

**ECONOMIC DEVELOPMENT AUTHORITY (EDA)
MINUTES OF THE MEETING OF
September 28, 2020**

The meeting was called to order at 6:30 pm by Chair Szurek.

Members Present: Novitsky, Buesgens, Schmitt, Herringer, Murzyn, Williams and Szurek.

Staff Present: Aaron Chirpich (Community Development Director), Kelly Bourgeois (City Manager), and Christy Bennett (Recording Secretary).

PLEDGE OF ALLEGIANCE- RECITED

Business Items:

1. Approve Subordination and Assignment Agreements as Part of the Purchase and Redevelopment Contract with BPOZ, LLC for the Redevelopment of the 40th and Central Avenue Redevelopment Site.

BACKGROUND:

Chirpich said the EDA has approved the sale of the redevelopment site located at 40th and Central Avenue to BPOZ, LLC. As part of the contract terms listed in the purchase and redevelopment agreement, the EDA has agreed to subordinate its rights under the agreement to the holder of any mortgage that secures construction or permanent financing for the project. At the time that the purchase and redevelopment agreement was approved, staff was still working to finalize the details of a subordination agreement that was requested by the first mortgage lender on the project, Old National Bank. Under the subordination agreement being presented, BPOZ LLC assigns all of its rights under the redevelopment Contract to Old National Bank as a condition of securing their loan for construction financing. In turn the EDA agrees to acknowledge the assignment of rights and take a subordinate position to the lender.

Chirpich said that in addition to the first mortgage financing being provided by Old National Bank, BPOZ LLC has also secured financing for the project from Colliers Funding LLC. The loan provided by Colliers is in the form of a tax increment financing loan. Under this arrangement, the loan from Colliers to BPOZ is secured by an assignment of the TIF note that has been promised to BPOZ through the redevelopment contract. In other words, BPOZ is using the TIF note to secure construction financing for the project by assigning the future TIF payments to the lender.

Chirpich said the subordination and assignment requests being made by the lenders on this project are typical for this type of transaction. The general provisions that support these requests are built into the purchase and redevelopment agreement that has been approved by the EDA. The EDA is simply being asked to approve the actual final agreements in preparation of the upcoming closing.

STAFF RECOMMENDATION:

Staff recommends approval of Resolution 2020-17 as presented. Resolution 2020-17 will approve both the subordination request made by Old National, and the Assignment and Consent agreements proposed by Colliers.

Questions from members:

Buesgens asked if the EDA is selling to them, what rights would the EDA have. Chirpich said we certainly don't have as many as the primary lender at that point. We still have rights under the contract that we don't

subordinate. It is a subordination of part of our rights. We can still guarantee, for example, that the minimum improvements get built in the way that we've approved. We could withhold the issuance of the TIF note. There are non-negotiable terms for the assessment agreement. Many of the provisions remain intact and we are the primary enforcer. Subordination contemplates something going really haywire, at which point, the bank would have a lot of money into the project and they would get the land back. If we had financial claims against Alatus, which we might, we could still go after them.

Schmitt asked if there is a reason that the City stayed with Old National. Chirpich said the securing of Old National was purely a decision made by BPOZ/Alatus. It is the primary lender that they had struck a deal with; it was not part of the EDA's decision.

Motion by Schmitt, seconded by Novitsky, to waive the reading of Resolution 2020-17, there being ample copies available to the public.

All Ayes. MOTION PASSED.

Motion by Schmitt, seconded by Novitsky, to adopt Resolution 2020-17, a resolution approving subordination of purchase and redevelopment contract between the City, the Columbia Heights Economic Development Authority, and Old National Bank, and consenting to assignment of tax increment financing documents between BPOZ Columbia Heights, LLC and Colliers Funding LLC.

All Ayes. MOTION PASSED.

Other Updates

Chirpich said he had an update on next week's EDA meeting. It's a very busy night for the City; there are a lot of different meetings going on. Chirpich said that he is still working on the details for the time. It would be the regularly scheduled meeting, but the time may need to be amended to account for traffic commission, assessment hearings, and a work session. There will be a contract for demolition of the single family home at 4441 Central Ave to be reviewed by the EDA at the meeting, so that it can be demolished this fall still. This meeting, along with all other meetings that evening, will be at the library, due to in person voting.

Motion by Buesgens, seconded Murzyn, to adjourn the meeting at 6:42 pm.

All Ayes. MOTION PASSED.

Respectfully submitted,

Christy Bennett
Secretary