Preliminary Term Sheet

This Term Sheet is executed as of this 9th day of March, 2015 by and between Developer and EDA (as those terms are defined below) and is intended to set forth the general terms upon which the parties hereto may be willing to enter into a Contract for Private Development (the “Development Agreement”). Except for Section 11 below (which shall be binding upon Developer) this Term Sheet shall not be deemed conclusive or legally binding upon either party and neither party shall have any obligations regarding the property defined below unless and until a definitive Development Agreement is approved by the EDA board and executed by both parties.

1. **Developer:** Doran 610, LLC, a Minnesota limited liability company, or an entity wholly owned by Kelly J. Doran.

2. **EDA:** Brooklyn Park Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota

3. **Property:** Southeast corner of Oak Grove Parkway and Hampshire Avenue (PID: 0811921140052)

4. **Developer Conditions, as determined to date:**
   a. Execution of Development Agreement
   b. Site Control

5. **EDA Conditions, as determined to date:**
   a. City Council approval of Planning Application
   b. EDA approval of Construction Plans
   c. Execution of a Development Agreement
   d. Approval of abatement after public hearing.

6. **Minimum Improvements:** Improvements to the Property will include the construction and equipping of a total of approximately 450 to 485 market rate rental units and associated club house to be completed in two phases. Phase I will consist of the construction and equipping of approximately 260 to 287 rental units, dispersed among three buildings, and an approximately 21,600 square foot clubhouse. Phase II will consist of the construction and equipping of an additional approximately 180-200 rental units in a single building.

7. **Construction Schedule:** Commence construction on Phase I by September 30, 2015, and Complete construction by March 31, 2017. Upon Developer’s reasonable determination to proceed with Phase II of the project, Commence construction on Phase II by June 30, 2017 and Complete construction by March 31, 2019. For the purpose hereof, “Commence” shall mean beginning of physical improvement to the Property, including grading, excavation, or other physical site preparation work, except that for the purposes of Phase II, “Commence” shall mean pouring of the footings and foundation (and any grading, excavation, or other physical site preparation work performed on the Phase II Property shall not constitute Commencement); and “Complete” means that the Minimum Improvements are sufficiently complete for the issuance of a Certificate of Occupancy. Upon Completion the EDA shall issue, in recordable form, a “Certificate of Completion.”
8. **Public Assistance:** Subject to all terms and conditions of the Development Agreement and to the extent authorized by applicable law, the EDA will reimburse Developer for Qualified Costs incurred in connection with the construction of the Minimum Improvements on the Property equal to $3,000,000 from existing pooled tax increment, conditioned upon closing on construction financing sufficient to finance Phase I, evidence of Commencement of construction of the Minimum Improvements, and evidence of payment of Qualified Costs. The EDA reimbursement will be paid within thirty (30) days following satisfaction of the conditions stated in the preceding sentence. For purposes of this Term Sheet and the Development Agreement, “Qualified Costs” means site grading, excavation, construction of underground parking, and installation of utilities on the Property.

In addition to tax increment financing, the EDA will also grant tax abatement assistance under Minnesota Statutes, Sections 469.1812 to 469.1815 to the Developer, in the form of two Tax Abatement Notes (the “Notes”) in the maximum aggregate principal amount of $4,000,000, as described hereafter. The interest rate for both Notes will be 5.25%. For purposes of computation of the amount of abatement payable under the Notes, the base value of the Property is assumed to be $3,794,000, and the term “Abatement” means the real property taxes generated in any tax-payable year by extending the City’s total tax rate for that year against the tax capacity of the relevant Phase of the Minimum Improvements and the Property in accordance with the Development Agreement, excluding the initial tax capacity of the Property based upon its assumed base value. Abatement will continue until the earlier of payment of the entire principal amount payable under each Note, or termination of the authorized Abatement period (not to exceed 15 years).

Upon completion of construction of Phase I, the EDA will issue a Note to the Developer, payable from Abatement from the Phase I improvements. The Phase I Note will be issued in the principal amount of $2,500,000, provided that the principal amount of the Phase I Note may be reduced as described hereafter. Upon Stabilization of each Phase, the Abatement portion of the Public Assistance will be subject to a lookback based on a target cash-on-cash return of 11.5%. The term “Stabilization” means that, for each Phase of the project, the Phase shall be at least 95% occupied and the property taxes shall be fully assessed. By April 1 of the year of Stabilization of each Phase, the Developer must deliver to the EDA evidence of its annualized cash-on-cash return from the Property and the Minimum Improvements (“COC”). The COC shall be calculated with equity, revenues and expenses all determined in accordance with generally accepted accounting principles, provided that the amount of the Developer’s equity must exclude the principal amount of the $3,000,000 grant of tax increment and any principal amounts disbursed under the Notes at the time of calculation. If the COC for Phase I does not exceed 11.5%, the Note for Phase I will remain set at the principal amount of $2,500,000. If the COC for Phase I exceeds 11.5%, then the principal amount of the Note for Phase I will be reduced to an amount that shows a stabilized COC of 11.5% over the term of the Abatement. Upon completion of construction of Phase II, the EDA will issue a Note to the Developer, payable from Abatement from the Phase II improvements. The Phase II Note will be issued in the principal amount of $1,500,000, provided that the principal amount of the Phase II Note may be reduced as described hereafter. Upon Stabilization of Phase II, if the COC for Phase I and Phase II combined does not exceed 11.5%, the principal amount of the Note for Phase II will be modified, if necessary, to be the lesser of (i) $1,500,000, or (ii) the principal amount necessary to allow the Developer to obtain
a combined COC of 11.5% on a stabilized annual basis over the remaining term of the Abatement. Upon Stabilization of Phase II, if the COC for Phase I and Phase II combined exceeds 11.5%, the principal amount of the Phase II Note will be reduced to an amount that shows a combined stabilized COC of 11.5% over the remaining term of the Abatement.

9. Jobs: Job creation is not a goal of this project. The goal is to provide market rate rental housing in the community to expand housing options, attract nearby industrial development and enhance the community’s tax base. The public assistance proposed to be provided pursuant to this term sheet is assistance for housing and therefore the provisions of the Business Subsidy Act, Minnesota Statutes, Section 116J.993 to 116J.995, do not apply.

10. Fees: Within three (3) days of approval of this Letter of Intent by the EDA Board of Commissioners, Developer shall deposit to the EDA the sum of Ten Thousand Dollars ($10,000.00) to pay for the reasonable out-of-pocket legal, financial consultant and administrative fees associated with this transaction. Unexpended funds will be returned to the Developer and if additional fund are needed to pay such expenses the Developer shall deposit such additional funds upon request by the EDA.

11. Miscellaneous: No transfer of the portion of the Property or of the Development Agreement without EDA consent prior to the issuance of the Certificate of Completion, except for: mortgage financing and transfers to the company to be identified in the Development Agreement as operating the building or transfers to any entity controlled by Kelly J. Doran or in which Kelly J. Doran holds the majority of ownership interests.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

DORAN 610, LLC

By: _________________________
Its: _________________________

BROOKLYN PARK ECONOMIC DEVELOPMENT AUTHORITY

By: _________________________
Its: Executive Director