and attorneys' fees and interest thereon, or effect such insurance, and the sums so paid shall bear interest at the highest rate permitted by law from the date of such payment, shall be impressed as an additional lien upon said premises, and be immediately due and payable from Mortgagor, its successors or assigns,

to said Mortgagee, its successors or assigns, and this Mortgage shall from date thereof secure the repayment of such advance with interest.

4. In case of default in any of the foregoing covenants (each an “Event of Default”), Mortgagor confers upon Mortgagee the option, subject to the terms of Section 6 hereof, of declaring a default and hereby authorizes and empowers said Mortgagee, its successors and assigns, to foreclose this Mortgage by judicial proceedings or to sell said premises at public auction and convey the same to the purchaser in fee simple in accordance with the statute, and out of the money arising from such sale to retain all sums secured hereby, with interest and all legal costs and charges of such foreclosure and the maximum attorneys’ fee permitted by law, which costs, charges and fees Mortgagor herein agrees to pay.

5. The lien of this Mortgage shall be subordinate to any extended low-income housing commitment, as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended (the “Code”) (the “Extended Use Agreement”), recorded or to be recorded against the Land; provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Mortgage or upon a transfer of the mortgaged property by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Code. Without limiting the foregoing, this Mortgage shall be subject to the requirements of Section 42(h)(6)(E)(ii) of the Code.

6. Notwithstanding anything to the contrary contained in this Mortgage, the Note, or the Loan Agreement, it shall not constitute an Event of Default under this Mortgage or a default under the Note or the Loan Agreement and the consent of Mortgagee is not required, for: (a) the transfer of the investor member interest in Mortgagor owned by Wincopin Circle LLLP, a Maryland limited liability limited partnership, or its affiliate and their respective successors and assigns (the “Investor Member”), to an affiliate of Investor Member, or to any other party after Investor Member’s full payment of its capital contributions to Mortgagor, in accordance with the terms of Mortgagor’s First Amended and Restated Operating Agreement, dated _____, 2017, as the same may be amended from time to time (the “Operating Agreement”), (b) the transfer of the ownership interests in the Investor Member, so long as the managing member or general partner of Investor Member is an affiliate of Investor Member, (c) the removal of the managing member of Mortgagor for cause in accordance with the Operating Agreement by the Investor Member, or (d) an amendment of the Operating Agreement (i) resulting from transfers as described above or (ii) which does not materially and adversely affect the ability of Mortgagor to perform Mortgagor’s obligations under this Mortgage, the Note, and the Loan Agreement.

7. The Investor Member shall have the right, but not the obligation, to cure any Event of Default by Borrower under this Mortgage or any default under the Note or the Loan Agreement, and Mortgagee shall accept performance by the Investor Member of any obligation of Mortgagor thereunder as though tendered by Mortgagor itself, provided such performance by the Investor Member has occurred during the applicable cure period, if any, provided to Mortgagor thereunder with respect to such default or Event of Default.

8. 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 a Multifamily Note (and any schedules) of even date herewith (the “Multifamily Note”) in the original principal amount of \$6,600,000, executed by the Mortgagor and payable to the order of City of Minnetonka, Minnesota (the “Senior Lender”), to the extent and in the manner provided in that certain Subordination Agreement of even date herewith (the “Subordination Agreement”) between the Mortgagor, the Senior Lender, and the Mortgagee. The Subordination Agreement shall be assigned to Dougherty Mortgage LLC, who will subsequently assign the Subordination Agreement to Fannie Mae. 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 Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily

Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily 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 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. Notwithstanding any provision herein to the contrary, all payments shall be made solely from up to seventy-five percent (75%) of available cash flow. Any capitalized terms used specifically in this Section 12 that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

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

IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have executed this Amended and Restated Mortgage as of the date and year first written above.

CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company

By: CHC Minnetonka Affordable Housing MM LLC
Its: Managing Member

By: _____
Name: Richard Martin
Title: Administrative Manager

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Richard Martin, the Administrative Manager of CHC Minnetonka Affordable Housing MM LLC, a Minnesota limited liability company, the managing member of CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company, on behalf of the Mortgagor.

Notary Public

This instrument drafted by:

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

Execution page of Mortgagee to the Amended and Restated Mortgage, dated as of the date and year first written above.

**ECONOMIC DEVELOPMENT AUTHORITY IN
AND FOR THE CITY OF MINNETONKA,
MINNESOTA**

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Terry Schneider, the President of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Mortgagee.

Notary Public

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Geralyn Barone, the Executive Director of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Mortgagee.

Notary Public

EXHIBIT A

DESCRIPTION OF MORTGAGED PROPERTY

Tract B, Registered Land Survey No. 1530, Files of the Registrar of Title, County of Hennepin, State of Minnesota

Torrens Property
Torrens Certificate No. 1051689

EXHIBIT B

PERMITTED ENCUMBRANCES

[Insert list of permitted encumbrances]

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT, made as of August __, 2017 (the “Assignment”), is between ELMBROOK – G.V. LP, a Minnesota limited partnership (the “Assignor”), COMMUNITY HOUSING CORPORATION OF AMERICA, INC., a Delaware nonprofit corporation (“CHC”), and CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company (the “Assignee”), and the ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA, MINNESOTA, a public body corporate and politic of the State of Minnesota (the “Authority”).

RECITALS

The Assignor and the Authority are parties to that certain Loan Agreement (EDA Funds), dated as of August 1, 2000 (the “Loan Agreement”), pursuant to which the Authority made a loan (the “Loan”) to the Assignor in the amount of \$108,000 to provide financing for the acquisition and installation of certain rehabilitation items described therein for a 46-unit multifamily housing project known as the Elmbrooke Apartments located at 5420 Smetana Drive, Minnetonka, Minnesota and legally described in EXHIBIT A attached hereto (the “Land”).

The Assignor will convey the Land to CHC, and CHC will immediately convey the Land to the Assignee. The Assignor desires to assign to the Assignee all of its interest in the Loan and its rights and obligations under the Loan Agreement, and the Assignee desires to assume such interest in the Loan and the rights and obligations under the Loan Agreement.

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

1. Assignment and Assumption of Loan Agreement. On August __, 2017, the Assignor is conveying the Land to CHC and hereby assigns to CHC all of its interest in the Loan and its rights and obligations under the Loan Agreement. CHC hereby accepts such rights and assumes such obligations. On August __, 2017, CHC is conveying the Land to the Assignee and hereby assigns to the Assignee all of its interest in the Loan and its rights and obligations under the Loan Agreement. The Assignee hereby accepts such rights and assumes such obligations, subject to the terms of this Agreement. The Authority acknowledges and consents to such assignment from the Assignor to CHC and the subsequent assignment from CHC to the Assignee.

2. Release of Assignor. This Assignment shall be deemed to release and discharge the Assignor from any obligations of the “Borrower” under the Loan Agreement, such obligations having been assumed by the Assignee.

3. Assignee Address. For purposes of notice under the Loan Agreement, the Assignee’s address is:

CHC Minnetonka Affordable Housing LLC
c/o Community Housing Corporation of America, Inc.
161 St. Anthony Avenue, Suite 820
St. Paul, MN 55103
Attn: President

Copies of any notices to the Assignee shall also be sent to the following:

Shelter Corporation
1600 Hopkins Crossroad
Minnetonka, MN 55305
Attn: President

Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402-4629
Attention: Jeffrey J. Koerselman, Esq.

4. Governing Law. It is agreed that this Assignment shall be governed by, construed and enforced in accordance with the laws of the State of Minnesota.

5. Entirety of Agreement. This Assignment shall constitute the entire agreement between the parties and any prior understanding or representation of any kind preceding the date of this Assignment shall not be binding upon either party except to the extent incorporated in this Assignment.

6. Modification. Any modification of this Assignment or additional obligation assumed by any party in connection with this Assignment shall be binding only if placed in writing and signed by each party or an authorized representative of each party.

7. Execution in Counterparts. This Assignment may be executed, acknowledged and delivered in any number of counterparts and each of such counterparts shall constitute an original but all of which together shall constitute one agreement.

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

IN WITNESS WHEREOF, the Assignor, the Assignee, and the Authority have caused this Assignment and Assumption Agreement to be executed as of the date and year first written above.

ASSIGNOR:

ELMBROOK – G.V. LP

By: Elmbrook Golden Valley, Inc.
Its: General Partner

By: _____
Name: Richard Martin
Title: Administrative Manager

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Richard Martin, the Administrative Manager of Elmbrook Golden Valley, Inc., a Minnesota limited liability company, the general partner of Elmbrook – G.V. LP, a Minnesota limited partnership, on behalf of the Assignor.

Notary Public

This instrument drafted by:

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

Execution page of CHC to the Assignment and Assumption Agreement, dated as of the date and year first written above.

CHC:

COMMUNITY HOUSING CORPORATION OF AMERICA, INC.

By _____
Its Secretary

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Richard Martin, the Secretary of Community Housing Corporation of America, Inc., a Delaware nonprofit corporation, on behalf of CHC.

Notary Public

Execution page of the Assignee to the Assignment and Assumption Agreement, dated as of the date and year first written above.

ASSIGNEE:

CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company

By: CHC Minnetonka Affordable Housing MM LLC
Its: Managing Member

By: _____
Name: Richard Martin
Title: Administrative Manager

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Richard Martin, the Administrative Manager of CHC Minnetonka Affordable Housing MM LLC, a Minnesota limited liability company, the managing member of CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company, on behalf of the Assignee.

Notary Public

Execution page of the Authority to the Assignment and Assumption Agreement, dated as of the date and year first written above.

AUTHORITY:

**ECONOMIC DEVELOPMENT AUTHORITY IN
AND FOR THE CITY OF MINNETONKA,
MINNESOTA**

By _____
Its President

By _____
Its Executive Director

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Terry Schneider, the President of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Authority.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Geralyn Barone, the Executive Director of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Authority.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF LAND

Tract B, Registered Land Survey No. 1530, Files of the Registrar of Title, County of Hennepin, State of Minnesota

PROMISSORY NOTE

\$108,000

August ___, 2017

CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company (the “Maker”), for value received, hereby promises to pay to the Economic Development Authority in and for the City of Minnetonka, Minnesota (the “EDA”) or its assigns (the EDA and any assigns are hereinafter referred to as the “Holder”), at its designated principal office or such other place as the Holder may designate in writing, the principal sum of One Hundred Eight Thousand and No/100ths Dollars (\$108,000), or so much thereof as may be advanced under this Note, together with interest as hereinafter provided, in any coin or currency which at the time or times of payment is legal tender for the payment of private debts in the United States of America. All terms capitalized herein and not defined have the definitions given such terms in the Amended and Restated Loan Agreement (EDA Funds) of even date herewith (the “Loan Agreement”) between Maker and Holder.

The principal of and interest on this Note is due and payable as follows:

1. Interest to be compounded annually at the rate of 2.60% per annum [interest is tied to AFR and may need to change depending on closing date] shall accrue from the Loan Closing Date until the Loan is repaid in full.

2. The entire unpaid balance of principal and interest shall be due and payable in full on the earliest of the following: (i) subject to Section 12 hereof, thirty (30) days after written notification by EDA to Maker of the occurrence of an Event of Default and demand of payment according to Section 6 of the Loan Agreement; or (ii) ten (10) days after Maker makes or allows to be made any total or partial transfer, sale, assignment, conveyance, lease (except a lease to a residential tenant of a unit within the Project (as defined in the Loan Agreement) and except transfer of any member interest), or transfer in any other mode, of the Project; or (iii) December 31, 2054.

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

4. This Note is given pursuant to the Loan Agreement, as the same may be amended from time to time, and is secured by an Amended and Restated Mortgage of even date herewith (the “Mortgage”) between the Maker and the EDA, which amends and restates the Mortgage, dated as of August 1, 2000, covering certain real property located in Hennepin County and legally described in the Mortgage (the “Property”). All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement and the Mortgage are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note.

5. If an Event of Default occurs under the Loan Agreement, then the Holder of this Note may, at its right and option, but subject in all respects to Section 12 hereof, declare immediately due and payable the principal balance of this Note and interest accrued thereon, without notice, demand or presentment for payment to Maker or others. The remedies of Holder, as provided herein and in the Loan Agreement and the Mortgage, shall be cumulative and concurrent, may be pursued singly, successively,

or together, and, at the sole discretion of the Holder of this Note, and may be exercised as often as occasion therefor shall occur, subject in all respects to the provisions of Section 12 hereof.

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

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

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

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

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

11. Notwithstanding anything to the contrary herein, this Note shall be nonrecourse, and the Holder's sole recourse with respect to the Note shall be as set forth in the Mortgage.

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 a Multifamily Note (and any schedules) of even date herewith (the "Multifamily Note") in the original principal amount of \$6,600,000, executed by the Maker and payable to the order of the City of Minnetonka, Minnesota (the "Senior Lender"), to the extent and in the manner provided in that certain Subordination Agreement of even date herewith (the "Subordination Agreement") between the Maker, the Senior Lender, and the EDA. The Subordination Agreement shall be assigned to Dougherty Mortgage LLC, who will subsequently assign the Subordination Agreement to Fannie Mae. 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 Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily 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 EDA under the Subordination Agreement. Notwithstanding any provision herein to the contrary, all payments shall be made solely from up to seventy-five percent (75%) of available cash flow. Any capitalized terms used specifically in this Section 12 that are otherwise not defined shall have the meanings assigned such terms in the Subordination Agreement.

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

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

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

**CHC MINNETONKA AFFORDABLE HOUSING
LLC**, a Minnesota limited liability company

By: CHC Minnetonka Affordable Housing MM LLC
Its: Managing Member

By: _____
Name: Richard Martin
Title: Administrative Manager

----- [Space Above This Line For Recording Data] -----

**SUBORDINATION AGREEMENT
(Affordable)**

**[CITY TO ASSIGN THIS SUBORDINATION AGREEMENT TO DOUGHERTY
MORTGAGE LLC AND DOUGHERTY MORTGAGE LLC TO ASSIGN TO FANNIE
MAE]**

This SUBORDINATION AGREEMENT (this “**Agreement**”) dated August __, 2017, is executed by and among (i) CITY OF MINNETONKA, MINNESOTA, a home rule charter city and political subdivision of the State of Minnesota (“**Senior Lender**”), (ii) ECONOMIC DEVELOPMENT AUTHORITY IN AND FOR THE CITY OF MINNETONKA, MINNESOTA, a public body corporate and politic of the State of Minnesota (“**Subordinate Lender**”), and (iii) CHC MINNETONKA AFFORDABLE HOUSING LLC, a Minnesota limited liability company (“**Borrower**”).

RECITALS:

A. Pursuant to that certain Multifamily Loan and Security Agreement dated as of the date hereof, executed by and between Borrower and Lender (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “**Senior Loan Agreement**”), Senior Lender has agreed to make a loan to Borrower in the original principal amount of Six Million Six Hundred Thousand and 00/100 Dollars (\$6,600,000) (the “**Senior Loan**”), as evidenced by that certain Multifamily Note dated as of the date hereof, executed by Borrower and made payable to the order of Senior Lender in the amount of the Senior Loan (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “**Senior Note**”).

B. In addition to the Senior Loan Agreement, the Senior Loan and the Senior Note are also secured by a certain Multifamily Mortgage, Deed of Trust or Deed to Secure Debt dated as of the date hereof (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “**Senior Security Instrument**”), encumbering the property described in the Senior Security Instrument as the “**Mortgaged Property.**”

C. Borrower has requested Senior Lender to permit that certain subordinate loan in the amount of \$108,000 (the “**Subordinate Loan**”) from Subordinate Lender to Borrower and to allow the Subordinate Loan to be secured by a mortgage lien against the Mortgaged Property.

D. Senior Lender has agreed to permit the Subordinate Loan and to allow the subordinate mortgage lien against the Mortgaged Property subject to all of the conditions contained in this Agreement.

AGREEMENTS:

NOW, THEREFORE, in order to induce Senior Lender to permit the Subordinate Loan to Borrower and to allow a subordinate mortgage lien against the Mortgaged Property, and in consideration thereof, Senior Lender, Subordinate Lender and Borrower agree as follows:

1. Recitals.

The recitals set forth above are incorporated herein by reference.

2. Definitions.

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

“**Affiliate**” means, when used with respect to a Person, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual Controlled by, under common Control with, or which Controls such Person, and in all cases any other Person that holds fifty percent (50%) or more of the ownership interests in such Person.

“**Borrower**” means the Person named as such in the first paragraph on page 1 of this Agreement, any successor or assign of Borrower, including without limitation, a receiver, trustee or debtor-in-possession and any other Person (other than Senior Lender) who acquires title to the Mortgaged Property after the date of this Agreement.

“**Business Day**” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which Senior Lender is not open for business, or (d) a day on which the Federal Reserve Bank of New York is not open for business.

“**Condemnation Action**” means any action or proceeding, however characterized or named, relating to any condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect.

“**Control**” (including with correlative meanings, the terms “Controlling,” “Controlled by” and “under common Control with”), as applied to any entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or operations of such entity, whether through the ownership of voting securities, ownership interests or by contract or otherwise.

“Default Notice” means: (a) a copy of any written notice from Senior Lender to Borrower and Subordinate Lender stating that a Senior Loan Default has occurred under the Senior Loan Documents; or (b) a copy of the written notice from Subordinate Lender to Borrower and Senior Lender stating that a Subordinate Loan Default has occurred under the Subordinate Loan Documents. Each Default Notice shall specify the default upon which such Default Notice is based.

“Person” means an individual, an estate, a trust, a corporation, a partnership, a limited liability company or any other organization or entity (whether governmental or private).

“Senior Lender” means the Person named as such in the first paragraph on Page 1 of this Agreement, its successors and assigns and any other Person who becomes the legal holder of the Senior Loan after the date of this Agreement.

“Senior Loan Default” means the occurrence of an “Event of Default” as that term is defined in the Senior Loan Documents.

“Senior Loan Documents” means the Senior Security Instrument, the Senior Note, the Senior Loan Agreement, and all other “Mortgage Loan Documents” as that term is defined in the Senior Loan Agreement.

“Subordinate Lender” means the Person named as such in the first paragraph on page 1 of this Agreement, any successor or assign of Subordinate Lender, including without limitation, a receiver, trustee or debtor-in-possession and any other Person who becomes the legal holder of the Subordinate Note after the date of this Agreement.

“Subordinate Loan Agreement” means the Amended and Restated Loan Agreement of even date herewith by and between Borrower and Subordinate Lender.

“Subordinate Loan Default” means a default by Borrower in performing or observing any of the terms, covenants or conditions in the Subordinate Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

“Subordinate Loan Documents” means the Subordinate Note, the Subordinate Mortgage, the Subordinate Loan Agreement and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loan.

“Subordinate Mortgage” means the mortgage, deed of trust or deed to secure debt encumbering the Mortgaged Property as security for the Subordinate Loan, which Subordinate Lender will cause to be recorded among the applicable land records immediately before this Agreement.

“Subordinate Note” means the promissory note of even date herewith issued by Borrower to Subordinate Lender, or order, to evidence the Subordinate Loan.

3. Permission to Place Mortgage Lien Against Mortgaged Property.

Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Mortgaged Property contained in the Senior Loan Documents and subject to the provisions of this Agreement, to permit Subordinate Lender to record the Subordinate Mortgage and other recordable Subordinate Loan Documents against the Mortgaged Property to secure Borrower's obligation to repay the Subordinate Note and all other obligations, indebtedness and liabilities of Borrower to Subordinate Lender under and in connection with the Subordinate Loan.

4. Borrower's and Subordinate Lender's Representations and Warranties.

Borrower and Subordinate Lender each makes the following representations and warranties to Senior Lender:

(a) Subordinate Loan Documents.

The Subordinate Loan is evidenced by the Subordinate Note and is secured by the Subordinate Mortgage, the Subordinate Loan Agreement and the Subordinate Loan Documents.

(b) Subordinate Note.

The Subordinate Note contains the following provision:

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 a Multifamily Note (and any schedules) dated as of even date herewith in the original principal amount of \$6,600,000, executed by CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company ("**Borrower**"), and payable to the order of the City of Minnetonka, Minnesota ("**Senior Lender**"), to the extent and in the manner provided in that certain Subordination Agreement dated as of even date herewith between the payee of this Note, and Senior Lender and the Borrower (the "**Subordination Agreement**"). The Subordination Agreement shall be assigned to Dougherty Mortgage LLC, who will subsequently assign the Subordination Agreement to Fannie Mae. The Mortgage, Deed of Trust or Deed to Secure Debt (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 Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily 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, Deed of Trust or Deed to Secure Debt (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 the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by Subordinate Lender under the Subordination

Agreement. Notwithstanding any provision herein to the contrary, all payments on the Subordinate Note shall be made solely from up to seventy-five percent (75%) of available cash flow.

(c) Relationship of Borrower to Subordinate Lender and Senior Lender.

Subordinate Lender is not an Affiliate of Borrower and is not in possession of any facts which would lead it to believe that Senior Lender is an Affiliate of Borrower.

(d) Term.

The term of the Subordinate Note does not end before the stated term of the Senior Note.

(e) Subordinate Loan Documents.

The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Senior Lender prior to the date of this Agreement.

5. Deliveries.

Subordinate Lender shall submit the following items to Senior Lender the later of (a) ten (10) Business Days after the date on which the proceeds of the Subordinate Loan are disbursed to Borrower, and (b) the effective date of the Senior Loan Documents:

(1) Title Policy Endorsement.

An endorsement to the policy of title insurance insuring the lien of the Senior Security Instrument which insures that (A) there are no liens or other encumbrances affecting the Mortgaged Property, other than "Permitted Encumbrances" (as defined in the Senior Security Instrument), the Subordinate Mortgage, and other Subordinate Loan Documents filed or recorded against the Mortgaged Property, (B) the lien of the Subordinate Mortgage is subordinate to the lien of the Senior Security Instrument, and (C) this Agreement has been recorded among the applicable land records.

(2) Certification.

A certification from Borrower and Subordinate Lender to Senior Lender that the Subordinate Loan Documents do not contain any changes from the Subordinate Loan Documents submitted to, and approved by, Senior Lender prior to the date of this Agreement.

(3) Subordinate Loan Documents.

A complete set of the fully executed Subordinate Loan Documents, certified by Borrower to be true, correct and complete.

(4) Senior Loan Documents.

An executed copy of each of the Senior Loan Documents, certified by Borrower to be true, correct and complete.

6. Terms of Subordination.

(a) Agreement to Subordinate.

Senior Lender and Subordinate Lender agree that (1) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement, to the prior payment in full of the Indebtedness evidenced by the Senior Loan Documents, and (2) the liens, terms, covenants and conditions of the Subordinate Mortgage and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Security Instrument and the other Senior Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the Senior Security Instrument and the other Senior Loan Documents (including but not limited to, all sums advanced for the purposes of (A) protecting or further securing the lien of the Senior Security Instrument, curing defaults by Borrower under the Senior Loan Documents or for any other purpose expressly permitted by the Senior Loan Documents, or (B) constructing, renovating, repairing, furnishing, fixturing or equipping the Mortgaged Property).

(b) Subordination of Subrogation Rights.

Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of Borrower, or by reason of its exercise of any other right or remedy under the Subordinate Loan Documents, it acquires by right of subrogation or otherwise a lien on the Mortgaged Property which (but for this subsection) would be senior to the lien of the Senior Security Instrument, then, in that event, such lien shall be subject and subordinate to the lien of the Senior Security Instrument.

(c) Payments Before Senior Loan Default.

Until Subordinate Lender receives a Default Notice (or otherwise acquires actual knowledge) of a Senior Loan Default, Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the Subordinate Loan Documents.

(d) Payments After Senior Loan Default.

Borrower agrees that, after it receives a Default Notice (or otherwise acquires knowledge) of a Senior Loan Default, it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorneys' fees, or any other sums secured by the Subordinate Loan Documents) without Senior Lender's prior written consent. Subordinate Lender agrees that, after it receives a Default Notice from Senior Lender with written instructions directing Subordinate Lender not to accept payments from Borrower on account of the Subordinate Loan, it will not accept any payments under or pursuant to the Subordinate Loan

Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorneys' fees, or any other sums secured by the Subordinate Loan Documents) without Senior Lender's prior written consent. If Subordinate Lender receives written notice from Senior Lender that the Senior Loan Default which gave rise to Subordinate Lender's obligation not to accept payments has been cured, waived, or otherwise suspended by Senior Lender, the restrictions on payment to Subordinate Lender in this Section 6 shall terminate, and Senior Lender shall have no right to any subsequent payments made to Subordinate Lender by Borrower prior to Subordinate Lender's receipt of a new Default Notice from Senior Lender in accordance with the provisions of this Section 6(d).

(e) Remitting Subordinate Loan Payments to Senior Lender.

If, after Subordinate Lender receives a Default Notice from Senior Lender in accordance with Section 6(d), Subordinate Lender receives any payments under the Subordinate Loan Documents, Subordinate Lender agrees that such payment or other distribution will be received and held in trust for Senior Lender and unless Senior Lender otherwise notifies Subordinate Lender in writing, will be promptly remitted, in kind to Senior Lender, properly endorsed to Senior Lender, to be applied to the principal of, interest on and other amounts due under the Senior Loan Documents in accordance with the provisions of the Senior Loan Documents. By executing this Agreement, Borrower specifically authorizes Subordinate Lender to endorse and remit any such payments to Senior Lender, and specifically waives any and all rights to have such payments returned to Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by Subordinate Lender, and remitted to Senior Lender under this Section 6, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to Senior Lender waive any Subordinate Loan Default which may arise from the inability of Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) Notice of Payment from Other Persons.

Subordinate Lender agrees to notify (telephonically or via email, followed by written notice) Senior Lender of Subordinate Lender's receipt from any Person other than Borrower of a payment with respect to Borrower's obligations under the Subordinate Loan Documents, promptly after Subordinate Lender obtains knowledge of such payment.

(g) Agreement Not to Commence Bankruptcy Proceeding.

Subordinate Lender agrees that during the term of this Agreement it will not commence, or join with any other creditor in commencing any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings against or with respect to Borrower, without Senior Lender's prior written consent.

7. Default Under Subordinate Loan Documents.

(a) Notice of Subordinate Loan Default and Cure Rights.

Subordinate Lender shall deliver to Senior Lender a Default Notice within five (5) Business Days in each case where Subordinate Lender has given a Default Notice to Borrower. Failure of Subordinate Lender to send a Default Notice to Senior Lender shall not prevent the exercise of Subordinate Lender's rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within sixty (60) days following the date of such notice; provided, however that Subordinate Lender shall be entitled, during such sixty (60) day period, to continue to pursue its rights and remedies under the Subordinate Loan Documents. All amounts paid by Senior Lender in accordance with the Senior Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by Senior Lender pursuant to, and shall be secured by, the Senior Loan Agreement and the Senior Security Instrument.

(b) Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.

If a Subordinate Loan Default occurs and is continuing, Subordinate Lender agrees that, without Senior Lender's prior written consent, it will not commence foreclosure proceedings with respect to the Mortgaged Property under the Subordinate Loan Documents or exercise any other rights or remedies it may have under the Subordinate Loan Documents, including, but not limited to accelerating the Subordinate Loan (and enforcing any "due on sale" provision included in the Subordinate Loan Documents), collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder unless and until it has given Senior Lender at least sixty (60) days prior written notice; during such sixty (60) day period, however, Subordinate Lender shall be entitled to exercise and enforce all other rights and remedies available to Subordinate Lender under the Subordinate Loan Documents and/or under applicable laws, including without limitation, rights to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in any land use restriction agreement.

(c) Cross Default.

Borrower and Subordinate Lender agree that a Subordinate Loan Default shall constitute a Senior Loan Default under the Senior Loan Documents and Senior Lender shall have the right to exercise all rights or remedies under the Senior Loan Documents in the same manner as in the case of any other Senior Loan Default. If Subordinate Lender notifies Senior Lender in writing that any Subordinate Loan Default of which Senior Lender has received a Default Notice has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the Senior Loan shall be reinstated, provided, however, that Senior Lender shall not be required to return or otherwise credit for the benefit of Borrower any default rate interest or other default related charges or payments received by Senior Lender during such Senior Loan Default.

8. Default Under Senior Loan Documents.

(a) Notice of Senior Loan Default and Cure Rights.

Senior Lender shall deliver to Subordinate Lender a Default Notice within five (5) Business Days in each case where Senior Lender has given a Default Notice to Borrower. Failure of Senior Lender to send a Default Notice to Subordinate Lender shall not prevent the exercise of Senior Lender's rights and remedies under the Senior Loan Documents, subject to the provisions of this Section 8(a), nor shall such failure constitute a default by Senior Lender under this Agreement. Subordinate Lender shall have the right, but not the obligation, to cure any such Senior Loan Default within sixty (60) days following the date of such Default Notice or the date on which Subordinate Lender otherwise acquires actual knowledge of Senior Loan Default; provided, however, that Senior Lender shall be entitled during such sixty (60) day period to continue to pursue its remedies under the Senior Loan Documents. Subordinate Lender may have up to ninety (90) days from the date of the Default Notice to cure a non-monetary default if during such ninety (90) day period Subordinate Lender keeps current all payments required by the Senior Loan Documents. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Lender's secured position relative to the Mortgaged Property, as determined by Senior Lender in its sole discretion, then Senior Lender may exercise during such ninety (90) day period all available rights and remedies to protect and preserve the Mortgaged Property and the rents, revenues and other proceeds from the Mortgaged Property. All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Loan Default shall be deemed to have been advanced by Subordinate Lender pursuant to, and shall be secured by the Subordinate Loan Agreement and the Subordinate Mortgage.

(b) Cross Default.

Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a Senior Loan Default shall not constitute a default under the Subordinate Loan Documents (if no other default has occurred under the Subordinate Loan Documents) until either (1) Senior Lender has accelerated the maturity of the Senior Loan, or (2) Senior Lender has taken affirmative action to exercise its rights under the Senior Loan Documents to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the Senior Loan Documents. At any time after a Senior Loan Default is determined to constitute a default under the Subordinate Loan Documents, Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of this Agreement. If at any time Borrower cures any Senior Loan Default to the satisfaction of Senior Lender, as evidenced by written notice from Senior Lender to Subordinate Lender, any default under the Subordinate Loan Documents arising from such Senior Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such Senior Loan Default had never occurred.

9. Conflict.

Borrower, Senior Lender and Subordinate Lender each agrees that, in the event of any conflict or inconsistency between the terms of the Senior Loan Documents, the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of Senior Lender and Subordinate Lender in the Mortgaged Property; (b) the timing of the exercise of remedies by Senior Lender and Subordinate Lender under the Senior Loan Documents and the Subordinate Loan Documents, respectively; and (c) solely as between Senior Lender and Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which Senior Lender and Subordinate Lender have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: extend Borrower's time to cure any Senior Loan Default or Subordinate Loan Default, as the case may be; give Borrower the right to notice of any Senior Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the Senior Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

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

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) Protection of Security Interest.

Subordinate Lender shall not, without the prior written consent of Senior Lender in each instance, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents, except that Subordinate Lender shall have the right to advance funds to cure Senior Loan Defaults pursuant to Section 8(a) and advance funds pursuant to the Subordinate Loan Documents for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Mortgaged Property and curing other defaults by Borrower under the Subordinate Loan Documents.

(b) Condemnation or Casualty.

Following the occurrence of (1) a Condemnation Action, or (2) a fire or other casualty resulting in damage to all or a portion of the Mortgaged Property (collectively, a "**Casualty**"), at any time or times when the Senior Security Instrument remains a lien on the Mortgaged Property the following provisions shall apply:

(A) Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation Action or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation Action or a Casualty shall be and remain subject and subordinate in all respects to Senior Lender's rights under the Senior Loan Documents with respect thereto, and

Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Condemnation Action or a Casualty made by Senior Lender; provided, however, this subsection or anything contained in this Agreement shall not limit the rights of Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Condemnation Action or Casualty; and

(B) all proceeds received or to be received on account of a Condemnation Action or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the Senior Loan) in the manner determined by Senior Lender in its sole discretion; provided, however, that if Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the Senior Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the Senior Loan shall be paid to, and may be applied by, Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents, provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds, provided further, however, that in the event of any disagreement between Senior Lender and Subordinate Lender over the application of Casualty proceeds, the decision of Senior Lender, in its sole discretion, shall prevail.

(c) Insurance.

Subordinate Lender agrees that all original policies of insurance required pursuant to the Senior Security Instrument shall be held by Senior Lender. The preceding sentence shall not preclude Subordinate Lender from requiring that it be named as a loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of the proceeds of property damage insurance under the Senior Security Instrument, or that it be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

(d) No Modification of Subordinate Loan Documents.

Borrower and Subordinate Lender each agree that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of Senior Lender in each instance, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon Senior Lender under the Senior Loan Documents. Any unauthorized amendment of the Subordinate Loan Documents or assignment of Subordinate Lender's interest in the Subordinate Loan without Senior Lender's consent shall be void ab initio and of no effect whatsoever.

11. Modification or Refinancing of Senior Loan.

Subordinate Lender consents to any agreement or arrangement in which Senior Lender waives, postpones, extends, reduces or modifies any provisions of the Senior Loan Documents, including any provision requiring the payment of money. Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Loan (including reasonable and necessary costs associated with the closing and/or the refinancing); and that all the terms and covenants of this Agreement shall inure to the benefit of any holder of any such refinanced debt; and that all references to the Senior Loan, the Senior Note, the Senior Loan Agreement, the Senior Security Instrument, the Senior Loan Documents and Senior Lender shall mean, respectively, the refinance loan, the refinance note loan agreement, the mortgage securing the refinance note, all documents evidencing securing or otherwise pertaining to the refinance note and the holder of the refinance note.

12. Default by Subordinate Lender or Senior Lender.

If Subordinate Lender or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.

13. Reinstatement.

To the extent that Borrower makes a payment to Senior Lender or Senior Lender receives any payment or proceeds of the collateral securing the Senior Loan for Borrower's benefit, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable doctrine, then to the extent of such payment or proceeds received and not retained by Senior Lender, this Agreement shall be reinstated and continue in full force and effect until full and final payment shall have been made to Senior Lender. Subordinate Lender agrees to hold in trust for Senior Lender and promptly remit to Senior Lender any payments received by Subordinate Lender after such invalidated, rescinded or returned payment was originally made.

14. Notices.

(a) Process of Serving Notice.

All notices under this Agreement shall be:

- (1) in writing and shall be:
 - (A) delivered, in person;
 - (B) mailed, postage prepaid, either by registered or certified delivery, return receipt requested;
 - (C) sent by overnight courier; or

(D) sent by electronic mail with originals to follow by overnight courier;

(2) addressed to the intended recipient at the address(es) below the signature block, as applicable; and

(3) deemed given on the earlier to occur of:

(A) the date when the notice is received by the addressee; or

(B) if the recipient refuses or rejects delivery, the date on which the notice is so refused or rejected, as conclusively established by the records of the United States Postal Service or any express courier service.

(b) Change of Address.

Any party to Agreement may change the address to which notices intended for it are to be directed by means of notice given to the other parties identified in this Agreement.

(c) Receipt of Notices.

Senior Lender, Subordinate Lender or Borrower shall not refuse or reject delivery of any notice given in accordance with this Agreement. Each party is required to acknowledge, in writing, the receipt of any notice upon request by the other party.

15. General.

(a) Assignment/Successors.

This Agreement shall be binding upon Borrower, Senior Lender and Subordinate Lender and shall inure to the benefit of the respective legal successors, transferees and assigns of Borrower, Senior Lender and Subordinate Lender. Borrower shall not assign any of its rights and obligations under this Agreement without the prior written consent of Senior Lender.

(b) No Partnership or Joint Venture.

Senior Lender's permission for the placement of the Subordinate Loan does not constitute Senior Lender as a joint venturer or partner of Subordinate Lender. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) Senior Lender's and Subordinate Lender's Consent.

Wherever Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) Further Assurances.

Subordinate Lender, Senior Lender and Borrower each agrees, at Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Mortgage is subordinate to the lien, covenants and conditions of the Senior Loan Documents, or to further evidence the intent of this Agreement.

(e) Amendment.

This Agreement shall not be amended except by written instrument signed by all parties hereto.

(f) Governing Law.

This Agreement shall be governed by the laws of the jurisdiction in which the Mortgaged Property is located without giving effect to any choice of law provisions thereof that would result in the application of the laws of another jurisdiction. Senior Lender, Subordinate Lender and Borrower agree that any controversy arising under or in relation to this Security Instrument shall be litigated exclusively in the jurisdiction in which the Mortgaged Property is located. The state and federal courts and authorities with jurisdiction in such locale shall have exclusive jurisdiction over all controversies that arise under or in relation to this Agreement. The parties hereto irrevocably consent to service, jurisdiction, and venue of such courts for any such litigation and waive any other venue to which any might be entitled by virtue of domicile, habitual residence or otherwise.

(g) Severable Provisions.

If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) Term.

The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (1) the payment in full of the principal of, interest on and other amounts payable under the Senior Loan Documents; (2) the payment in full of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to Section 6 hereof; (3) the acquisition by Senior Lender of title to the Mortgaged Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Senior Loan Documents; or (4) the acquisition by Subordinate Lender of title to the Mortgaged Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Loan Documents, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one (1) and the same instrument.

(j) Sale of Senior Loan.

Nothing in this Agreement shall limit Senior Lender's (including any assignee or transferee of Senior Lender) right to sell or transfer the Senior Loan, or any interest in the Senior Loan. The Senior Loan or a partial interest in the Senior Loan (together with this Agreement and the other Loan Documents) may be sold one or more times without prior notice to Borrower.

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IN WITNESS WHEREOF, Borrower, Senior Lender and Subordinate Lender have signed and delivered this Agreement under seal (where applicable) or have caused this Agreement to be signed and delivered under seal (where applicable) by a duly authorized representative. Where applicable law so provides, Borrower, Senior Lender and Subordinate Lender intend that this Agreement shall be deemed to be signed and delivered as a sealed instrument.

SENIOR LENDER:

By: _____
Name: Terry Schneider
Title: Mayor
Address: 14600 Minnetonka Boulevard
Minnetonka, MN 55345

By: _____
Name: Geralyn Barone
Title: City Manager
Address: 14600 Minnetonka Boulevard
Minnetonka, MN 55345

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Terry Schneider, the Mayor of the City of Minnetonka, Minnesota, on behalf of the Senior Lender.

Notary Public

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Geralyn Barone, the City Manager of the City of Minnetonka, Minnesota, on behalf of the Subordinate Lender.

With a copy to:
Fannie Mae
Attention: Multifamily Operations -
Asset Management
Drawer AM
3900 Wisconsin Avenue, N.W.
Washington, DC 20016

SUBORDINATE LENDER:

By: _____
Name: Terry Schneider
Title: President
Address: 14600 Minnetonka Boulevard
Minnetonka, MN 55345

By: _____
Name: Geralyn Barone
Title: Executive Director
Address: 14600 Minnetonka Boulevard
Minnetonka, MN 55345

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Terry Schneider, the President of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Subordinate Lender.

Notary Public

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Geralyn Barone, the Executive Director of the Economic Development Authority in and for the City of Minnetonka, Minnesota, on behalf of the Subordinate Lender.

Notary Public

BORROWER:

**CHC MINNETONKA AFFORDABLE HOUSING
LLC**, a Minnesota limited liability company

By: CHC Minnetonka Affordable Housing MM LLC
Its: Managing Member

By: _____
Name: Richard Martin
Title: Administrative Manager
Address: _____

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2017, by Richard Martin, the Administrative Manager of CHC Minnetonka Affordable Housing MM LLC, a Minnesota limited liability company, the managing member of CHC Minnetonka Affordable Housing LLC, a Minnesota limited liability company, on behalf of the Borrower.