

CITY OF SHAKOPEE

RESOLUTION NO. R2019-079

RESOLUTION APPROVING AN INTERFUND LOAN FOR ADVANCE OF
CERTAIN COSTS IN CONNECTION WITH GAUGHAN REDEVELOPMENT
PROJECT

WHEREAS, the Economic Development Authority for the City of Shakopee, Minnesota (the “Authority”) has entered into a Contract for Private Development (the “Contract”) with Gaughan Development LLC, a Minnesota limited liability company (the “Developer”), pursuant to which the Developer will construct approximately 125 market-rate apartment units, including at least 125 underground parking units, and 3,500 square feet of commercial space on certain property in the City of Shakopee (collectively, the “Project”);

WHEREAS, the Authority has entered into a purchase agreement with William J. Strunk to purchase property located at 303 First Avenue West, Shakopee, Minnesota and legally described as follows:

The South ½ of Lot 5, Block 7, CITY OF SHAKOPEE, according to the recorded plat thereof on file in the office of the County Recorder, in and for Scott County, Minnesota;

WHEREAS, the Authority has entered into a purchase agreement with Barbara Jo Curry to purchase property located at 116 Atwood Street North, Shakopee, Minnesota and legally described as follows:

The North ½ of Lot 5, Block 7, CITY OF SHAKOPEE, according to the recorded plat thereof on file in the office of the County Recorder, in and for Scott County, Minnesota;

WHEREAS, the Authority proposes to purchase the properties legally described above (the “Property”) and intends to convey the Property to the Developer for the purposes of expanding the Project to 175 market-rate apartment units;

WHEREAS, the Authority has requested a loan from the City in order to purchase the Property in the maximum amount of \$500,000.00; and

WHEREAS, it is proposed that the City of Shakopee (the “City”) loan funds from its General Fund, or any other fund designated by the City, to the Authority to finance the acquisition of the Property (the “Interfund Loan”) in accordance with the terms of this resolution;

WHEREAS, the Authority proposes to convey the Property to the Developer at the time of the Developer’s financial closing for the Project and at the time of conveyance, the Developer will enter into an amendment to the Contract that requires the Developer to pay the principal of and interest on the Interfund Loan from proceeds of a loan provided by its lender for the Project;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Shakopee, that:

1. The City hereby authorizes the advance of up to \$500,000 from the City's General Fund, or from any other fund designated by the City, or so much thereof as may be paid as necessary to acquire the Property, contingent upon the approval of the Interfund Loan by the Board of Commissioners of the Authority.

2. Interest on the Interfund Loan shall accrue commencing August 1, 2019 (the date the Property is purchased).

3. The Interfund Loan is payable solely from payments made by the Developer upon conveyance of the Property to the Developer. The Borrower intends to obtain financing for the Project from a lender and close on that financing on or prior to April 1, 2020. On the date of its financial closing, the Borrower will use a portion of the proceeds of such financing to pay the principal of and interest on the Interfund Loan in full. If the Borrower does not pay the principal of and interest on the Loan on or before May 31, 2020, the interest rate on the Loan shall increase to 5%.

4. The City may from time to time amend the terms of this resolution, including amendments to the terms of and the Interfund Loan entered into under this resolution. However, the Mayor and City Administrator may initiate, prepay, terminate, or modify the terms of the Interfund Loan authorized under this resolution without further action by the City Council, so long as such actions are consistent with the terms for the Interfund Loan described in this resolution.

5. City staff and officials are hereby authorized and directed to execute any documents and take any other actions necessary to carry out the intent of this resolution.

6. This resolution shall be in full force and effect from and after its approval.

Approved by the City Council of the City of Shakopee this 7th day of August, 2019.

Mayor

ATTEST:

City Clerk