



Dakota County CDA Board of Commissioners

Agenda

Meeting Date: September 23, 2025	3:00 PM	CDA Boardroom, Eagan, MN
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1. Call To Order And Roll Call

2. Audience

Anyone wishing to address the CDA Board on an item not on the agenda, or an item on the consent agenda may notify the Clerk to the Board and instructions will be given to participate during the meeting. Comments can be sent to sjacobson@dakotacda.org. Verbal Comments are limited to five minutes.

3. Approval Of Agenda And Meeting Minutes

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4. Federal Public Housing And Housing Choice Voucher

Discussion

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5. Consent Agenda

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C. Authorization Of Forgivable Loan For Capital Improvements To Dakota Woodlands Shelter (Eagan)	42
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F. Authorization To Execute Compliance Monitoring Contracts For Low Income Housing Tax Credit And HOME Investment Partnership Programs	64

6. Regular Agenda

- A. Conduct Public Hearing To Receive Comments On The Disposition Of DCCDA
Section 18, LLC Properties And Authorization To Enter Into Purchase
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- B. Approval Of Contingent Redevelopment Incentive Grant Award For The City Of
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- C. Authorize The Levy Of A Special Benefit Tax Pursuant To Minnesota Statutes
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- D. Executive Director Update

7. Information

- A. Workforce Housing Limited Partnership Audit Reports – CY 2024 195

8. Adjournment

For more information, call 651-675-4434.

Dakota County CDA Board meeting agendas are available online at:
http://www.dakotacda.org/board_of_commissioners.htm

Next Meetings:

October 21, 2025

CDA Board of Commissioners Regular Meeting – 3 p.m.

Dakota County CDA Boardroom, 1228 Town Centre Drive, Eagan, MN 55123



Board of Commissioners

Meeting Minutes

Meeting Date: August 26, 2025

3:00 PM

Boardroom; CDA Office, Eagan, MN

Commissioner Atkins called the meeting to order at 3:01 p.m.

COMMISSIONER ROLL CALL

	Present	Absent
Commissioner Slavik, District 1	X	
Commissioner Atkins, District 2	X	
Commissioner Halverson, District 3	X	
Commissioner Droste, District 4	X	
Commissioner Workman, District 5	X	
Commissioner Holberg, District 6	X	
Commissioner Hamann-Roland, District 7	X	
Commissioner Velikolangara, At Large	X	

CDA staff in attendance:

Tony Schertler, Executive Director
Sara Swenson, Director of Administration & Communications
Sarah Jacobson, Administrative Coordinator
Lisa Alfson, Director of Community & Economic Development
Emily Anderson, Community Development Coordinator
Kathy Kugel, Housing Finance Manager
Lisa Hohenstein, Director of Housing Assistance
Anna Judge, Director of Property Management

Others in attendance:

Erin Stwora, Dakota County
Heidi Welch, Dakota County
Will Wallo, Dakota County
Colin Manson, Realtor
Mike Waldo, Ron Clark Construction
Christine Jones

AUDIENCE

Christine Jones addressed the Board regarding rent calculations.

APPROVAL OF AGENDA AND MEETING MINUTES

25-6995 **Approval Of Agenda And Meeting Minutes**

BE IT RESOLVED, by the Dakota County Community Development Agency Board of Commissioners, that the agenda for the August 26, 2025 Regular Board meeting be approved as written.

BE IT FURTHER RESOLVED by the Dakota County Community Development Agency Board of Commissioners, that the minutes for the July 29, 2025 Regular Board meeting be approved as written.

Motion: Commissioner Hamann-Roland Second: Commissioner Slavik

Ayes: 8

Nays: 0

Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			
Velikolangara	X			

FEDERAL PUBLIC HOUSING AND HOUSING CHOICE VOUCHER AGENDA

25-6996 **Approval Of The 2026 Utility Allowance Schedule For The Public Housing Program**

WHEREAS, the Dakota County CDA administers the federal Public Housing Program; and

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) requires all housing authorities to review and revise, as necessary, allowances for resident paid utilities in Public Housing properties on an annual basis; and

WHEREAS, the Dakota County CDA has contracted with The Nelrod Company to conduct a review of utility allowances and make recommendations based on an engineering method.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of commissioners, That the updated Utility Allowance Schedule in Attachment A is approved effective January 1, 2026 for the Public Housing Program.

Motion: Commissioner Velikolangara Second: Commissioner Droste

Ayes: 8

Nays: 0

Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			

Hamann-Roland	X
Velikolangara	X

CONSENT AGENDA

25-6997 Approval Of Record Of Disbursements – July 2025

BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the July 2025 Record of Disbursements is approved as written.

25-6998 Approval Of Amendments To Personnel Policy #230 – Training

WHEREAS, the Dakota County CDA's Administration Department regularly reviews policies and procedures and makes recommendations in order to comply with Federal, State and local laws and best practices in human resources; and

WHEREAS, updates have been made to Policy #230 – Training.

NOW, THEREFORE, BE IT RESLVED by the Dakota County Community Development Agency Board of Commissioners, That the amendments to Policy #230 – Training are hereby approved.

BE IT FURTHER RESOLVED, the Human Resources Manager is authorized to implement the policies and communicate the changes to CDA staff.

25-6999 Establish The Date For A Public Hearing Regarding The Disposition Of DCCDA Section 18, LLC Properties

WHEREAS, the Dakota County Community Development Agency (CDA), as sole member of the DCCDA Section 18, LLC (LLC) owns properties located throughout Dakota County; and

WHEREAS, the CDA is accepting offers from the public for the four properties in a timely manner once buyers are identified, staff recommends setting a public hearing in anticipation that there will be offers prior to the public hearing date of September 23, 2025; and

WHEREAS, if offers are not received by the public hearing date, the public hearing will be continued to the next CDA Board meeting in anticipation that there will be additional offers at that time; and

WHEREAS, the purchase agreements for the properties will be included in the public hearing that will be finalized prior to the closing date; and

WHEREAS, the disposition of the units satisfies the requirements of U.S. Department of Housing and Urban Development's Section 18 Demo/Dispo program; and

WHEREAS, Minnesota Statute 469.105, subds. 1, 2, and 4 requires a public hearing regarding the terms of the sale of real property.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That:

1. A public hearing regarding the disposition of the following property will be held by the CDA Board on September 23, 2025, at or after 3 p.m. at the CDA's office:

Properties to be sold through the realtor:

- 14880-14890 Delft, Rosemount
- 14815-14817 County Road 5, Burnsville
- 4020 64th Street, Inver Grove Heights
- 2116 Cliffview Drive, Eagan

2. The Executive Director, or his designee, is hereby authorized and directed to cause notice of such public hearing in substantially the form in Attachment B to be published in a newspaper of general circulation in Dakota County as required by Minnesota Statutes Section 469.105.

25-7000 **Authorization To Award Contract For The Parking Lot Replacement Project At Country Lane Townhomes (Lakeville)**

WHEREAS, the Dakota County CDA requested bids for the replacement of the parking lot at Country Lane Townhomes, located in Lakeville; and

WHEREAS, the project was bid following the CDA's required procurement procedures and bids were received on August 8, 2025; and

WHEREAS, Bituminous Roadways was the low responsive, responsible bidder with a base bid of \$126,230; and

WHEREAS, funds are available in the FYE26 Extraordinary Maintenance budget for this project.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Deputy Executive Director is authorized to sign a construction contract in the name of the Dakota County CDA Workforce Housing I, LLC with Bituminous Roadways in the amount of \$126,230; and

BE IT FURTHER RESOLVED, That the Deputy Executive Director is authorized to approve change orders in an amount not to exceed \$12,623 (10% of the contract amount).

25-7001 **Authorization To Accept Bring It Home Funding Award And Execute A Grant Agreement Between The Dakota County Community Development Agency And Minnesota Housing**

WHEREAS, The Dakota County Community Development Agency (CDA) applied for the Bring It Home Program in the amount of \$8,753,920, including \$101,500 in start-up costs; and

WHEREAS, Minnesota Housing awarded the Dakota County Community Development Agency \$7,6226,250, including \$101,500 for the biennium; and

WHEREAS, The Bring It Home Program will provide rental assistance to rent-burdened Dakota County residents with a priority for households with children 18 years of age and under an annual income up to 30% of the area median income.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, hereby authorizes the award acceptance and execution of the grant agreement for the Bring It Home Program in the amount of \$7,626,250 and any additional or future documents, if necessary; and

BE IT FURTHER RESOLVED, That the designated signer of the grant agreement and any additional documents be the CDA's Executive Director, Tony Schertler (tschertler@dakotacda.org); and

BE IT FURTHER RESOLVED, That the FYE26 Operating Budget be amended to include the funding award for the Bring It Home Program.

Motion: Commissioner Hamann-Roland Second: Commissioner Slavik

Ayes: 7

Nays: 0

Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			

REGULAR AGENDA

- 25-7002 **Conduct Public Hearing To Receive comments On The Disposition Of DCCDA Section 18, LLC Property And Authorization To Enter Into A Purchase Agreement With The Qualified Buyer**
Anna Judge presented information and answered questions.

WHEREAS, the Dakota County CDA is able to dispose of property after holding a public hearing for which a notice is published; and

WHEREAS, a notice of the public hearing was published in The Dakota County Tribune per Minnesota Statute Sec. 469.105; and

WHEREAS, one property proposed for sale is part of the DCCDA Section 18, LLC that was created for the transition of public housing units through the U.S. Housing and Urban Development's Section 18 Demo/Dispo program; and

WHEREAS, the U.S. Department of Housing and Urban Development's Special Applications Center has approved the disposition of the Section 18 units on the open market through public bid; and

WHEREAS, Kerly Lucero, a qualified buyer, submitted a full price offer to purchase 2016 Pine Street, Hastings; and

WHEREAS, a public hearing was conducted on August 26, 2025, on the proposed terms of the sale of the one property:

Address	Buyer	Contingency Buyer
2016 Pine Street, Hastings	Kerly Lucero	N/A

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to negotiate with and enter into a Purchase Agreement with the buyer; and

BE IT FURTHER RESOLVED, that the public hearing is closed and the unsold properties have been added to the public hearing for the disposition of DCCDA Section 18, LLC properties for September 23, 2025.

Motion: Commissioner Slavik

Second: Commissioner Hamann-Roland

Ayes: 7

Nays: 0

Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			

25-7003

Continue Public Hearing To Receive Comments On The Conveyance Of Property In Rosemount To Dakota County

Tony Schertler provided updates and answered questions.

WHEREAS, Dakota County Community Development Agency (CDA) is able to dispose of property after holding a public hearing for which notice is published; and

WHEREAS, a notice of the public hearing was published in the Dakota County Tribune per statutory requirements; and

WHEREAS, after the public hearing notice was published, CDA staff learned that the Dakota County Board of Commissioners will not consider the acquisition of the property until this fall.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the public hearing be continued to the October 21, 2025 Dakota County CDA Board meeting.

Motion: Commissioner Hamann-Roland Second: Commissioner Droste
 Ayes: 7 Nays: 0 Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			

25-7004

Commitment Of The Dakota County CDA’s 2026 9% Low Income Housing Tax Credits

Kathy Kugel presented information and answered questions.

WHEREAS, pursuant to Minnesota Statutes §462A.221 through 462A.225 (the Act), the Dakota County CDA is a Suballocator of 9% Low Income Housing Tax Credits (Tax Credits); and

WHEREAS, in accordance with Section 42 of the Internal Revenue Code of 1986, as amended (the Code), by Resolution No. 25-6956, adopted on March 25, 2025, following a public hearing for which notice was duly published, the CDA adopted a Qualified Allocation Plan for 2026 tax credits (the 2026 QAP) setting forth criteria governing the award of the Agency’s 2026 Tax Credits; and

WHEREAS, because the members of the Dakota County Board of Commissioners are the ex-officio members of the CDA, the approval of such Resolution by the CDA satisfies the requirement of the 2026 QAP be approved by the applicable elected representative of the CDA; and

WHEREAS, the CDA received three applications for the 2026 Tax Credits by the first-round deadline, with applications from: (1) Camber Hill, LLLP, the developer of which is Twin Cities Housing Development Corporation, for the acquisition and rehabilitation of a 44-unit townhome development in South St. Paul, known as Camber Hill Townhomes; (2) Kenyon Green Limited Partnership, the developer of which is Connelly Development, LLC/Ron Clark Construction and Design, for the construction of a 49-unit multifamily development in Lakeville, known as Kenyon Green; and (3) Lofts on Cahill, Limited Partnership, the developer of which is Velair Development Company (fka MWF Properties LLC), for the construction of a 48-unit multifamily development in Inver Grove Heights known as Lofts on Cahill; and

WHEREAS, pursuant to Minnesota Statutes § 462A.222, Subd. 3, any 2026 Tax Credits which are not committed by the CDA prior to Minnesota Housing's second round of application deadline are required to be returned to Minnesota Housing.

NOW, THEREFORE, BE IT RESLVED by the Dakota County Community Development Agency Board of Commissioners, as follows:

1. The CDA hereby finds and determines with respect to Camber Hill, LLLP, Kenyon Green Limited Partnership, and Lofts on Cahill, Limited Partnership applications that:
 - a. The applications for Tax Credits for Kenyon Green, Camber Hill Townhomes and Lofts on Cahill are complete in all material respects.
 - b. The allocation of Tax Credits requested by each of the applicants does not exceed the amount necessary for the financial feasibility of the respective projects and their viability as qualified low-income housing projects throughout the 15-year compliance period.
 - c. On the basis of the applications submitted, the Tax Credit scores for the applicants are as follows:

Camber Hill, LLLP – Camber Hill Townhomes.....	78 points
Kenyon Green Limited Partnership – Kenyon Green.....	110 points
Lofts on Cahill, Limited Partnership – Lofts on Cahill.....	75 points
2. In making the determination set forth in 1b above, the CDA considered (a) the sources and uses of funds and the total financing planned for each project; (b) any proceeds or receipts expected to be generated by reason of tax benefits; (c) the percentage of the tax credit dollar amount used for project costs other than costs of the intermediaries; and (d) the reasonableness of the development and operational costs of each project.
3. The CDA hereby approves the commitment of a portion of its 2026 Tax Credits to Kenyon Green Limited Partnership for Kenyon Green in the amount of \$985,000.
4. The CDA hereby approves the commitment of the balance of its 2026 Tax Credits to Camber Hill, LLLP for Camber Hill Townhomes in the amount of \$198,124.
5. The CDA hereby authorizes the establishment of a waiting list for additional Tax Credits for Camber Hill Townhomes project. The purpose of the waiting list is to permit the CDA to commit any 2026 Tax Credit that may become available from Minnesota Housing to the project.
6. Staff is authorized to prepare, execute and deliver all documentation necessary or convenient to provide for the commitment of its 2026 Tax Credits pursuant to this regulation and the subsequent carryover and allocation of the same, based on findings made in accordance with the requirements of the Code as each such steps. Staff is further authorized to take any actions

necessary to return any unused 2026 Tax Credits to Minnesota Housing prior to the second round deadline in the event Tax Credits are returned and not fully committed to a project on the waiting list.

Motion: Commissioner Droste
Ayes: 7 Nays: 0

Second: Commissioner Halverson
Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			

Discussion Of Capital Improvement Needs At Dakota Woodlands Shelter (Eagan)

Tony Schertler provided information and answered questions.

INFO **Executive Director Update**
Tony Schertler provided updates.

INFO **Information**
No informational items this month.

25-7005 **Adjournment**

BE IT RESOLVED, that the Dakota County Community Development Agency Board of Commissioners, hereby adjourns until Tuesday, September 23, 2025.

Motion: Commissioner Hamann-Roland **Second: Commissioner Droste**
Ayes: 7 Nays: 0 Abstentions: 0

	Yes	No	Absent	Abstain
Slavik	X			
Atkins	X			
Halverson	X			
Droste	X			
Workman	X			
Holberg	X			
Hamann-Roland	X			
Velikolangara	X			

The CDA Board meeting adjourned at 3:59 p.m.



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 4A

DEPARTMENT: Housing Assistance

FILE TYPE: Federal - Action

TITLE

Approval of Amendments To The Housing Assistance Department Administrative Plans And Presentation Of Budget Impacts And Program Demographics

PURPOSE/ACTION REQUESTED

- Approve amendments to the Housing Assistance Department Administrative Plans.
- Discussion of federal budget impacts and program demographics.

SUMMARY

The Dakota County Community Development Agency (CDA), as the administrator of the federal Housing Choice Voucher (HCV) program, is required to adopt and maintain an administrative plan to delineate the mandatory and discretionary policies used to govern the program. Periodically, the plan needs to be updated as the U.S. Department of Housing and Urban Development (HUD) adopts new or revised regulations and as the agency determines a need to revise its policies.

HUD is requiring the adoption of a policy that addresses adding former participants back to the program if participation was terminated due to insufficient funding. Other changes are updates related to the Housing Opportunity Through Modernization Act (HOTMA) signed into law on July 29, 2016, with implementation dates as directed by HUD.

Staff will present information about the agency's shortfall status in the HCV program, federal budget proposal impacts, and program demographics.

RECOMMENDATION

Staff recommends approval of the amendments to the Housing Assistance Department Administrative Plans.

EXPLANATION OF FISCAL/FTE IMPACTS

None.

☒ None ☐ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County Community Development Agency (CDA), as an administrator of rental assistance programs, is required to adopt and maintain an administrative plan to delineate the policies used to govern the programs; and

WHEREAS, the Dakota County CDA has made updates to the Housing Assistance Department Administrative Plan to comply with the U.S. Department of Housing and Urban Development's required adoption of a policy for addressing adding former participants back to the program; and

WHEREAS, to comply with the U.S. Department of Housing and Urban Development's Housing Opportunity Through Modernization Act.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the amendments to the Housing Assistance Department Administrative Plans are approved.

PREVIOUS BOARD ACTION

25-6968; 05/20/2025

ATTACHMENTS

Attachment A: Housing Assistance Department Administrative Plans

CONTACT

Department Head: Lisa Hohenstein, Director of Housing Assistance
Author: Lisa Hohenstein



HOUSING ASSISTANCE DEPARTMENT

ADMINISTRATIVE PLANS

Submitted to HUD: December 20, 2010

Amendments Approved by the CDA Board of Commissioners: ~~May-September 203~~, 2025

CHAPTER 9

GENERAL LEASING POLICIES

INTRODUCTION

Chapter 9 covers the lease-up process from the family's submission of a Request for Tenancy Approval to execution of the HAP contract.

For the CDA to assist a family in a particular dwelling unit, or execute a Housing Assistance Payments (HAP) contract with the owner of a dwelling unit, the CDA must determine that all the following program requirements are met:

- The unit itself must qualify as an eligible unit [24 CFR 982.305(a)]
- The unit must be inspected by the CDA and ~~meet the Housing Quality Standards (HQS)~~pass applicable quality standards [24 CFR 982.305(a)]
- The lease offered by the owner must be approvable and must include the required Tenancy Addendum [24 CFR 982.305(a)]
- The rent to be charged by the owner for the unit must be reasonable [24 CFR 982.305(a)]
- The owner must be an eligible owner, approvable by the CDA, with no conflicts of interest [24 CFR 982.306]
- For families initially leasing a unit only: Where the gross rent of the unit exceeds the applicable payment standard for the family, the share of rent to be paid by the family cannot exceed 40 percent of the family's monthly adjusted income [24 CFR 982.305(a)]

~~Housing Quality Standards (HQS) [24 CFR 982.305 and 24 CFR 982.401]~~Initial Inspection

In order to be eligible, the dwelling unit must be in decent, safe and sanitary condition and pass applicable housing quality standards. ~~This determination is made using HUD's Housing Quality Standards (HQS) and/or equivalent state or local standards approved by HUD.~~ See Chapter 8 for a full discussion of ~~the HQS inspection~~ standards, as well as the process for HQS inspection at initial lease-up.

9-I.F. TENANCY APPROVAL [24 CFR 982.305]

After receiving the family's Request for Tenancy Approval, with proposed dwelling lease, the CDA must promptly notify the family and owner whether the assisted tenancy is approved.

Prior to approving the assisted tenancy and execution of a HAP contract, the CDA must ensure that all required actions and determinations, discussed in Part I of this chapter have been completed.

These actions include ensuring that the unit is eligible; the unit has been inspected by the CDA and meets the ~~Housing Quality Standards (HQS)~~housing quality standards; the lease offered by the owner is approvable and includes the required Tenancy Addendum; the rent to be charged by the owner for the unit must be reasonable; where the family is initially leasing a unit and the gross

rent of the unit exceeds the applicable payment standard for the family, the share of rent to be paid by the family does not exceed 40 percent of the family's monthly adjusted income [24 CFR 982.305(a)]; the owner is an eligible owner, not disapproved by the CDA, with no conflicts of interest [24 CFR 982.306]; the family and the owner have executed the lease, including the Tenancy Addendum, and the lead-based paint disclosure information [24 CFR 982.305(b)].

9-I.G. HAP CONTRACT EXECUTION [24 CFR 982.305]

The HAP contract is a written agreement between the CDA and the owner of the dwelling unit. Under the HAP contract, the CDA agrees to make housing assistance payments to the owner on behalf of the family, and the owner agrees to comply with all program requirements as stated in the HAP contract.

The HAP contract form is prescribed by HUD.

If the CDA has given approval for the family of the assisted tenancy, the owner and the CDA must execute the HAP contract.

The term of the HAP contract must be the same as the term of the lease [24 CFR 982.451(a)(2)].

The CDA is permitted to execute a HAP contract even if the funding currently available does not extend for the full term of the HAP contract.

The CDA must make its best effort to ensure that the HAP contract is executed before the beginning of the lease term. Regardless, the HAP contract must be executed no later than 60 calendar days from the beginning of the lease term. Any HAP contract executed after the 60-day period is void, and the CDA may not pay any housing assistance payment to the owner, unless there are extenuating circumstances that prevent or prevented the CDA from meeting the 60-day deadline then the CDA may submit to the HUD field office a request for an extension no later than two weeks after the 60-day deadline.

Failure to Provide Consent [24 CFR 982.552(b)(3)]

The CDA must terminate assistance if any family member fails to sign and submit any consent form, they are required to sign for a regular or interim reexamination. See Chapter 7 for a complete discussion of consent requirements.

Upon the CDA's HOTMA 102/104 compliance date, the below section on failure to provide consent is added:

CDA Policy

The CDA will also terminate assistance if the family revokes consent for the CDA to collect information from financial institutions.

Insufficient Funding [24 CFR 982.454]

The CDA may terminate HAP contracts if the CDA determines, in accordance with HUD requirements, that funding under the consolidated ACC is insufficient to support continued assistance for families in the program. The CDA must identify in the administrative plan, in the event of insufficient funding, taking into account any cost savings measures taken by the CDA, a description of factors the CDA will consider when determining which HAP contracts to terminate first [24 CFR 982.54(d)(26)].

The CDA will determine whether there is sufficient funding to pay for currently assisted families according to the policies in Part VIII of Chapter 16. If the CDA determines there is a shortage of funding, prior to terminating any HAP contracts, the CDA will determine if any other actions can be taken to reduce program costs.

In the event that the CDA decides to stop issuing vouchers as a result of a funding shortfall, and the CDA is not assisting the required number of special purpose vouchers (NED families, HUD-Veterans Affairs Supportive Housing (VASH) families, and Family Unification Program (FUP) families), when the CDA resumes issuing vouchers, the CDA will issue vouchers first to the special purpose voucher families on its waiting list until it has reached the required number of special purpose voucher, when applicable.

If after implementing all reasonable cost cutting measures there is not enough funding available to provide continued assistance for current participants, the CDA will terminate the HAP contract as a last resort.

Prior to terminating any HAP contracts, the CDA will inform the local HUD field office. The CDA will terminate the minimum number needed in order to reduce HAP costs to a level within the CDA's annual budget authority.

Terminating HAP Contracts

CDA Policy

If the CDA must terminate HAP contracts due to insufficient funding, the CDA will do so in accordance with the following criteria and instructions:

Families who have been assisted in the HCV program the longest will be the first to be terminated, excluding families that include elderly or disabled family members.

Families comprising the required number of special purpose vouchers, including nonelderly disabled (NED), HUD-Veteran's Affairs Supportive Housing (HUD-VASH), and Family Unification Program (FUP) will be the last to be terminated.

The CDA will terminate HAP contracts starting with Category 1 families. The CDA will only move to the next category when there are no families remaining in the current category and more HAP contract terminations are necessary.

CATEGORY 1:

FAMILIES WHO HAVE COMMITTED PROGRAM FRAUD OR ABUSE WITHIN THE PAST 6 MONTHS.

Within each group below, the CDA will terminate HAP contracts according to the date the CDA first notified the family of the debt, starting with the most recent. If more than one family received notice on the same day, the CDA will rank the notices for that date using a random method.

- First, the CDA will terminate families who owe the CDA money but are not yet under repayment agreement.
- Second, the CDA will terminate families who owe the CDA money, are under repayment agreement, but have made at least one late payment.
- Third, the CDA will terminate families who owe the CDA money, are under repayment agreement, and have made all payments in accordance with the repayment agreement.
- Fourth, the CDA will terminate families who are under a compliance agreement.

CATEGORY 2:

FAMILIES WHO COMMITTED PROGRAM FRAUD OR ABUSE 6-12 MONTHS AGO.

Reinstating HAP Contracts

CDA Policy

If the CDA terms a HAP contract, the family will be added to the waiting list with insufficient funding preference status as of the date and time their assistance was ended. When the CDA has sufficient funding to reinstate assistance, households will be selected from the waiting list in the order of their placement.

13-I.A. OWNER RECRUITMENT AND RETENTION [HCV GB, pp. 2-4 to 2-6, HCV Landlord Strategy Guidebook for CDAs]

Education and Outreach~~Recruitment~~

The CDA is responsible for ensuring that very low-income families have access to all types and ranges of affordable housing in the CDA's jurisdiction, particularly housing outside areas of poverty or minority concentration. A critical element in fulfilling this responsibility is for the CDA to ensure that enough owners, representing all types and ranges of affordable housing in the CDA's jurisdiction, are willing to participate in the HCV program.

To accomplish this objective, the CDA must identify and recruit new owners to participate in the program. The CDA can provide education and outreach in a variety of ways. Some strategies include hosting and attending events targeted to landlords or affordable housing providers. Education and outreach can include activities like newsletters, presentations, briefings to community groups, one-on-one appointments, or other ways of sharing information or creating

relationships between the CDA and owners. The CDA may also provide monetary incentives and reimbursements to encourage participation in the program.

If the CDA will be conducting outreach events, the CDA must ensure that notices and communications during outreach events are provided in a manner that is effective for persons with hearing, visual, and other communications-related disabilities. The CDA must also take reasonable steps to ensure meaningful access to programs to persons with limited English proficiency.

The selected unit must ~~meet HUD's Housing Quality Standards (HQS) and/or equivalent state or local standards approved by HUD~~pass housing quality standards [24 CFR 982.305(a)(2)]. The CDA will inspect the owner's dwelling unit at least biennially to ensure that the unit continues to meet HQS inspection requirements. See Chapter 8 for a discussion of the HQS inspection standards and policies for HQS inspections at initial lease-up and throughout the family's tenancy.

13-I.C. OWNER RESPONSIBILITIES [24 CFR 982.452]

The basic owner responsibilities in the HCV program are outlined in the regulations as follows:

- Complying with all the owner's obligations under the Housing Assistance Payments (HAP) contract and the lease.
- Performing all management and rental functions for the assisted unit, including selecting a voucher-holder to lease the unit, and deciding if the family is suitable for tenancy of the unit.
- Maintaining the unit in accordance with the Housing Quality Standards (HQS) housing quality standards, including performance of ordinary and extraordinary maintenance.
 - A unit is not in compliance with housing quality standards if the CDA or other inspector authorized by the state or local government determines that the unit has deficiencies based upon an inspection, the agency or inspector notifies the owner in writing of the deficiencies, and the deficiencies are not remedied within the appropriate timeframe.

Quality Control and Analysis of Data

Under the Section 8 Management Assessment Program (SEMAP), HUD requires the CDA to review a random sample of tenant records annually to determine if the records conform to program requirements and to conduct quality control inspections of a sample of units to ensure housing quality standards compliance [24 CFR, Part 985]. (See Chapter 16 for additional information about SEMAP requirements).

CDA Policy

In addition to the SEMAP quality control requirements, the CDA will employ a variety of methods to detect errors and program abuse.

- The CDA routinely will use HUD and other non-HUD sources of up-front income

verification. This includes The Work Number and any other private or public databases available to the CDA.

- The CDA will generate the Deceased Tenants Report at least once a month prior to disbursing the upcoming monthly housing assistance payments to owners.

Upon review, the CDA will take the following corrective actions:

- Immediately contact the head of household or emergency contact person to confirm the death of the listed household member. A letter will be sent, followed by a telephone call.
- Notify the owner in writing of the deceased household member and if applicable recoup any overpaid HAP paid on the tenant's behalf.
- At each annual or interim reexamination, current information provided by the family will be compared to information provided at the ~~last annual~~ most recent reexamination to identify inconsistencies and incomplete information.
- The CDA will compare family-reported income and expenditures to detect possible unreported income.

Independent Audits and HUD Monitoring

OMB Circular A-133 requires all CDAs that expend \$~~500~~750,000 or more in federal awards annually to have an independent audit (IPA). In addition, HUD conducts periodic on-site and automated monitoring of CDA activities and notifies the CDA of errors and potential cases of program abuse.

~~Establishing and updating the CDA passbook rate, which is used to calculate imputed income from assets, is covered in Chapter 6 (see Section 6 I.G.).~~

16-II.B. PAYMENT STANDARDS [24 CFR 982.503; HCV GB, Chapter 7 and Notice PIH 2024-34]

The payment standard sets the maximum subsidy payment a family can receive from the CDA each month [24 CFR 982.505(a)]. Payment standards are based on fair market rents (FMRs) published annually by HUD. FMRs are set at a percentile within the rent distribution of standard quality rental housing units in each FMR area. For most jurisdictions FMRs are set at the 40th percentile of gross rents in the market area.

In the HCV program, the FMR may be established at the ZIP code level, metropolitan market area level, or nonmetropolitan county level. Within each FMR area, the applicable FMR is the HUD-published:

- Small Area FMR (SAFMR);
 - For any metropolitan area designated as an SAFMR area; or

- Anywhere a PHA has notified HUD it will voluntarily use SAFMRs;
- Metropolitan FMR for any other metropolitan area; or
- FMR for any other non-metropolitan county.

The CDA must establish a payment standard schedule that establishes payment standard amounts for each FMR area within the CDA's jurisdiction, and for each unit size within each of the FMR areas. ~~For each unit size, the CDA may establish a single payment standard amount for the whole FMR area or may set different payment standards for different parts of the FMR area. Unless HUD grants an exception, the CDA is required to establish a payment standard within a "basic range" established by HUD—between 90 and 110 percent of the published FMR for each unit size. In many cases a single FMR area will cover the PHA's entire jurisdiction. Some PHAs' jurisdictions include more than one FMR area. The PHA's established payment standards within the payment standard area always must be within the basic range of the applicable FMR area, or any HUD-approved exception payment standard. Program regulations and this policy refer to the "applicable FMR." The "applicable FMR" is the HUD-published SAFMR for PHAs in mandatory SAFMR areas or for those PHAs that have opted-in to using the SAFMR, both of which are discussed below~~

Small Area FMR PHAs (Mandatory and Opt-In) [Notice PIH 2018-01; Notice PIH 2023-32; Notice PIH 2024-34; and Implementing Small Area Fair Market Rents (SAFMR) Guidebook]

SAFMRs are FMRs calculated at the ZIP Code level, rather than for an entire metropolitan or non-metropolitan county.

HUD identifies which metropolitan areas are required to use SAFMRs based on significant voucher concentration challenges and market conditions. PHAs administering the HCV program in those areas are required to use the SAFMRs when establishing payment standards (mandatory SAFMR PHAs). Mandatory SAFMR PHAs must use the SAFMR for any part of their jurisdiction located in the SAFMR area.

Upon notification to HUD, PHAs not located in mandatory SAFMR areas may opt-in and voluntarily adopt SAFMRs for one or more of the FMR areas in which the PHA administers vouchers (opt-in PHAs). A PHA that exercises this option in one metropolitan area or non-metropolitan county is not required to exercise this option in other metropolitan areas or non-

metropolitan counties. A PHA that opts in to SAFMRs may subsequently opt out through revision of the administrative plan and notification to HUD.

Alternatively, PHAs may elect to use SAFMRs only as the basis for exception payment standards in some or all of those non-mandatory SAFMR areas that cover or are within their jurisdictions. These PHAs are not considered opt-in PHAs.

When applicable, SAFMRs apply to all tenant-based vouchers in the PHA's jurisdiction, including special vouchers such as the Veterans Affairs Supportive Housing (VASH) program, the Family Unification Program (FUP), and special housing types such as Single Room Occupancies (SROs) and homeownership vouchers. SAFMRs do not apply to manufactured home space rental.

CDA Policy

The CDA is not a mandatory SAFMR PHA.

The CDA will not voluntarily adopt the use of SAFMRs.

The Basic Range [24 CFR 982.503(c) and Notice PIH 2024-34]Updating Payment Standards

The CDA may establish a payment standard within the “basic” range established by HUD between 90 and 110 percent of the published FMR for each unit size without HUD approval or prior notification to HUD. For each payment standard area, the CDA must establish a payment standards amount for each unit size which may be based on the same percentage of the published FMR (for example, all units at 100 percent of FMR), or the CDA may set different standards for different unit sizes (for example, 1-bedrooms at 90 percent and 2-bedrooms at 100 percent of the FMR).

When HUD updates its FMRs, the CDA must update its payment standards if the standards are no longer within the basic range [24 CFR 982.503(b)]. HUD may require the CDA to make further adjustments if it determines that rent burdens for assisted families in the CDA's jurisdiction are unacceptably high [24 CFR 982.503(g)].

CDA Policy

The CDA will review the appropriateness of the payment standards on an annual basis when the new FMR is published, and at other times as determined necessary. In addition to ensuring the payment standards are always within the “basic range” the CDA will

consider the following factors when determining whether an adjustment should be made to the payment standard schedule:

Funding Availability: The CDA will review the budget to determine the impact projected subsidy adjustments will have on funding available for the program and the number of families served. The CDA will compare the number of families who could be served under revised payment standard amounts with the number assisted under current payment standard amounts.

Rent Burden of Participating Families: Rent burden will be determined by identifying the percentage of families, for each unit size, that are paying more than 30 percent of their monthly adjusted income as the family share. When 40 percent or more of families, for any given unit size, are paying more than 30 percent of adjusted monthly income as the family share, the CDA will consider increasing the payment standard. In evaluating rent burdens, the CDA will not include families renting a larger unit than their family unit size.

Quality of Units Selected: The CDA may review the quality of units selected by participant families when making the determination of the percent of income families are paying for housing, to ensure that payment standard increases are only made when needed to reach the mid-range of the market.

Changes in Rent to Owner: The CDA may review a sample of the units to determine how often owners are increasing or decreasing rents and the average percentage of increases/decreases by bedroom size.

Unit Availability: The CDA may review the vacancy rates and the availability of units for each unit size, particularly in areas with low concentrations of poor and minority families.

Lease-up Time and Success Rate: The CDA may consider the percentage of families that are unable to locate suitable housing before the voucher expires and whether families are leaving the jurisdiction to find affordable housing.

Effective dates of changes to payment standard amounts will be determined at the time of update. The CDA will always ensure the payment standards will be within the basic range.

Designated Payment Standard Areas [24 CFR 982.503(a)(3) and Notice PIH 2024-34

The CDA may establish designated payment standard areas within each FMR area where the CDA establishes different payment standards, provided each area is no smaller than a census tract block group. If the CDA designates payment standard areas, then it must include the criteria used to determine the designated areas and the payment standard amounts for those areas in the administrative plan.

CDA Policy

The CDA has not established any designated payment standard areas.

Exception Payment Standards [24 CFR 982.503(~~ed~~)(5), Notice PIH 2018-01, Notice PIH 2024-34, and FR Notice 9/27/21]

There are several options available to increase payment standards above the basic range. These are known as *exception payment standards*, which are payment standards that exceed 110 percent of the published FMR. The following are types of exception payment standards:

- Payment standards based on SAFMRs in ZIP codes where the SAFMR is higher than the applicable metropolitan or non-metropolitan county FMR
- Payment standards greater than 110 percent up to 120 percent of the applicable FMR
- Payment standards over 120 percent of the applicable FMR
- Payment standards up to 120 percent of the FMR for Veterans Affairs Supportive Housing (HUD-VASH)
- Payment standards necessary as a reasonable accommodation

Payment Standards on SAFMRs in ZIP codes where the SAFMR is Higher than the FMR:

Upon notification from HUD, ~~A non-SAFMR CDAPHA~~ that is not located in a SAFMR area or that has not opted to voluntarily adopt SAFMRs may establish an exception payment standard for a ~~zip~~ZIP code area that exceeds the basic range for the metropolitan area or county FMR of up to and including 110 percent of the SAFMR ~~determined by HUD~~ for that ~~zip~~ZIP code area. If an exception area crosses one or more FMR boundaries, then the maximum exception payment standard amount that a PHA may adopt for the area without HUD approval is 110 percent of the ZIP code area with the lowest SAFMR amount. Regardless of the level of the exception payment standard compared to the metropolitan area FMRs (MAFMRs), the CDA must send an email to SAFMRs@hud.gov to notify HUD that it has adopted an exception payment standard based on the SAFMR. A PHA that adopts an exception payment standard pursuant to this authority must apply it to the entire ZIP code area, ~~for both its HCV, and if applicable, its PBV program. For the PBV program, this means that the rent to owner may not exceed the new exception payment standard amount, provided the rent is still reasonable. A CDA that adopts an exception payment standard area must revise its briefing materials to make families aware of the exception payment standard and the area that it covers.~~

Payment Standards Greater than 110 Percent Up to 120 Percent:

Upon notification to HUD, a PHA may establish exception payment standards between 110 percent and 120 percent of the applicable FMR if the PHA meets one of the following criteria:

- Success rate: Fewer than 75 percent of families to which the PHA has issued tenant-based vouchers during the most recent 12-month period for which there is success rate data available have become participants on the program; or
- Rent burden: More than 40 percent of families with tenant-based assistance pay more than 30 percent of their adjusted income as their family share.

The PHA may revert back to the basic range at any time without notification to HUD.

PHAs may combine exception payment standards based on the SAFMR and exception payment standards greater than 110 and up to 120 percent.

Other Exception Payment Standards:

PHAs may request HUD approval to establish exception payment standards up to 120 percent of the FMR when the above criteria do not apply or in order to establish exception payment standards that exceed 120 percent of the FMR. Requests may be made for an entire FMR area or a designated part of the FMR area.

Exception Payment Standards for VASH:

In addition, HUD allows CDAs to establish a HUD-Veterans Affairs Supportive Housing (HUD-VASH) exception payment standard. CDAs may go up to, but not higher than, 120 percent of the FMR or SAFMR specifically for VASH families. CDAs who want to establish a VASH exception payment standard over 120 percent must still request a waiver from HUD (See Section 19-III.E.).

Once exception payment standards are adopted, the PHA May use the exception payment standard for all units, or for only units of a particular size. The exception payment standard may be established for a designated part of the FMR area (called an “exception area”) or for the entire FMR area. Exception areas are typically count, city, town, ZIP code, or census tract areas. However, so long as the exception area is no smaller than the census tract block group, the PHA may determine the area for the exception area.

_____ CDA Policy

_____ The CDA has not established exception payment standards.

Voluntary Use of Small Area FMRs [24 CFR 982.503, Notice PIH 2018-01]

~~CDAs that administer vouchers in a metropolitan area where the adoption of small area FMRs (SAFMRs) is not required may request approval from HUD to voluntarily adopt SAFMRs.~~

_____ CDA Policy

_____ ~~The CDA will not voluntarily adopt the use of SAFMRs, except to establish exception payment standards in certain zip code areas, as needed.~~

~~Unit-by-Unit Exceptions [24 CFR 982.503(b)], 24 CFR 982.505 (d), Notice PIH 2012-26]~~

Reasonable Accommodation [24 CFR 982.503(d)(5), 24 CFR 982.505(d), Notice PIH 2024-34, and Notice PIH 2010-26]

Unit-by-unit exceptions to the CDA's payment standards generally are not permitted. However, an exception may be made on a case-by-case basis as a reasonable accommodation for a family that includes a person with disabilities. (See Chapter 2 for a discussion of reasonable accommodations.) This type of exception does not affect the CDA's payment standard schedule.

~~When needed~~ If required as a reasonable accommodation, the CDA may make an exception to the payment standard without HUD approval if the exception amount does not exceed 120 percent of the applicable FMR/SAFMR for the unit size ~~[24 CFR 982.503(b)]~~(or in the case of VASH, up to 140 percent of the FMR/SAFMR). The CDA may request HUD approval for an exception to the payment standard for a particular family if the required amount exceeds 120 percent of the FMR/SAFMR.

CDA Policy

A family that requires a reasonable accommodation may request a higher payment standard at the time the Request for Tenancy Approval (RFTA) is submitted. The family must document the need for the exception. In order to approve an exception, or request an exception from HUD, the CDA must determine that:

The family has searched for an appropriate unit within the payment standards;

There is a shortage of affordable units that would be appropriate for the family;

The family share would otherwise exceed 40 percent of adjusted monthly income;
and

The rent for the unit is reasonable.

~~"Success Rate" Payment Standard Amounts [24 CFR 982.503(e)]~~

~~If a substantial percentage of families have difficulty finding a suitable unit, the CDA may request a "success rate payment standard" that applies to the entire jurisdiction. If approved by HUD, a success rate payment standard allows the CDA to set its payment standards at 90-110 percent of a higher FMR (the 50th, rather than the 40th percentile FMR). To support the request, the CDA must demonstrate that during the most recent 6-month period for which information is available:~~

- ~~• Fewer than 75 percent of families who were issued vouchers became participants;~~
- ~~• The CDA had established payment standards for all unit sizes, and for the entire jurisdiction, at 110 percent of the published FMR; and~~

- ~~The CDA had a policy of allowing voucher holders who made sustained efforts to locate units at least 90 days to search for a unit.~~

~~Although HUD approves the success rate payment standard for all unit sizes in the FMR area, the CDA may choose to adjust the payment standard for only some unit sizes in all, or a designated part, of the CDA's jurisdiction within the FMR area.~~

Decreases in the Payment Standard below the Basic Range [24 CFR 982.503(c) and Notice PIH 2024-34]

The CDA must request HUD approval to establish a payment standard amount that is lower than the basic range. At HUD's sole discretion, HUD may approve establishment of a payment standard lower than the basic range. HUD will ~~not approve a lower payment standard if the family share for more than 40 percent of program participants exceeds 30 percent of adjusted monthly income~~ consider rent burden on families assisted under the program.

Updating Payment Standards [24 CFR 982.503(c)(3) and Notice PIH 2023-24]

HUD publishes FMRs in the *Federal Register* and also makes them available on the HUD website with an effective date of October 1. When HUD updates FMRs, the PHA must revise its payment standard amounts and schedule no later than three months following the effective date of the published FMR if revisions are necessary to stay within the basic range. HUD may require the PHA to make further adjustments if it determines that rent burdens for assisted families in the PHA's jurisdiction are unacceptably high [24 CFR 982.503(h)]. PHAs must include a copy of the payment standard schedule in the voucher briefing materials, and HUD strongly encourages PHAs to post their payment standard schedule on their website.

CDA Policy

The CDA will review the appropriateness of the payment standards on an annual basis when the new FMR is published, and at other times as determined necessary. In addition to ensuring the payment standards are always within the "basic range," the CDA will consider the following factors when determining whether an adjustment should be made to the payment standard schedule:

Funding Availability: The CDA will review projected HAP expenditures to determine the impact projected subsidy adjustments will have on funding available for the program and the number of families served. The CDA will compare the number of families who could be served under revised payment standard amounts with the number assisted under current payment standard amounts.

Rent Burden of Participating Families: Rent burden will be determined by identifying the percentage of families, for each unit size, that are paying more than 30 percent of their monthly adjusted income as the family share. When 40 percent or more of families, for any given unit size, are paying more than 30 percent of adjusted monthly income as the family share, the CDA will consider increasing the payment standard. In evaluating rent burdens, the CDA will not include families renting a larger unit than their family unit size.

Quality of Units Selected: The CDA may review the quality of units selected by participant families when making the determination of the percent of income families are paying for housing, to ensure that payment standard increases are only made when needed to reach the mid-range of the market.

Changes in Rent to Owner: The CDA may review a sample of the units to determine how often owners are increasing or decreasing rents and the average percent of increases and decreases by bedroom size.

Unit Availability: The CDA may review the availability of units for each unit size, particularly in areas with low concentrations of poor and minority families.

Lease-up Time and Success Rate: The CDA may consider the percentage of families that are unable to locate suitable housing before the voucher expires and whether families are leaving the jurisdiction to find affordable housing.

Effective dates of changes to payment standard amounts will be determined at the time of update. The CDA will always ensure the payment standards will be within the basic range. The PCDA will post its payment standards schedule on the CDA's website and include a copy in the voucher briefing materials.

16-II.C. UTILITY ALLOWANCES [24 CFR 982.517]

A CDA-established utility allowance schedule is used in determining family share and CDA subsidy. The CDA must maintain a utility allowance schedule for (1) all tenant-paid utilities, (2)

the cost of tenant-supplied refrigerators and ranges, and (3) other tenant-paid housing services such as trash collection. The CDA must maintain an area-wide utility allowance schedule.

The utility allowance schedule must be determined based on the typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size and type in the same locality. In developing the schedule, the CDA must use normal patterns of consumption for the community, and current utility rates.

The utility allowance must include the utilities and services that are necessary in the locality to provide housing that complies with housing quality standards. Costs for telephone, cable/satellite television, and internet services are not included in the utility allowance schedule.

In the utility allowance schedule, the CDA must classify utilities and other housing services according to the following general categories: space heating; air conditioning; cooking; water heating; water; sewer; trash collection; other electric; cost of tenant-supplied refrigerator; cost of tenant-supplied range; applicable surcharges; and other specified housing services.

The cost of each utility and housing service must be stated separately by unit size and type. Chapter 18 of the *HCV Guidebook* provides detailed guidance to the CDA about establishing utility allowance schedules.

The CDA must state its policy for utility allowance payments in the administrative plan and apply it consistently to all households. The CDA must provide a copy of the utility allowance schedule to HUD.

Energy Efficient Utility Allowance [24 CFR 982.517(b)(2)(ii)]

In addition to the area-wide utility allowance standard, the PHA may maintain an area-wide, energy efficient utility allowance schedule to be used for units that are in a building that meets Leadership in Energy and Environmental Design (LEED) or Energy Star standards.

CDA Policy

The CDA will not maintain an energy efficient utility allowance schedule.

Air Conditioning [24 CFR 982.517(b)(1)(iii)]

The CDA must provide a utility ~~An~~-allowance for air conditioning ~~must be provided~~ when ~~most~~ the majority of housing units in the market ~~provide have~~ central air conditioning or are wired for tenant-installed air conditioners.

Criminal Prosecution for Program Fraud/Abuse

Local, state or federal criminal prosecution should be considered by the CDA in flagrant cases, if the abuse was committed over several years, the fraud and/or underpayments are substantial and the CDA documents that the family and/or owner willfully intended to misrepresent the truth [HUD OIG Integrity Bulletin, Summer 2015].

CDA Policy

The CDA refers program fraud/abuse to the Dakota County Attorney's office for prosecution. In extreme cases the CDA also send the referral to the HUD Field Office and regional OIG Special Agency in Charge (SAC).

No Offer of Repayment Agreement

CDA Policy

The CDA generally will not enter into a repayment agreement with a family if there is already a repayment agreement in place with the family or if the CDA, in consultation with HUD and local law enforcement, determine to pursue criminal charges in connection with the conduct and the amounts owed.

PART VIII: DETERMINATION OF INSUFFICIENT FUNDING

16-VIII.A. OVERVIEW

The HCV regulations allow the CDA to deny families permission to move and to terminate Housing Assistance Payments (HAP) contracts if funding under the consolidated ACC is insufficient to support continued assistance [24 CFR 982.354(e)(1) and 982.454]. If a CDA denies a family a portability move based on insufficient funding, the CDA is required to notify the local HUD office within 10 business days [24 CFR 982.354]. Insufficient funding may also impact the CDA's ability to issue vouchers to families on the waiting list. This part discusses the methodology the CDA will use to determine whether the CDA has sufficient funding to issue vouchers, approve moves, and to continue subsidizing all families currently under a HAP contract. The CDA must identify in the administrative plan, in the event of insufficient funding, considering any cost saving measures taken by the CDA, a description of the factors the CDA will consider when determining which HAP contracts to terminate first. See Chapter 12 for a description of these factors.

GLOSSARY

Abatement. Stopping HAP payments to an owner with no potential for retroactive payment.

Prior to CDA implementation of HOTMA 102/104: Annual income. The anticipated total income of an eligible family from all sources for the 12-month period following the date of determination of income, computed in accordance with the regulations.

Upon CDA implementation of HOTMA 102/104: Annual income. All amounts not specifically excluded in 24 CFR 5.609(b), received from all sources by each member of the family who is 18 years of age or older or is the head of household, spouse or co-head, plus unearned income by or on behalf of each dependent who is under 18 years of age.

Authorized voucher units. The number of units for which the CDA is authorized to make assistance payments to owners under its annual contributions contract.

Building. A structure with a roof and walls that contains one or more dwelling units.

Day laborer. An individual hired and paid one day at a time without an agreement that the individual will be hired or work again in the future.

De-minimis error. An error that results in a difference in the determination of a family's adjusted income of \$30 or less per month.

Earned income. Income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment. Earned income does not include any pension or annuity, transfer payments (meaning payments made or income received in which no goods or services are being paid for, such as welfare, Social Security, and governmental subsidies for certain benefits), or any cash or in-kind benefits.

Fair market rent (FMR). The rent, including the cost of utilities (except telephone), as established by HUD for units of varying sizes (by number of bedrooms), that must be paid in the housing market area to rent privately owned, existing, decent, safe, and sanitary rental housing of modest (non-luxury) nature with suitable amenities. In the HCV program, the FMR may be established at the ZIP code level (see definition of *Small Area Fair Market Rents*), metropolitan area level, or nonmetropolitan county level. See periodic publications in the *Federal Register* in accordance with 24 CFR Part 888.

- , displaced person, disabled person, near-elderly person, or any other single person;
- An otherwise eligible youth who has attained at least 18 years of age and not more than 24 years of age and who has left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act (42 U.S.C. 675(5)(H)), and is homeless or is at risk of becoming homeless at age 16 or older; or

Family also includes a group of persons residing together, and such group includes, but is not limited to:

- A family with or without children (the temporary absence of a child from the home due to placement in foster care is not considered in determining family composition and family size)
- An elderly family or a near-elderly family
- A disabled family
- A displaced family
- The remaining member of a tenant family
- ~~—A single person who is not an elderly or displaced person, or a person with disabilities, or the remaining member of a tenant family, and is able to legally enter into a contract.~~
- **Foster adult.** A member of the household who is 18 years of age or older and meets the definition of a foster adult under state law. In general, a foster adult is a person who is 18 years of age or older, is unable, to live independently due to a debilitating physical or mental condition and is placed with the family by an authorized placement agency (e.g. public welfare agency) or by judgment, decree, or other order of any court of competent jurisdiction.

- ***Foster child.*** A member of the household who meets the definition of a foster child under state law. In general, a foster child is placed with the family by an authorized placement agency (e.g., public welfare agency) or by judgment, decree, or other order of any court of competent jurisdiction.

- ***Housing quality standards (HQS).*** The HUD minimum quality standards developed by HUD in accordance with 24 CFR 5.703 for the HCV program, including variations approved by HUD for the CDA under 24 CFR 5.705(a)(3) for housing assisted under the voucher program.

Independent contractor. An individual who qualifies as an independent contractor instead of an employee in accordance with the Internal Revenue Code Federal income tax requirements and whose earnings are consequently subject to the Self-Employment Tax. In general, an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done or how it will be done.

Independent entity. The unit of general local government; however, if the CDA itself is the unit of general local government or an agency of such government, then only the next level of general local government (or an agency of such government) or higher may serve as the independent entity; or a HUD-approved entity that is autonomous and recognized under state law as a separate legal entity from the CDA. The entity must not be connected financially (except regarding compensation for services performed for the CDA-owned units) or in any other manner that could result in the CDA improperly influencing the entity.

Income information means information relating to an individual's income, including:

- All employment income information known to current or previous employers or other income sources.
- All information about wages, as defined in the state's unemployment compensation law, including any social security number; name of the employee; quarterly wages of the employee; and the name, full address, telephone number, and, when known, employer identification number of an employer reporting wages under a state unemployment compensation law.
- Whether an individual is receiving, has received, or has applied for unemployment compensation, and the amount and the period received.
- Unearned IRS income and self-employment wages and retirement income.
- Wage, social security, and supplemental security income data obtained from the Social Security Administration.

Individual with handicaps. See *person with disabilities*.

Upon CDA implementation of HOTMA 102/104: Inflationary index. An index based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) used to make annual adjustments to the deduction for elderly disabled families, the cap for imputing returns on assets, the restriction on net family assets, the amount of net assets the CDA may determine based on self-certification by the family, and the dependent deductions.

Prior to CDA implementation of HOTMA 102/104: Net family assets. (1) Net cash value after deducting reasonable costs that would be incurred in disposing of real property, savings,

stocks, bonds, and other forms of capital investment, excluding interests in Indian trust land, and excluding equity accounts in HUD homeownership programs. The value of necessary items of personal property such as furniture and automobiles shall be excluded.

- In cases where a trust fund has been established and the trust is not revocable by, or under the control of, any member of the family or household, the value of the trust fund will not be considered an asset so long as the fund continues to be held in trust. Any income distributed from the trust fund shall be counted when determining annual income under §5.609.
- In determining net family assets, CDAs or owners, as applicable, shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or reexamination, as applicable, in excess of the consideration received, therefore. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be for less than fair market value if the applicant or tenant receives important consideration not measurable in dollar terms.

Prior to CDA implementation of HOTMA 102/104: Net family assets. The net cash value of all assets owned by the family, after deducting reasonable costs that would be incurred in disposing real property, savings, stocks, bonds, and other forms of capital investment. In determining net family assets, the CDA or owners, as applicable, must include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or reexamination, as applicable, in excess of the consideration received therefor. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or tenant receives consideration not measurable in dollar terms. Negative equity in real property or other investments does not prohibit the owner from selling the property or other investments, so negative equity alone would not justify excluding the property or other investments from family assets.

PHA-owned unit. A dwelling unit in a project that is: (A) Owned by the CDA (including having a controlling interest in the entity that owns the project); (B) Owned by an entity wholly controlled by the CDA; or (C) Owned by a limited liability company or limited partnership in which the CDA (or an entity wholly controlled by the CDA) holds a controlling interest in the managing member or general partner. A controlling interest is: (A) Holding more than 50 percent of the stock of any corporation; (B) Having the power to appoint more than 50 percent of the members of the board of directors of a non-stock corporation (such as a nonprofit corporation); (C) Where more than 50 percent of the members of the board of directors of any corporation also serve as directors, officers, or employees of the PHA; (D) Holding more than 50 percent of all managing member interests in an LLC; (E) Holding more than 50 percent of all general partner interests in a partnership; or (F) Equivalent levels of control in other ownership structures.

Upon CDA implementation of HOTMA 102/104: Real property. Real property has the same meaning as that provided under the law of the state in which the property is located.

Request for Tenancy Approval (RTA). A form (Form HUD-52517) submitted by or on behalf of a family to the CDA once the family has identified a unit that it wishes to rent using tenant-based voucher assistance.

Section 8 Management Assessment Program (SEMAP). A system used by HUD to measure the CDA's performance in key Section 8 program area. See 24 CFR Part 985.

Seasonal worker. An individual who is hired into a short-term position, and the employment begins about the same time each year (such as summer or winter). Typically, the individual is hired to address seasonal demands that arise for the particular employer or industry.

Severe deficiency. Under NSPIRE, the severe category includes deficiencies that, if evident in the home or on the property, present a high risk of permanent disability, or serious injury or illness, to a resident, or the physical security or safety of a resident or their property would be seriously compromised.

Small Area Fair Market Rents (SAFMRs). FMRs established for ZIP code areas.

Tenant-paid utilities. Utilities and services that are not included in the rent to owner and are the responsibility of the assisted family, regardless of whether the payment goes to the utility company or the owner. The utilities and services are those necessary in the locality to provide housing that complies with HQS. The utilities and services may also include those required by HUD through a *Federal Register* notice after providing opportunity for public comment.

Unearned income. Any annual income, as calculated under 24 CFR 5.609, that is not earned income.



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5A

DEPARTMENT: Finance

FILE TYPE: Regular - Consent

TITLE

Approval Of Record Of Disbursements – August 2025

PURPOSE/ACTION REQUESTED

Approve Record of Disbursements for August 2025.

SUMMARY

In August 2025, the Dakota County Community Development Agency (CDA) had \$6,791,420.03 in disbursements and \$566,504.29 in payroll expenses. Attachment A provides the breakdown of disbursements. Additional detail is available from the Finance Department.

RECOMMENDATION

Staff recommend approval of the Record of Disbursements for August 2025.

EXPLANATION OF FISCAL/FTE IMPACTS

These disbursements are included in the Fiscal Year Ending June 30, 2026 budget.

☐ None ☒ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the August 2025 Record of Disbursements is approved as written.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

Attachment A: Record of Disbursements – August 2025

CONTACT

Department Head: Ken Bauer, Finance Director

Author: Chris Meyer, Assistant Director of Finance

**Dakota County CDA
Record of Disbursements
For the month of August 2025**

	Date	Amount	Total
Common Bond Housing			
	08/20/25	<u>\$ 14,137.98</u>	
			\$ 14,137.98
Disbursing			
	08/01/25	\$ 33,249.00	
	08/07/25	\$ 432,643.60	
	08/14/25	\$ 338,075.10	
	08/21/25	\$ 643,596.79	
	08/28/25	<u>\$ 882,067.27</u>	
			\$ 2,329,631.76
Housing Assistance			
	08/01/25	\$ 3,078,619.61	
	08/14/25	<u>\$ 162,248.44</u>	
			\$ 3,240,868.05
Housing Development & Renewal			
	08/07/25	<u>\$ 1,178,919.07</u>	
			\$ 1,178,919.07
Tax Increment Financing			
	08/05/25	<u>\$ 27,863.17</u>	
			\$ 27,863.17
Total Disbursements			<u><u>\$ 6,791,420.03</u></u>
August 2025 Payroll			
	08/08/25	\$ 286,251.54	
	08/22/25	<u>\$ 280,252.75</u>	
Total Payroll			<u><u>\$ 566,504.29</u></u>

Disbursement detail is available in the Finance Office



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5B

DEPARTMENT: Administration

FILE TYPE: Regular - Consent

TITLE

Approval Of 2026 Medical, Dental And Vision Plans, Rates And Contributions

PURPOSE/ACTION REQUESTED

Approve Medical, Dental and Vision Rates and Contributions for 2026.

SUMMARY

The CDA accesses its medical, dental and vision insurance coverage as a sub-group of Dakota County via a joint powers agreement. This allows for expanded health plan choices for CDA employees and savings to the agency related to the selection and implementation of these plans. CDA personnel are responsible for daily administration, such as employee communications, enrollments, changes, payroll deductions, and premium submission.

Medical

The CDA will continue to offer three plan options to employees:

- Dakota Advantage Plan, a low deductible plan with a Health Reimbursement Account (HRA)
- Dakota Select Plan, a low deductible plan with a Health Reimbursement Account (HRA)
- Dakota Health Savings Account (HSA), a high deductible plan

The plans will assume the following increases from the 2025 rates:

- Dakota Advantage - 11% increase
- Dakota Select - 8.5% increase
- Dakota HSA - 0% increase

There will be the following plan design changes:

- An annual \$1.00 increase for pharmacy benefit co-pays in the Dakota Advantage and Dakota Select plans.
- The Dakota HSA plan will have a change in deductible and CDA's Health Savings Account Contribution. The change in deductible for the Dakota HSA is due to the IRS change in limits for all high-deductible health plans, 2026 minimum annual deductible is changing to \$1,700 for self-only coverage (up from \$1,650 in 2025) and \$3,400 for family coverage (up from \$3,300 in 2025). This will increase the CDA's Health Savings Account contribution to \$850 for self-coverage (from \$825 in 2025) and \$1,700 for family coverage (from \$1,650 in 2025).

Dental

HealthPartners is offering a renewal that will assume an increase from 2025 rates of 9% for both plans, comprehensive and preventative. CDA's contributions towards premiums will remain the same as 2025.

Vision

VSP Vision Care plan rates will remain the same for 2026.

Attachment A are the proposed premium rates and contributions for Medical, Dental and Vision Plans for 2026.

RECOMMENDATION

Staff recommends approval of the 2026 medical, dental and vision plan changes, rates and contributions.

EXPLANATION OF FISCAL/FTE IMPACTS

An overall growth of the proposed 2026 premium costs aggregated across all plans is within the estimates in the 2026 budget planning base and will be included in budget planning for FYE27.

☐ None ☒ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the CDA has a history of obtaining its medical, dental and vision insurance plans through Dakota County; and wishes to continue to do so in an effort to provide quality medical, dental and vision insurance coverage to the eligible CDA employees and their families; and

WHEREAS, the three medical plans offered through Blue Cross Blue Shield, will assume an 11% increase for Dakota Advantage, 8.5% increase for Dakota Select, and 0% increase for Dakota HSA; and

WHEREAS, due to 2026 IRS limit changes in minimum deductibles for High Deductible Health Plans, the Dakota HSA plan will have an increase in deductible \$1,700 for single and \$3,400 for family; and

WHEREAS, this change will increase the CDA's annual HSA contribution to \$850 for single and \$1,700 for family enrollment; and

WHEREAS, the HealthPartners renewal rate increases are 9% for both the Comprehensive and Preventative Dental Plans; and

WHEREAS, the CDA's contributions towards premiums for medical and dental are outlined in Attachment A; and

WHEREAS, VSP Vision Care will continue to be the vision insurance provider with the same rates as 2025 which will be assumed by employees electing vision coverage.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, that the 2026 medical, dental and vision plans provided by Blue Cross Blue Shield, HealthPartners, and VSP Vision Care are approved for implementation effective January 1, 2026.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

Attachment A: 2026 CDA Insurance Premium Rates and Contributions

CONTACT

Department Head: Sara Swenson, Director of Administration and Communications

Author: Maria Chernyavsky, Human Resources Manager

2025 Medical Premiums

	Total Premium Cost	CDA Monthly Contribution	Employee Monthly Cost	Employee Per Pay Period Cost
Medical Plans				
Dakota Advantage				
Single	\$993.80	894.42	\$99.38	49.69
Single +1	\$2,186.35	\$1858.40	\$327.95	\$163.98
Family	\$2,981.42	\$2,385.14	\$596.28	\$298.14
Dakota Select				
Single	\$843.03	\$767.15	\$75.89	\$37.95
Single +1	\$1,854.66	\$1,616.86	\$237.80	\$118.90
Family	\$2,529.09	\$2,075.15	\$453.94	\$226.97
Dakota HSA				
Single	\$726.68	\$662.58	\$64.10	\$32.05
Single +1	\$1,598.71	\$1,430.42	\$168.29	\$84.15
Family	\$2,180.06	\$1,835.85	\$344.22	\$172.11

2026 Medical Premiums

	Total Premium Cost	CDA Monthly Contribution	Employee Monthly Cost	Employee Per Pay Period Cost	2026 Additional Employee Per Pay Cost
	\$1,103.12	\$992.81	\$110.31	\$55.16	\$5.47
	\$2,426.85	\$2,062.82	\$364.02	\$182.02	\$18.04
	\$3,309.38	\$2,647.51	\$661.87	\$330.94	\$32.80
	\$914.69	\$832.36	\$82.33	\$41.16	\$3.22
	\$2,012.31	\$1,754.29	\$258.01	\$129.01	\$10.11
	\$2,744.06	\$2,251.54	\$492.52	\$246.26	\$19.29
	\$726.68	\$662.58	\$64.10	\$32.05	\$0.00
	\$1,598.71	\$1,430.42	\$168.29	\$84.15	\$0.00
	\$2,180.06	\$1,835.85	\$344.22	\$172.11	\$0.00

2026 Dental Premiums

Dental Plans	Total Premium Cost	CDA Monthly Contribution	Employee Monthly Cost	Employee Per Pay Period Cost	Add'l Employee Cost Per Month
Preventive					
Single	\$25.00	\$15.00	\$10.00	\$5.00	\$4.09
Single +1	\$48.94	\$25.00	\$23.94	\$11.97	\$8.01
Family	\$81.15	\$30.00	\$51.15	\$25.58	\$13.29
Comprehensive					
Single	\$59.44	\$15.00	\$44.44	\$22.22	\$14.41
Single +1	\$115.91	\$25.00	\$90.91	\$45.46	\$13.61
Family	\$186.52	\$30.00	\$156.52	\$78.26	\$18.85

2026 VSP Vision Premiums

	Total Premium Cost	CDA Monthly Contribution	Employee Monthly Cost	Employee Per Pay Period Cost
VSP Vision				
Single	\$5.86	0	\$5.86	\$2.93
Single +1	\$11.71	0	\$11.71	\$5.86
Family	\$18.91	0	\$18.91	\$9.46



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5C

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Consent

TITLE

Authorization Of Forgivable Loan For Capital Improvements To Dakota Woodlands Family Shelter (Eagan)

PURPOSE/ACTION REQUESTED

- Authorize a zero percent interest, 20-year forgivable loan of up to \$560,000 to Dakota Woodlands Family Shelter for essential capital improvements.
- Approve an amendment of up to \$560,000 to the FYE26 Housing Development & Renewal (HD&R) budget for the purpose of providing a forgivable loan to Dakota Woodlands.

SUMMARY

Dakota Woodlands Family Shelter, a nonprofit organization, is the sole family shelter in Dakota County, serving families for the last 40 years. Located at 3430 Wescott Woodlands in Eagan, the shelter currently houses 22 families, up to 95 adults and children. Dakota Woodlands provides crisis housing but also supportive services including financial education, counseling, parenting education, and other resources to help families move on to long-term stability. The Dakota County Supportive Housing Unit provides all intake referrals for Dakota Woodlands.

Executive Director Tony Schertler received a formal request from Dakota Woodlands on June 12, 2025, seeking \$1.65 million in one-time funds for critical capital improvements for the shelter (Attachment A). Critical building issues include inoperable windows, ongoing plumbing breakdowns, and roof damage.

On July 30, 2025, CDA staff learned from Dakota Woodlands leadership that the significant storms of that week left several of the client rooms with leaks and additional leaks occurred in other areas of the building. Evidence of mold was also seen in these areas.

Though the overall capital needs estimate is \$1.65 million, Dakota Woodlands states that essential capital improvements, which include roofing, windows, and siding replacement, are estimated to cost \$507,570 (Attachment B). Dakota Woodlands states it does not have sufficient reserves to cover the essential capital needs. A loan from the CDA of up to \$560,000 would cover the essential capital improvements and a contingency of 10 percent. Prior to issuing loan documents, the CDA will conduct due diligence to verify the cost of the essential capital improvements.

The CDA and Dakota County have assisted Dakota Woodlands in the past with capital needs by providing approximately \$530,000 in CDBG, CDBG-CV, and TIF funds. The funds were used for the replacement of the HVAC system (total of over \$396,000 from CDBG-CV), elevator modernization (total of over \$128,000 from Countywide CDBG), and replacement of HVAC controls (total of \$9,800 from TIF District No. 13).

CDA staff are proposing a zero percent forgivable loan with a 20-year term from the Housing Development and Renewal (HD&R) fund. The HD&R fund would be reimbursed later with an interfund loan from TIF revenue generated from the two CDA TIF districts in Eagan – TIF District No. 13 (Cedar Villas) and TIF District No. 3-16 (Aster House). Northland Securities, the CDA's financial advisor for TIF issues, has stated a loan to Dakota Woodlands is a TIF eligible expense. TIF District 13 must decertify no later than December 2030 and TIF District No. 3-16 must decertify no later than December 2048. State statute requires that approval of an interfund loan be a separate resolution.

RECOMMENDATION

CDA staff recommend the Board take the following actions:

1. Authorize a zero percent forgivable loan to Dakota Woodlands Family Shelter in Eagan in an amount up to \$560,000 for essential capital improvements as listed in Attachment B and a 10 percent contingency.
2. Authorize a budget amendment of \$560,000 from the FYE26 Housing Development and Renewal (HD&R) fund for the loan to Dakota Woodlands.
3. Authorize staff to prepare, execute, and deliver all documents necessary to provide for the commitment of CDA funds.
4. Authorize the Executive Director to execute and deliver all related documents.
5. Authorize CDA staff to conduct due diligence to verify the cost of the essential capital improvements.

EXPLANATION OF FISCAL/FTE IMPACTS

The amendment to the FYE26 HD&R budget would provide a zero percent 20-year forgivable loan of up to \$560,000 to Dakota Woodlands for essential capital improvement needs. An interfund loan from available increment generated from TIF District No. 13 (Cedar Villas) and TIF District No. 3-16 (Aster House) would reimburse the HD&R fund.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, Dakota Woodlands Family Shelter (Dakota Woodlands), located at 3430 Wescott Woodlands in Eagan, provides housing, case management, and services to homeless families in Dakota County; and

WHEREAS, the Dakota Woodlands building was constructed in 1971 and has essential capital needs totaling \$507,570 that include roofing, windows, and siding replacements as identified in Attachment B (the Qualified Costs); and

WHEREAS, the CDA has available funds in the FYE26 Housing Development and Renewal (HD&R) fund to provide a zero percent forgivable loan of up to \$560,000 to Dakota Woodlands for the Qualified Costs and a 10 percent contingency; and

WHEREAS, under Minnesota Statutes, Section 469.178, Subd. 7, the CDA is authorized to advance or loan money from the CDA's HD&R fund in order to finance the Qualified Costs; and

WHEREAS, Dakota County and the Dakota County Community Development Agency (CDA) previously established Tax Increment Financing (TIF) District No. 13 (Cedar Villas) and TIF District No. 3-16 (Aster House) (the TIF Districts) pursuant to Minnesota Statutes, Sections 469.001 to 469.047, and Sections 469.174 to 469.1794; and

WHEREAS, the CDA intends to reimburse itself for the Qualified Costs through interfund loans from tax increments derived from the TIF Districts.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That

1. A zero percent deferred loan of up to \$560,000 is authorized from legally available Dakota County Community Development Agency funds to Dakota Woodlands Family Shelter for Qualified Costs that include roof, window, and siding replacement (the Loan).
2. The FYE26 Housing Development and Renewal budget shall be amended to include \$560,000 from fund balance for the Loan to Dakota Woodlands Family Shelter.
3. CDA staff are authorized to prepare, execute, and deliver all documentation necessary or convenient to provide for the commitment of FYE26 Housing Development and Renewal funds for the Loan.
4. The Executive Director of the Dakota County Community Development Agency is authorized to execute said documents upon such release.
5. CDA staff are authorized to conduct due diligence to verify the cost of the essential capital improvements for Dakota Woodlands Family Shelter.

PREVIOUS BOARD ACTION

23-6705; 6/20/2023

ATTACHMENTS

Attachment A: Dakota Woodlands Capital Needs Request – April 2, 2025

Attachment B: Dakota Woodlands Capital Needs Request – August 14, 2025

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

Author: Margaret Dykes, Assistant Director of Community and Economic Development

April 2, 2024

Mr. Ken Galloway
Facilities Director
Dakota Woodlands
3430 Wescott Woodlands
Eagan, MN 55123

Re: Dakota Woodlands Capital Improvement Projects - Revised

Dear Ken:

SullivanDay Construction is pleased to present this construction proposal for the various capital improvement projects located at 3430 Wescott Woodlands, Eagan, Minnesota. This proposal is based on the following:

- Historical construction documents provided by you
- Site visit on August 22, 2023
- Site visit on March 18, 2024

SullivanDay Construction proposes to complete the following scope of work outlined below for the amounts shown adjacent to each category. The general conditions and contractor fee are included in the quoted prices.

These costs are subject to revision after thirty days and review of final plans and specifications. Project has been bid for work during regular working hours subject to the rules of the property. Costs are subject to change if the scope of work is reduced or increased.

The following is included:

- General Conditions
 - Project supervision
 - Project management
 - Project administration
 - General Liability and Workers' Compensation Insurance
 - Temporary barriers and protection
 - Temporary toilet
 - Miscellaneous consumables
 - Periodic and final cleaning of construction areas
 - Construction waste management and disposal
 - Warranty - A one-year warranty will be issued from the date of substantial completion. The warranty will include labor and equipment furnished and installed by SullivanDay Construction, Inc.

Re: Dakota Woodlands Capital Improvement Projects - Revised
April 2, 2024

- **Concrete - \$33,314**

- Demo and replace 900 sf of existing sidewalk
 - Demo existing concrete and haul off site
 - Compact existing soil
 - Install reinforcing rebar and grid
 - Install 4500 psi concrete, broom finish
 - Install one coat of sealer
- Demo and replace concrete stairs. Existing stoop to remain.

- **Metals - \$6,993**

- Furnish and install 30' of (2) line handrail at new concrete exterior stairs
- Rail to be core drilled with grouted cores
- Railings to be primed and painted

- **Millwork - \$14,817**

- Demo (2) existing cabinetry units
- Dining Room Unit #1
 - 12' plastic laminate base cabinets
 - 12' plastic laminate upper cabinets
 - 12' plastic laminate tops
 - Trash cutout
 - Plastic laminate end panels
 - Doors/drawers
- Dining Room Unit #2
 - 11' plastic laminate base cabinets
 - 11' plastic laminate top
 - Plastic laminate end panels
 - Doors/drawers

- **Roofing - \$202,116**

- Flat Roof Replacement:
 - Remove the existing perimeter metal and dispose. Includes all blue metal flashing around the perimeter of the building.
 - Vacuum the roof with a high-powered vacuum unit to remove all loose gravel
 - Tear off the existing asphalt built up roof down to the existing insulation
 - Replace any underlying insulation that is wet with equivalent insulation. This will be billed on a T&M basis.
 - Remove any unused/abandoned blocks/curbs and cover the holes with the appropriate decking
 - Install new ¼"/ft tapered isocyanurate insulation crickets to aid in the drainage of the roof.

Re: Dakota Woodlands Capital Improvement Projects - Revised
April 2, 2024

- Install (1) layer of 2" isocyanurate insulation over the existing insulation. This additional layer combined with the existing layer will meet the State of MN code requirements of R = 30
- Install a 60 mil. EPDM membrane according to the material manufacturer's specs for a ballasted installation. Membrane to wrap up and over all walls at perimeter of building.
- Wrap all curbs with EPDM membrane as required
- Install pipe boots at all pipe stacks
- Install new 24 gauge prefinished perimeter metal, scuppers, and downspouts
- Materials manufacturer provides a 15 year warranty against leakage for labor and materials
- Shingle Roof Replacement
 - Remove the existing shingles and underlayment down to the existing plywood sheathing
 - Inspect the sheathing and replace any damaged/deteriorated decking with new. This be billed on a T&M basis.
 - Install prefinished drip edge around the perimeter of the roof
 - Apply ice and water shield 9' up at all eave lines and 3' in valley locations
 - Cover the balance of the roof 15# underlayment felt and fasten in place
 - Install new vents and pipe stacks
 - Install (1) course of mineral starter at all eaves
 - Cover the roof with GAF Timberline shingles
 - Install GAF TimberTex hip and ridge shingles
 - Install new prefinished fascia metal as needed
 - Existing soffit metal to remain
- Doors/Frames/Hardware - \$11,436
 - (1) 3'0" x 6'8" HM frame
 - (1) 3'8" x 6'8" HM frame
 - (1) 3'0" x 6'8" HM door
 - (1) 3'8" x 6'8" HM door
 - New hardware for above
 - Includes demo of existing and installation of new doors and frames
 - Includes painting
- Windows - \$190,260
 - Replace (70) existing windows with Anderson 100 series casement and picture/fixed Fibrex replacement windows:
 - (15) 70" x 47" LR Casements
 - (34) 58" x 47" LR Casements
 - (14) 47" x 47" Picture/Fixed
 - (4) 40" x 47" Picture/Fixed
 - (1) 84" x 64" Picture/Fixed

Re: Dakota Woodlands Capital Improvement Projects – Revised
April 2, 2024

- (1) 76" x 76" Fixed/Arched
 - (1) 76" x 24" Fixed/Transom
- Insulate around new windows using non-expanding spray foam
- Window shall contain low e glass and argon gas
- Window to include Finelight grilles between the glass
- Windows shall be white interior and white exterior
- Install 1-1/4" pine stop molding trim around perimeter of window opening on the inside (to be painted by others)
- Wrap exterior with custom bent aluminum trim coil
- Caulk all window openings
- Removal/reinstallation of existing window coverings excluded
- Aluminum Storefront - \$54,875
 - Demo existing doors
 - Furnish and install (9) dark bronze anodized aluminum finish doors
 - Doors to have 10" ADA bottom door rails, 6" mid-rails, continuous hinges, exit devices, closers, bottom door sweeps
 - Glass to be 1" OA Guardian LowE tempered insulated
- Drywall - \$13,500
 - Insulate existing garage wall cavities
 - Furnish and install drywall at existing garage wall framing
 - Single coat tape new drywall
- Resilient Flooring - \$97,127
 - Demo and disposal of existing carpet tile and vinyl base
 - Skim all floors to receive new carpet tile or VCT
 - Supply and install carpet tile in Rooms 105, 106, 109, 123, 124, and 137
 - Supply and install broadloom carpet on Stairway 202
 - Supply and install VCT in hallways, bedroom units, and other specified rooms
 - Supply and install vinyl base in all rooms to receive carpet tile or VCT
 - Supply and install transitions at changes in floor finishes
 - The following material allowances were used and do not include tax, freight, or mark-up:
 - Carpet Tile - \$18/SY
 - Walk-Off Carpet Tile - \$40/SY
 - Broadloom Carpet - \$18/SY
 - VCT - \$1.45/Sf
 - LVT - \$3/SF
 - Vinyl Base - \$0.80/LF
 - **Alternate: Supply and install LVT in lieu of VCT – Add: \$24,125**
 - **Alternate: Supply and install walk-off carpet tile in Hall 201 – Add: \$390**

Re: Dakota Woodlands Capital Improvement Projects - Revised
April 2, 2024

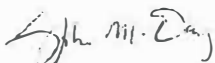
- **Painting - \$17,034**
 - Demo existing VWC in lobby/vaulted entry stair area
 - Skim coat walls and prepare for paint
 - Paint walls
- **Plumbing - \$53,880**
 - Demo and dispose of (2) existing gravity vent water heaters
 - Furnish and install (2) 119 gal., 300MBH high efficiency power ventilated water heaters
 - Core through concrete wall for ventilation duct
- **Electrical - \$22,218**
 - Demo and make safe existing electrical as needed
 - Remove fluorescent lamps for recycling
 - Fixtures to remain and be reused
 - Remove fluorescent drivers
 - Interior Lighting
 - Direct Drive wiring for LED lamps
 - Furnish and install the following fixtures:
 - (492) LED direct drive tubes per supplied drawings
 - (18) 4 pin LED retro lamps for can per supplied drawings
 - (16) Lithonia LED exit signs
 - (2) Lithonia high output exit signs
 - **Alternate: Furnish and install (20) occupancy sensors in halls and lobbies – Add: \$7,500**
 - **Alternate: Furnish and install new lenses if needed – Add: \$180/lens**
 - Exterior Lighting
 - Swap existing pole top fixtures and add a second pole top fixture to each of (2) pole lights for a total of (4) new pole top fixtures
 - Replace (1) flood light at main entry with new LED fixture
 - Replace (4) building mounted flood lights with new LED fixtures
 - Replace lamps in (9) existing cylinder down lights with LED lamps
 - Replace garage service door light new LED and motion sensor
- **Flexible Paving - \$71,568**
 - Demo existing asphalt and remove from site
 - Shape up existing aggregate base (if additional base is needed, this will be completed on a T & M basis)
 - Construct a 2" asphalt base course
 - Apply a tack coat
 - Construct a 1.5" asphalt wear course
 - Striping
 - Area for above figured to be 1842 SY

Re: Dakota Woodlands Capital Improvement Projects - Revised
April 2, 2024

- **Fencing - \$17,760**
 - Furnish and install (22) chain link storage units with a gate on each unit in existing garage
 - 2-1/2" plated posts
 - 1-3/8" top and bottom rails
 - 1-3/8" welded gates
 - 11 gauge wire
- **Retaining Wall - \$33,330**
 - Demo existing retaining wall and dispose
 - Excavate for geogrid
 - Furnish and install 200 SF of modular block retaining wall
 - Backfill wall with suitable materials
 - Restore area between new stairs and wall with sod
- **Clarifications**
 - Pricing is subject to revision after thirty days and review of final plans and specifications.
 - SullivanDay Construction will coordinate all vendors contracted directly by owner as it relates to the construction scope of work outlined above.
 - All work is to be performed per written local governing codes. Work required to be completed as a result of building inspector "discretion" items is **excluded**.
 - All work shall be completed in a workmanlike manner according to industry standards
 - Work to be completed by a combination of union and non-union subcontractors
- **Exclusions**
 - All work not specifically stated above
 - Architectural and engineering fees
 - Building permit
 - SAC/WAC fees
 - Hazardous material assessment and abatement
 - Temporary Utilities

Thank you for the opportunity to present this proposal to you. If you have any questions, please feel free to contact me.

Sincerely,



Stephen M. Day
Owner/President
Phone: 612-750-3994
sday@sullivanandday.com

Re: Dakota Woodlands Capital Improvement Projects - Revised
April 2, 2024

Acceptance of Proposal

The above costs, specifications, and conditions are hereby accepted. SullivanDay Construction is authorized to proceed with the work as specified. Payment terms shall be Net 30. Any alteration or deviation from the specifications outlined above will be executed only upon written approval and will become an extra cost to the project costs above.

Agreed and accepted on this ____ day of _____, 2024.

By: _____

Its: _____

August 14, 2025

Mr. Mario Fuentes
 Director of Operations & Administration
 Dakota Woodlands
 3430 Wescott Woodlands
 Eagan, MN 55123

Re: Dakota Woodlands Capital Improvement Projects - Revised

Dear Mario:

SullivanDay Construction is pleased to present this construction proposal for the various capital improvement projects located at 3430 Wescott Woodlands, Eagan, Minnesota. This proposal is based on the following:

- Historical construction documents provided by you
- Site visit on August 22, 2023
- Site visit on March 18, 2024

SullivanDay Construction proposes to complete the following scope of work outlined below for the amounts shown adjacent to each category. The general conditions and contractor fee are included in the quoted prices.

These costs are subject to revision after thirty days and review of final plans and specifications. Project has been bid for work during regular working hours subject to the rules of the property. Costs are subject to change if the scope of work is reduced or increased.

The following is included:

- General Conditions
 - Project supervision
 - Project management
 - Project administration
 - General Liability and Workers' Compensation Insurance
 - Temporary barriers and protection
 - Temporary toilet
 - Miscellaneous consumables
 - Periodic and final cleaning of construction areas
 - Construction waste management and disposal
 - Warranty - A one-year warranty will be issued from the date of substantial completion. The warranty will include labor and equipment furnished and installed by SullivanDay Construction, Inc.

- **Roofing - \$202,116**

- Flat Roof Replacement:

- Remove the existing perimeter metal and dispose. Includes all blue metal flashing around the perimeter of the building.
 - Vacuum the roof with a high-powered vacuum unit to remove all loose gravel
 - Tear off the existing asphalt built up roof down to the existing insulation
 - Replace any underlying insulation that is wet with equivalent insulation. This will be billed on a T&M basis.
 - Remove any unused/abandoned blocks/curbs and cover the holes with the appropriate decking
 - Install new 1/4"/ft tapered isocyanurate insulation crickets to aid in the drainage of the roof.
 - Install (1) layer of 2" isocyanurate insulation over the existing insulation. This additional layer combined with the existing layer will meet the State of MN code requirements of R = 30
 - Install a 60 mil. EPDM membrane according to the material manufacturer's specs for a ballasted installation. Membrane to wrap up and over all walls at perimeter of building.
 - Wrap all curbs with EPDM membrane as required
 - Install pipe boots at all pipe stacks
 - Install new 24 gauge prefinished perimeter metal, scuppers, and downspouts
 - Materials manufacturer provides a 15 year warranty against leakage for labor and materials

- Shingle Roof Replacement

- Remove the existing shingles and underlayment down to the existing plywood sheathing
 - Inspect the sheathing and replace any damaged/deteriorated decking with new. This be billed on a T&M basis.
 - Install prefinished drip edge around the perimeter of the roof
 - Apply ice and water shield 9' up at all eave lines and 3' in valley locations
 - Cover the balance of the roof 15# underlayment felt and fasten in place
 - Install new vents and pipe stacks
 - Install (1) course of mineral starter at all eaves
 - Cover the roof with GAF Timberline shingles
 - Install GAF TimberTex hip and ridge shingles
 - Install new prefinished fascia metal as needed
 - Existing soffit metal to remain

- **Windows - \$195,864**

- Replace (70) existing windows with Anderson 100 series casement and picture/fixed Fibrex replacement windows:
 - (15) 70" x 47" LR Casements
 - (34) 58" x 47" LR Casements
 - (14) 47" x 47" Picture/Fixed
 - (4) 40" x 47" Picture/Fixed
 - (1) 84" x 64" Picture/Fixed
 - (1) 76" x 76" Fixed/Arched
 - (1) 76" x 24" Fixed/Transom
- Insulate around new windows using non-expanding spray foam
- Window shall contain low e glass and argon gas
- Window to include Finelight grilles between the glass
- Windows shall be white interior and white exterior
- Install 1-1/4" pine stop molding trim around perimeter of window opening on the inside (to be painted by others)
- Wrap exterior with custom bent aluminum trim coil
- Caulk all window openings
- Removal/reinstallation of existing window coverings excluded

- **Siding - \$80,790**

- Remove the existing vinyl siding and trim as required
- Inspect the existing sheathing and replace any rotted/deteriorated wall sheathing with new. This will be completed on a time and materials basis and will be in addition to the base contract amount.
- Install new Norandex X-Wrap Housewrap at all areas to receive siding
- Install new Norandex Cedar Knolls .044 vinyl siding. This includes all inside corners, outside corners, j-channel and misc. trim.
- Replace all aluminum trim to match existing style
- Replace all soffit material with 16" center vent aluminum soffit at entryways as needed
- Existing wall vents/louvers will be reused

- **Damp Proofing & Site Work - \$28,800**

- Excavate approximately 40' x 6' to expose foundation wall
- Furnish and install damp proofing on exposed wall
- Backfill with existing soils
- Furnish and install rock and French drain system along effected wall
- Extend drain tile to beyond building and daylight at yard slope, approximately 50' away
- Seed areas effected by above work

- Clarifications

- Pricing is subject to revision after thirty days and review of final plans and specifications.
- SullivanDay Construction will coordinate all vendors contracted directly by owner as it relates to the construction scope of work outlined above.
- All work is to be performed per written local governing codes. Work required to be completed as a result of building inspector “discretion” items is **excluded**.
- All work shall be completed in a workmanlike manner according to industry standards
- Work to be completed by a combination of union and non-union subcontractors

- Exclusions

- All work not specifically stated above
- Architectural and engineering fees
- Building permit
- SAC/WAC fees
- Hazardous material assessment and abatement
- Temporary Utilities

Thank you for the opportunity to present this proposal to you. If you have any questions, please feel free to contact me.

Sincerely,



Stephen M. Day
Owner/President
Phone: 612-750-3994
sday@sullivanandday.com

Acceptance of Proposal

The above costs, specifications, and conditions are hereby accepted. SullivanDay Construction is authorized to proceed with the work as specified. Payment terms shall be Net 30. Any alteration or deviation from the specifications outlined above will be executed only upon written approval and will become an extra cost to the project costs above.

Agreed and accepted on this _____ day of _____, 2025.

By: _____

Re: Dakota Woodlands Capital Improvement Projects - Revised
August 14, 2025

Its: _____



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5D

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Consent

TITLE

Authorization Of Interfund Loans From Tax Increment Financing Districts No. 13 and 3-16 For A Forgivable Loan For Capital Improvements To Dakota Woodlands Family Shelter (Eagan)

PURPOSE/ACTION REQUESTED

- Authorize Interfund Loans from Tax Increment Financing (TIF) District No. 13 (Cedar Villas) and TIF District No. 3-16 (Aster House) for the purpose of providing a forgivable loan up to \$560,000 to Dakota Woodlands Family Shelter in Eagan.

SUMMARY

Dakota Woodlands Family Shelter (Dakota Woodlands), a nonprofit organization, is the sole family shelter in Dakota County, serving families for the last 40 years. Located in Eagan, the shelter currently houses 22 families, up to 95 adults and children. Dakota Woodlands provides crisis housing but also supportive services including financial education, counseling, parenting education, and other resources to help families move on to long-term stability. The Dakota County Supportive Housing Unit provides all intake referrals for Dakota Woodlands.

The Dakota County CDA (CDA) has previously established TIF Districts No. 13 (Cedar Villas) and No. 3-16 (Aster House) in Eagan for the purpose of providing affordable housing. Minnesota Statutes allow pooled increment generated from TIF districts to be used to support other affordable housing developments outside of the established TIF districts. The TIF plans for the two district also state that TIF funds can be used for affordable housing developments, including the renovation of existing housing.

To provide a zero percent, 20-year forgivable loan up to \$560,000 (Loan) to Dakota Woodlands for essential capital improvements, the CDA Board will be asked to approve a budget amendment to the FYE26 Housing Development and Renewal fund. If the Board approves the Loan to Dakota Woodlands, the CDA may repay itself from available increment generated from TIF District No. 13 and TIF District No. 3-16 through interfund loans from each district. The interfund loans must be approved through a resolution, which satisfies the requirements of the interfund loan provisions in TIF statute.

RECOMMENDATION

CDA staff recommend the Board authorize an interfund loan from TIF District No. 13 (Cedar Villas) in the amount of \$400,000, and an interfund loan from TIF District No. 3-16 (Aster House) in the amount of \$160,000 for advance the costs of a loan in an amount up to \$560,000 to Dakota Woodlands Family Shelter.

EXPLANATION OF FISCAL/FTE IMPACTS

The attached resolution authorizes an interfund loan of \$400,000 from TIF District No. 13 (Cedar Villas) and an interfund loan of \$160,000 from TIF District No. 3-16 (Aster House).

☐ None ☐ Current budget ☐ Amendment Requested ☒ Other

RESOLUTION

WHEREAS, Dakota Woodlands Family Shelter (Dakota Woodlands), located at 3430 Wescott Woodlands in Eagan, provides housing, case management, and services to homeless families in Dakota County; and

WHEREAS, the Dakota Woodlands building was constructed in 1971 and has essential capital improvement needs totaling \$507,570 that include roofing, windows, and siding replacements (the Qualified Costs); and

WHEREAS, Dakota County and the Dakota County Community Development Agency (CDA) previously approved the Tax Increment Financing Plans (the TIF Plans) that established Tax Increment Financing (TIF) District No. 13 (Cedar Villas) and TIF District No. 3-16 (Aster House) (the TIF Districts) pursuant to Minnesota Statutes, Sections 469.001 to 469.047, and Sections 469.174 to 469.1794; and

WHEREAS, the Dakota County Community Development Agency (CDA) has determined that it may pay for the Qualified Costs as identified in the TIF Plans which may be financed on a temporary basis from the CDA Housing Development & Renewal fund (the HD&R Fund) under Minnesota Statutes, Section 469.178, Subd. 7; and

WHEREAS, the CDA intends to reimburse itself for the payment of the Qualified Costs from tax increments derived from the TIF Districts in accordance with the terms of this resolution (which terms are referred to collectively as the Interfund Loans).

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That

1. The CDA shall repay the HD&R Fund from which the Qualified Costs are initially paid a principal amount of \$400,000 from CDA TIF District No. 13 (Cedar Villas), with no interest.
2. The CDA shall repay the HD&R Fund from which the Qualified Costs are initially paid a principal amount of \$160,000 from CDA TIF District No. 3-16 (Aster House), with no interest.
3. Principal on the Interfund Loans from the TIF Districts shall be paid annually on each December 31 commencing on the date the tax increments from each TIF District are available and not otherwise pledged to and including the earlier of (a) the date the principal of the Interfund Loans are paid in full, or (b) the date of the last receipt of tax increment from each TIF District (Payment Dates) which payments will be made in the amount and only to the extent of available tax increments.
4. Payments on the Interfund Loans are payable solely from the tax increment generated in the preceding twelve (12) months with respect to the TIF Districts and remitted to the CDA by Dakota County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, as amended. Payments on the Interfund Loans are subordinate to any outstanding or future

bonds, notes or contracts secured in whole or in part with tax increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with tax increments.

5. The principal sum and all accrued interest payable under these Interfund Loans are pre-payable in whole or in part at any time by the CDA without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under these Interfund Loans.
6. The Interfund Loans are evidence of an internal borrowing by the CDA in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and are limited obligations payable solely from tax increments pledged to the payment hereof under this resolution. The Interfund Loans and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the CDA. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Interfund Loans or other costs incident hereto except out of 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 the Interfund Loans or other costs incident hereto. The CDA shall have no obligation to pay any principal amount of the Interfund Loans or accrued interest thereon, which may remain unpaid after the termination of the TIF District.
7. The CDA may amend the terms of the Interfund Loans at any time by resolution of the CDA Board of Commissioners, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

PREVIOUS BOARD ACTION

None.

ATTACHMENTS

None.

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

Author: Margaret Dykes, Assistant Director of Community and Economic Development



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5E

DEPARTMENT: Housing Development

FILE TYPE: Regular - Consent

TITLE

Establish The Date For A Public Hearing Regarding The Disposition Of DCCDA Section 18, LLC Properties

PURPOSE/ACTION REQUESTED

Schedule a public hearing date regarding the disposition of properties owned by the DCCDA Section 18, LLC.

SUMMARY

The Dakota County CDA, as the sole member of the DCCDA Section 18, LLC currently owns 68 properties throughout Dakota County. Six properties are under contract. These are single family homes and duplexes that were previously part of the federal Public Housing Program and were acquired by the LLC through the U.S. Department of Housing and Urban Development (HUD) Section 18 Demo/Dispo program. HUD's Special Applications Center has approved the disposition of the Section 18 units. The units must be sold at fair market value or higher.

The proposed hearing is for two new properties going on the market and one property that is currently on the market. There is one duplex and two single-family homes currently available to be sold through the agency's contracted realtor including:

- 249 Elm Drive, Apple Valley
- 6790 & 6792 132nd Street West, Apple Valley (duplex)
- 4020 64th Street, Inver Grove Heights

As required by CDA's Disposition Policy, a public hearing must be held to consider the sale of these properties. When interested buyers enter into purchase agreements with the DCCDA Section 18 LLC, staff will return to the Board to hold a public hearing for the property.

RECOMMENDATION

Staff recommends setting the public hearing for Tuesday, October 21, 2025, at 3 p.m. for the purpose of considering the terms of the sale of the properties.

EXPLANATION OF FISCAL/FTE IMPACTS

N/A

☒ None ☐ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County Community Development Agency (CDA), as sole member of the DCCDA Section 18, LLC (LLC) owns properties located throughout Dakota County; and

WHEREAS, the CDA is accepting offers from the public for the three properties being marketed by The Huerkamp Home Group/Keller Williams Preferred Realty to the public; and

WHEREAS, to ensure the CDA is in a position to sell the properties in a timely manner once buyers are identified, staff recommends setting a public hearing in anticipation that there will be offers prior to the public hearing date of October 21, 2025; and

WHEREAS, the purchase agreements for the properties will be included in the public hearing that will be finalized prior to the closing date; and

WHEREAS, the disposition of the units satisfies the requirements of U.S. Department of Housing and Urban Development's Section 18 Demo/Dispo program; and

WHEREAS, Minnesota Statute 469.105, subds. 1, 2, and 4 requires a public hearing regarding the terms of the sale of real property.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That

1. A public hearing regarding the disposition of the following property will be held by the CDA Board on October 21, 2025, at or after 3 p.m. at the CDA's office:

Properties to be sold through the realtor:

- 249 Elm Drive, Apple Valley
- 6790 & 1692 132nd Street, Apple Valley
- 4020 64th Street, Inver Grove Heights

2. The Executive Director, or his designee, is hereby authorized and directed to cause notice of such public hearing in substantially the form in Attachment B to be published in a newspaper of general circulation in Dakota County as required by Minnesota Statutes Section 469.105.

PREVIOUS BOARD ACTION

24-6842; 5/22/2024

ATTACHMENTS

Attachment A: Site Map

Attachment B: Public Notice

CONTACT

Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager

DCCDA Section 18 LLC Properties Being Sold



Disclaimer: Map and parcel data are believed to be accurate, but accuracy is not guaranteed.
 This is not a legal document and should not be substituted for a title search, appraisal, survey, or
 for zoning verification.

Map Scale

1 inch = 4.8 miles

9/10/2025

PUBLIC NOTICE

Dakota County Community Development Agency

Notice is provided that the Board of Commissioners of the Dakota County Community Development Agency (CDA), as the sole member of DCCDA Section 18, LLC will hold a public hearing on Tuesday, October 21, 2025, at or after 3:00 p.m. at the CDA offices located at 1228 Town Centre Drive, Eagan, Minnesota to consider the sale, transfer, and/or exchange of the following described property currently owned by DCCDA Section 18 LLC is advisable:

Address	Legal Description
249 Elm Street, Apple Valley	Lot 6, Block 1 in Apple Valley Second Addition, according to the recorded plat thereof on file and of record in the office of the Registrar of Titles in and for said County and State, Dakota County, Minnesota
6790 & 6792 132 nd Street West, Apple Valley	Lot 7, Block 3, Nordic Woods First Addition, Dakota County, Minnesota
4020 64 th Street, Inver Grove Heights	Lots 29 and 30, Block 10, Inver Grove Factory Addition, Dakota County, Minnesota

The terms and conditions for offers that staff are recommending to the CDA Board will be available at the CDA's office beginning October 21, 2025. For more information on this proposed sale, transfer, and/or exchange of property contact Lori Zierden at the Dakota County CDA, 1228 Town Centre Drive, Eagan, MN 55123, telephone (651) 675-4479. Public comments may be submitted orally or in writing to the CDA through the public hearing to be held on October 21, 2025.

BY ORDER OF THE BOARD OF COMMISSIONERS OF THE DAKOTA COUNTY
COMMUNITY DEVELOPMENT AGENCY

By /s/ Tony Schertler
Executive Director

[Date of Publication]



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 5F

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Consent

TITLE

Authorization To Execute Compliance Monitoring Contracts For Low Income Housing Tax Credit And HOME Investment Partnership Programs

PURPOSE/ACTION REQUESTED

Authorize the Executive Director to execute a compliance monitoring services contract with Janken Housing Solutions for Low Income Housing Tax Credit and HOME Investment Partnership Programs.

SUMMARY

The Dakota County CDA is a Suballocator of Low Income Housing Tax Credits and administers the HOME Program for Dakota County who is a Participating Jurisdiction (PJ) for the U.S. Department of Housing & Urban Development HOME Investment Partnerships Program (HOME Program). The Dakota County CDA also serves as the lead entity for the Dakota County HOME Consortium.

As Suballocator of the Low Income Housing Tax Credit Program (LIHTC Program), the CDA is responsible for allocating the tax credits and monitoring compliance by LIHTC Program participants within the provisions of Section 42 of the Internal Revenue Code of 1986, as amended (Code). As a PJ and Consortium Lead, the CDA is responsible for ensuring all Consortium HOME funds are used in compliance with HOME requirements (24 CFR 92.504(a) includes a description of Lead responsibilities) and must monitor all subrecipients and project developers during the implementation of the project and during the periods of affordability for each project.

The responsibilities of LIHTC compliance monitoring include: completing site visit inspections and tenant file reviews every three years and each new LIHTC property must be inspected within the first two years of completion; completing annual desk audits of required documents; providing and submitting required reports; providing annual trainings for program participants; maintaining the Housing Tax Credit Compliance Manual; being knowledgeable of LIHTC rules and trends; being familiar with Minnesota Housing Finance Agency's process and requirements for the State LIHTC Program; and staying connected with CDA staff.

The responsibilities of HOME Program monitoring include: maintaining monitoring system of all HOME funded projects throughout period of affordability; completing property inspections and tenant file reviews of Dakota County activities; reviewing Dakota County activity files and Program materials; maintaining communication with property owners/managers; monitoring programmatic guidance and notifications to ensure full compliance; reviewing a sample of Consortium member activities; and providing monitoring reports while maintaining communication with CDA staff.

The CDA has contracted for compliance monitoring services for both the LIHTC Program and the HOME Program for several years. Janken Housing Solutions currently completes compliance monitoring for both the LIHTC Program and HOME Program and those contracts are expiring.

A Request for Proposals (Attachment A) was released to solicit responses for compliance monitoring services. Proposals were received from Janken Housing Solutions, Affordable Housing Connections and Nan McKay and Associates. Proposals were reviewed based on experience and capability, work plan and price. A summary of the price proposals is included in Attachment B.

All of the proposals show their ability to monitor both programs by their years of experience with compliance monitoring and program trainings completed by the contractors. Affordable Housing Connections was the low bid, but there is a conflict of interest in monitoring HOME due to other existing contracts with other Consortium members.

While contracts could be executed with separate monitoring firms for each program, it has been more efficient to contract with one entity because it reduces time preparing files and completing reports (i.e. uniform reporting), as well as allows for fewer interruptions to tenants and property managers for physical inspections.

RECOMMENDATION

Staff recommends the CDA Board of Commissioners authorize the Executive Director to enter into compliance monitoring contracts for the LIHTC Program and HOME Program with Janken Housing Solutions.

EXPLANATION OF FISCAL/FTE IMPACTS

The fee for the LIHTC Program compliance monitoring is paid directly by the LIHTC property owners. The fee for the HOME Program compliance monitoring services is budgeted with HOME Program administrative funds.

☐ None ☒ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County CDA issued a Request for Proposals seeking the services of qualified contractors for the Low Income Housing Tax Credit Program (LIHTC Program) compliance monitoring and the HOME Investment Partnerships Program (HOME Program) compliance monitoring services; and

WHEREAS, three proposals were received for LIHTC Program compliance monitoring; and

WHEREAS, three proposals were received for HOME Program monitoring services; and

WHEREAS, staff reviewed all proposals thoroughly and based on performance, experience and price is recommending Janken Housing Solutions be awarded the service contracts for both the LIHTC Program compliance and HOME Program compliance monitoring for the next three years.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to execute contracts with Janken Housing Solutions for the LIHTC Program compliance monitoring services and for the HOME Program monitoring services.

PREVIOUS BOARD ACTION

21-6467; 9/21/2021

ATTACHMENTS

Attachment A: RFP Document

Attachment B: Price Proposal Summary

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

Author: Kathy Kugel, Housing Finance Manager

DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY

Request for Proposals

Low Income Housing Tax Credit Program Compliance Monitoring

and

HOME Investment Partnerships Program Monitoring Services

Contact Information:

Kathy Kugel
651-675-4478
651-675-4444 (fax)
kkugel@dakotacda.state.mn.us

Submit Proposals To:

Dakota County Community Development Agency
Attn: Kathy Kugel
1228 Town Centre Drive
Eagan MN 55123

Request for Proposal Date:

July 1, 2025

Submission Date and Time:

August 11, 2025, 4:00 pm

Anticipated Contract Start:

October 1, 2025

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ATTACHMENTS:

- A. Contract Terms – Low Income Housing Tax Credit Program
 - A.1. Price Proposal Form – Low Income Housing Tax Credit Program
- B. Contract Terms – HOME Investment Partnerships Program
 - B.1. Price Proposal Form – HOME Investment Partnerships Program

EXHIBITS:

- A. Portfolio Listing – Low Income Housing Tax Credit Program
- B. Project Listing – HOME Investment Partnerships Program
 - B.1. DCCDA Projects Review Tracking Worksheet
 - B.2. Consortia Rental

SECTION 1. PROPOSAL INFORMATION

1.1 PURPOSE

The Dakota County Community Development Agency (DCCDA), a Suballocator of Housing Tax Credits as designated by the Minnesota Legislature, is issuing this Request for Proposals (RFP) seeking the services of a qualified Contractor to undertake physical inspections and on-site file reviews of properties that have been awarded/financed by the Low Income Housing Tax Credit Program (the “LIHTC Program”) in Dakota County.

Additionally, Dakota County is a Participating Jurisdiction (PJ) for the U.S. Department of Housing & Urban Development HOME Investment Partnerships Program (the “HOME Program”) and serves as the lead entity for the Dakota County HOME Consortium (the “Consortium”). As the PJ and the Lead, Dakota County is responsible for ensuring that all Consortium HOME funds are used in compliance with HOME requirements (See 24 CFR 92.504(a) for a description of Lead responsibilities). Dakota County and the DCCDA enter into an annual subrecipient agreement, pursuant to which the DCCDA assumes responsibility for administering the Dakota County HOME Program, as well as ensuring all PJ requirements are met. The DCCDA seeks proposals for completion of monitoring functions for the Dakota County HOME Program as well as monitoring each consortium member’s monitoring.

Specific qualifications and services to be provided are outlined in Section 3 and Section 4 of this RFP.

Offerors can respond to either (A) LIHTC Program monitoring and inspection services or (B) HOME Program monitoring and inspection services or (C) both, Low Income Housing Tax Credit Program monitoring and HOME Investment Partnerships Program monitoring.

1.2 PROCUREMENT METHOD

This Contract will be awarded in accordance with the competitive sealed proposals process as outlined in the DCCDA’s Statement of Procurement Policy.

1.3 QUESTIONS

Questions will be accepted from prospective Offerors and should be submitted in a timely manner to Kathy Kugel only. E-mail submission of questions is preferable, but questions will also be accepted by mail or facsimile to Kathy Kugel.

Kathy Kugel will decide whether an answer can be given before the closing date, based on the availability of time to research and communicate an answer. Answers to all substantive questions that have not previously been answered, and are not clearly specific only to the requestor, will be distributed to all offerors who are known to have received a copy of this RFP.

1.4 PROPOSAL SUBMISSION REQUIREMENTS AND DEADLINE

For Low Income Housing Tax Credit Program: An unbound, clearly marked original of the Technical Proposal and an unbound, clearly marked original of the Price Proposal in a sealed envelope marked “Tax Credit Compliance Monitoring” OR it may be submitted electronically to Kathy Kugel at kkugel@dakotacda.org. The submission must be received at the DCCDA no later than the date and time listed on the Cover Page Summary Sheet, in order to be considered.

For HOME Investment Partnerships Program: An unbound, clearly marked original of the Technical Proposal of the Price Proposal in a sealed envelope marked “HOME Compliance Monitoring” OR it may be submitted electronically to Kathy Kugel at kkugel@dakotacda.org. The submission must be received at the DCCDA no later than the date and time listed on the Cover Page Summary Sheet, in order to be considered.

Requests for an extension of this date or time will not be granted. Offerors mailing proposals should allow sufficient mail delivery time to ensure timely receipt at the DCCDA. Opened proposals will not be returned to Offerors.

1.5 MULTIPLE OR ALTERNATE PROPOSALS

Neither multiple nor alternate proposals for the same services will be accepted.

1.6 DURATION OF OFFER

Proposals submitted in response to this RFP are irrevocable for a period of ninety (90) days following the closing date. This period may be extended at Kathy Kugel’s request only with the Offeror’s written agreement.

1.7 MANDATORY CONTRACTUAL TERMS

By submitting a proposal in response to this RFP, an Offeror, if selected for award, shall be deemed to have accepted the terms of this RFP and the standard contract terms and conditions, included as **Attachment A – LIHTC**, **Attachment B - HOME** or both **Attachments A and B** if submitting proposals for both services. Any exceptions to this RFP, or **Attachment A** and/or **Attachment B** attached, must be clearly identified in the Executive Summary submitted with the Technical Proposal. A proposal that takes exception to these terms may be rejected.

1.8 INCORPORATION OF RFP AND PROPOSAL

The applicable sections of this RFP and the successful Offeror’s proposal shall be incorporated into the resulting contract(s).

1.9 CONFLICT OF INTEREST

Each Offeror warrants that there are no relevant facts or circumstances that give rise or will give rise to a conflict of interest. For purposes of this Contract, a conflict of interest

is defined as a relationship of such a character that would raise doubts in the mind of an independent observer about the Contractor's ability to conduct an impartial inspection of the property.

Offerors shall disclose, as part of their technical proposal, a list of properties where the Contractor maintains a current contractual relationship or had a previous contractual relationship with either the owner or managing agent of the property or have conducted prior inspections of the property for other entities within the past three (3) years of the closing date of this RFP. In addition, Offerors shall review **Exhibit A** and **Exhibit B** and disclose, as part of their technical proposal, a list of prior or ongoing business relationships with owners or managers of properties listed in **Exhibit A** or properties or projects listed in **Exhibit B** that could cause a conflict of interest. Because of the limited number of qualified Offerors and because of the potential for conflict of interest, Offeror shall detail in their proposal their option for dealing with the potential conflict.

The successful Offeror who is awarded the contract has a continuing obligation to disclose to DCCDA the above information through the term of the contract and subsequent renewals, if any.

Kathy Kugel will make a determination as to whether a conflict of interest exists. If it is determined that there is a conflict of interest, and that conflict of interest cannot be resolved, Kathy Kugel may reject the offer. If a conflict arises during the term of the contract or any subsequent renewals, DCCDA reserves the right, in its sole discretion, to terminate the contract if the conflict can not be resolved to DCCDA's satisfaction.

1.10 REVISIONS TO THE RFP

If it becomes necessary to revise this RFP, amendments will be provided to all prospective Offerors that were sent this RFP or otherwise are known by Kathy Kugel to have obtained this RFP. Failure to acknowledge receipt does not relieve the Offeror from complying with all terms of any such amendment.

1.11 RFP CANCELLATION / REJECTION

The DCCDA reserves the right to cancel this RFP at any time prior to contract award. The DCCDA also reserves the right to accept or reject any and all proposals, in whole or in part, received in response to this RFP and to waive or permit cure of minor irregularities in any manner necessary to serve the best interests of the DCCDA. Offerors whose proposals are not accepted will be notified in writing.

1.12 INCURRED EXPENSES

The DCCDA will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal or in performing any other activities relative to this solicitation.

1.13 ECONOMY OF PREPARATION

Proposals should be prepared simply and economically, providing a straightforward, concise description of the Offeror's ability to meet the requirements of this RFP.

1.14 ACCESS TO PUBLIC RECORDS ACT NOTICE

Offerors should give specific attention to the clear identification of those portions of their proposal that are considered confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the DCCDA. This information is to be placed after the Title Page and before the Table of Contents of the respective proposal to facilitate public inspection of the non-confidential portion of the proposal. Respondents are advised that, upon request for this information from a third party, DCCDA is required to make an independent determination whether the information may be disclosed.

SECTION 2. CONTRACT INFORMATION

2.1 PARTIES TO THE CONTRACT(S)

The contract(s) entered into as a result of the response to this RFP shall be by and between the successful Offeror(s) as Contractor(s) and DCCDA, and shall include the terms and conditions of **Attachment A** and/or **Attachment B** of this RFP and generally the provisions of this RFP. Any exceptions must be clearly identified in the Executive Summary section of the Technical Proposal. **Attachment A** and **Attachment B** is included for information only and is not to be submitted with the Offeror's proposal.

2.2 CONTRACT TERM

The Contract(s) shall commence on or about October 1, 2025, after all appropriate DCCDA approvals have been obtained and the Contract(s) has been executed by both parties, and will terminate three years from the date of contract execution unless the DCCDA exercises its option to renew the contract for a further period or periods as follows:

The DCCDA may renew the contract(s) beyond its initial contract period for a maximum of two (2) one-year periods at the same terms and conditions, by giving the Contractor(s) reasonable written notice of the DCCDA's intent to renew each additional one-year period prior to the end of the then current period. The exercise of this right to renew is a unilateral option of the DCCDA which the DCCDA may or may not exercise each year in its sole subjective discretion.

2.3 CONTRACT TYPE

For Low Income Housing Tax Credit: The contract awarded as a result of this solicitation shall be a fixed-price contract based on a per unit charges.

For HOME Investment Partnerships Program: The contract award as a result of this solicitation shall be a fixed-price contract based on a project basis charges.

2.4 COMPENSATION AND METHOD OF PAYMENT

For LIHTC Monitoring, the Contractor will be compensated annually by each Project Owner. In December of each LIHTC Program Year, the Contractor shall invoice (in accordance with **Attachment A.1. – Price Proposal**) each Property owner for services to be provided.

For HOME Monitoring, the Contractor will be compensated annually by the DCCDA. In November of each HOME Program Year, the Contractor shall invoice (in accordance with **Attachment B.1. – Price Proposal**).

2.5 SCOPE OF CONTRACT

It is anticipated that work to be performed and the services to be provided by the Contractor(s) will consist of the items described in Section(s) 3.2 and/or 3.3, depending on what services Offeror is responding to in this RFP and any and all Exhibits outlining the services to be provided.

2.6 CONTRACTOR RESPONSIBILITIES

The Contractor(s) will assume sole responsibility for all work to be performed under their Contract and will be the sole point of contact for DCCDA with regard to contractual matters.

The Contractor(s) shall be responsive, provide feedback regarding deficiencies and be proactive and ready to respond to questions as they arise.

The Contractor(s) shall report, via email message, any current inspection protocol standards (i.e., National Standards for the Physical Inspection of Real Estate (NSPIRE), previously it was Uniform Physical Condition Standards (UPCS)) inspection deficiencies within 36 hours to the Program Manager at the DCCDA to ensure the deficiency can be resolved swiftly.

2.7 WORK PRODUCTS

All products, including work papers, draft documents, notes, calculations and all other written materials regarding the engagements prepared under the terms of this contract are the property of the DCCDA and shall be delivered at the end of each reporting year in a form useable to DCCDA.

2.8 INDEMNIFICATION

The Contractor(s) agrees to indemnify and hold harmless DCCDA from all liability which may hereafter be incurred by reason of dissemination, publication, distribution, or

circulation in any manner whatsoever of any information, data, or records pertaining in any way to the contract by the Contractor and its employees.

2.9 LOSS OF DATA

In the event of loss of any DCCDA data or records where such loss is due to the intentional act or omission or negligence of the Contractor(s) or any of its subcontractors or agents, the Contractor(s) shall be responsible for recreating such lost data in the manner and on the schedule set by the DCCDA.

2.10 CONFIDENTIALITY

The Contractor(s) agrees that all documents and materials, including but not limited to, reports, correspondence, studies, estimates, tests, photographs, or other materials relating to properties monitored pursuant to this contract shall not be shared with third parties, other than the project owner or its duly authorized agents, without the prior written consent of the DCCDA.

SECTION 3. SCOPE OF SERVICES

3.1 BACKGROUND

Low Income Housing Tax Credit Program

Section 42 (“§42”) of the Internal Revenue Code of 1986, as amended (the “Code”) established the Low-Income Housing Tax Credit Program (the “LIHTC Program”). The Internal Revenue Service (the “IRS”), as part of Treasury, administers the LIHTC Program. The LIHTC Program grants owners of rental properties substantial credits against their federal income tax liability in exchange for leasing affordable rental housing units to qualified low-income households and individuals.

In 1987, the Dakota County Community Development Agency (DCCDA) was designated, as required by the Code, as a Suballocator within the State of Minnesota responsible for allocating tax credits and monitoring participant compliance. Within DCCDA, the Community & Economic Development Department is responsible for monitoring compliance by LIHTC Program Participants within the provisions of the Code. Specific information on administration of the LIHTC Program in Dakota County may be found in DCCDA’s Qualified Allocation Plan (QAP). Copies of the QAP are available through DCCDA’s website at: <https://www.dakotacda.org/doing-business-with-the-cda/housing-finance-resources/> § 42 and applicable Treasury Regulations, including without limitation, Treasury Regulations § 1.42-5 (the “Regulations”) require, among other things, that DCCDA or its “Authorized Delegate” conduct periodic site inspections of tax credit properties. The purpose of these inspections is to ensure compliance with the habitability and occupancy standards established by the LIHTC Program. § 42 and the Regulations also require DCCDA or its Authorized Delegate to conduct an ongoing review of annual certifications and related supporting documents submitted by owners of their compliance with the provisions of the Code. Owners are

required by the Code to certify annually to DCCDA, or its Authorized Delegate, their compliance with the various provisions of the Code governing tenant income eligibility, rent eligibility, utility allowances, fair housing, habitability, document retention and other specific Code requirements.

This RFP seeks the services of a qualified Contractor to undertake, as DCCDA's Authorized Delegate, physical inspections and tenant file review, annual desk audits, reviews of the annual Owner's Certificate of Continuing Program Compliance form and supporting documentation of properties owned by LIHTC Program Participants in Dakota County and annual general tasks (e.g. update Compliance Manual, prepare Part III of 8610, etc.), all in accordance with the requirements of § 42 and the Regulations.

HOME Investment Partnerships Program

In 1992, Dakota County joined with the counties of Anoka, Ramsey and Washington to form the Dakota County Consortium (the "Consortium"). The Consortium has since expanded to include the City of Woodbury. HUD requires the PJ to monitor all subrecipients and project developers at least annually during implementation of the project (24 CFR 92.504(a)).

Rental and homeownership housing that is acquired, developed or constructed with HOME funds must remain affordable to income-eligible households for a period of affordability ranging from 5-20 years.

The PJ must monitor all HOME-funded rental projects on at least an annual basis to verify that the projects remain in compliance with HOME requirements related to tenant income, rent restrictions, unit mix and occupancy, lease provisions and affirmative marketing. On-site inspections of the project and units are required to ensure that property standards continue to be met. Units must meet NSPIRE and projects must meet the applicable consortium member property standards.

The DCCDA enters into annual subrecipient agreements with each consortium member, pursuant to which the DCCDA agrees to provide the consortium member's share of HOME funds, based on HUD's formula. Each consortium member is responsible for implementing their own HOME programs, including monitoring all HOME-funded programs and projects from inception through the end of each project's required period of affordability.

The DCCDA is responsible for monitoring the Dakota County HOME Program, as well as overseeing each consortium members' monitoring activities, through a review monitoring process.

A summary of the scope of services to be provided is outlined below in Section 3.3 below. Note that the scope of services may be adjusted based on recommendation from the monitoring consultant, new HOME guidance, and/or other information from HUD.

3.2 SCOPE OF SERVICES – Low Income Housing Tax Credit Program

A. Portfolio Description.

DCCDA currently administers a portfolio of approximately 50 properties with a total of 2,997 income restricted rental units participating in the LIHTC Program (the “Portfolio”). The Portfolio includes a wide variety of building types such as apartments and townhome dwellings throughout the County. DCCDA anticipates that it will experience an increase in the size of the Portfolio of around 7 properties with approximately 844 additional units for the foreseeable future. A detailed list of properties is attached for informational purposes as **Exhibit A** to this RFP.

The DCCDA will provide the Contractor with an updated list of all properties including building addresses, placed in service dates, contact information, and designation of properties for each year that the Contract is in effect.

B. Anticipated Workload. The following are subject to change depending on current program requirements.

1. Site Visit Function. The Contractor should anticipate a site visit inspection for slightly over one third (1/3) of the properties in the Portfolio for each of the three years the Contract is in effect, or at a minimum as regulations require. Annual site visits shall be completed by the end of the third quarter of the calendar year. The Contractor shall be responsible for:
 - a. Scheduling and conducting inspections in accordance with the Regulations.
 - b. Ensuring that all properties are inspected at least every three (3) years and that all new properties are inspected within two (2) years of their place in service dates.
2. Desk Audit Function. The Contractor should anticipate a review of the annual owner’s certification, with supporting documentation for all properties in the Portfolio for each year the Contract is in effect. The Contractor will notify property owners no later than March 31st that documents required to conduct desk audits are to be submitted directly to the Contractor by an agreed upon due date. Desk audit reviews shall be completed by the end of the third quarter of the calendar year. The Contractor shall ensure that desk audit reviews are conducted concurrently with site visit reviews for the 1/3 of properties noted under Section B.1. above. The contractor shall be responsible for:
 - a. Reviewing the owner’s certification in accordance with the Regulations.

- b. Reviewing the supporting documentation to the owner's certification in accordance with the Regulations. Supporting documents include all forms included in Electronic Reporting Program (e.g., Project Information, Building List, Building Map, Utility Allowance, Tenant Income Certification Form, Data Worksheet, Characteristics of Tenant Household, Year 1 Applicable Fraction form or Year 2 or Later Applicable Fraction Summary form).
- 3. Training Function: The Contractor shall anticipate providing an annual half day training program for LIHTC Program Participants.
- 4. General Tasks: The Contractor will be expected to update DCCDA's Compliance Manual, provide ongoing information to DCCDA and Project Owners, develop and maintain database, prepare draft 8823s with documentation, monitor corrective action, prepare compliance monitoring annual report Part III Consolidated IRS form 8810, provide technical assistance to Project Owners, and respond to requests by Minnesota Housing.
- 5. Post 15 Year Monitoring: The Contractor shall continue to monitor projects during the Extended Use Period and during the 3-year tenant protections requirement.

C. Work Descriptions.

1. Site Visit.

- a. Inspection of Building and Units. During the term of the contract the Contractor shall:
 - i. Conduct on-site inspections of all buildings containing tax credit units as well as associated common areas in each property selected for monitoring by the Contractor.
 - ii. Prepare a report format that is current inspection protocol standards (i.e., National Standards for the Physical Inspection of Real Estate (NSPIRE), previously it was Uniform Physical Condition Standards (UPCS)) compliant to be used to conduct the inspections. This format must be submitted to and approved by the DCCDA in advance of inspection commencement.
 - iii. Inspect at least twenty percent (20%) of the tax credit units in each low-income building to determine if the building and units satisfy the NSPIRE as established by the U.S. Department of Housing and Urban Development (HUD) under regulation 24 CFR 5.703. The NSPIRE does not

preempt or supersede local or state building codes. If the HUD standards are met, the Contractor is not required to determine whether the property meets local health, safety and building codes, however, it is the property owner's responsibility to ensure that the property meets applicable local codes. The property owner is required to maintain a current file of any outstanding local code violation notices, which the Contractor shall review as part of the inspection process and report any unresolved violations to the DCCDA.

- b. Review of Tenant Income Certifications and Rent Records. In conjunction with the building and unit inspections described in Section C. 1. a. above, the Contractor shall review the rent records, including the income certifications and their underlying documentation, for each of the tax credit units undergoing physical inspection. This review shall be performed for occupancy records stored either on- or off-site by the property manager. The purpose of the review is to test compliance by the property owner with the relevant portions of §42 and the Regulations.

2. Desk Audit.

- a. Owner's Certification Review. The Contractor shall review the owner's certification in accordance with § 42 and the Regulations and at a minimum shall determine that all questions are answered correctly by the owner, that all required attachments are included, and that the document is properly executed by the owner, general partner, or agent with full authority to legally bind the owner.
- b. Attachments to Owner's Certification. The Contractor shall review the Attachments to the owner's certification (to be submitted in an electronic format) in accordance with § 42 and the Regulations. The Contractor shall determine at a minimum adherence to the applicable fraction, qualified basis, and all applicable income restrictions, next available unit rule, compliance with the 140% rule, Fair Housing, ADA, and utility allowance provisions as well as any other special provisions which may be mandated by the Extended Use Covenant (e.g., Homelessness Rider) or any other applicable regulatory agreements.
- c. IRS Form 8609 and Schedule A to the 8609. The Contractor shall review the owner's submission of the IRS Form 8609 with Parts I and II completed for every building in the project for the first year of the compliance period. Schedule A to the 8609 shall be reviewed for the first and all subsequent years of the compliance period for every building in the project.

3. Training. The Contractor, at a time and place indicated by the DCCDA and with suitable advance notice, will provide an annual half day training session for LIHTC Program Participants at no additional charge. The agenda shall include, at a minimum, the identification and correction of common compliance issues such as tenant income certification/recertifications, third party verifications, unit health and safety violations, etc. The agenda for the training shall be submitted to the DCCDA at least 30 days in advance of the training date. DCCDA at its expense will provide a site for the training, promotional notices to LIHTC Program Participants, and duplication of training materials. The Contractor will provide qualified trainers to conduct the session as well as a reproducible training manual in advance to be duplicated by DCCDA for attendees.

The Contractor will be allowed to offer additional training(s) for LIHTC Program Participants independent of this RFP.

4. General Tasks.

- a. Compliance Manual. Monitor all essential changes to Section 42, the Regulations, policies, IRS guidelines as well as revisions to HUD Occupancy Manual 4350.3, Chapter 5; incorporate changes into revisions for DCCDA Section 42 Compliance Manual after coordinating with Minnesota Housing for consistency in interpretation. Incorporate any DCCDA-specific information into compliance manual. The Compliance Manual shall be available to Property Owners and Managers electronically.
- b. Provide update information to DCCDA, owners and managers as it becomes available: IRS COLA, Section 42 income/rent limits. Provide technical assistance to owners and managers throughout the year. Respond to requests by Minnesota Housing and the public for data not protected under the Minnesota Data Practices Act.
- c. Develop, implement, and maintain a database to manage information flow for all DCCDA projects. The Contractor must use a Microsoft Windows accessible format in developing these systems so it can be easily transferred to DCCDA.
- d. Prepare draft form 8823 with documentation for DCCDA; monitor any corrective action taken within three years after filing form 8823 with uncorrected noncompliance to ensure DCCDA files an updated form 8823.

- e. Prepare compliance monitoring annual report Part III of Consolidated IRS form 8810 for DCCDA review and signature; submit electronically to Minnesota Housing.
5. Post 15-Year Monitoring. Although there may be no tax impact in the event of noncompliance, the Contractor will need to continue monitoring Projects that have reached the Extended Use Period (including the 3- year tenant protection period) as required by each Project's Land Use Restrictive Covenants for Housing Tax Credits.
- a. Annual Certification. Ensure Owners submit the Owner's Certification of Continuing Program Compliance form (Y15).
 - b. Annual Reporting. The Tax Credit Summary Report (HTC 13) and related Applicable Fraction Summary must be submitted to Contractor annually along with the owner's certification.
 - c. Inspections are required at least every five years. A minimum of three low-income units or a maximum of 10% of the low-income units in the development will be inspected.
 - d. Properties with HUD funding. Inspections or fees will not be required for properties with project-based Section 8 or other HUD programs since these properties are already subject to inspections. However, Owners will be required to submit the Owner's Certification of Continued Monitoring of Federal Program (HTC-12(Y15A)).

D. Procedure for Projects that are in Compliance.

- 1. For on-site physical unit inspections, tenant file reviews, and reviews of the owner's certification with supporting documentation, which result in no findings of non-compliance, the Contractor shall notify the property owner, the management company, and the DCCDA in writing within ten (10) calendar days of completion of the review.
- 2. Notification to the DCCDA shall be provided in the form of correspondence addressed to the project owner. The correspondence will be reviewed, executed, and distributed by the Contractor.

E. Procedure for Projects that are in Non-Compliance.

- 1. For instances of noncompliance with NSPIRE, local building or health codes, or occupancy, detected as a result of the Contractor's monitoring activities for site visits and/or as detected as a result of the Contractor's review of the annual owner's certification with supporting documents, the Contractor shall document and report to the property owner, the management company, and the DCCDA within ten (10) calendar days of

the inspection. However, any deficiencies noted should be disclosed, via email, to the Program Manager within 36 hours of discovery.

2. Notification shall be reported in the form of an executed warning letter of non-compliance.
3. Property owners shall have a correction period of no more than ninety (90) days from the date of notification to bring the project into compliance. Under extraordinary circumstances, the property owner may request an extension for up to 180 days. In those cases, the Contractor shall make a recommendation to grant an extension, but the decision to grant an extension must be made by the DCCDA.
4. Although the Contractor will not be responsible for re-inspection of the property, it is the Contractor's responsibility to review all compliance clearance documentation submitted by property owners, which shall include work orders, invoices and other such documentation to ensure that the corrections have been made within the correction period.
5. Within ten (10) calendar days of the close of the correction period, the Contractor, as applicable, shall provide the DCCDA with the following documents as appropriate:
 - a. A letter of compliance; or
 - b. An execution ready copy of IRS Form 8823 and letter of non-compliance. DCCDA will sign the non-compliance letter and will execute and issue the IRS Form 8823, Report of Non-compliance, to notify the IRS and the property owner or agent of the non-compliance issues; or
 - c. An execution ready copy of the corrected 8823 and cover letter to the IRS.

F. Appeal Process.

In cases where an owner elects to appeal a finding of non-compliance, the Contractor shall be responsible for scheduling and participating in any meetings that may be required with the DCCDA to hear the owner's appeal. At such meetings, the Contractor shall be prepared to justify the non-compliance findings.

G. Re-Reviews of Uncorrected IRS Filed Forms 8823.

1. While the Contractor is not responsible for re-inspection of the property after submission by DCCDA of an uncorrected IRS Form 8823 to the IRS, the Contractor shall:

- a. Review all compliance documentation submitted by property owners to request a corrected IRS Form 8823, which includes work orders, invoices and other such documentation to ensure that the corrections have been made; and
 - b. Prepare the “amended” 8823 in accordance with Section E 5 c above.
2. This review shall be included in the per unit price supplied in the Offeror’s Price Proposal.

H. Contractor Regulatory/Code Updates.

The Contractor shall keep current on any changes to the Code, the Regulations or other IRS and/or HUD directives or revenue rulings and ensure that any applicable changes are being followed.

I. Contractor Record Keeping and Reporting Requirements.

1. Database Reports. The Contractor shall:
 - a. Maintain a database on all properties inspected that includes all information including any instances of noncompliance reportable on the IRS Form 8823.
 - b. Update the database as properties are inspected and make updates available electronically to the DCCDA in a Microsoft Windows accessible format at least annually, or more frequently upon request by the DCCDA.
 - c. Maintain electronic records on all information submitted for the annual owner’s certification inclusive of supporting documentation.
2. Quarterly Activity Reports. The Contractor shall:
 - a. Prepare and deliver to the DCCDA quarterly, no later than ten (10) calendar days following the end of the quarter for each quarter of the Contract term, a report on the Contractor’s activities for the preceding quarter.
 - b. Include summaries of all inspection reports, notices of compliance or non-compliance, follow-up reviews, findings and final non-compliance status for previously inspected properties.
 - c. File the report electronically and make hard copy available.

3.3 SCOPE OF SERVICES – HOME Investment Partnerships Program

Maintain a comprehensive monitoring system for all HOME funded projects in Dakota County's HOME Program, and a review monitoring system for Consortium Member Programs. The system should be informed by HUD's Community Planning and Development Monitoring Handbook, including HUD monitoring checklists in Chapter 7 of the guide. These checklists identify specific documents and records that must be retained by a PJ to demonstrate compliance with HOME program, project, general administrative, and other Federal requirements. The system should address uniform administrative requirements and federal cross-cutting requirements.

Review DCCDA Monitoring Guide and checklists and work with DCCDA staff on revisions to incorporate HUD rule changes and best practices, including underwriting, asset management, and subsidy layering review requirements for rental projects, rehabilitation standards for rehab projects, and change order approval process for new construction and rehabilitation projects.

- A. Dakota County Program. Monitoring services include comprehensive monitoring of all Dakota County Program activities.
 - 1. Maintain tracking system to report on all projects throughout the period of affordability, including rental and homeownership projects.
 - 2. Maintain system for tracking and reporting on monitoring of all projects during implementation.
 - 3. Include on-site file review and unit and property inspections.
 - 4. Develop ongoing monitoring schedule
- B. Consortium Member Programs – Review Monitoring System. Monitoring services include reviewing Consortium member monitoring of their HOME Program activities.
 - 1. Maintain monitoring tracking and reporting system for Consortium Member activities and PJ review monitoring.
 - 2. Maintain quarterly and year end reporting forms that are compatible with IDIS and CAPER reporting requirements and formats.
 - 3. Provide guidance/assistance as necessary to ensure full compliance by Consortium members.

4. Projects and Programs to be monitored (Dakota County) and review monitored (Consortium) for compliance with HOME Requirements.
 - a. Rental projects during period of affordability. See **Exhibit B** for a list of current rental projects in Dakota County and all consortium jurisdictions.
 - b. Tenant Based Rental Assistance (TBRA). Areas to monitor include income and participant eligibility, type of assistance, minimum payment and maximum subsidy (voucher/certificate model), program rule, preferences consistent with Consolidated Plan and annual unit inspections are completed.
 - c. Community Housing Development Organizations (CHDOs). Review and monitor CHDO certification process for CHDO funded activities.
 - d. Homeowner Activities. Monitoring activities include ensuring that the use of resale or recapture to enforce the period of affordability is consistent with the consolidated plan and action plan and is defined in the written agreements. The resale and recapture provisions are generally self-enforced through recorded mortgage or other documents. However, the DCCDA and subrecipients must have procedures in place to verify the ongoing principal residency requirement such as “do not forward” letters, phone calls, or other intermittent method to follow up. Other Monitoring Activities include ensuring property standards are in place and enforced and quality of work is inspected.
 - Foreclosed Property Acquisition, Rehabilitation, Resale
 - CHDO housing development and/or acquisition and rehabilitation projects
 - Down Payment Assistance Programs
 - Homeowner Rehabilitation Programs

3.4 KEY PERSONNEL

The Contractor(s) shall maintain a staffing plan that describes the engagement team and identifies the specific individuals who will be assigned to the Contract to perform work under each of the tasks referred to in Section 3.2 and 3.3. The staffing plan shall include a description of the division of responsibility envisioned among these individuals.

It is expected that the key project team personnel assigned will remain for the length of the contract period. Replacement of any personnel shall be with personnel of substantially equal ability, qualifications and experience. DCCDA will reserve the right to terminate the contract if it is not satisfied that knowledge and experience of key personnel are being maintained.

3.5 APPROACH TO SERVICES - WORK PLAN

The Contractor(s) shall maintain a schedule or work plan that details how the Contractor(s) shall fulfill the responsibilities and complete the work as described in this RFP.

3.6 CONFLICT OF INTEREST

The Contractor(s) shall have no conflict of interest with regard to work for the DCCDA under this Contract. For the purposes of this Contract, a conflict of interest is defined as a relationship of such a character that would raise doubts in the mind of an independent observer about the Contractor's ability to conduct an impartial inspection of the property. If there is a conflict of interest, Contractor must provide an option to accommodate the conflict.

If during the term of the contract the Contractor becomes aware of any such conflict of interest, the Contractor shall notify the DCCDA in writing within five (5) calendar days of knowledge of such conflict and include the nature of the conflict. The DCCDA shall determine whether or not the contractual relationship so disclosed constitutes a conflict sufficient to present the appearance of a conflict of interest on the part of the Contractor.

In such cases where in the judgment of the DCCDA a potential for conflict of interest exists, the property or properties may be removed from the engagement and services may be provided by another contractor or DCCDA staff will conduct the inspection of the property or properties.

3.7 PROJECT ADMINISTRATOR

After Contract award and throughout the course of the project, the DCCDA staff member (or designee) listed below will approve the Contractor's work schedule, review the Contractor's work as it is submitted, and monitor the performance of the Contractor.

Kathy Kugel, Dakota County CDA, 1228 Town Centre Drive, Eagan MN 55123

651-675-4478 (office), 651-675-4444 (fax), kkugel@dakotacda.org

SECTION 4. MINIMUM QUALIFICATIONS

The Offeror shall:

- A. Have at least three (3) years' experience providing services similar to that described in Section 3 of this RFP to a low income housing tax credit allocating agency, and
- B. Have conducted at least two (2) LIHTC compliance training sessions for active LIHTC property and compliance managers in the past two (2) years.
- C. Have comprehensiveness, appropriateness, and quality of experience of the organization along with the presence of the appropriate disciplines, certifications, etc. for the HOME Investment Partnerships Program.

SECTION 5. PROPOSAL FORMAT – LOW INCOME HOUSING TAX CREDIT PROGRAM

5.1 GENERAL

The Offeror's Technical Proposals should be prepared in a straightforward and concise manner, detailing the Offeror's capabilities to satisfy the requirements of this RFP and should conform to the Outline listed below.

5.2 TECHNICAL PROPOSAL

A. General:

Offerors must submit, under separate cover, a clearly marked original of the Technical Proposal in a separate sealed envelope titled "Tax Credit Compliance Monitoring – Technical Proposal" OR it may be submitted electronically to Kathy Kugel at kkugel@dakotacda.org.

Offerors should include a transmittal letter on the Offeror's stationery, signed by an individual who is authorized to bind the company to all statements in the proposal and the services and requirements as stated in the RFP.

B. Outline of sections to be included in the Technical Proposal:

Table of Contents

Tab 1 – Minimum Qualifications

The Offeror shall demonstrate that it meets the qualifications outlined in Section 4 by:

- 1. Providing evidence that it has at least three (3) years experience providing services similar to that described in Section 3 of this RFP to a low income housing tax credit allocating agency; and

2. Providing evidence that it has conducted at least two (2) LIHTC compliance training sessions for active LIHTC property and compliance managers in the past two (2) years.

Tab 2 – Executive Summary

The Offeror shall condense and highlight the contents of the Technical Proposal in a separate section titled “Executive Summary.” The summary shall provide a broad overview of the Offeror’s understanding of the contents of the RFP and how the Offeror’s proposal meets the scope of services outlined in Section 3 as it relates to the LIHTC Program. If any addendum or amendments have been issued to this RFP, the Offeror shall acknowledge same in this section.

Any exceptions to this RFP or the terms and conditions outlined in **Attachment A** or any other attachment must be clearly identified in this section. Exceptions may result in the proposal being rejected or being determined not reasonably susceptible of being selected for award.

Tab 3 – Summary of Experience and Capability

The Offeror shall provide an overview of its experience rendering services similar to those outlined in Section 3 of this RFP and how that experience is relative to this RFP. This narrative shall also include a summary of the Offeror’s experience.

The Offeror shall provide evidence of prior relevant experience for the Offeror’s organization and all key personnel designated to work on this project. Experience of the Offeror’s organization and such personnel shall include a minimum of three years’ experience in:

1. Managing, operating or monitoring of federally-assisted and rent- and income-restricted residential properties;
2. Providing capacity sufficient to ensure the timely monitoring (including all required correspondence, reports, forms and other documentation) of at least 50 properties with an average of 58 units each within the first three quarters of calendar year 2026;
3. Interpreting and applying the standards set forth in HUD National Standards for the Physical Inspection of Real Estate (24 CFR 5.703);
4. Interpreting and applying the standards set forth in HUD Handbook: Occupancy Requirements of Subsidized Multifamily Housing Programs 4350.3 (current revision); and
5. Interpreting and applying the Regulations and relevant notices, Revenue Rulings and Revenue Procedures issued under §42 and income certification standards.

The Offeror shall provide evidence of its ability to prepare and file electronic data, reports, etc in the manner described in Section 3.2.I.

Tab 4 – References

The Offeror shall provide the names, addresses, telephone numbers and contact persons with titles for three (3) current or immediate past clients for whom similar services required by this RFP were performed. Note that DCCDA reserves the right to contact any known former or current client.

Tab 5 – Key Personnel

1. Identify the key personnel who will be assigned to the engagement and their roles and responsibilities during the engagement.
2. Include a resume for each individual named that details educational background, relevant general experience, and relevant specialized experience as it relates to the areas addressed in Section 3.2 of the RFP.

Tab 6 – Approach to Services - Work Plan

The Offeror shall provide an approximate schedule or work plan to map out how and when the work described in this RFP shall be completed. The work plan shall include:

1. The tasks and methods to be utilized in completing the proposed services described in Section 3 of this RFP, including the level of effort (hours) that is anticipated to complete each task and the anticipated staff assignment. The Offeror shall include as an attachment a sample NSPIRE (or current required standard) compliant report format that will be utilized by the Contractor to complete inspections as noted in Section 3.2.C(1)(a)(ii) of the RFP;
2. A schedule of events and activities required in order to complete the services outlined in Section 3 of this RFP in the time specified by the Offeror;
3. A description of the Offeror's procedure for assuring quality control, scheduling and time and cost control.

Tab 7 – Conflict of Interest Disclosure

The Offeror shall submit a list of any potential conflicts of interest arising from business relationships between the Offeror and any properties listed on **Exhibit A**. In addition, Offeror shall provide an option to accommodate the conflict.

5.3 PRICE PROPOSAL

Offerors shall submit price proposals on **Attachment A.1.** signed by an official authorized to bind the Offeror.

The price proposal shall indicate a fixed rate to perform all work under Section 3.2 for each dwelling unit. The rate should be all-inclusive, including all per diem, travel, clerical, and other incidental expenses.

The price shall be the same throughout each year of the initial 3-year contract.

SECTION 6. PROPOSAL FORMAT – HOME INVESTMENT PARTNERSHIPS PROGRAM

6.1 GENERAL

The Offeror's Technical Proposals should be prepared in a straightforward and concise manner, detailing the Offeror's capabilities to satisfy the requirements of this RFP and should conform to the Outline listed below.

6.2 TECHNICAL PROPOSAL

A. General:

Offerors must submit, under separate cover, a clearly marked original of the Technical Proposal in a separate sealed envelope titled "HOME Investment Partnerships Monitoring – Technical Proposal" OR it may be submitted electronically to Kathy Kugel at kkugel@dakotacda.org.

Offerors should include a transmittal letter on the Offeror's stationery, signed by an individual who is authorized to bind the company to all statements in the proposal and the services and requirements as stated in the RFP.

B. Outline of sections to be included in the Technical Proposal:

Table of Contents

Tab 1 – Minimum Qualifications

The Offeror shall demonstrate that it meets the qualifications outlined in Section 4 by:

1. The comprehensiveness, appropriateness, and quality of experience of the organization;
2. Response of references;
3. The presence of the appropriate disciplines, certifications, etc.

4. Experience, education and qualifications of key personnel with similar roles;
5. Demonstrated ability to successfully perform the service; and
6. Access/availability of lead staff and key personnel.

Tab 2 – Executive Summary

The Offeror shall condense and highlight the contents of the Technical Proposal in a separate section titled “Executive Summary.” The summary shall provide a broad overview of the Offeror’s understanding of the contents of the RFP and how the Offeror’s proposal meets the scope of services outlined in Section 3 as it relates to the HOME Program. If any addendum or amendments have been issued to this RFP, the Offeror shall acknowledge same in this section.

Any exceptions to this RFP or the terms and conditions outlined in **Attachment B** or any other attachment must be clearly identified in this section. Exceptions may result in the proposal being rejected or being determined not reasonably susceptible of being selected for award.

Tab 3 – Summary of Experience and Capability

The Offeror shall provide an overview of its experience rendering services similar to those outlined in Section 3 of this RFP and how that experience is relative to this RFP. This narrative shall also include a summary of the Offeror’s experience.

The Offeror shall provide evidence of prior relevant experience for the Offeror’s organization and all key personnel designated to work on this project. Experience of the Offeror’s organization and such personnel shall include a minimum of three years’ experience in:

1. Managing, operating or monitoring of federally-assisted and rent- and income-restricted residential properties;
2. Providing capacity sufficient to ensure the timely monitoring (including all required correspondence, reports, forms and other documentation);
3. Interpreting and applying the standards set forth in HUD National Standards for the Physical Inspection of Real Estate (24 CFR 5.703);
4. Interpreting and applying the standards set forth in HUD CPD Monitoring Handbook: HOME Investment Partnerships Program ; and
5. Interpreting and applying the HOME Laws and Regulations and relevant notices, guidance, etc. as issued by HUD.

The Offeror shall provide evidence of its ability to prepare and maintain electronic data, reports, etc. in the manner described in Section 3.3.

Tab 4 – References

The Offeror shall provide the names, addresses, telephone numbers and contact persons with titles for three (3) current or immediate past clients for whom similar services required by this RFP were performed. Note that DCCDA reserves the right to contact any known former or current client.

Tab 5 – Key Personnel

1. Identify the key personnel who will be assigned to the engagement and their roles and responsibilities during the engagement.
2. Include a resume for each individual named that details educational background, relevant general experience, and relevant specialized experience as it relates to the areas addressed in Section 3.3 of the RFP.

Tab 6 – Approach to Services - Work Plan

The Offeror shall provide an approximate schedule or work plan to map out how and when the work described in this RFP shall be completed. The work plan shall include:

1. The tasks and methods to be utilized in completing the proposed services described in Section 3 of this RFP, including the level of effort (hours) that is anticipated to complete each task and the anticipated staff assignment. The Offeror shall include as an attachment a sample NSPIRE compliant report format that will be utilized by the Contractor to complete inspections as noted in Section 3.2.C(1)(a) (ii) of the RFP;
2. A schedule of events and activities required in order to complete the services outlined in Section 3 of this RFP in the time specified by the Offeror;
3. A description of the Offeror's procedure for assuring quality control, scheduling and time and cost control.

Tab 7 – Conflict of Interest Disclosure

The Offeror shall submit a list of any potential conflicts of interest arising from business relationships between the Offeror and any properties listed on **Exhibit B**. In addition, Offeror shall provide an option to accommodate the conflict.

6.3 PRICE PROPOSAL

Offerors shall submit price proposals on **Attachment B.1.** signed by an official authorized to bind the Offeror.

The price proposal shall indicate a fixed rate to perform all work under Section 3.3 for each project type. The rate should be all-inclusive, including all per diem, travel, clerical, and other incidental expenses.

The price shall be the same throughout each year of the initial 3-year contract.

SECTION 7. EVALUATION PROCEDURE AND CONTRACT AWARD

7.1 EVALUATION COMMITTEE

The DCCDA will evaluate each proposal and reserves the right to reject in whole or in part any and all proposals received as a result of this RFP, to waive minor irregularities in proposals, and to enter into discussions with all responsible Offerors in any manner deemed necessary to serve the best interest of DCCDA. Offerors whose proposals are not accepted will be notified in writing.

7.2 DISCUSSIONS/ORAL PRESENTATIONS

Offerors who appear to be responsible and whose proposals are initially classified as being reasonably susceptible of being selected for award (or potentially so) may be required to make oral presentations of their proposals and participate in discussions with the DCCDA. Offerors will be notified as to a date for oral presentations/ discussions. Offerors must confirm in writing any substantive oral clarification of their proposal made in the course of discussions and all written clarifications will become part of the Offeror's Technical Proposal.

If, following the opening of the price proposals, the DCCDA determines that further discussion is in the best interest of DCCDA, the DCCDA will notify all of the Offerors of the date on which such discussions will be conducted. Upon completion of all discussions and upon receipt of any "best and final offers" submitted as a result of such discussions, the DCCDA will award of the Contract to the responsible Offeror whose combined technical and price proposal is determined to be the most advantageous to DCCDA.

7.3 TECHNICAL PROPOSAL EVALUATION CRITERIA

The Evaluation Committee will conduct their evaluation of the Technical Proposals received on the basis of the following criteria in descending order of importance:

- A. Experience and Capability, as described in, Sections 5.2 and 6.2, Tabs 3, and 4.
- B. Key Personnel Team, as described in Sections 5.2 and 6.3, Tab 5.

- C. Approach to Services and Work Plan, as described in Sections 5.2 and 5.3, Tab 2 and Tab 6.
- D. Conflicts of Interest, as described in Sections 5.2 and 5.3, Tab 7.

7.4 PRICE PROPOSAL SELECTION CRITERIA

The Price Proposal evaluation will be based upon the prices submitted by the Offeror on **Attachment A,1**, LIHTC Price Proposal Form and **Attachment B.1**– HOME Price Proposal Form, and best and final offers, if any. Proposals will be ranked in order from lowest to highest cost to the DCCDA and LIHTC Program Participants.

7.5 WEIGHTING OF TECHNICAL AND PRICE PROPOSALS

The Technical Proposal and the price proposal will be considered equally in determining the most advantageous offers.

7.6 CONTRACT AWARD

It is DCCDA intention to award the contract to the Offeror whose proposal is determined to be the most advantageous to the DCCDA and LIHTC Program Participants.

ATTACHMENT A
LIHTC MONITORING CONTRACT

THIS LIHTC MONITORING CONTRACT (this “**Contract**”) is entered into this ____ day of _____, 2025 by and between the Dakota County Community Development Agency, a Minnesota public body corporate and politic (hereinafter “**DCCDA**”) and _____ (hereinafter “**Contractor**”), a/an [independent contractor], [sole proprietorship], [partnership] corporation, limited liability company), having its principal offices at [address, C/S/Z], as an independent contractor (individually, the CDA and Contractor are each a “**Party**”; together, CDA and Contractor are the “**Parties**”).

RECITALS

WHEREAS, the DCCDA published Request for Proposals on _____, 2025 soliciting offers for furnishing tax credit compliance monitoring services; and

WHEREAS, Contractor submitted a proposal to the DCCDA on _____; and

WHEREAS, Contractor’s Proposal has been accepted by the DCCDA; and

WHEREAS, the Parties wish to enter in this Contract pursuant to which the DCCDA will designate the Contractor to furnish the compliance monitoring services described below.

AGREEMENT

NOW THEREFORE WITNESSETH that for and in consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. ADDITIONAL DOCUMENTS; ORDER OF PRECEDENCE

The Additional Documents listed below are incorporated into and made a part of this Contract. In interpreting this Contract and resolving any ambiguities, this Contract and its amendments shall take precedence over the Additional Documents, and any inconsistency among the Additional Documents shall be resolved in the order in which they are listed below:

1. Request for Proposals dated _____, 2025 (hereinafter “RFP”) (attached hereto as **Exhibit A**); and
2. Contractor’s proposal dated _____, 2025, including all exhibits thereto (attached as **Exhibit B**).

2. DEFINITIONS

Capitalized terms used in this Contract shall have the following meanings:

“Contract” means this document, the attached exhibits, and any amendments to this Contract.

“DCCDA” includes the Dakota County Community Development Agency, its various departments and employees as may be appropriate.

“Projects” includes all developments to which the DCCDA has awarded an allocation of LIHTC.

“Property Owner” is an owner of the Projects.

3. SCOPE OF CONTRACT

The services to be provided by the Contractor consist of the tax credit compliance monitoring services described in the LIHTC sections of Section 3 of the RFP (**Exhibit A**) and the Contractor’s Proposal (**Exhibit B**).

The Contractor shall perform the services with the standard of care, skill, and diligence normally provided by a Contractor in the performance of services similar to the services hereunder. Notwithstanding any review, approval, acceptance or payment for the services by the Property Owners, the Contractor shall be responsible for the professional and technical accuracy of its work, design, drawings, specifications and other materials furnished by the Contractor under this Contract.

4. CONTRACT TERM

The Contract shall commence after all appropriate DCCDA approvals have been obtained and the Contract has been executed by both parties, and will terminate on September 30, 2024 (contract is for Program Years 2025, 2026, and 2027).

The DCCDA may renew the contract beyond its initial 3-year period for a maximum of 2 one-year periods at the same terms and conditions, by giving the Contractor ninety (90) days written notice of the DCCDA’s intent to renew for each additional one-year period prior to the end of the then-current period. The exercise of this right to renew is a unilateral option of the DCCDA which the DCCDA may or may not exercise each year in its sole subjective discretion.

5. AMENDMENTS

All amendments to this Contract must first be approved in writing by the DCCDA, subject to any additional approvals required by State law. No amendment to this Contract shall be binding unless in writing and signed by both the parties.

6. COMPENSATION AND METHOD OF PAYMENT

The Contractor shall be paid on a per unit basis for services rendered, as stated in Attachment A,1, LITHC Price Proposal by each Property Owner. All compensation to be paid to Contractor for services required by this Contract shall be payable solely by the Property Owners and DCCDA shall have no liability for such payment.

The Contractor shall report to the DCCDA annually, and otherwise upon request, the amount of compensation received pursuant to this Contract. The Contractor shall promptly report to the Agency any failure of an Owner to pay fees provided herein. Thereafter, the Contractor shall have no responsibility to monitor any Project for which a fee is due and unpaid.

7. GOVERNING LAW

This Contract shall be governed by the laws of the State of Minnesota.

8. NON-DISCRIMINATION IN EMPLOYMENT

The Contractor agrees: (a) not to discriminate in any manner against an employee or applicant for employment because of race, color, religion, creed, age, sex, marital status, national origin, ancestry or a qualified individual

with a disability; (b) to include a provision similar to that contained in subsection (a), above, in any subcontract except a subcontract for standard commercial supplies or raw materials; and (c) to post and to cause subcontractors to post in conspicuous places available to employees and applicants for employment, notices setting forth the substance of this clause.

9. INSURANCE

Within ten (10) calendar days following notification of award and prior to commencement of work, the selected Contractor must furnish the DCCDA with evidence of insurance for the amounts and types specified below. Such insurance shall be in force on the date of execution of this Contract and shall remain so continuously for the duration of this Contract, as amended.

The Certificate of Insurance must name the DCCDA as an “additional insured” under the Commercial General Liability policy.

Each such policy of insurance shall provide for 30 days’ advance written notice to the DCCDA prior to the effective date of any cancellation and a 10-day notice of cancellation for non-payment of premium.

Minimum Insurance Requirements:

Commercial General Liability	\$1,000,000 each occurrence \$1,000,000 personal and advertising injury \$1,000,000 general aggregate \$1,000,000 products/completed operations aggregate
Auto Insurance	\$1,000,000 bodily injury each person/accident \$1,000,000 property damage each accident \$1,000,000 uninsured and underinsured motorist bodily injury each person/accident
Workers Compensation Employer’s Liability	Statutory \$100,000 bodily injury by accident each accident \$500,000 bodily injury by disease policy limit \$100,000 bodily injury by disease each employee
Errors & Omissions	\$1,000,000 each claim \$1,000,000 annual aggregate

10. CONTINGENT FEE PROHIBITION

The Contractor warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for the Contractor to solicit or secure this Contract, and that it has not paid or agreed to pay any person, partnership, corporation or other entity, other than a bona fide employee or agent, any fee or other consideration contingent on the making of this Contract.

11. TERMINATION FOR DEFAULT

If the Contractor fails to fulfill its obligations under this Contract properly and on time, or otherwise violates any provision of the Contract, the DCCDA may terminate the contract by written notice to the Contractor. The notice shall specify the acts or omissions relied upon as cause for termination. All finished or unfinished work provided by the Contractor shall, at the DCCDA’s option, become the DCCDA’s property. The Contractor can

invoice Property Owners for fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by the Contractor's breach. If the damages are more than the compensation payable to the Contractor, the Contractor will remain liable after termination and the DCCDA can affirmatively collect damages.

12. DELAYS AND EXTENSIONS OF TIME

The Contractor agrees to prosecute the work continuously and diligently and no charges or claims for damages shall be made by it for any delays or hindrances from any cause whatsoever during the progress of any portion of the work specified in this Contract. Time extensions will be granted only for excusable delays that arise from unforeseeable causes beyond the control and without the fault or negligence of the Contractor.

13. REMEDIES

Corrections of errors, defects, and omissions. Contractor agrees to perform the work as may be necessary to correct errors, defects, and omissions in the services required under this Contract, without undue delays and without cost to the DCCDA or Property Owners. The acceptance of the work set forth herein by the DCCDA and Property Owners shall not relieve the Contractor of the responsibility for subsequent corrections of such errors.

14. DISSEMINATION OF INFORMATION

During the term of this Contract, the Contractor shall not release any information related to the services or performance of the services under this Contract, nor publish any final reports or documents without the prior written approval of the DCCDA.

The Contractor shall indemnify and hold harmless the DCCDA, its officers, agents and employees, from all liability which may be incurred by reason of dissemination, publication, distribution or circulation, in any manner whatsoever, of any information, data, documents, or materials pertaining in any way to this Contract by the Contractor, its agents or employees.

15. OWNERSHIP OF DOCUMENTS AND MATERIALS

The Contractor agrees that all documents and materials including but not limited to reports, drawings, studies, specifications, estimates, maps, photographs, designs, graphics, mechanicals, artwork, and computations prepared by or for the Contractor under the terms of this Contract shall be at any time during the performance of the services made available to the DCCDA upon request by the DCCDA and shall become and remain the exclusive property of the DCCDA upon termination or completion of the services. The DCCDA shall have the right to use the same without restriction or limitation and without compensation to the Contractor other than that provided in this Contract. The DCCDA shall be the owner for the purposes of copyright, patent or trademark registration.

If the Contractor obtains or uses for purposes of this Contract, or subcontracts for any design, device, material, or process covered by letters of patent for copyright, it shall provide an assignment to the DCCDA of ownership for purposes of copyright, patent or trademark and of all rights to possess and to use such design, device, material or process, and a copy of a legally sufficient agreement with the patentee or owner.

The Contractor shall indemnify and save harmless the DCCDA from any and all claims for infringement by reason of the use of any such patented design, device, materials, or process, or any trademark or copyright, and shall indemnify, protect and save harmless the DCCDA, its officers, agents, and employees with respect to any claim, action, costs or infringement, or for royalties or user fees arising out of purchase or use of materials,

construction, supplies, equipment or services covered by this Contract.

16. RETENTION AND TRANSFER OF RECORDS

The Contractor shall retain and maintain all records, correspondence, submissions from Property Owners and any other documents relating to this Contract, including particularly any document and records required to be maintained by the DCCDA pursuant to Section 42 and the Regulations, and shall make them available for inspection and audit by authorized representatives of the DCCDA, including DCCDA or designee, at all responsible times. Upon expiration or termination of this Contract, Contractor shall transfer all such records, correspondence, submission and other documents to the DCCDA without cost to the DCCDA.

17. COMPLIANCE WITH LAW

The Contractor hereby represents and warrants that:

It is qualified to do business in the State of Minnesota and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;

It shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract;

It shall obtain, at its expense, all licenses, permits, insurance and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

18. CONTRACTOR RESPONSIBILITIES

The Contractor will assume sole responsibility for all work to be performed under this Contract and will be the sole point of contact for the DCCDA with regard to contractual matters.

19. BANKRUPTCY

Upon filing for any bankruptcy proceeding by or against the Contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, the Contractor must notify the DCCDA immediately. Upon learning of the actions herein identified, the DCCDA reserves the right at its sole discretion either to cancel the Contract or to affirm the Contract and hold the Contractor responsible for damages. The exercise of this right is in addition to any other rights the State may have as provided in this Contract or by law.

20. SUBCONTRACTING OR ASSIGNMENT

The benefits and obligations hereunder shall inure to the benefit of and be binding upon the parties hereto and neither this Contract nor the services to be performed hereunder shall be subcontracted, or assigned or otherwise disposed of, either in whole or in part, except with the prior written consent of the DCCDA, who reserves the right to withhold such consent for any reason the DCCDA deems appropriate.

21. RESPONSIBILITY FOR CLAIMS AND LIABILITY

The Contractor shall be responsible for all damages to life and property due to its activities or those of its agents or employees, in connection with the services required under this Contract. Further, it is expressly understood that the Contractor shall indemnify and save harmless the DCCDA, its officers, agents, and employees from and against all claims, suits, judgments, expenses, actions, damages and costs of every manner and description,

including attorney's fees, arising out of or resulting from the negligent performance of the services of the Contractor under this Contract, except for claims, suits, judgments, expenses, actions, damages and costs arising from acts that are solely attributable to the DCCDA, its officers, agents or employees.

22. NOTICES

Notices required under this Contract to be given by one party to the other must be in writing and either delivered in person or sent to the address shown below by certified mail, return receipt requested and postage prepaid (or by a recognized courier service with an asset tracking system, such as Federal Express, UPS, or DHL):

- a. If to the DCCDA:
Kathy Kugel
Dakota County Community Development Agency
1228 Town Centre Drive, Eagan MN 55123
Email: kkugel@dakotacda.org
Telephone: 651-675-4478 / Fax: 651-287-8052

- b. If to the Contractor:
Name: _____
Title: _____
Company: _____
Address: _____
Email: _____
Telephone: ____ - ____ - ____ / Fax: ____ - ____ - ____
Website: _____

23. WAIVER

No waiver of a right or remedy of a party shall constitute a waiver of another right or remedy of that party.

24. SEVERABILITY

If a court of competent jurisdiction renders any provision or portion of a provision of this Contract invalid or otherwise unenforceable, that provision or portion of a provision will be severed, and the remainder of this Contract will continue in full force and effect as if the invalid provision or portion of a provision were not part of this Contract.

25. HEADINGS AND SECTION REFERENCES; CONSTRUCTION

The section headings in this Contract are inserted only for convenience and are not to be construed as part of this Contract or as a limitation of the scope of the particular section to which the heading refers.

26. INTEGRATION; PAROL EVIDENCE

This Contract, including all exhibits and other documents incorporated by reference, constitutes the entire agreement of the parties and all other communications prior to its execution, whether written or oral, with reference to the subject matter of this Contract are superseded by this agreement.

Witness the signatures of the parties hereto and the dates thereof:

Dakota County Community Development Agency,
a Minnesota public body corporate and politic

Contractor: _____
a _____

By: _____
Tony Schertler
Executive Director

By: _____

Name: _____

Title: _____

Date: _____

Date: _____

Exhibit A to LIHTC Monitoring Contract

REQUEST FOR PROPOSALS

[Attached hereto]

Exhibit B to LIHTC Monitoring Contract

CONTRACTOR'S PROPOSAL

[Attached hereto]

**Attachment A.1. – Price Proposal
Tax Credit Compliance Monitoring**

As of October 1, 2025

Description of Service to be performed under Section 3.2A thru I	Fixed Rate Per Housing Unit &/or Project
<u>Desk Audit - Annual Reporting:</u>	
<u>Years 1-15:</u>	
40/60 or 20/50 Minimum Set-Aside	
Average Income Set-Aside	
<u>Extended Use Period (After Year 15):</u>	
40/60 or 20/50 Minimum Set-Aside	
Average Income Set-Aside	
<u>Post Extended Use Period (3-Year Tenant Protections):</u>	\$ /project annual fee
<u>Energy Consumption Utility Allowance Review</u>	\$ /review
<u>Physical Inspections - Year 1-15 and Extended Use Period:</u>	
NSPIRE Standards - conducted every 3 years on 20% of HTC units	
Other fees (as needed):	

Notes:

1. The rates above are for the duration of the current Contract - the initial three-year term. If the two one-year renewal options are pursued a modest increase (not to exceed 10%) will be considered and are subject to approval by the Executive Director. Thereafter, increases will be discussed and mutually agreed upon by the DCCDA and Contractor.
2. The rates above are to be stated on a per unit basis. The Contractor must clearly state if the fee charged is for only units inspected and/or audited or if the fee charged is for the whole project (HTC units only or both market residential and HTC units).
3. **The Contractor will be paid directly by each Property Owner.**
4. Rates must be all-inclusive and are to include all per diem, clerical and incidental expenses.

Name of Offeror: _____

By: _____
Signature

Typed Name

Title

Address

Federal EIN or TIN

ATTACHMENT B
HOME MONITORING CONTRACT

THIS HOME MONITORING CONTRACT (this “**Contract**”) is entered into this ____ day of _____, 2025 by and between the Dakota County Community Development Agency, a Minnesota public body corporate and politic (hereinafter the “**DCCDA**”) and _____, (hereinafter “**Contractor**”), a/an [independent contractor], [sole proprietorship], [partnership] corporation, limited liability company), having its principal offices at [address, C/S/Z], as an independent contractor (individually, the DCCDA and Contractor are each a “**Party**”; together, DCCDA and Contractor are the “**Parties**”).

RECITALS

WHEREAS, the DCCDA published a Request for Proposals on _____, 2025 soliciting offers for compliance monitoring services for the federal HOME Investment Partnership Program (“**HOME**”), pursuant to 24 C.F.R. § 92.504; and

WHEREAS, Contractor submitted a proposal to the DCCDA on _____; and

WHEREAS, Contractor’s Proposal has been accepted by the DCCDA; and

WHEREAS, the Parties wish to enter into this Contract pursuant to which the DCCDA will designate the Contractor to furnish the compliance monitoring services as described below.

AGREEMENT

NOW THEREFORE WITNESSETH that for and in consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. ADDITIONAL DOCUMENTS; ORDER OF PRECEDENCE

The Additional Documents listed below are incorporated into and made a part of this Contract. In interpreting this Contract and resolving any ambiguities, this Contract and its amendments shall take precedence over the Additional Documents, and any inconsistency among the Additional Documents shall be resolved in the order in which they are listed below:

1. Request for Proposals dated _____, 2025 (hereinafter “**RFP**”) (attached hereto as **Exhibit A**); and
2. Contractor’s Proposal dated _____, 2025 including all exhibits thereto (attached hereto as **Exhibit B**).

2. DEFINITIONS

Capitalized terms used in this Contract shall have the following meanings:

“Contract” means this document, the attached exhibits, and any amendments to this Contract.

“DCCDA” includes the Dakota County Community Development Agency, its various departments and employees as may be appropriate.

“Projects” includes all developments to which the DCCDA has awarded HOME funds, other than any such projects which are beyond their applicable period of affordability.

“Property Owner” is an owner of any of the Projects.

3. SCOPE OF CONTRACT

The services to be provided by the Contractor consist of the HOME compliance monitoring services described in the HOME sections of Sections 3 of the RFP (**Exhibit A**) and the Contractor’s Proposal (**Exhibit B**).

The Contractor shall perform the services with the standard of care, skill, and diligence normally provided by a Contractor in the performance of services similar to the services hereunder. Notwithstanding any review, approval, acceptance or payment for the services by the DCCDA, the Contractor shall be responsible for the professional and technical accuracy of its work under this Contract, including, without limitation, any and all reports, correspondence and other documents prepared or maintained by the Contractor.

4. CONTRACT TERM

The Contract shall commence after all appropriate DCCDA approvals have been obtained and the Contract has been executed by both Parties, and will terminate on September 30, 2028 (this Contract is for Program Years 2025, 2026, and 2027).

The DCCDA may renew the contract beyond the initial period for a maximum of 2 one-year periods at the same terms and conditions by giving the Contractor ninety (90) days written notice of the DCCDA’s intent to renew for each additional one-year period prior to the end of the then-current period. The exercise of this right to renew is a unilateral option of the DCCDA which the DCCDA may or may not exercise each year in its sole subjective discretion.

5. AMENDMENTS

All amendments to this Contract must first be approved in writing by the DCCDA and subject to any additional approvals required by State law. No amendment to this Contract shall be binding unless in writing and signed by both Parties.

This contract is dependent upon HUD’s authorization of grant annual monies to Dakota County for the HOME Program and the DCCDA reserves the right to amend/revise this contract if needed.

6. COMPENSATION AND METHOD OF PAYMENT

The Contractor shall be paid according to the Proposed Fee Schedule in **Exhibit B**. Payment shall be made as follows:

- (1) The 2025 Program Year Monitoring Services Fee and technical assistance fee of up to \$ _____ shall be paid upon completion of 2025 monitoring activities and receipt by the DCCDA of an invoice and certification that the work has been completed in accordance with the HOME regulations.
- (2) The 2026 Program Year Monitoring Services Fee and technical assistance fee of up to \$ _____ shall be paid upon completion of 2026 monitoring activities and receipt by the DCCDA of an invoice and certification that the work has been completed in accordance with the HOME regulations.

- (3) The 2027 Program Year Monitoring Services Fee and technical assistance fee of up to \$_____ shall be paid upon completion of 2027 monitoring activities and receipt by the DCCDA of an invoice and certification that the work has been completed in accordance with the HOME regulations.

7. GOVERNING LAW

This Contract shall be governed by the laws of the State of Minnesota.

8. NON-DISCRIMINATION IN EMPLOYMENT

The Contractor agrees: (a) not to discriminate in any manner against an employee or applicant for employment because of race, color, religion, creed, age, sex, marital status, national origin, ancestry or a qualified individual with a disability; (b) to include a provision similar to that contained in subsection (a), above, in any subcontract except a subcontract for standard commercial supplies or raw materials; and (c) to post and to cause subcontractors to post in conspicuous places available to employees and applicants for employment, notices setting forth the substance of this clause.

9. INSURANCE

Within ten (10) calendar days following notification of award and prior to commencement of work, the selected Contractor must furnish the DCCDA with evidence of insurance for the amounts and types specified below. Such insurance shall be in force on the date of execution of this Contract and shall remain so continuously for the duration of this Contract, as amended.

The Certificate of Insurance must name the DCCDA as an “additional insured” under the Commercial General Liability policy.

Each such policy of insurance shall provide for 30 days’ advance written notice to the DCCDA prior to the effective date of any cancellation and a 10-day notice of cancellation for non-payment of premium.

Minimum Insurance Requirements:

Commercial General Liability	\$1,000,000 each occurrence \$1,000,000 personal and advertising injury \$1,000,000 general aggregate \$1,000,000 products/completed operations aggregate
Auto Insurance	\$1,000,000 bodily injury each person/accident \$1,000,000 property damage each accident \$1,000,000 uninsured and underinsured motorist bodily injury each person/accident
Workers Compensation Employer’s Liability	Statutory \$100,000 bodily injury by accident each accident \$500,000 bodily injury by disease policy limit \$100,000 bodily injury by disease each employee
Errors & Omissions	\$1,000,000 each claim \$1,000,000 annual aggregate

10. CONTINGENT FEE PROHIBITION

The Contractor warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for Contractor to solicit or secure this Contract, and that it has not paid or agreed to pay any person, partnership, corporation or other entity, other than a bona fide employee or agent, any fee or other consideration contingent on the making of this Contract.

11. TERMINATION FOR DEFAULT

If the Contractor fails to fulfill its obligations under this Contract properly and on time, or otherwise violates any provision of the Contract, the DCCDA may terminate this Contract by written notice to the Contractor specifying the acts or omissions relied upon as cause for termination. All finished or unfinished work provided by the Contractor shall, at the DCCDA's option, become the DCCDA's property. The Contractor can invoice the DCCDA for fair and equitable compensation for satisfactory performance prior to receipt of notice of termination, less the amount of damages caused by the Contractor's breach. If the damages are more than the compensation payable to the Contractor, the Contractor will remain liable after termination and the DCCDA can affirmatively collect damages.

12. DELAYS AND EXTENSIONS OF TIME

The Contractor agrees to perform the work continuously and diligently and no charges or claims for damages shall be made by it for any delays or hindrances from any cause whatsoever (excepting, however, any delays or hindrances caused by the DCCDA) during the performance of any of the work specified in this Contract. Time extensions will be granted to the extent permissible under the HOME Regulations.

13. REMEDIES

Contractor agrees to perform the work as may be necessary to correct errors, defects, and omissions in the services required under this Contract, without undue delays and without cost to the DCCDA or any subrecipient. The acceptance of the work set forth herein by the DCCDA shall not relieve the Contractor of the responsibility for subsequent corrections of such errors.

14. DISSEMINATION OF INFORMATION

During the term of this Contract, the Contractor shall not release any information related to the services or performance of the services under this Contract, nor publish any reports or documents without the prior written approval of the DCCDA.

The Contractor shall indemnify and hold harmless the DCCDA, its officers, agents and employees, from all liability which may be incurred by reason of dissemination, publication, distribution or circulation, in any manner whatsoever, of any information, data, documents, or materials pertaining in any way to this Contract by the Contractor, its agents or employees.

15. OWNERSHIP OF DOCUMENTS AND MATERIALS

With the exception of the Contractor's review and reporting forms, the Contractor agrees that all documents and materials, including but not limited to records, correspondence, submissions from the DCCDA, any Property Owners or any subrecipients, reports or other documents collected or prepared by or for the Contractor under the terms of this Contract, including particularly any documents and records required to be maintained by the DCCDA pursuant to the HOME Regulations, shall be at any time during the performance of the services made available to the DCCDA in an electronic, editable format, if available, upon request by the DCCDA and

shall become and remain the exclusive property of the DCCDA upon termination or completion of the services. The DCCDA shall have the right to use said documents and materials for its own use without restriction or limitation and without compensation to the Contractor other than that provided in this Contract; provided, however, that the DCCDA shall not disseminate any of these documents or materials in a live, editable format to any other vendor of HOME Monitoring Services.

The DCCDA shall be the owner of said documents and materials as defined in the foregoing paragraph for the purposes of copyright, patent or trademark registration. If the Contractor obtains or uses said documents and materials for purposes of this Contract, or subcontracts for any design, device, material, or process covered by letters of patent for copyright, it shall provide an assignment to the DCCDA of ownership for purposes of copyright, patent or trademark and of all rights to possess and to use such design, device, material or process, and a copy of a legally sufficient agreement with the patentee or owner.

The Contractor shall indemnify and save harmless the DCCDA from any and all claims for infringement by reason of the use of any such patented design, device, materials, or process, or any trademark or copyright, and shall indemnify, protect and save harmless the DCCDA, its officers, agents, and employees with respect to any claim, action, costs or infringement, or for royalties or user fees arising out of purchase or use of materials, construction, supplies, equipment or services covered by this Contract.

16. RETENTION AND TRANSFER OF RECORDS

The Contractor shall retain and maintain all records, correspondence, submissions from the DCCDA, any Property Owners and any subrecipients and any other documents relating to this Contract, including particularly any documents and records required to be maintained by the DCCDA pursuant to the HOME Regulations, and shall make them available for inspection and audit by authorized representatives of the DCCDA, including the DCCDA or designee, at all reasonable times. Upon expiration or termination of this Contract, Contractor shall transfer all such records, correspondence, submissions and other documents to the DCCDA without cost to the DCCDA.

17. COMPLIANCE WITH LAW

The Contractor hereby represents and warrants that:

It is qualified to do business in the State of Minnesota and that it will take such action as, from time to time hereafter, may be necessary to remain so qualified;

It shall comply with all federal, State and local laws, regulations, and ordinances applicable to its activities and obligations under this Contract; and

It shall obtain, at its expense, all licenses, permits, insurance and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

Furthermore, the Contractor shall be subject to the federal requirements in 24 C.F.R. Part 92 that are applicable to the DCCDA, except that 24 C.F.R. §§ 92.505 and 92.506 do not apply, and the Contractor will not assume the DCCDA's responsibilities for environmental review, decision making, and action under 24 C.F.R. § 92.352.

18. CONTRACTOR RESPONSIBILITIES

The Contractor will assume sole responsibility for all work to be performed under this Contract. The Contractor will be the sole point of contact for the DCCDA with regard to contractual matters.

19. BANKRUPTCY

Upon filing for any bankruptcy proceeding by or against the Contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assignee for the benefit of creditors, the Contractor must notify the DCCDA immediately. Upon learning of the actions herein identified, the DCCDA reserves the right at its sole discretion either to cancel this Contract or to affirm this Contract and hold the Contractor responsible for damages. The exercise of this right is in addition to any other rights the DCCDA may have as provided in this Contract or by law.

20. SUBCONTRACTING OR ASSIGNMENT

The benefits and obligations hereunder shall inure to the benefit of and be binding upon the Parties hereto, and neither this Contract nor the services to be performed hereunder shall be subcontracted, or assigned or otherwise disposed of, either in whole or in part, except with the prior written consent of the DCCDA, who reserves the right to withhold such consent for any reason the DCCDA deems appropriate.

21. RESPONSIBILITY FOR CLAIMS AND LIABILITY

The Contractor shall be responsible for all damages to life and property due to its activities or those of its agents or employees, in connection with the services required under this Contract. The DCCDA may withhold any payments to the Contractor for the purpose of set-off until such time as the exact amount of damages due the DCCDA from the Contractor is determined and the DCCDA may exercise any other remedy it may have at law or in equity. Further, it is expressly understood that the Contractor shall indemnify and save harmless the DCCDA, its officers, agents, and employees from and against all claims, suits, judgments, expenses, actions, damages and costs of every manner and description, including attorney's fees, arising out of or resulting from the negligent performance of the services of the Contractor under this Contract, except for claims, suits, judgments, expenses, actions, damages and costs arising from acts that are solely attributable to the DCCDA, its officers, agents or employees.

22. NOTICES

Notices required under this Contract to be given by one party to the other must be in writing and either delivered in person or sent to the address shown below by certified mail, return receipt requested and postage prepaid (or by a recognized courier service with an asset tracking system, such as Federal Express, UPS, or DHL):

- a. If to the DCCDA:
Kathy Kugel
Dakota County Community Development Agency
1228 Town Centre Drive, Eagan MN 55123
Email: kkugel@dakotacda.org
Telephone: 651-675-4478 / Fax: 651-287-8052
- b. If to the Contractor:
Name: _____
Title: _____
Company: _____
Address: _____
Email: _____
Telephone: ____ - ____ - ____ / Fax: ____ - ____ - ____
Website: _____

23. WAIVER

No waiver of a right or remedy of a Party shall constitute a waiver of another right or remedy of that Party.

24. SEVERABILITY

If a court of competent jurisdiction renders any provision or portion of a provision of this Contract invalid or otherwise unenforceable, that provision or portion of a provision will be severed, and the remainder of this Contract will continue in full force and effect as if the invalid provision or portion of a provision were not part of this Contract.

25. HEADINGS AND SECTION REFERENCES; CONSTRUCTION

The section headings in this Contract are inserted only for convenience and are not to be construed as part of this Contract or as a limitation of the scope of the particular section to which the heading refers.

26. INTEGRATION; PAROL EVIDENCE

This Contract, including all exhibits and other documents incorporated by reference, constitutes the entire agreement of the parties and all other communications prior to its execution, whether written or oral, with reference to the subject matter of this Contract are superseded by this agreement.

Witness the signatures of the Parties hereto and the dates thereof:

DCCDA:

Dakota County Community Development Agency,
a Minnesota public body corporate and politic

By: _____
Tony Schertler
Executive Director

Date: _____

CONTRACTOR:

Contractor: _____
a _____

By: _____
Name: _____

Title: _____

Date: _____

Exhibit A to HOME Monitoring Contract

REQUEST FOR PROPOSALS

[Attached hereto]

Exhibit B to HOME Monitoring Contract

CONTRACTOR'S PROPOSAL

[Attached hereto]

Attachment B.1. – Price Proposal
HOME Investment Partnerships Program Compliance Monitoring

As of October 1, 2025

Scope of Services	Est Avg Annual Count*	Fee Per Count	Total Amount
DCCDA Projects Only: Review of annual reports, tenant selection policies, marketing materials; rent increase requests, utility allowance requests, limited off-site technical assistance; Provide all notification to owners/managers. [This list is not all inclusive.]	22 projects		
DCCDA Projects Only: Rental activities - Physical Inspection/Tenant Files Review (20% or minimum of 4 units, every 3 years); and Homeownership activities.	10 projects		
Consortium Members: Review monitoring of TBRA, CHDO, and Homeownership activities; and Review a representational sample of 15 consortium members' project file	20 hours		
	15 project files		
Total Annual Monitoring Fee			\$

* As needed, the applicant may revise “annual counts” and/or revise the per unit category (e.g., project, housing unit, hour, etc.).

Notes:

1. Numbers as of June 30, 2025:

Consortium Member	Rental Projects	HOME Units	Project Units
Dakota County	22	97	1,024
Anoka County	16	34	664
Ramsey County	23	86	1,878*
Washington County	6	14	245
Woodbury	3	29	322

2. The rates above are for the duration of the current Contract - the initial three-year term. If the two one-year renewal options are pursued a modest increase (not to exceed 10%) will be considered and are subject to approval by the Executive Director. Thereafter, increases will be discussed and mutually agreed upon by the DCCDA and Contractor.
3. The rates above are to be stated on a per unit basis (e.g., project, housing unit, hour, etc.). The Contractor must clearly state if the fee charged is for only housing units inspected and/or audited or if the fee charged is for the whole project (HOME units only or both other residential and HOME units).
4. Rates must be all-inclusive and are to include all per diem, clerical and incidental expenses.

Name of Offeror:_____

By: _____
Signature

Typed Name

Title

Address

Federal EIN or TIN

Exhibit A - Detailed List of Properties for the Low Income Housing Tax Credit Program, Dakota County (June 2025)

No.	First Credit Year (earliest year for any BIN)	Property name	Owner Name	Total Property Units	Total HTC Units	Year 15	Most Recent Physical Inspection Year	Most Recent 20% Tenant File Review Year
1	1992	Parkside Townhomes	Dakota County Workforce Housing LLC	22	22	2006	2023	2023
2	1994	Glenbrook Townhomes	Dakota County Workforce Housing LLC	39	39	2008	2023	2023
3	1996	Lakeville Court	Lakeville Court LP	52	50	2010	2021	2021
4	1996	Oak Ridge Townhomes	Dakota County Workforce Housing LLC	42	42	2010	2022	2022
5	1997	Pleasant Ridge	Dakota County Workforce Housing LLC	31	31	2011	2023	2023
6	1998	Cedar Valley Townhomes	Dakota County Workforce Housing LLC	30	30	2012	2020 waived bc COVID	2020
7	1999	Chasewood Townhomes	Dakota County Workforce Housing LLC	27	27	2013	2020 waived bc COVID	2020
8	2000	Farmington Townhomes	Farmington Townhomes LP	16	16	2014	2021 waived bc COVID	2021
9	2001	Country Lane Townhomes	Dakota County CDA Workforce Housing LLC	29	29	2015	2022	2022
10	2001	Hillside Gables	Dakota County CDA Workforce Housing LLC	24	24	2015	2022	2022
11	2002	Clark Place Apts (Rose Apts)	DRS Investment VII LLC	48	48	2016	2024	2024
12	2002	Farmington Family Townhomes	Farmington Family Housing LP	32	28	2016	2022	2022
13	2002	Marketplace Townhomes	Dakota County CDA Workforce Housing LLC	28	28	2016	2023	2023
14	2003	Burnsville Heart of the City	Burnsville HOC Family Housing Limited Partnership	34	34	2017	2024	2024
15	2003	Clark Place TH (Kaposia Terr)	DRS Investment VII LLC	20	20	2017	2024	2024
16	2004	Erin Place	Dakota County Workforce Housing LLC	34	34	2018	2020 waived bc COVID	2020
17	2004	Grande Market Place Apartments	Grande Market Place Limited Partnership	113	53	2018	2022	2022
18	2005	Prairie Crossing	Lakeville Downtown Family Housing Limited Partnership	40	40	2019	2021 waived bc COVID	2021
19	2006	Haralson Apartments	CHDC Dakota Studio LP	36	36	2020	2021	2021
20	2006	Lafayette Family Townhomes	Lafayette Family Housing Limited Partnership	30	30	2020	2024	2024
21	2006	Spruce Place	Spruce Place of Farmington LP	61	60	2020	2024	2024
22	2007	Rosemount Greens	TCHDC	28	28	2021	2023	2023
23	2007	West Village Townhomes	Hastings West Village Family Housing Limited Partnership	21	21	2021	2020 waived bc COVID	2020
24	2008	Carbury Hills	Dakota County CDA Workforce Housing II LLC	32	32	2022	2021 waived bc COVID	2021
25	2008	Cliff Hill Townhomes	Cliff Hill Limited Partnership	32	32	2022	2024	2024
26	2009	Twin Ponds Family Townhomes	Twin Ponds Phase II Family Housing Limited Partnership	25	25	2023	2022	2022
27	2010	Chancellor Manor	CHDC Chancellor Manor Limited Partnership	200	186	2024	2023	2023
28	2010	Meadowlark Townhomes	Meadowlark Family Housing Limited Partnership	40	40	2024	2023	2023
29	2011	Quarry View	Apple Valley East Family Housing Limited Partnership	45	45	2025	2024	2024
30	2012 (1602 Program)	Park Place (Kidder Park)	Park Place Development Limited Partnership	36	36	2026	2021	2021
31	2012	Twin Ponds II	Twin Ponds Phase II Family Housing Limited Partnership	26	26	2026	2022	2022
32	2013	Northwood Family Townhomes	Eagan Northwood Family Housing Limited Partnership	47	47	2027	2023	2023
33	2014	Inver Hills/Riverview	Inver Hills and Riverview Ridge Family Housing Limited Partnership	51	51	2028	2024	2024
34	2015	Lakeshore Townhomes	Lakeshore Workforce Housing Limited Partnership	50	50	2029	2022	2022
35	2016	Keystone Crossing	Keystone Crossing Workforce Housing Limited Partnership	36	36	2030	2024	2024
36	2017	Artspace Hastings Lofts	Artspace Hastings Lofts, LLP	37	37	2031	2024	2024
37	2017	Sanctuary at West St. Paul	The Sanctuary At West Saint Paul, LP	164	164	2031	2024	2024
38	2017	Whitney Grove Townhomes	CB Whitney Apple Valley Limited Partnership	56	55	2031	2024	2024
39	2018	Legends of Apple Valley	Apple Valley Leased Housing	163	163	2032	2022	2022
40	2019	Prestwick Place Townhomes	Rosemount II Limited Partnership	40	40	2033	2023	2023
41	2020 & 2003	Guardian Angels Block Redev.	CB Guardian Angels Limited Partnership	33	33	2034	2024	2024
42	2020	Wexford Place	Wexford Place Limited Partnership	49	49	2034	2024 & 2023	2024
43	2020	The Winslow (W St Paul Sr)	WSP Senior Housing I, LLLP	172	172	2034	2024	2024
44	2021	Lexington Flats	Lexington Flats, Limited Partnership	50	50	2035	2022	2022
45	2021	Prairie Estates	Prairie Estates, LLLP	40	40	2035	2022	2022
46	2022	Aster House	Eagan AH I, LLLP	204	204	2036	2023	2023
47	2022	The Quill	Hastings AH I, LLC	90	90	2036	2024	2024
48	2023	Babcock Crossing	Babcock Crossing Limited Partnership	49	49	2037	2024	2024
49	2023	Hilltop at Signal Hills	West St. Paul Leased Housing Associates I, LLLP	146	146	2037	2024	2024
50	2023	Legacy Commons at Signal Hill	West St. Paul Leased Housing Associates II, LLLP	247	247	2037	2024	2024
51	2024	The Villas at Pleasant Avenue	Pleasant Villas, Limited Partnership	150	150	2038	under construction	under construction
52	TBD	The Villas at Pleasant Avenue II	Pleasant Villas II, Limited Partnership	110	110	TBD	under construction	under construction
53	TBD	Croft at Rosecott	Adalyn Avenue, LLLP	164	164	TBD	under construction	under construction
54	TBD	The Landing at Amber Fields	Rosemount AH I, LLLP	160	160	TBD	under construction	under construction
55	TBD	Denmark Trail Townhomes	Denmark Trail Workforce Housing Limited Partnership	40	40	TBD	under construction	under construction
56	TBD	Heart of the City Apartments	Roers Burnsville Affordable Apartments Owner LLC	172	172	TBD	under construction	under construction
57	TBD	Pillsbury Ridge	Pillsbury Ridge, Limited Partnership	48	48	TBD	under construction	under construction
TOTAL				3,841	3,759			

Exhibit B. HOME Project List

Dakota County CDA HOME Rental Projects (as of June 30, 2025)

Project Name	Tax Credit Project (Y/N)	Project IDIS Number	Property Manager	Project Total Units	Total HOME Units	Fixed or Floating	Period of Affordability (POA) Start Date	POA End Date	HOME Inspection Interval	Most File Review/ Current Date	Most Recent/ Current Physical Inspection Date
DCCDA owned properties:			14	573	61						
Tax Credit Projects:	12		12	457	53						
Lafayette Townhomes	Y	1683	Dakota County CDA	30	4	Fixed	08/01/06	08/01/26	Every 3 Years	07/10/24	07/22/24
Carbury Hills Townhomes	Y	1909	Dakota County CDA	32	4	Fixed	06/01/08	06/01/28	Every 3 Years	06/16/22	05/24/22
West Village Townhomes	Y	2054	Dakota County CDA	21	4	Fixed	09/01/07	09/01/27	Every 3 Years	2025	07/23/25
Meadowlark Townhomes	Y	2086	Dakota County CDA	40	4	Fixed	08/01/10	08/01/30	Every 3 Years	06/23/23	06/21/23
Twin Ponds Townhomes	Y	2189	Dakota County CDA	25	4	Fixed	09/01/09	09/01/29	Every 3 Years	2025	07/15/25
Quarry View Townhomes	Y	2249	Dakota County CDA	45	4	Fixed	06/01/11	06/01/31	Every 3 Years	07/16/24	07/22/24
Northwood Townhomes	Y	2357	Dakota County CDA	47	5	Fixed	01/13/14	01/12/34	Every 3 Years	06/28/23	06/21/23
Inver Hills (IGH)/Riverview Ridge Family (Eagan)	Y	2570	Dakota County CDA	51	5	Floating	09/04/14	09/04/34	Every 3 Years	05/23/22	05/23/22
Lakeshore Townhomes	Y	2639	Dakota County CDA	50	5	Fixed	08/17/15	08/17/35	Every 3 Years	2025	07/22/25
Keystone Crossing Townhomes	Y	2776	Dakota County CDA	36	4	Fixed	03/06/18	03/06/38	Every 3 Years	07/09/24	07/22/24
Prestwick Place Townhomes	Y	2923	Dakota County CDA	40	4	Fixed	04/06/20	04/05/40	Every 3 Years	06/23/23	06/22/23
Denmark Trail Townhomes	Y	3157	Dakota County CDA	40	6	Fixed	TBD	TBD	Every 3 Years	TBD	TBD
Not Tax Credit Projects:	2		2	116	8						
Dakota Heights Senior	N	1954	Dakota County CDA	56	4	Fixed	09/01/07	09/01/27	Every 3 Years	2025	07/23/25
Cobblestone Square Senior	N	2250	Dakota County CDA	60	4	Fixed	01/01/11	01/01/31	Every 3 Years	2025	07/16/25
Non-Profit/Private owned properties:			8	451	36						
Tax Credit Projects:	2		2	313	8						
Legends of Apple Valley	Y	2864	Dominium Management Services, LLC	163	4	Fixed	05/24/19	05/23/39	Every 3 Years	05/13/22	05/13/22
Villas at Pleasant Avenue	Y	3102	Velair/MWF Properties, LLC	150	4	Fixed	03/01/24	3/1/2044	Every 3 years	09/09/24	08/13/25
Not Tax Credit Projects:	6		6	138	28						
SCDCAP Glenda	N	818	Scott Carver Dakota CAP Agency	1	1	Fixed	02/01/98	02/01/28	Every 3 Years	05/19/22	06/26/25
SCDCAP Grenada	N	819	Scott Carver Dakota CAP Agency	1	1	Fixed	02/01/98	02/01/28	Every 3 Years	05/19/22	06/26/25
Valley Ridge Senior Housing	N	2460	Presbyterian Homes & Services	80	6	Fixed	01/13/14	01/12/34	Every 3 Years	05/16/22	07/10/25
SCDCAP Aldrich	N	2865	Scott Carver Dakota CAP Agency	8	8	Fixed	04/24/18	04/23/28	Every 3 Years	05/19/22	06/26/25
Cahill Place Apartments	N	2947	Center City Housing	40	4	Floating	06/16/21	06/15/41	Every 3 Years	05/06/22	05/06/22
SCDCAP Bryant	N	3082	Scott Carver Dakota CAP Agency	8	8	Fixed	06/05/23	06/04/38	Every 3 Years	08/09/23	06/26/25
22 Projects		22	in POA	1,024	97						

Exhibit B. HOME Project List

Consortium HOME Rental Projects (as of June 26,2025)

Consortia Member	Project Name	Project IDIS Number	Project Total Units	HOME-assisted Units Total	Fixed or Floating	Sec. 42 Project (Y/N)	Period of Affordability (POA) Start Date	POA End Date	POA Years	HOME Funds Total	Inspection Frequency	Rent and Income Restrictions: Special Conditions
Anoka County	ACCAP 2465 103rd Ave	838	1	1	Fixed		1999	2029	30	\$ 25,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACCAP E River Rd	839	1	1	Fixed		1999	2029	30	\$ 25,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACCAP Osborne	845	1	1	Fixed		1999	2029	30	\$ 35,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACCAP Parkside	847	1	1	Fixed		1999	2029	30	\$ 35,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACCAP Quincy	846	1	1	Fixed		1999	2029	30	\$ 35,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACCAP Webster	844	1	1	Fixed		1999	2029	30	\$ 35,000	every 3 yrs	AC imposed longer PoA: 30 YRS
Anoka County	ACHRA Centerville Senior (Chancey Barrett)	1700	31	2	Floating		2007	2027	20	\$ 206,000	annually	
Anoka County	ACHRA Oaks of Lake George	1989	52	2	Floating		2006	2026	20	\$ 206,000	annually	
Anoka County	Blaine Senior (Blaine Town Square)	1689	87	3	Fixed		2006	2026	20	\$ 300,000	annually	
Anoka County	Brandes Place	1856	16	4	Fixed		2006	2026	20	\$ 317,875	every 2 yrs	
Anoka County	Lino Lakes Apartments (Lakewood)	2244	60	4	Floating		2008	2028	20	\$ 110,000	annually	
Anoka County	Salvation Army - 5th St	1980	4	4	Fixed		2007	2027	20	\$ 254,100	every 3 yrs	
Anoka County	Sunwood Village	2806	47	2	Fixed	Y	2016	2046	30	\$ 300,000	every 3 yrs	
Anoka County	TCHDC Northgate Woods	2446	75	2	Fixed		2012	2027	15	\$ 225,500	annually	
Anoka County	Village Green	2948	196	2			2020	2035	15	\$ 500,000	every 3 yrs	
Anoka County	Woodland Park Rehab	2467	90	3			2012	2027	15	\$ 208,348	every 3 yrs	
TOTAL AC		16	664	34								
Ramsey County	Landings at Silver Creek	1777	261	4			2005	2025	20	\$ 350,000	every 3 years	
Ramsey County	EMWC - East Metro Place II	1843	35	4	Fixed	Y	2006	2026	20	\$ 459,659	annually	
Ramsey County	Lakes Run Apartments	1951	52	4	Floating		2006	2026	20	\$ 400,000	annually	
Ramsey County	Willow Ridge Apartments	2131	47	4	Fixed	Y	2009	2029	20	\$ 300,000	annually	
Ramsey County	Century Trails Senior Housing	2335	40	2	Fixed		2011	2031	20	\$ 140,000	annually	
Ramsey County	Arden Flats	2565	55	4	Fixed		2014	2034	20	\$ 365,000	every 3 years	
Ramsey County	Concordia Arms	2620	125	4	Fixed		2014	2034	20	\$ 200,000	every 3 years	
Ramsey County	Legends at Silver Lake Village	2682	71	4	Fixed		2015	2035	20	\$ 650,000	every 3 years	
Ramsey County	2010 Clarence - Rondo CLT	2749	2	2	Fixed		2015	2035	20	\$ 285,000	every 3 years	
Ramsey County	Maple Knoll Townhomes	2765	57	4	Fixed	Y	2016	2036	20	\$ 369,621	every 3 years	
Ramsey County	Villages at Frost-English	2807	50	4	Fixed	Y	2016	2036	20	\$ 458,000	every 3 years	
Ramsey County	Goldenstar Apartments	2846	109	4	Fixed		2016	2036	20	\$ 333,747	every 3 years	
Ramsey County	Frost English Silver Senior	2886	107	4	Fixed		2017	2037	20	\$ 350,000	every 3 years	
Ramsey County	Loden Shoreview	2894	200	4	Fixed		2019	2039	20	\$ 400,000	every 3 years	
Ramsey County	CAPRW CHDO - RC 13th Ave E	2934	2	2			2020	2035	15	\$ 325,000	every 3 years	
Ramsey County	Edison Roseville	2946	62	4			2020	2040	20	\$ 400,000	every 3 years	
Ramsey County	Boulevard Apartments	2952		4			2020	2040	20	\$ 375,000	every 3 years	
Ramsey County	Emma's Place	2985	13	4			2021	2036	15	\$ 275,000	every 3 years	
Ramsey County	Cobblestone Court AEON	3034	74	4			2021	2036	15	\$ 425,000	every 3 years	
Ramsey County	Owasso Gardens	3040		4			2021	2041	20	\$ 400,000	every 3 years	
Ramsey County	Amber Union	3050	125	4			2024	2039	15	\$ 400,000	every 3 years	
Ramsey County	Lauderdale Senior	3116	114	4		Y	2025	2040	15	\$ 350,000	every 3 years	
Ramsey County	Harbor at Twin Lakes	3143	277	4			2024	2039	15	\$ 340,949	every 3 years	
TOTAL RC		23	1,878	86								
Washington County	CHDO CAPRW Duplex Rental	2874	2	2	Fixed		2018	2033	15	\$ 245,283	every 3 years	
Washington County	Forest Ridge - HSI Share/Duffy	2079	38	1	Fixed		2007	2027	20	\$ 110,000	annually	
Washington County	HSI Home Free	1851	5	1	Fixed		2005	2025	20	\$ 81,000	every 3 yrs	
Washington County	Piccadilly Square	2796	79	4	Fixed	Y	2017	2037	20	\$ 198,000	annually	
Washington County	Trailside Senior Living	2397	70	2	Fixed		2011	2031	20	\$ 200,012	annually	
Washington County	Red Rock Crossing II	3151	51	4	Fixed	Y	2025	2045	20	\$ 195,000	every 3 yrs	
TOTAL WC		6	245	14								
Woodbury	The Glen at Valley Creek	2933	42	4		N	2020	2040	20	\$ 167,721	every 3 yrs	
Woodbury	Cobble Hill	2982	45	21	Floating	N	2021	2026	5	\$ 119,310	every 3 yrs	
Woodbury	Orville Commons	3075	235	4		Y	2024	2044	20	\$ 557,513	every 3 yrs	
TOTAL Woodbury		3	322	29								
ALL rental activities		48	3,109	163								

Attachment B. Price Proposal Summary

		<i>Affordable Housing Connections (MN)</i>	<i>Janken Housing Solutions (MN)</i>	<i>Nan McKay and Associates (CA)</i>
* HOME:				
	Average Annual HOME Fee	\$16,250**	\$31,150	\$52,250
	3 year HOME Fee	\$48,750	\$93,450	\$156,750
*** LIHTC:				
	Average Annual LIHTC Fee (est.)	\$71,995	\$83,837	\$71,995
	3 Year LIHTC Fee (est.)	\$215,985	\$251,510	\$219,720
*	The fee for the HOME Program monitoring services is budgeted and paid with HOME Program administrative funds.			
**	AHC disclosed a conflict of interest due to their contracts with three Consortium members. This price does not include the cost to monitor the three Consortium members.			
***	The fee for the LIHTC Program compliance monitoring is paid directly by the LIHTC property owners.			



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 6A

DEPARTMENT: Housing Development

FILE TYPE: Regular - Action

TITLE

Conduct Public Hearing To Receive Comments On The Disposition Of DCCDA Section 18, LLC Properties And Authorization To Enter Into Purchase Agreements With Qualified Buyers

PURPOSE/ACTION REQUESTED

- Conduct and close the public hearing regarding the disposition of four vacant properties.
- Authorize the Executive Director to enter into purchase agreements on behalf of DCCDA Section 18, LLC for three properties.

SUMMARY

The Dakota County CDA, as the sole member of the DCCDA Section 18, LLC, owns single family homes and duplexes that were previously part of the Public Housing Program and were acquired by the LLC through the U.S. Department of Housing and Urban Development (HUD) Section 18 Demo/Dispo Program.

HUD's Special Applications Center has approved the disposition of the Section 18 units. If a current resident has an interest in purchasing the property or if a property becomes vacant, CDA staff assesses the property to determine if it should be sold. The units must be sold at Fair Market Value to the current resident or on the market through public bid.

On August 26, 2025, the CDA Board set a public hearing for the disposition of four DCCDA Section 18, LLC properties. Two of the properties are duplexes and two properties are single family homes. If the offers are accepted, the duplexes will close on October 24, 2025 and one of the single-family homes will close on October 31, 2025. The remaining property, a single-family home, will be continued to be marketed and the sale of the property will be considered by the CDA Board on the October 21, 2025 CDA Board meeting. This property, 4020 64th Street, Inver Grove Heights is being added to the October public hearing for consideration at that time.

RECOMMENDATION

Staff recommends conducting and closing the public hearing and approving the sale of three of the four properties to the selected buyer.

EXPLANATION OF FISCAL/FTE IMPACTS

HUD requires the proceeds from the sale of the properties be placed in a restricted bank account to be used for all allowable purposes, which includes acquiring and/or constructing replacement affordable housing units.

☐ None ☐ Current budget ☐ Amendment Requested ☒ Other

RESOLUTION

WHEREAS, the Dakota County CDA is able to dispose of property after holding a public hearing for which a notice is published; and

WHEREAS, a notice of the public hearing was published in the Dakota County Tribune per Minnesota Statute Sec. 469.105; and

WHEREAS, three properties proposed for sale are part of the DCCDA Section 18, LLC that was created for the transition of public housing units through the U.S. Housing and Urban Development's Section 18 Demo/Dispo program; and

WHEREAS, the U.S. Department of Housing and Urban Development's Special Applications Center has approved the disposition of the Section 18 units on the open market through public bid; and

WHEREAS, Ronaldo Soares, a qualified buyer, submitted the highest and/or best offer to purchase 14815 & 14817 County Road 5, Burnsville and Igor Karpich, submitted the second highest and/or best offer/bid; and

WHEREAS, Quoc Ai Nguyen & Quyen Vien, qualified buyers, submitted the highest and/or best offer to purchase 14880 & 14890 Delft Avenue West, Rosemount; and

WHEREAS, Heily Azurdia, a qualified buyer, submitted the highest and/or best offer to purchase 2115 Cliffview Drive, Eagan; and

WHEREAS, a public hearing was conducted on September 23, 2025, on the proposed terms of the sale of the properties:

Address	Buyer	Contingency Buyer
14815 & 14817 County Road 5, Burnsville	Ronaldo Soares	Igor Karpich
14880 & 14890 Delft Avenue West, Rosemount	Quoc Ai Nguyen & Quyen Vien	N/A
2115 Cliffview Drive, Eagan	Heily Azurdia	N/A

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to negotiate with and enter into Purchase Agreements with the buyers; and

BE IT FURTHER RESOLVED, That the public hearing is closed and the unsold property has been added to the public hearing for the disposition of DCCDA Section 18, LLC properties for October 21, 2025.

PREVIOUS BOARD ACTION

25-6976; 6/24/2025

25-6990; 7/24/2025

25-6999; 8/26/2025

ATTACHMENTS

Attachment A: Affidavit of Public Hearing

CONTACT

Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager

AFFIDAVIT OF PUBLICATION

STATE OF MINNESOTA) ss
COUNTY OF DAKOTA

I do solemnly swear that the notice, as per the proof, was published in the edition of the

Dakota County Tribune

with the known office of issue being located in the county of:

DAKOTA

with additional circulation in the counties of:

DAKOTA

and has full knowledge of the facts stated below:

- (A) The newspaper has complied with all of the requirements constituting qualification as a qualified newspaper as provided by Minn. Stat. §331A.02.
- (B) This Public Notice was printed and published in said newspaper(s) once each week, for 1 successive week(s); the first insertion being on 09/12/2025 and the last insertion being on 09/12/2025.

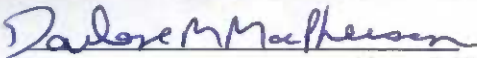
MORTGAGE FORECLOSURE NOTICES

Pursuant to Minnesota Stat. §580.033 relating to the publication of mortgage foreclosure notices: The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper's known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper's circulation is in the latter county.

By: 

Designated Agent

Subscribed and sworn to or affirmed before me on 09/12/2025



Notary Public

**Rate Information:**

(1) Lowest classified rate paid by commercial users for comparable space:

\$999.99 per column inch

Ad ID 1490247

PUBLIC NOTICE

DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY

Notice is provided that the Board of Commissioners of the Dakota County Community Development Agency (CDA), as the sole member of DCCDA Section 18, LLC will hold a public hearing on Tuesday, September 23, 2025, at or after 3:00 p.m. at the CDA offices located at 1228 Town Centre Drive, Eagan, Minnesota to consider the sale, transfer, and/or exchange of the following described property currently owned by DCCDA Section 18 LLC is advisable:

Address	Legal Description
14880 & 14890 Delft Avenue West, Rosemount	Lot 5, Block 1 Broback Eleventh Addition, Dakota County, Minnesota
14815 & 14817 County Road 5, Burnsville	Lot 8, Block 4, Burnsville Hills, Dakota County, Minnesota
4020 64th Street, Inver Grove Heights	Lots 29 and 30, Block 10, Inver Grove Factory Addition, Dakota County, Minnesota
2115 Cliffview Drive, Eagan	Lot 3, Block 2 in Cedar Cliff Second Addition, according to the plat thereof, Dakota County, Minnesota

The terms and conditions for offers that staff are recommending to the CDA Board will be available at the CDA's office beginning September 23, 2025. For more information on this proposed sale, transfer, and/or exchange of property contact Lori Zierden at the Dakota County CDA, 1228 Town Centre Drive, Eagan, MN 55123, telephone (651) 675-4479. Public comments may be submitted orally or in writing to the CDA through the public hearing to be held on September 23, 2025.

BY ORDER OF THE BOARD OF COMMISSIONERS OF THE DAKOTA COUNTY
COMMUNITY DEVELOPMENT AGENCY

By /s/ Tony Schertler
Executive Director

Published in the Dakota County Tribune
September 12, 2025
1490247



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 6B

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Action

TITLE

Approval Of Contingent Redevelopment Incentive Grant Award For The City Of Inver Grove Heights

PURPOSE/ACTION REQUESTED

Approval of \$250,000 Redevelopment Incentive Grant (RIG) project award for the City of Inver Grove Heights.

SUMMARY

The Dakota County CDA RIG program was created in 2006 to provide a flexible funding resource to Dakota County cities for the redevelopment of blighted and under-utilized areas. The RIG program supports three types of redevelopment grants: planning, environmental investigation, and project.

The City of Inver Grove Heights (City) is requesting \$250,000 for the redevelopment of approximately 14.7 acres generally located west of Dickman Trail and east of Concord Boulevard (the Site). The City has acquired 11 acres, and the remaining 3.7 acres is owned by McPhillips Trucking. Both the City and McPhillips are selling the property to Interstate Industrial, LLC, which intends to redevelop the area for at least three new industrial buildings totaling 27,000 sq. ft. and nearly 170,000 sq. ft. of outdoor storage. To facilitate the redevelopment, the City is requesting RIG funds to extend water and sewer to the area. The City's projected cost for the utilities is \$1,493,910. Total redevelopment costs are estimated to be at least \$8.7 million. The projected appraised value of the Site after redevelopment in 2027 is over \$3 million, with estimated annual property taxes of \$86,130. The redevelopment is expected to create 30-60 new jobs that pay over \$15 per hour.

The RIG program provides a maximum of \$250,000 for redevelopment project grants. Redevelopment projects must have a minimum leverage of 2:1 (\$2 dollar of non-RIG funding for every \$1 of RIG funding), City Council approval, City support for the mission of the CDA, and the application must demonstrate other funding resources are used, the project can be completed in 12 months, the project has a defined economic benefit either through jobs or increased tax base, and/or the project improves or preserves the environment. The proposed Project meets the eligibility criteria.

Since the program began in 2006, the CDA Board has awarded over \$15.4 million to 73 redevelopment projects, 30 planning activities, and 11 environmental investigation activities. This includes \$280,000 previously awarded to the City of Inver Grove Heights.

RECOMMENDATION

CDA staff recommends awarding the City of Inver Grove Heights up to \$250,000 in RIG funds for eligible activities related to the redevelopment of the 14.7-acre Site as described in the City's application. The RIG award will be contingent on the applicant meeting all program guidelines, grant conditions, and entering into a grant agreement with the CDA.

EXPLANATION OF FISCAL/FTE IMPACTS

The CDA's remaining budget for RIG is \$675,000 (\$500,000 from the CDA and \$175,000 from Dakota County). If approved by the Board, this grant will be funded with the CDA's allocation of RIG funding.

☐ None ☒ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County Community Development Agency (CDA) established a Redevelopment Incentive Grant (RIG) program in 2007 to assist Dakota County cities with the redevelopment of blighted and under-utilized areas; and

WHEREAS, to date, the program has awarded over \$15.4 million to 73 redevelopment projects, 30 planning activities, and 11 environmental investigation activities; and

WHEREAS, of the total awards, \$280,000 has been granted to the City of Inver Grove Heights (the City); and

WHEREAS, the CDA has \$500,000 of remaining available funds in its Fiscal Year Ending 2026 budget and Dakota County, through its Environmental Resources Department, has an additional \$175,000 of remaining available funds for RIG projects that require environmental remediation; and

WHEREAS, Dakota County cities can apply to receive up to \$250,000 per redevelopment project grant (one per local government) per fiscal year; and

WHEREAS, the City submitted an application requesting \$250,000 for the installation of utilities to redevelop a 14.7-acre site generally located west of Dickman Trail and east of Concord Boulevard for new industrial buildings; and

WHEREAS, the City's application meets the eligibility criteria to receive full funding as listed in the RIG Program Policy and Procedures Guide.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the City of Inver Grove Heights is awarded a RIG project grant up to \$250,000 contingent upon the grantee meeting program guidelines and entering into a grant agreement with the CDA, in form and content acceptable to the Executive Director of the CDA.

PREVIOUS BOARD ACTION

None.

ATTACHMENTS

Attachment A: Inver Grove Heights RIG Project Application

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

Author: Margaret Dykes, Assistant Director of Community and Economic Development



8150 Barbara Avenue
Inver Grove Heights
Minnesota 55077

651-450-2500

www.ighmn.gov

July 18, 2025

Maggie Dykes
Assistant Director of Community & Economic Development
Dakota County
1228 Town Centre Drive
Eagan, MN 55123

Re: 2025 Redevelopment Incentive Grant (RIG) Application

Ms. Dykes,

On behalf of the Inver Grove Heights City Council, I am pleased to submit to you for your consideration our application for funding through the Redevelopment Incentive Grant (RIG) program. Enclosed is our application and all required materials. As we discussed, the environmental investigation work is in process; we will provide those reports as soon as they are complete.

Please advise if you have questions about our application or require additional information. I may be reached at (651) 450-2546 or jziemer@ighmn.gov. Thank you!

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Ziemer".

Jason Ziemer
Community Development Director

I. APPLICANT INFORMATION

Applicant	<p>Organization: City of Inver Grove Heights</p> <p>Contact Name: Jason Ziemer, Community Development Director</p> <p>Address: 8150 Barbara Avenue, Inver Grove Heights, MN 55077</p> <p>Phone Number: (651) 450-2546</p> <p>Email: jziemer@ighmn.gov</p> <p>Authorized representative for execution of grant agreement and contract(s):</p> <p style="text-align: center;"> Name: Brenda Dietrich Rebecca Kiernan Title: Mayor City Clerk </p>
Project Request	<p>Name of Project: Dickman Trail Industrial Development</p> <p>Amount of RIG funding request: \$ 250,000</p> <p>Total redevelopment costs: \$ 8,741,828*</p> <p style="text-align: right;"><i>* Excludes environmental clean-up costs; pending ongoing investigation.</i></p>

II. AREA OR SITE CONDITIONS

General location of Area (Property ID and/or Address):	<p><u>Public/EDA</u></p> <p>6910 Dixie Avenue (PID: 20-17750-06-050)</p> <p>6940 Dixie Avenue (PID: 20-17750-06-071)</p> <p>6950 Dixie Avenue (PID: 20-17750-06-090)</p> <p>Unaddressed Dickman Trail (PID: 20-01100-27-012)</p> <p><u>Private</u></p> <p>Unaddressed Dickman Trail (PID: 20-39900-00-170)</p> <p>6971 Dickman Trail (PID: 20-00200-56-070)</p>
Legal Description of Site:	See attached
Site Size (acres):	14.72 Acres – Excludes Dixie Avenue ROW to be vacated.
Number of Parcels:	6 Parcels – Plus Dixie Avenue ROW to be vacated.
Number of buildings on site:	5 Total – 4 industrial-type & accessory buildings; 1 residential.
Current Site Owner:	IGH EDA owns 4 parcels; McPhillips (private) owns 2 parcels. All parcels under purchase agreement with Interstate Industrial, LLC.

Current appraised or assessed value of the Project Area properties:	\$382,200
Current property taxes of the Project Area properties	\$6,016

III. REDEVELOPMENT PROJECT INFORMATION

<p>Describe the city's goals and need for the Project including anticipated businesses, housing units, and other proposed components. Please explain the public benefit of the Project.</p>	<p>The Inver Grove Heights Economic Development Authority (EDA) has assembled various parcels along Dickman Trail over the years, owning the four parcels subject to the proposed development for about 10 years. Such land assembly and redevelopment of the area along Dickman Trail supports the growth of the community's industrial base and the creation of new jobs as defined by the Concord Boulevard Neighborhood Plan. The City has a minimal amount of land guided and zoned for industrial development, and much of the recent and ongoing development in the community has focused mainly on residential uses. Of the land guided and zoned industrial, the majority was previously developed and/or is under private ownership. The development site is mostly vacant and/or underutilized, and with most of it under public ownership, meaning it generates no property tax revenue for the community. The sale and redevelopment of the Subject Properties will put underutilized land into a more productive use and significantly enhance their taxable value, thereby generating new property taxes for the City, County and State. As noted, the project will create new jobs in the community and clean up a substandard and blighted area.</p>
<p>Provide a brief history of the site including previous uses, activities, prior or existing contamination, and other attempts at redevelopment</p>	<p>According to available property tax records, property files and other information readily available to the City of Inver Grove Heights, development of the properties located within the development site boundary began in the early 1900s. Homes were constructed on 6971 Dickman Trail (1925), 6940 Dixie Avenue (1937) and 6950 Dixie Avenue (1970). By 2019, all homes and structures on the three Dixie Avenue properties were demolished. Industrial uses, including a salvage yard and trucking company maintenance facility, first occurred on land within the development site boundary in the early 1980s, with the more intense industrial uses predominantly occurring on the 10.38-acre, EDA-owned property and the two (2) privately-owned properties. Except for the residential homes, historic uses in this area generally supported commercial and industrial users from as early as the 1960s, including a commercial truck service garage, rubbish hauling business and a metal fabrication shop that included on-site welding, cutting, sandblasting and painting. From</p>

	<p>1970 until 2014, the 10.38-acre parcel was used predominantly for earthen material storage (i.e. soils, gravel, etc.) for trucking operations; City records also suggest mineral extraction (mining) occurred on this parcel. To this day the residential home and trucking/contractor business operations are in continuous use on the two privately properties within the development site boundary, including parking and outdoor storage of equipment and materials on both lots simultaneously. The historical and ongoing activities on the properties indicate the likely presence of soil contamination; previous limited scope environmental studies corroborated those assumptions.</p>
<p>Describe the Project including the type of redevelopment that will occur, how the Project will improve site conditions, how the Project will improve economic opportunity in the community.</p>	<p>The redevelopment project plans to remove all existing uses and buildings within the development area. The concept site plan proposes no less than three (3) new industrial, open-span buildings, totaling no less than 27,000 square feet of building space combined. The industrial development intends to provide new spaces for businesses in the trades sector and small industrial users that require both office and indoor storage and warehousing, and outdoor storage area for equipment and materials. Thus, the concept site plan shows up to 169,241 square feet of outdoor storage. The Developer has estimated the development will create 10 to 20 new jobs per building, equaling 30 to 60 new jobs in the community. In addition to the industrial development, the project also includes the extension and installation of public utilities – water, sanitary sewer and stormwater – with a utility railroad crossing and reconstruction of Dickman Trail. The development area is currently underserved by public utilities and constructing the utilities are a necessity to support the development. The development site is further complicated by an existing bluff line, constructed by Dakota County to support the reconstructed section of County Road 56 (Concord Boulevard). City staff determined removing or reducing the bluff line to improve the development potential of the site is not practical given its purpose and significant costs associated with doing so. Although the bluff line limits the redevelopment potential, it does provide a natural buffer and screening from the roadway and other nearby uses, resulting in the proposed industrial development as the highest and best use of the land. This type of development further fulfills a significant market need in the community and metropolitan area for</p>

	new and affordable spaces serving businesses in the trades sector.
Describe the specific components or activities that are part of the Project, e.g. soil remediation, removal of obsolete structures, creation of new jobs, creation of new housing, etc.	Specific activity components related to the development include City entitlement approvals and final site acquisition (closing); environmental site assessment (in process); demolition of structures and environmental remediation and clean-up; extension and construction of public utilities and reconstruction of Dickman Trail; construction, including grading and site work, ponding and building; and marketing and leasing of spaces or sale of individual sites. The environmental site assessment is ongoing at the time of this application.
What is the end use of the Project site? Please be specific.	The industrial development intends to provide new spaces for businesses in the trades sector and small industrial users that require both office and indoor storage and warehousing, and outdoor storage area for equipment and materials. As described above, the development will help address a significant market need in the community and metropolitan area for new and affordable spaces serving businesses in the trades sector. The redevelopment project will deliver no less than three (3) new industrial, open-span buildings, totaling no less than 27,000 square feet of building space combined along with up to 169,241 square feet of outdoor storage to support the targeted end users. The Developer has estimated the development will create 10 to 20 new jobs per building, equaling 30 to 60 new jobs in the community. The project will also deliver public services – water, sanitary sewer and storm water – into the area and provide for an upgraded street section to serve the development and adjacent uses along Dickman Trail.
After redevelopment is completed, will properties in the Plan Area be publicly or privately owned?	<input type="checkbox"/> Publicly owned <input checked="" type="checkbox"/> Privately owned
Is demolition of slum or blighted buildings or other structures an activity of the Project?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If Yes, please describe.	Existing structures will be demolished as part of the development plan. Demolition is not part of this funding request.
Describe how the Project will make more efficient use of the site.	The six parcels, located on Dickman Trail and Dixie Avenue, that are included in the development site area

	are either vacant or largely underutilized industrial land with suspected contamination resulting from the historic and ongoing uses of the land. The assembly and inclusion of all six parcels into the development area allows for a larger, more impactful development, and better development design that focuses on the sharing of stormwater facilities, thereby maximizing the amount of marketable and useable outdoor storage space. The development will also enable the City to extend utilities into this area, thereby providing for a crucial looping within the public systems. Given the historic and ongoing uses of the property, and known and suspected contamination, the project will enable the City to address any environmental concerns at once and remove existing blight and substandard uses and buildings, thereby enhancing the overall aesthetics of the area, stabilizing property values, and supporting future redevelopment opportunities due to the extension of utilities and other work completed by this project. The location of the development site project will also leverage the existing road network systems, enhancing business efficiencies.
Post-redevelopment Site Owner(s): <u><i>If end user has committed, attach documentation of commitment.</i></u>	Interstate Industrial, LLC
Identify any other Project partners such as developers, consultants, and regulating/permitting agencies	Developer – Interstate Industrial, LLC Environmental – Landmark Environmental Engineering / Utility Design – Bolton & Menk Railroad Crossing Permitting – BNSF Permitting, As Required – City & Dakota County Current Public Funding Partners: DEED (Utility Design/Construction) Met Council TBRA (Environmental Investigation)

IV. ELIGIBLE ACTIVITIES

- Please check all activities that apply, briefly describe the activity, and provide the dollar amount requested for the activity. Please see the “**Redevelopment Incentive Grant Policy and Procedures Guide**” for a description of the eligible activities.
- Please provide any documents that support the need for the RIG funds, e.g. development plans, site plans, environmental documentation, etc.

<u>Eligible Activity</u>		<u>Description</u>	<u>RIG Funding Requested</u>
<input type="checkbox"/>	Acquisition	Click or tap here to enter text.	\$Click or tap here to enter text.
<input type="checkbox"/>	Relocation Payments	Click or tap here to enter text.	\$Click or tap here to enter text.
<input type="checkbox"/>	Clearance and Demolition	Click or tap here to enter text.	\$Click or tap here to enter text.
<input type="checkbox"/>	Environmental Investigation	Click or tap here to enter text.	\$Click or tap here to enter text.
<input type="checkbox"/>	Environmental Remediation	Click or tap here to enter text.	\$Click or tap here to enter text.
<input checked="" type="checkbox"/>	Necessary Public Infrastructure	Extend Water & Sewer to Site; Build Water Loop; Construct Storm & Road; Railroad Crossing	\$250,000
<input type="checkbox"/>	Geotechnical Soil Corrections	Click or tap here to enter text.	\$Click or tap here to enter text.

V. ACQUISITION AND RELOCATION ACTIVITIES

If the project includes property acquisition, clearance and/or construction activities, describe how owners, tenants, and businesses will be temporarily or permanently relocated.	Four of the six parcels within the development site are owned by the EDA; the other two parcels are in private ownership. The developer has entered into purchase agreements with the EDA and private property owner. According to the purchase agreement between Developer and private owner, the private owner is required to provide the property vacant and unoccupied, including an existing month-to-month lease of the existing residential dwelling. The owner must also remove any debris or refuse from the property prior to the closing and transfer of land to the Developer. Any related relocation items for the two private properties are subject to any agreement(s) between the Developer and Owner.
When has/will the acquisition be completed?	On or before September 30, 2025.
Attach the relocation plan, if applicable.	N/A

VI. PROJECT ENVIRONMENTAL INFORMATION

Has an environmental assessment been completed for the Redevelopment Project?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If so, what level of investigation was done as part of the Redevelopment Project?	Environmental site assessment work has commenced; funding provided by Met Council TBRA grant.
Has the Redevelopment Project site been found or suspected to be contaminated?	<input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> No Previous environmental studies indicated likely contamination; those studies are outdated.
Does your Redevelopment Project include the cleanup of contaminated soils, hazardous waste or materials?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Project costs provided exclude costs associated with environmental clean-up and remediation. Those cost determinations are pending the current investigation work.
If yes, please describe information on type of cleanup, what measures have been taken to address the contamination, consultant reports, and/or Response Action Plan.	Contamination and other environmental concerns are unknown at this time. It is assumed, based on past studies, there is actual contamination but the specific type of contamination and location has not been confirmed as per the current study. The history of the main properties suggests the potential for contamination is likely.
Describe positive environmental impacts of the activities that are part of the Project.	Although results are pending, the redevelopment of these parcels will remove blighted properties and mitigate environmental contamination, allowing for development and productive use of the land.

VII. HOUSING AFFORDABILITY INFORMATION

Indicate the number of housing units planned in the Project, if any. *Attach separate sheet if necessary.*

Unit Type	Total # of Units	# of Owner Units	# of Rental Units	Proposed Rents/ Sales Prices

Single Family	N/A	N/A	N/A	N/A
Townhouse	N/A	N/A	N/A	N/A
Apartments/Condominiums	N/A	N/A	N/A	N/A
Duplexes	N/A	N/A	N/A	N/A
Other:	N/A	N/A	N/A	N/A

Will there be any mechanisms to ensure long-term affordability?

☐ Yes

☒ No

If yes, please describe. Redevelopment of the subject properties is not a housing project.

VIII. ECONOMIC BENEFITS

Projected appraised or assessed value of the site after redevelopment:	\$ 3,065,000 Pay Year: Full Value Estimated 2027
What will be the estimated property taxes after redevelopment?	\$ 86,130 Pay Year: Full Value Estimated 2027
Project the number of <u>new</u> jobs on the Project site created after redevelopment.	Total new jobs (FTEs only) = 30 to 60 FTEs
Number of new jobs with wages greater than \$15.00 per hour	Unknown at this time.
Project the number of jobs <u>retained</u> on the Project site after redevelopment.	Total retained jobs (FTEs only) = 0. The development site is mostly vacant.
Number of retained jobs with wages greater than \$15.00 per hour	0

IX. PROJECT SOURCES AND USES

Itemize all funding sources for the Project and the Activities identified as part of the Project. **Please include the requested RIG funds in the total.**

Source of Funds	Amount	Committed	Pending
Developer	\$ 7,068,919	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Metropolitan Council TBRA	\$ 39,083	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DEED HCEP	\$ 484,626	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Dakota County RIG	\$ 250,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>
City/Developer (Utilities)	\$ 899,200	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Developer / Grant (Clean-Up)	\$ TBD	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Total:	\$ 8,741,828 + EnvClean-Up		

Itemize all Project expenses for the Project and the Activities identified as part of the Project. Be as detailed as possible. **Please include the requested RIG funds in the Funding Sources column.**

Project Activities/Expenses	Amount	Funding Source
Site Acquisition	\$ 1,771,360	Developer
Physical Site & Construction	\$ 5,297,559	Developer
Environmental Assessment	\$ 29,313	Metropolitan Council TBRA
Environmental Assessment	\$ 9,770	Developer (Cost-Share)
Environmental Clean-Up	\$ TBD	Developer / Grant
Utility & Road Construction	\$ 484,626	DEED HCEP
Utility & Road Construction	\$ 250,000	Dakota County RIG
Utility & Road Construction	\$ 899,200	City / Developer
Total:	\$ 8,741,828 + Clean-Up	

List other sources of funds requested or considered but not obtained for the Project, and explain why they were not obtained, to the best of your knowledge. (The purpose of this question is to ensure all other funding sources have been exhausted.)

As cited above, the City obtained funding through the DEED Host Community Economic Development Program (HCEP) toward the engineering design and construction of the public utilities and roadway. Required environmental remediation and abatement, if any, and related costs and funding sources are all pending the environmental site assessment work, which is ongoing at the time of this application. Funding for the investigation work was provided through the Metropolitan Council TBRA program. It is assumed any clean-up costs will be covered by the developer and/or additional grant funding. As noted above, the cost to extend utilities to the development has received only partial funding, leaving a sizeable gap. An initial analysis regarding Tax Increment Financing (TIF) was completed by the City’s financial consultant (Ehlers). Based on that analysis, TIF funding projected will not be sufficient to cover the cost to construct utilities or fund the gap without additional, outside funding support. Given the development site is mostly vacant with a few buildings and limited coverage, Ehlers also noted those existing conditions may not meet the required thresholds for coverage and blight to be TIF-eligible as a redevelopment district despite the history of use. Additionally, the DEED HCEP funding presents a significant challenge as it is only available for a 12-month funding cycle, expiring on June 30, 2026, and resulting in a narrow construction window to complete the work that already has a sizeable funding gap and requires additional funding sources to complete. The State Legislature also significantly cut this DEED funding program for the next two State Fiscal Years, which would widen the shortfall, enhancing the financial constraints and burdening the feasibility of the entire project, if the City was not able to deliver the utility project in the current Fiscal Year. The construction of the utilities is critical to not only leverage existing funding supports but also enable project readiness and the expedited delivery of the development to market.

X. PROJECT READINESS TO PROCEED

Please provide a detailed timeline of the Project with all actions, phases, and anticipated dates for completion.

Land Closing
September 30, 2025

Environmental Site Assessments
Start: Underway End: TBD

Utility+Road Construction
Start: 10/01/2025 End: Summer 2026

Environmental Clean-Up (If Any)
Start: Fall 2025 End: Spring 2026

Site+Building Construction
Start: Spring 2026 End: Fall 2026/Spring 2027

<p>Please indicate whether any of the following entitlement or due diligence actions are required or have been completed for the Project:</p>	
<p><input checked="" type="checkbox"/> Comprehensive plan amendment: Status: Current Land Use supports development (Light Industrial)</p> <p><input checked="" type="checkbox"/> Zoning amendments or variances: Status: Current Zoning supports development (I-1, Limited Industry)</p>	<p><input checked="" type="checkbox"/> Environmental review: Status: Environmental review is underway. Funding by Met Council TBRA Investigation Grant (75% grant; 25% developer).</p> <p><input checked="" type="checkbox"/> Market or feasibility study: Status: Site is located within City redevelopment district and is guided and zoned appropriately for the development. The EDA previously acquired several properties to support the type of project as proposed.</p>
<p>If the activity that is to receive RIG funding will not be completed in 12 months, please explain why. (NOTE: The RIG program requires all RIG-funded activities to be completed within a 12-month period)</p>	<p>Delays in closing and City entitlements could delay the start of the project. A delay in the City's ability to secure the necessary approvals and permits from the railroad could further hamper the project. However, the City is considering dividing the project into two phases, with focus on delivering the utilities that will service the development first. Thus, any external funding provided would directly support the overall development project; the railroad crossing would be part of the City project cost-share. The Developer is also targeting construction of the entire development plan vs. a phased approach, requiring utilities to be constructed upfront and available to connect to the new buildings. Thus, City staff have an approach that allows for utility and road construction to proceed that allows the development to proceed and RIG and other funding sources to be used toward and directly benefit the development, while the railroad crossing approvals and permits are attained and constructed. The City and Developer will need to finalize any additional financing necessary to fill the balance for utility construction costs.</p>

**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL DEVELOPMENT**

RESOLUTION

CITY OF INVER GROVE HEIGHTS
DAKOTA COUNTY, MINNESOTA

RESOLUTION NO. 2025-162

A RESOLUTION AUTHORIZING AN APPLICATION FOR THE
DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY
REDEVELOPMENT INCENTIVE GRANT (RIG)

WHEREAS, the City of Inver Grove Heights has identified a proposed project within the City that meets the purposes and criteria of the Dakota County Community Development Agency's (CDA) Redevelopment Incentive Grant Program ("RIG"); and

WHEREAS, the City has an established Redevelopment Plan, called the Concord Boulevard Neighborhood Plan ("Plan"), of which the project development site is an identified area within that Plan; and

WHEREAS, the City has the capability and capacity to ensure the proposed project be completed and administered within the guidelines of the Redevelopment Incentive Grant Program; and

WHEREAS, the City has the legal authority to apply for financial assistance; and

WHEREAS, the City supports the development of affordable housing and of the CDA's mission to improve the lives of Dakota County residents through affordable housing and community development.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF INVER GROVE HEIGHTS, MINNESOTA, that the Redevelopment Incentive Grant ("RIG") Program application for funding from the Dakota County Community Development Agency ("CDA") is hereby approved and the Community Development Director is authorized to submit said application to the CDA.

BE IT FURTHER RESOLVED, the City has the legal authority to apply for financial assistance, and the institutional, managerial, and financial capability to ensure adequate project administration.

BE IT FURTHER RESOLVED, upon approval of its application by the Dakota County Community Development Agency, the Mayor and City Clerk are authorized to execute related agreements as are necessary to receive and use the funding for the proposed project and uses as stated on the application.

Passed by the City Council of the City of Inver Grove Heights this 14th day of July, 2025.



Brenda Dietrich, Mayor

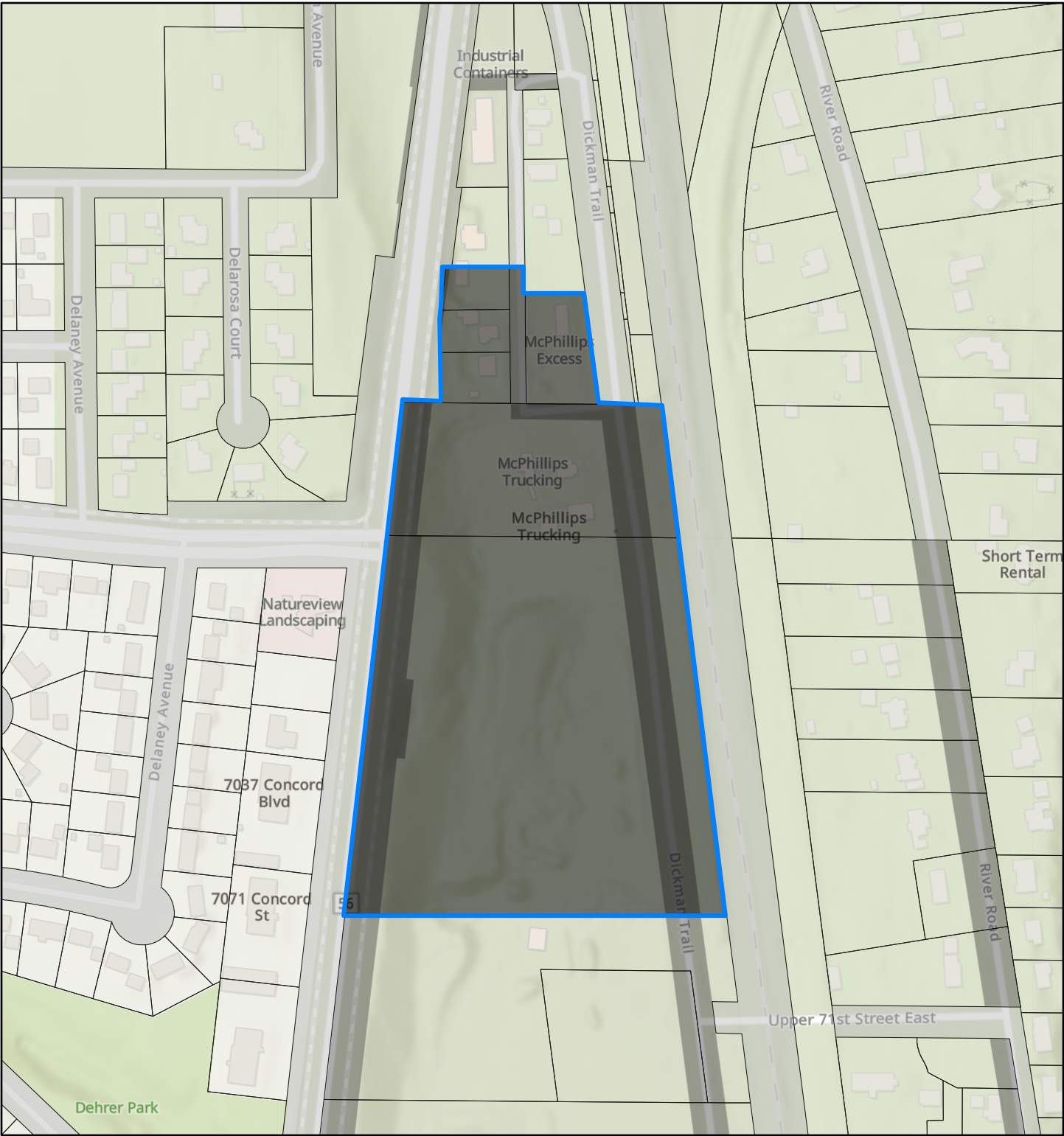
ATTEST:


Rebecca Kiernan, City Clerk

**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL DEVELOPMENT**

SITE & LOCATION MAP

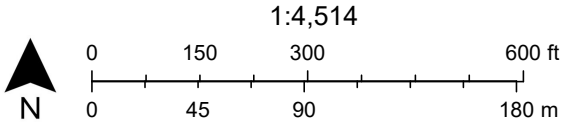
Dickman Trail Industrial Redevelopment Project



7/15/2025, 4:50:28 PM

Legend

- Parcels
- Development Boundary
- Development Area



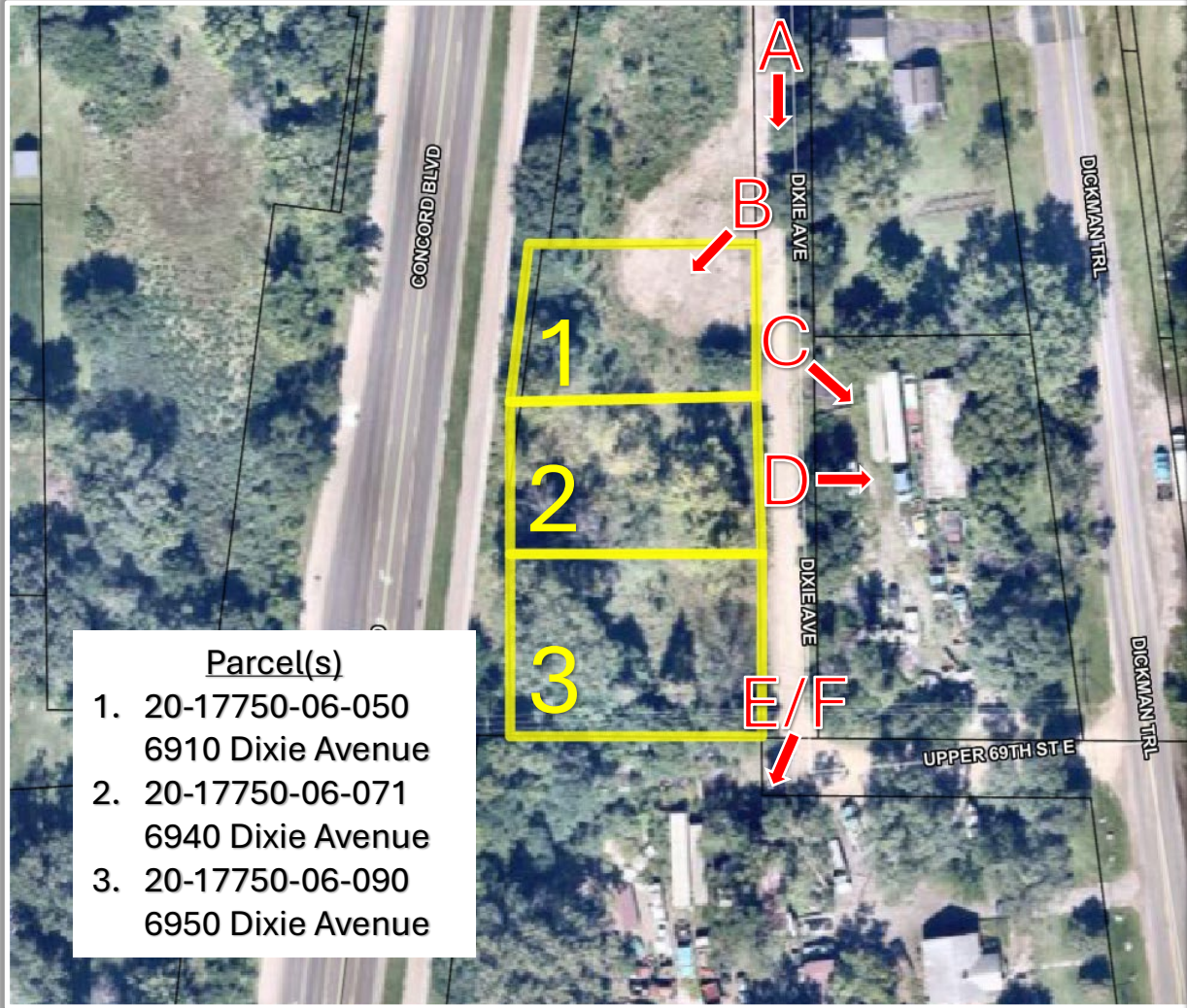
Sources: Esri, TomTom, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community. Sources: Esri, Maxar, Airbus DS, USGS, NGA, NASA, CGIAR, N Robinson, NCEAS, NLS, OS, NMA, Geodatastyrelsen, Rijkswaterstaat, GSA, Geoland, FEMA, Intermap, and the GIS user community

**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL REDEVELOPMENT**

CURRENT SITE CONDITIONS

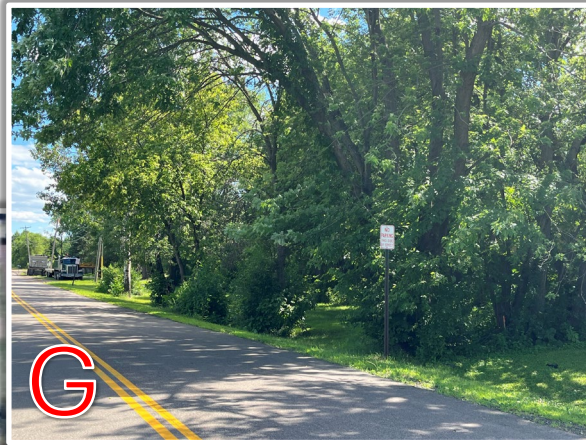
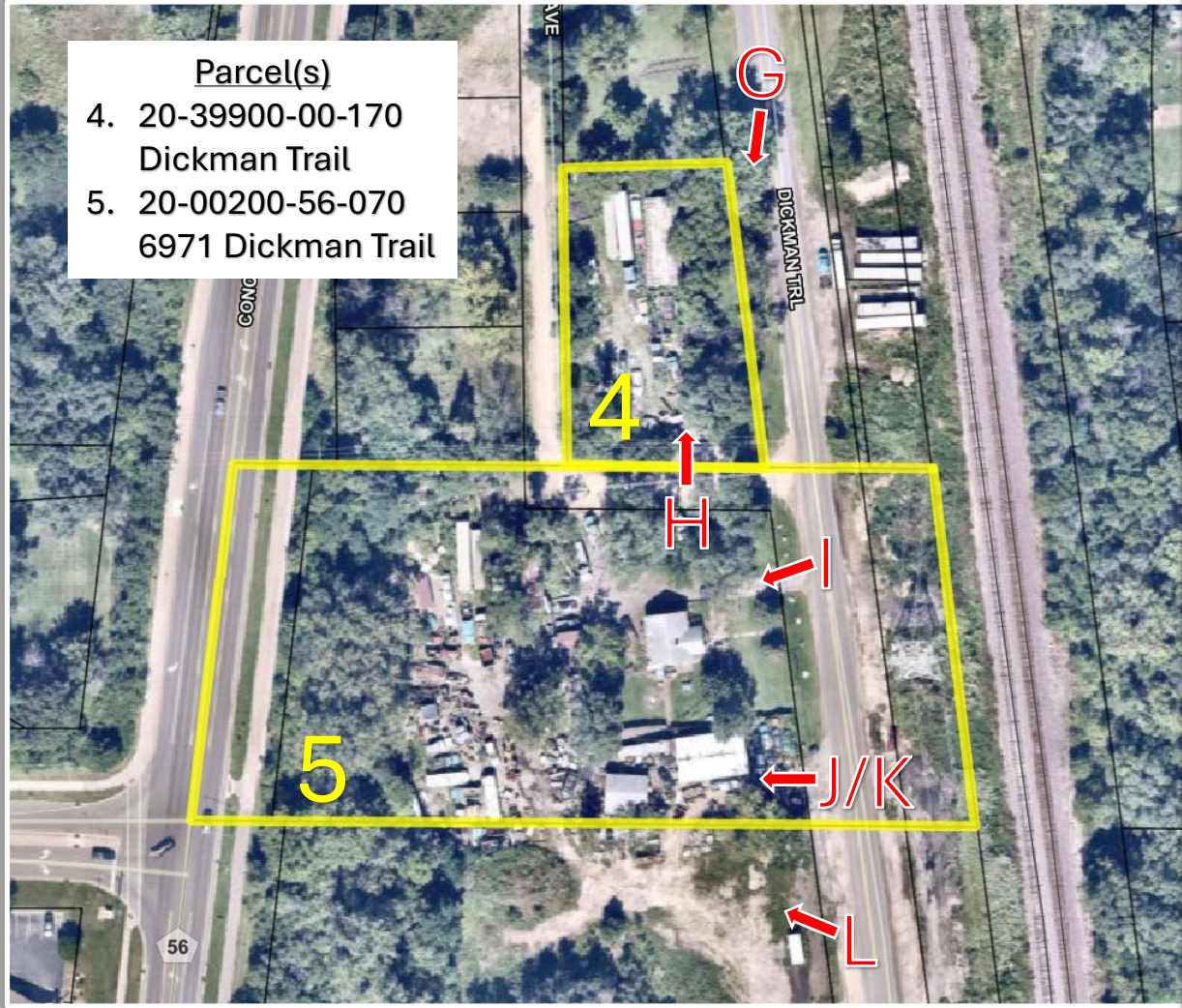
Dickman Trail Industrial Redevelopment

Site Conditions



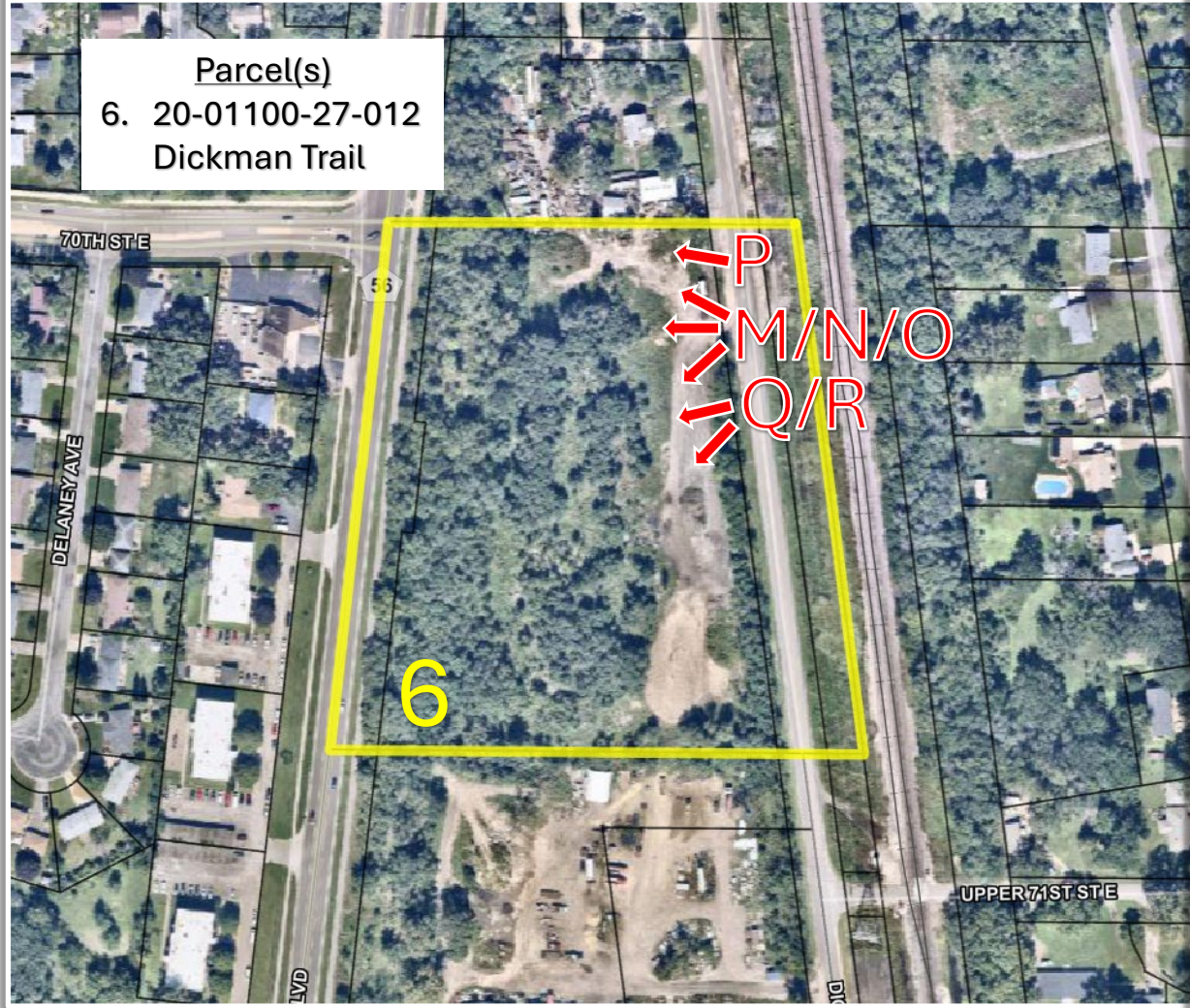
Dickman Trail Industrial Redevelopment

Site Conditions



Dickman Trail Industrial Redevelopment

Site Conditions



**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL DEVELOPMENT**

OWNERSHIP & TAX INFORMATION

Property Card	Parcel ID Number 20-17750-06-050
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Owner Information
Fee Owner CITY OF INVER GROVE HEIGHTS ECONOMIC D
Mailing Address 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55076

Property Address
Address 6910 DIXIE AVE
Municipality INVER GROVE HEIGHTS



Parcel Information			
Sale Date	04/25/1996	Total Acres	0.23
Sale Value	\$4,900.00	R/W Acres	0.01
Uses	EXEMPT	Water Acres	
		Plat	CLEVELAND PARK
		Lot and Block	5 6
		Tax Description	LOTS 4 & 5 BLK 6 SUBJ TO PARCEL 40 DAKOTA CO R/W MAP 294

2025 Building Characteristics (payable 2026)*		
Building Type	Year Built 0	Bedrooms
Building Style	Foundation Sq Ft	Bathrooms
Frame	Above Grade Sq Ft	Garage Sq Ft
Multiple Buildings	Finished Sq Ft	Other Garage

Miscellaneous Information					
School District 199	Watershed District LOWER MISSISSIPPI RIVER	Homestead NON HOMESTEAD	Green Acres	Ag Preserve	Open Space

Assessor Valuation		
	Taxable	Estimated
2025 Land Values (payable 2026)	\$0.00	\$27,100.00
2025 Building Values (payable 2026)*	\$0.00	\$0.00
2025 Total Values (payable 2026)*	\$0.00	\$27,100.00
2024 Total Values (payable 2025)*	\$0.00	\$26,000.00

Property Tax Information		
Net Tax (payable 2025) \$0.00	Special Assessments (2025) \$0.00	Total Tax & Assessments (2025) \$0.00

* Manufactured Homes Payable the Same Year as Assessment.

Disclaimer: Map and parcel data are believed to be accurate, but accuracy is not guaranteed. This is not a legal document and should not be substituted for a title search, appraisal, survey, or for zoning verification.

Property Card		Parcel ID Number 20-17750-06-071	
Owner Information Fee Owner INVER GROVE HEIGHTS ECONOMIC DEV AUTH			
Mailing Address 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077			
Property Address Address 6940 DIXIE AVE Municipality INVER GROVE HEIGHTS			
Parcel Information			
Sale Date	03/01/1993	Total Acres	0.24
Sale Value	\$35,000.00	R/W Acres	0.00
Uses	EXEMPT	Water Acres	
		Plat	CLEVELAND PARK
		Lot and Block	7 6
		Tax Description	LOTS 6 & 7 BLK 6 SUBJ TO PARCEL 41 DAKOTA CO R/W MAP 294
2025 Building Characteristics (payable 2026)*			
Building Type	Year Built 0	Bedrooms	
Building Style	Foundation Sq Ft	Bathrooms	
Frame	Above Grade Sq Ft	Garage Sq Ft	
Multiple Buildings	Finished Sq Ft	Other Garage	
Miscellaneous Information			
School District 199	Watershed District LOWER MISSISSIPPI RIVER	Homestead NON HOMESTEAD	Green Acres Ag Preserve Open Space
Assessor Valuation			
	Taxable	Estimated	
2025 Land Values (payable 2026)	\$0.00	\$46,200.00	
2025 Building Values (payable 2026)*	\$0.00	\$0.00	
2025 Total Values (payable 2026)*	\$0.00	\$46,200.00	
2024 Total Values (payable 2025)*	\$0.00	\$44,900.00	
Property Tax Information			
Net Tax (payable 2025)	Special Assessments (2025)	Total Tax & Assessments (2025)	
\$0.00	\$0.00	\$0.00	

* Manufactured Homes Payable the Same Year as Assessment.

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Property Card		Parcel ID Number 20-17750-06-090	
Owner Information Fee Owner INVER GROVE HEIGHTS ECONOMIC DEV AUTH			
Mailing Address 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077			
Property Address Address 6950 DIXIE AVE Municipality INVER GROVE HEIGHTS			
Parcel Information			
Sale Date	06/18/1999	Total Acres	0.29
Sale Value	\$64,000.00	R/W Acres	
Uses	EXEMPT	Water Acres	
		Plat	CLEVELAND PARK
		Lot and Block	9 6
		Tax Description	ALL OF LOTS 8 & 9 BLK 6 & 30 FT OF VAC GROVER AVE ADJ SUBJ TO PARCEL 42 DAKOTA CO R/W MAP 294
2025 Building Characteristics (payable 2026)*			
Building Type	Year Built 0	Bedrooms	
Building Style	Foundation Sq Ft	Bathrooms	
Frame	Above Grade Sq Ft	Garage Sq Ft	
Multiple Buildings	Finished Sq Ft	Other Garage	
Miscellaneous Information			
School District 199	Watershed District LOWER MISSISSIPPI RIVER	Homestead NON HOMESTEAD	Green Acres Ag Preserve Open Space
Assessor Valuation			
	Taxable	Estimated	
2025 Land Values (payable 2026)	\$0.00	\$46,200.00	
2025 Building Values (payable 2026)*	\$0.00	\$0.00	
2025 Total Values (payable 2026)*	\$0.00	\$46,200.00	
2024 Total Values (payable 2025)*	\$0.00	\$44,900.00	
Property Tax Information			
Net Tax (payable 2025)	Special Assessments (2025)	Total Tax & Assessments (2025)	
\$0.00	\$0.00	\$0.00	

* Manufactured Homes Payable the Same Year as Assessment.

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Property Card	Parcel ID Number 20-17750-06-090
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document and should not be substituted for a title search, appraisal, survey, or for zoning verification.

Property Card	Parcel ID Number 20-01100-27-012
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Owner Information
Fee Owner CITY IGH ECONOMIC DEVELOPMENT AUTHORIT
Mailing Address 8150 BARBARA AVE INVER GROVE HEIGHTS MN 55077



Property Address
Address
Municipality INVER GROVE HEIGHTS

Parcel Information			
Sale Date	Total Acres	10.38	
Sale Value \$0.00	R/W Acres	2.21	
Uses EXEMPT	Water Acres		
	Plat	SECTION 11 TWN 27 RANGE 22	
	Lot and Block	11 27 22	
	Tax Description	NW 1/4 OF NW 1/4 LYING E OF STH #56 EX S 600 FT ALSO ALL W OF RR OF GOVT LOT 8 EX S 600 FT EX PARCEL 44 DAKOTA CO R/W MAP 294	

2025 Building Characteristics (payable 2026)*			
Building Type	Year Built 0	Bedrooms	
Building Style	Foundation Sq Ft	Bathrooms	
Frame	Above Grade Sq Ft	Garage Sq Ft	
Multiple Buildings	Finished Sq Ft	Other Garage	

Miscellaneous Information					
School District 199	Watershed District LOWER MISSISSIPPI RIVER	Homestead NON HOMESTEAD	Green Acres	Ag Preserve	Open Space

Assessor Valuation		
	Taxable	Estimated
2025 Land Values (payable 2026)	\$0.00	\$598,800.00
2025 Building Values (payable 2026)*	\$0.00	\$5,600.00
2025 Total Values (payable 2026)*	\$0.00	\$604,400.00
2024 Total Values (payable 2025)*	\$0.00	\$583,200.00

Property Tax Information		
Net Tax (payable 2025) \$0.00	Special Assessments (2025) \$0.00	Total Tax & Assessments (2025) \$0.00

* Manufactured Homes Payable the Same Year as Assessment.

Disclaimer: Map and parcel data are believed to be accurate, but accuracy is not guaranteed. This is not a legal

Property Card	Parcel ID Number 20-01100-27-012
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document and should not be substituted for a title search, appraisal, survey, or for zoning verification.

Property Card		Parcel ID Number 20-39900-00-170	
Owner Information Fee Owner WILLIAM MICHAEL MCPHILLIPS			
Mailing Address 11798 AKRON AVE INVER GROVE HEIGHTS MN 55077-5604			
Property Address Address Municipality INVER GROVE HEIGHTS			
Parcel Information			
Sale Date		Total Acres	0.61
Sale Value	\$0.00	R/W Acres	
Uses	INDUSTRIAL-PREFERRED	Water Acres	
		Plat	JOHNSON O M ADDITION
		Lot and Block	17
		Tax Description	LOTS 14 TO
2025 Building Characteristics (payable 2026)*			
Building Type	Year Built	0	Bedrooms
Building Style	Foundation Sq Ft		Bathrooms
Frame	Above Grade Sq Ft		Garage Sq Ft
Multiple Buildings	Finished Sq Ft		Other Garage
Miscellaneous Information			
School District	Watershed District	Homestead	Green Acres
199	LOWER MISSISSIPPI RIVER	NON HOMESTEAD	Ag Preserve
			Open Space
Assessor Valuation			
		Taxable	Estimated
2025 Land Values (payable 2026)		\$72,300.00	\$72,300.00
2025 Building Values (payable 2026)*		\$5,200.00	\$5,200.00
2025 Total Values (payable 2026)*		\$77,500.00	\$77,500.00
2024 Total Values (payable 2025)*		\$74,600.00	\$74,600.00
Property Tax Information			
Net Tax (payable 2025)	Special Assessments (2025)	Total Tax & Assessments (2025)	
\$1,314.00	\$0.00	\$1,314.00	

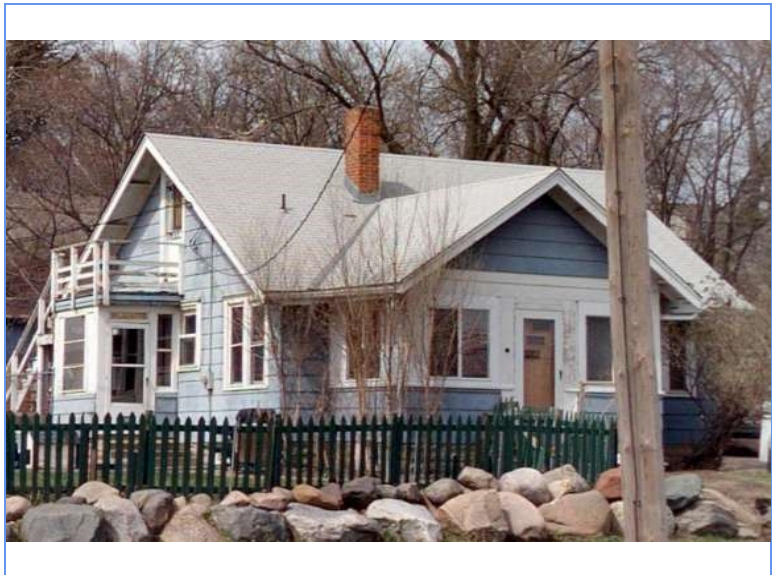
* Manufactured Homes Payable the Same Year as Assessment.

Disclaimer: Map and parcel data are believed to be accurate, but accuracy is not guaranteed. This is not a legal document and should not be substituted for a title search, appraisal, survey, or for zoning verification.

Property Card	Parcel ID Number 20-00200-56-070
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Owner Information
Fee Owner WM M & KATHLEEN M MCPHILLIPS
Mailing Address 6971 DICKMAN TRL E INVER GROVE HEIGHTS MN 55076-4239

Property Address
Address 6971 DICKMAN TRL
Municipality INVER GROVE HEIGHTS



Parcel Information			
Sale Date		Total Acres	2.97
Sale Value	\$0.00	R/W Acres	0.82
Uses	INDUSTRIAL-PREFERRED RESIDENTIAL	Water Acres	
		Plat	SECTION 2 TWN 27 RANGE 22
		Lot and Block	2 27 22
		Tax Description	S 250 FT OF GOVT LOT 5 & S 250 FT OF SW 1/4 OF SW 1/4 LYING BETWEEN TH #56 & RR EX PT FOR ST SUBJ TO PARCEL 43 DAKOTA CO R/W MAP 294

2025 Building Characteristics (payable 2026)*					
Building Type	S.FAM.RES	Year Built	1925	Bedrooms	3
Building Style	1-1/4 STRY	Foundation Sq Ft	840	Bathrooms	1.00
Frame	WOOD	Above Grade Sq Ft	1,050	Garage Sq Ft	480
Multiple Buildings	Y	Finished Sq Ft	1,050	Other Garage	

Miscellaneous Information					
School District	Watershed District	Homestead	Green Acres	Ag Preserve	Open Space
199	LOWER MISSISSIPPI RIVER	NON HOMESTEAD			

Assessor Valuation		
	Taxable	Estimated
2025 Land Values (payable 2026)	\$199,900.00	\$199,900.00
2025 Building Values (payable 2026)*	\$104,800.00	\$104,800.00
2025 Total Values (payable 2026)*	\$304,700.00	\$304,700.00
2024 Total Values (payable 2025)*	\$295,400.00	\$295,400.00

Property Tax Information		
Net Tax (payable 2025)	Special Assessments (2025)	Total Tax & Assessments (2025)
\$4,702.00	\$0.00	\$4,702.00

* Manufactured Homes Payable the Same Year as Assessment.

Disclaimer: Map and parcel data are believed to be accurate, but accuracy is not guaranteed. This is not a legal

Property Card

Parcel ID Number 20-00200-56-070

document and should not be substituted for a title search, appraisal, survey, or for zoning verification.

PURCHASE AGREEMENT

1. PARTIES. This Purchase Agreement ("Agreement") is made on this 12th day of May, 2025 ("Effective Date"), by and between the City of Inver Grove Heights Economic Development Authority, a Minnesota body corporate and politic ("EDA") and Interstate Industrial LLC, a Minnesota limited liability company and its permitted assigns ("Buyer").

2. SALE OF PROPERTY. Subject to the terms and conditions of this Agreement, the EDA agrees to sell to the Buyer and the Buyer agrees to buy from the EDA, the real estate located in the City of Inver Grove Heights, Dakota County, Minnesota with the following Property Tax Identification Numbers, all as legally described in Exhibit A and depicted in Exhibit B as attached, together with all easements and rights accruing thereto collectively referred to hereafter as the "Property:"

PID: 20-01100-27-012 (10.38 acres)

PID: 20-17750-06-090 (.29 acres)

PID: 20-17750-06-071 (.24 acres)

PID: 20-17750-06-050 (.22 acres)

3. PURCHASE PRICE AND MANNER OF PAYMENT. At the Closing, the Buyer shall pay the EDA Seven Hundred Twenty-One Thousand, Three Hundred and Sixty Dollars (\$721,360.00) for the Property ("Purchase Price"). The Buyer shall deposit \$20,000.00 in earnest money ("Earnest Money") to be held in escrow by First American Title Insurance Company, in Minneapolis, Minnesota, attn. Jim Erickson ("Title Company") within five (5) days of the Effective Date. The Earnest Money shall be credited against the Purchase Price at Closing.

4. CLOSING CONDITIONS. Buyer's obligation to close the transaction and purchase the Property is specifically conditioned upon the following (each a "Buyer Closing Condition" and collectively the "Buyer's Closing Conditions"):

4.1. Representations and Warranties. The representations and warranties of the EDA contained in this Agreement must be true as of the Effective Date and on the Closing Date in all material respects as if made on the Closing Date and the EDA shall have delivered to the Buyer on the Closing Date, a certificate dated the Closing Date, signed by an authorized representative of the EDA, certifying that such representations and warranties are true as of the Closing Date in all material respects ("Bring Down Certificate").

4.2. Title. Title to the Property shall have been found marketable, or been made marketable, in accordance with the requirements and terms of Section 8 below.

4.3. Performance of the EDA's Obligations. The EDA shall have performed all of the obligations required to be performed by the EDA under this Agreement

in all material respects. Included within the obligations of the EDA under this Agreement shall be the following:

- 4.3.1. The EDA agrees to cooperate with the Buyer as reasonably necessary to permit the Buyer to investigate the Property.
- 4.3.2. The EDA shall deliver to the Buyer the Title Evidence required in Section 8 within ten (10) business days from the Effective Date of this Agreement.
- 4.3.3 The EDA shall deliver to the Buyer copies of any surveys, plats, civil plans, soils reports, environmental reports, and title work relating to the Property which are in the EDA's possession or control ("Due Diligence Materials") within ten (10) days from the Effective Date of this Agreement and the date the EDA delivers all of the Due Diligence Materials to the Buyer is referred to herein as the "Delivery Date".
- 4.4 Buyer's Purchase of Adjacent Properties. The Buyer shall have purchased the McPhillips Trucking Parcels (PID: 20-00200-56-070 and PID: 20-39900-00-170) ("Trucking Parcels") either prior to Closing on the Property or at the same time as Closing on the Property.
- 4.5 Land Use Approvals. The Buyer shall have obtained, at the Buyer's sole cost and expense, all consents, agreements, approvals, easements, licenses, and adequate assurances that are legally necessary for the Buyer to use the Property and the Trucking Parcels as intended for the development and construction of not less than three (3) industrial buildings totaling not less than 27,000 square feet of industrial building space, or any number of industrial buildings equal to or greater than two (2) industrial buildings and totaling not less than 27,000 square feet, including, but not limited to, land use approvals from the City of Inver Grove Heights ("City") or otherwise required by the Buyer, in Buyer's sole determination, including, but not limited to preliminary plat, final plat and site plan.
- 4.6 Vacations. The City shall have vacated Dixie Avenue from the north line of the Trucking Parcels to the south line of the Trucking Parcels.
- 4.7 Development Agreement. The City shall have made an irrevocable commitment to extend City water and sanitary sewer service to the Property to accommodate the Buyer's development ("Utilities") with the City obtaining grant funding to assist with costs associated for the construction of the Utilities. Notwithstanding the foregoing, the Buyer shall be responsible for paying any costs associated with the construction of the

Utilities necessary to service the Buyer's development on the Property and the Trucking Parcels, as negotiated between the City and the Buyer through a mutually agreed upon development agreement that shall be entered into between the Buyer and the City prior to Closing and subject to the successful Closing of the transactions anticipated to be taken under this Agreement.

5. CONTINGENCIES WHICH MUST BE EXERCISED BY WRITTEN NOTICE TO THE EDA ON OR BEFORE 120 DAYS AFTER THE DELIVERY DATE ("INITIAL CONTINGENCY PERIOD"):

5.1. Buyer's Contingencies.

5.1.1. Inspection and Testing. The Buyer shall have determined, in its sole determination, that the Buyer is satisfied with the results of, and matters disclosed by, any environmental site assessments, including a Phase I and Phase II if necessary, soil tests, surveys, engineering inspections, hazardous substances, and environmental reviews of the Property. The Buyer may enter the Property by providing twenty-four (24) hours' notice of its intended entry to the EDA.

- a. The Buyer shall promptly repair and restore any damage to the Property caused by the Buyer's testing and return the Property to substantially the same condition as existed prior to entry. The Buyer shall have no obligation to repair or remediate any environmental condition discovered or uncovered by Buyer or its agents or contractors.
- b. Except as qualified under Section 5.1.1(a) above, the Buyer shall indemnify, defend, and hold the EDA harmless from any claim for damage to person or property arising from any investigation or inspection of the Property conducted by the Buyer, the Buyer's agents or contractors, including the cost of attorneys' fees.
- c. Copies of any written reports, studies or test results obtained by the Buyer in connection with the Buyer's inspection of the Property or investigation relating to the Property shall be delivered to the EDA promptly upon receipt of the same at no cost to the EDA. The Buyer makes no warranties to EDA regarding the accuracy or completeness of any such tests or test results.

d. The Buyer shall be responsible for the costs of all investigation and testing performed by the Buyer with respect to the Property.

5.1.2. Financing. The Buyer shall have obtained acceptable financing for the purchase of the Property upon terms and conditions acceptable to Buyer in Buyer's sole discretion.

5.2. EDA's Contingencies.

5.2.1. Determination by the EDA after holding a public hearing required by Minnesota Statutes Section 469.105, subdivision 2 that the sale and conveyance of the Property to the Buyer is in the best interests of the City and its people, and that the transaction furthers the EDA's general plan of economic development.

5.2.2. Buyer's Purchase of the Trucking Parcels. Assurance to the EDA in its sole discretion that the Buyer has closed or will simultaneously close on its purchase of the Trucking Parcels with its purchase of the Property.

If on or before the Contingency Date either party determines that any of their respective contingencies listed in this Section have not been satisfied in its sole discretion, then this Agreement may be terminated by written notice from the party to the other, which notice must give no later than the Contingency Date. If the party does not give written notice of termination on or before the Contingency Date, all of such contingencies will be deemed to have been satisfied and the parties shall proceed to close this transaction in accordance with the terms of this Agreement, subject to the Buyer's Closing Conditions. All of the contingencies set forth in this Agreement are specifically stated and agreed to be for the sole and exclusive benefit of the respective party and each party shall have the right to unilaterally waive any of its contingencies by written notice to the other party. If this Agreement is terminated by either party in accordance with this Section, the Title Company shall disburse the Earnest Money to Buyer and neither party shall have any further rights or obligations regarding this Agreement or the Property.

6. CLOSING. The closing of the purchase and sale contemplated by this Agreement ("Closing") shall occur 15 days after the later of the Contingency Date or the date on which each of the Buyer Closing Conditions are met or such other date on which the parties may agree (the "Closing Date"). The EDA agrees to deliver possession of the Property to the Buyer on the Closing Date with the Property vacant and unoccupied.

6.1. EDA's Closing Documents. On the Closing Date, the EDA shall execute and deliver to the Buyer the following (collectively, "EDA's Closing

Documents”), all in form and content reasonably satisfactory to the EDA and the Buyer:

- 6.1.1. Deed. A quit claim deed (“Deed”) conveying the Property to the Buyer. The Deed shall contain a covenant running with the Property that the Buyer must construct at least two (2) industrial buildings on the Property and obtain Certificates of Occupancy for those buildings within two (2) years from the date of Closing. The Buyer must commence construction of the first industrial building (“Minimum Improvements”) within one (1) year of the date of Closing. If the Buyer does not complete the Minimum Improvements within one (1) year of the date of Closing, the Property shall revert back to the EDA. For purposes of this covenant, “Minimum Improvements” shall be defined as commencing construction of footings and foundation of the first industrial building on the Property.
- 6.1.2. Seller’s Affidavit. An affidavit of title by the EDA stating that on the Closing Date there are no outstanding, unsatisfied judgments, tax liens or bankruptcies against or involving the EDA or the Property; that there has been no skill, labor or material furnished to the Property for which payment has not been made or for which mechanics’ liens could be filed; and that there are no other unrecorded instruments affecting the Property, together with whatever standard owner’s affidavit (ALTA form) which may be required by the Title Company to issue an Owner’s Policy of Title Insurance with the standard exceptions waived.
- 6.1.3. Original Documents. Original copies of any surveys, plans, and records in the EDA’s possession relating in any way to the Property.
- 6.1.4. FIRPTA Affidavit. A non-foreign affidavit, properly executed, containing such information as is required by the Internal Revenue Code Section 1445(b)(2) and its regulations.
- 6.1.5. Seller’s Settlement Statement. A Seller’s settlement statement reflecting the Purchase Price and the proration of costs and expenses in the manner required by this Agreement.
- 6.1.6. Other Documents. Any other documents reasonably required or reasonably requested by the Title Company necessary to complete the transaction contemplated by this Agreement.

6.2. Buyer's Closing Documents. On the Closing Date, the Buyer shall execute, as appropriate, and deliver to the EDA the following (collectively, "Buyer's Closing Documents"):

6.2.1. Purchase Price. The Purchase Price in collected funds (certified or cashier's check or wire transfer) deposited with the Title Company on the Closing Date.

6.2.2 Buyer's Settlement Statement. A Buyer's settlement statement reflecting the Purchase Price and the proration of costs and expenses in the manner required by this Agreement.

6.2.3. Other Documents. Such affidavits of purchaser, certificates of value or other documents may be reasonably required or reasonably requested by the Title Company necessary to complete the transaction contemplated by this Agreement.

7. PRORATIONS. The EDA and the Buyer agree to the following prorations and allocation of costs regarding this Agreement:

7.1. Title Insurance and Closing Fees. The Buyer shall pay the cost of the title insurance commitment, including any associated title examination and search charges. The Buyer shall pay the cost of any title insurance Buyer elects to purchase or endorsement premiums for such policy. The parties shall share equally the closing fee charged by the Title Company.

7.2. Real Estate Taxes and Special Assessments. The EDA shall pay the state deed tax. The EDA shall also pay, on or before the Closing Date, all special assessments levied, ordered or pending against the Property as of the Closing Date including, without limitation, any installments of special assessments that are payable with general real estate taxes ("Taxes") in the year in which Closing occurs. The EDA shall pay all Taxes for all years prior to the year in which the Closing occurs. Taxes for the year in which the Closing occurs shall be prorated between the parties as of the Closing Date.

7.3. Recording Costs. The EDA shall pay the cost of recording all documents necessary to vest marketable title in the EDA and cure title objections, if any. The Buyer shall pay the cost of recording all other documents, including, but not limited to, the Deed.

7.4. Attorneys' Fees. Each of the parties shall pay its own attorneys' fees.

8. TITLE EXAMINATION. Title examination shall be conducted as follows:

8.1. EDA's Title Evidence. Within ten (10) days of the Effective Date, the EDA shall deliver the following (collectively, "Title Evidence") to the Buyer:

8.1.1. Title Commitment. A title insurance commitment for the Property issued by the Title Company.

8.1.2. Survey. The Buyer, at the Buyer's option, may obtain, at the expense of the Buyer, a survey of the Property. Any survey obtained by the Buyer shall be certified and delivered to the EDA as well as the Buyer and any other parties that the Buyer may designate.

8.2. Buyer's Objections. No later than fourteen (14) business days after receiving the updated Title Commitment, the Buyer must make written objections ("Objections") to the marketability of title to the Property based on the Title Evidence. If the Buyer elects to obtain a survey, Objections based upon the survey must be made within fourteen (14) business days after receipt of said survey but in no event later than the Contingency Date. The Buyer's failure to make Objections within such time periods will constitute a waiver of Objections. However, any matter which is not referenced in the title commitment and is first recorded, discovered, or disclosed after the effective date of the title commitment, may be objected to by the Buyer in the manner described herein. If not sooner satisfied, the EDA shall cause the Property to be released from any mortgages or other liens against the Property at the Closing. Any matter shown on such Title Evidence, other than a mortgage or other lien and not objected to by the Buyer shall be a "Permitted Encumbrance" hereunder. Within seven (7) days after receipt of the Buyer's Objections, the EDA shall notify the Buyer in writing if the EDA elects not to cure the Objections. If such notice is given within said seven (7) day period, the Buyer may either waive the Objections or terminate this Agreement by giving written notice of termination to the EDA within ten (10) days after the EDA's notice is given to the Buyer. If written notice by the EDA is not given within the ten (10-) day period, the EDA shall use commercially reasonable efforts to correct any Objections within thirty (30) days after the expiration of the ten (10-) day period ("Cure Period"). If the Objections are not cured within the Cure Period, the Buyer shall have the option to do any of the following:

8.2.1. Terminate this Agreement by giving written notice to the EDA and the Title Company within ten (10) days after the expiration of the Cure Period and neither the EDA nor the Buyer shall have further rights or obligations hereunder. In such event the Title Company shall immediately disburse the Earnest Money to the Buyer.

8.2.2. Waive the objections and proceed to close without reduction in the Purchase Price.

The Buyer shall make the election within ten (10) days after expiration of the EDA's Cure Period. A failure to make an election within such period shall be deemed an election to proceed to close pursuant to subsection 8.2.2.

9. REPRESENTATIONS AND WARRANTIES BY THE EDA. The EDA represents and warrants to the Buyer that the following are true in all material respects as of the Effective Date and as modified by any changes about which the EDA notifies the Buyer in writing following after the Effective Date, will be true in all material respects on the Closing Date:

- 9.1. Authority. The EDA is a public body corporate and politic, duly created under and subject to the laws of the State of Minnesota; the EDA has the requisite power and authority to enter into and perform this Agreement and those EDA Closing Documents signed by it; such documents have been or will be duly authorized by all necessary action on the part of the EDA and have been or will be duly executed and delivered; such execution, delivery and performance by the EDA of such documents does not conflict with or result in a violation of any judgment, order, or decree of any court or arbiter to which the EDA is a party; such documents are valid and binding obligations of the EDA, and are enforceable in accordance with their terms, subject to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally and principles of equity.
- 9.2. Rights of Others to Purchase the Property; Possession. The EDA has not entered into any other contracts for the sale of the Property, nor are there any rights of first refusal or options to purchase the Property or any other rights of others that might prevent the sale of the Property contemplated by this Agreement. At the Closing, no person shall have any lease, license or other agreement to use or occupy the Property and the EDA shall deliver the Property to the Buyer vacant and unoccupied.
- 9.3. Use of the Property. To the best of the EDA's knowledge without investigation, the Property is usable for its current uses without violating any federal, state, local or other governmental building, zoning, health, safety, platting, subdivision or other law, ordinance or regulation, or any applicable private restriction.
- 9.4. Proceedings. There is no action, litigation, investigation, condemnation or proceeding of any kind or to the EDA's actual knowledge without

investigation pending or threatened against the EDA with respect to the Property or any portion of the Property.

9.5. Wells. No wells exist on the Property.

9.6. Sewage Treatment Systems. No sewage treatment system exists on the Property.

9.7. Title. The EDA owns fee title to the Property.

The EDA's representations shall be true, accurate and complete as of the Effective Date, in all material respects and, as modified by any notices given by the EDA to the Buyer, on the Closing Date in all material respects. If any time prior to Closing, the Buyer shall determine that any representation herein made by the EDA was not true in all material respects when made, the Buyer's sole remedy shall be to terminate this Agreement by giving notice to the EDA and seeking any applicable remedies for breach from the EDA. The Earnest Money paid by the Buyer shall be returned to the Buyer.

Notwithstanding the above paragraph, all representations and warranties shall terminate eighteen (18) months following the Closing Date. Any claim by the Buyer not made by written notice delivered to the EDA before the date the representation or warranty terminates shall be deemed waived.

10. "AS IS, WHERE IS." The Buyer acknowledges that the Buyer has inspected or has had the opportunity to inspect the Property and agrees to accept the Property "AS IS" with no right of set off or reduction in the Purchase Price. Except for the EDA's representations and warranties made under this Agreement, such sale shall be without representation of warranties, express or implied, either oral or written, made by the EDA or any official, employee or agent of the EDA with respect to the physical condition of the Property, including but not limited to, the existence or absence of petroleum, hazardous substances, pollutants or contaminants in, on, or under, or affecting the Property or with respect to the compliance of the Property or its operation with any laws, ordinances, or regulations of any government or other body and Buyer acknowledges and agrees that the EDA has not made and does not make any representations, warranties, or covenants of any kind or character whatsoever, whether expressed or implied, with respect to warranty of income potential, operating expenses, uses, habitability, tenant ability, or suitability for any purpose, merchantability, or fitness of the Property for a particular purpose, all of which warranties EDA hereby expressly disclaims, except as stated above. Except for the EDA's representations and warranties made under this Agreement, the Buyer is relying entirely upon information and knowledge obtained from the Buyer's own investigation, experience, and knowledge obtained from the Buyer's own investigation, experience, or personal inspection of the Property. The foregoing provision shall survive Closing

and shall not be deemed merged into any instrument of conveyance delivered at Closing.

11. REPRESENTATIONS AND WARRANTIES BY THE BUYER. The Buyer represents and warrants to the EDA that the Buyer has the requisite capacity, power, and authority to enter into this Agreement and the Buyer's Closing Documents; such execution, delivery, and performance by the Buyer of such documents does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter to which the Buyer is a party; such documents are valid and binding obligations of the Buyer, and are enforceable in accordance with their terms.

12. CONDEMNATION. If, prior to the Closing, eminent domain proceedings are commenced against all or any material part of the Property, the EDA shall immediately give notice to the Buyer of such fact and at the Buyer's option (to be exercised within fifteen (15) days after the EDA's notice), this Agreement shall terminate, in which event neither party will have further obligations under this Agreement. Thereupon the Title Company shall disburse the Earnest Money to the Buyer. If the Buyer fails to give such notice, then there shall be no reduction in the Purchase Price, and the EDA shall assign to the Buyer at the Closing all of EDA's right, title, and interest in and to any award made or to be made in the condemnation proceedings. Prior to the Closing, the EDA shall not designate counsel, appear in, or otherwise act with respect to the condemnation proceedings without the Buyer's prior written consent. For purposes of this section, the words "a material part" means a part if acquired by a condemning authority would materially hinder Buyer's operations on the Property. Notwithstanding any other term or condition of this Section 12 to the contrary, the EDA shall not commence nor consent to any eminent domain proceedings affecting all or any part of the Property without the Buyer's prior written consent, which consent shall not unreasonably be withheld.

13. COMMISSIONS. Both the Buyer and the EDA represent that they have not entered into a contract with any other real estate broker, whereby the broker is entitled to a commission resulting from the transaction contemplated by this Agreement. Each party agrees to indemnify, defend and hold harmless the other party against any claim made by a real estate broker for a commission or fee based on alleged acts or agreements with the indemnifying party.

14. REMEDIES.

- 14.1. Buyer's Remedies. If any one or more of the Buyer's Closing Conditions fails or the EDA otherwise fails to consummate this Agreement for any reason except the Buyer's default or the termination of this Agreement pursuant to a right to terminate given herein, and such failure continues for longer than ten (10) days after the date Buyer delivers written default hereunder to the EDA (an "EDA Default") or the Buyer Closing Conditions under Sections 4.4, 4.5, 4.6 or 4.7 shall not be met, then the Buyer may, at its option, terminate

this Agreement by written notice delivered to the EDA and the Title Company, in which event the Title Company shall immediately disburse the Earnest Money to the Buyer and upon such payment, neither party shall be further obligated to the other (except for the Buyer's and the EDA's indemnities set forth in this Agreement). The Buyer specifically waives any right to make a claim against the EDA for compensatory or consequential damages or any other type of monetary claim, except for the indemnity obligations set forth in this Agreement.

- 14.2. EDA's Remedy. If the Buyer fails to consummate this Agreement for any reason except the EDA's default or the termination of this Agreement pursuant to a right to terminate given herein, the EDA's sole and exclusive remedy shall be to terminate this Agreement by giving thirty (30) days' written notice to the Buyer, pursuant to Minnesota Statutes, Section 559.21, as amended from time to time, in which case, the Earnest Money shall be retained by the EDA as liquidated damages.

15. ASSIGNMENT. The Buyer may not assign the Buyer's rights under this Agreement without prior consent of the EDA, which shall not unreasonably be withheld.

16. SURVIVAL. All of the terms of this Agreement and warranties and representations herein contained shall survive and be enforceable after the Closing.

17. NOTICES. Any notice required or permitted hereunder shall be given by personal delivery; or if deposited cost paid with a nationally recognized, reputable overnight courier; by email; or by certified mail, return receipt requested; properly addressed as follows:

If to the EDA: City of Inver Grove Heights
Economic Development Authority
8150 Barbara Avenue
Inver Grove Heights, Minnesota 55077
Attention: Executive Director
Email: jziemer@ighmn.gov

If to the Buyer: Interstate Industrial LLC
6390 Carlson Drive
Eden Prairie, MN 55346-1727

Attention: Legal Notices
Email: LP@interstatedevelopment.com

With copy to: Messerli & Kramer, P.A.
100 South Fifth Street

Suite 1400
Minneapolis, MN 55402
Attention: Anthony L. Barthel
Email: abarthel@messerlikramer.com

Notices shall be deemed effective on the earlier of the date of receipt or the date of deposit, as aforesaid; provided, however, that if notice is given by deposit, the time for response to any notice by the other party shall commence to run one business day after any such deposit or if by email upon sending email to the address set forth in this Section. Any party may change its address for the service of notice by giving notice of such change ten (10) days' prior to the effective date of such change.

18. CAPTIONS. The paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement and are not to be considered in interpreting this Agreement.

19. ENTIRE AGREEMENT, MODIFICATIONS. This Agreement constitutes the complete agreement between the parties and supersedes any prior oral or written agreements between the parties regarding the Property. There are no verbal agreements that change this Agreement and no waiver of any of its terms will be effective unless in a writing executed by the parties.

20. BINDING EFFECT. This Agreement binds and benefits the parties and their heirs, successors, and assigns.

21. CONTROLLING LAW. This Agreement has been made under the substantive laws of the State of Minnesota, and such laws shall control its interpretation.

[Remainder of this page intentionally left blank.]

BUYER

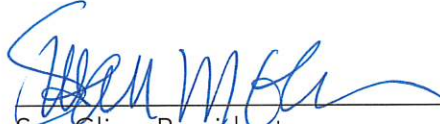
INTERSTATE INDUSTRIAL LLC



Lonnie Provencher, President

EDA

**CITY OF INVER GROVE HEIGHTS
ECONOMIC DEVELOPMENT AUTHORITY**



Sue Gliva, President



Jason Ziemer, Executive Director

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

PID: 20-01100-27-012 (10.38 acres)

The Northwest Quarter of the Northwest Quarter of Section 11, Township 27, Range 22 lying East of the South Highway 56 except the South 600 feet. Also, all West of the railroad of Government Lot 8 except the South 600 feet except Parcel 44 of the Dakota County Right-of-Way Map 294, County of Dakota, State of Minnesota.

PID: 20-17750-06-090 (.29 acres)

All of Lots 8 and 9, Block 6, Cleveland Park, and 30 feet of vacated adjacent Grover Avenue. Subject to Parcel 42, Dakota County Right-of-Way Map 294, County of Dakota, State of Minnesota.

PID: 20-17750-06-071 (.24 acres)

Lots 6 and 7, Block 6, Cleveland Park, subject to Parcel 41, Dakota County Right-of-Way Map 294, County of Dakota, State of Minnesota.

PID: 20-17750-06-050 (.22 acres)

Lots 4 and 5, Block 6, Cleveland Park, subject to Parcel 40, Dakota County Right-of-Way Map 294, County of Dakota, State of Minnesota.

EXHIBIT B
MAP OF PROPERTY

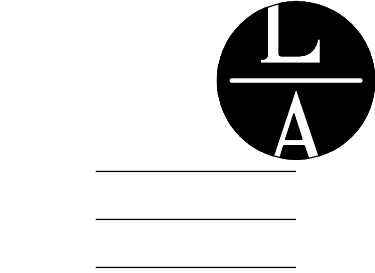
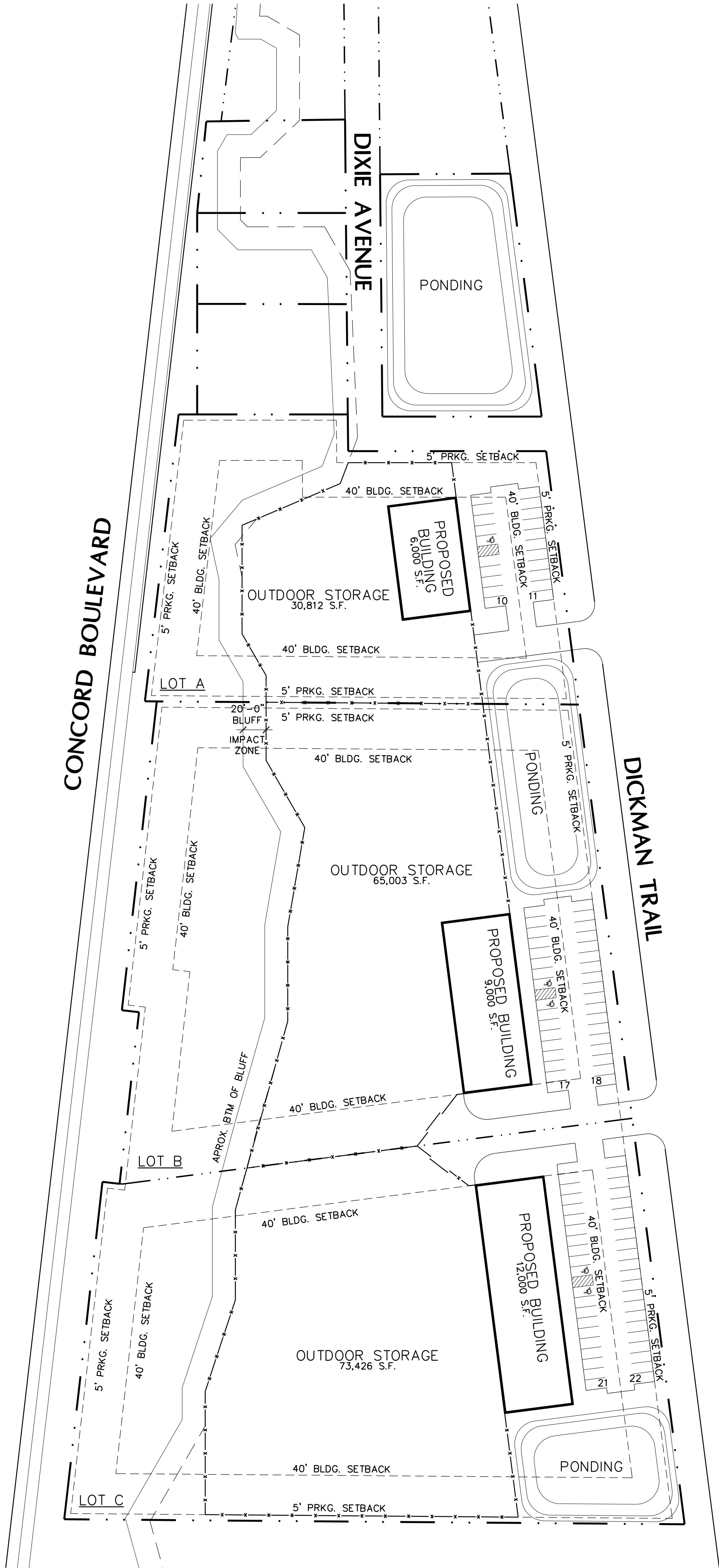


**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL REDEVELOPMENT**

CONCEPT DEVELOPMENT PLAN

SITE DATA			
LOT A			
LOT SIZE	-	81,325 S.F.	1.87 ACRES
ZONING	-	I-1	LIGHT INDUSTRIAL
BUILDING	-	6,000 S.F.	OFFICE/WAREHOUSE
BLDG COVER	-	6,000/81,325	= 7.4% < 30% MAX
LOT B			
LOT SIZE	-	159,256	3.66 ACRES
ZONING	-	I-1	LIGHT INDUSTRIAL
BUILDING	-	9,000 S.F.	OFFICE/WAREHOUSE
BLDG COVER	-	9,000/159,256	= 5.7% < 30% MAX
LOT C			
LOT SIZE	-	160,567 S.F.	3.69 ACRES
ZONING	-	I-1	LIGHT INDUSTRIAL
BUILDING	-	12,000 S.F.	OFFICE/WAREHOUSE
BLDG COVER	-	12,000/160,567	= 7.5% < 30% MAX
PARKING DATA			
LOT A			
BLDG AREA	-	6,000 x 0.9	= 5,400 S.F.
OFFICE	-	600 S.F. @ 1/200 S.F.	= 3 STALLS
WAREHOUSE	-	4,800 S.F. @ 1/2,000 S.F.	= 2 STALLS
OUTDOOR STOR.	-	30,812 S.F. @ 1/2,500 S.F.	= 12 STALLS
TOTAL STALLS REQUIRED			= 17 STALLS
TOTAL STALLS PROVIDED			= 21 STALLS
LOT B			
BLDG AREA	-	9,000 x 0.9	= 8,100 S.F.
OFFICE	-	900 S.F. @ 1/200 S.F.	= 5 STALLS
WAREHOUSE	-	7,200 S.F. @ 1/2,000 S.F.	= 4 STALLS
OUTDOOR STOR.	-	65,003 S.F. @ 1/2,500 S.F.	= 26 STALLS
TOTAL STALLS REQUIRED			= 35 STALLS
TOTAL STALLS PROVIDED			= 35 STALLS
LOT C			
BLDG AREA	-	12,000 x 0.9	= 10,800 S.F.
OFFICE	-	1,100 S.F. @ 1/200 S.F.	= 6 STALLS
WAREHOUSE	-	9,700 S.F. @ 1/2,000 S.F.	= 5 STALLS
OUTDOOR STOR.	-	73,426 S.F. @ 1/2,500 S.F.	= 29 STALLS
TOTAL STALLS REQUIRED			= 40 STALLS
TOTAL STALLS PROVIDED			= 43 STALLS

1 SITE PLAN
A1 SCALE: 1" = 60'-0"



LAMPERT
ARCHITECTS

420 Summit Avenue
St. Paul, MN 55102
Phone: 763.755.1211 Fax: 763.757.2849
lampert@lampert-arch.com

ARCHITECT CERTIFICATION:
I HEREBY CERTIFY THAT THIS PLAN,
SPECIFICATION OR REPORT WAS
PREPARED BY ME OR UNDER MY DIRECT
SUPERVISION AND THAT I AM A DULY
LICENSED ARCHITECT UNDER THE
LAWS OF THE STATE OF MINNESOTA.

PRELIMINARY
NOT FOR
CONSTRUCTION

INTERSTATE
DEVELOPMENT
6580 Carlsen Drive
Green Pointe, MN 55346
Ph: 651-406-8050

DICKMAN TRAIL
INDUSTRIAL
Inver Grove Heights, Minnesota

Copyright 2025
Leonard Lampert Architects Inc.

Project Designer: JAMES B

Drawn By: ALE

Checked By: LL

Revisions

1/21/25	PRELIMINARY

SITE PLAN

Sheet Number

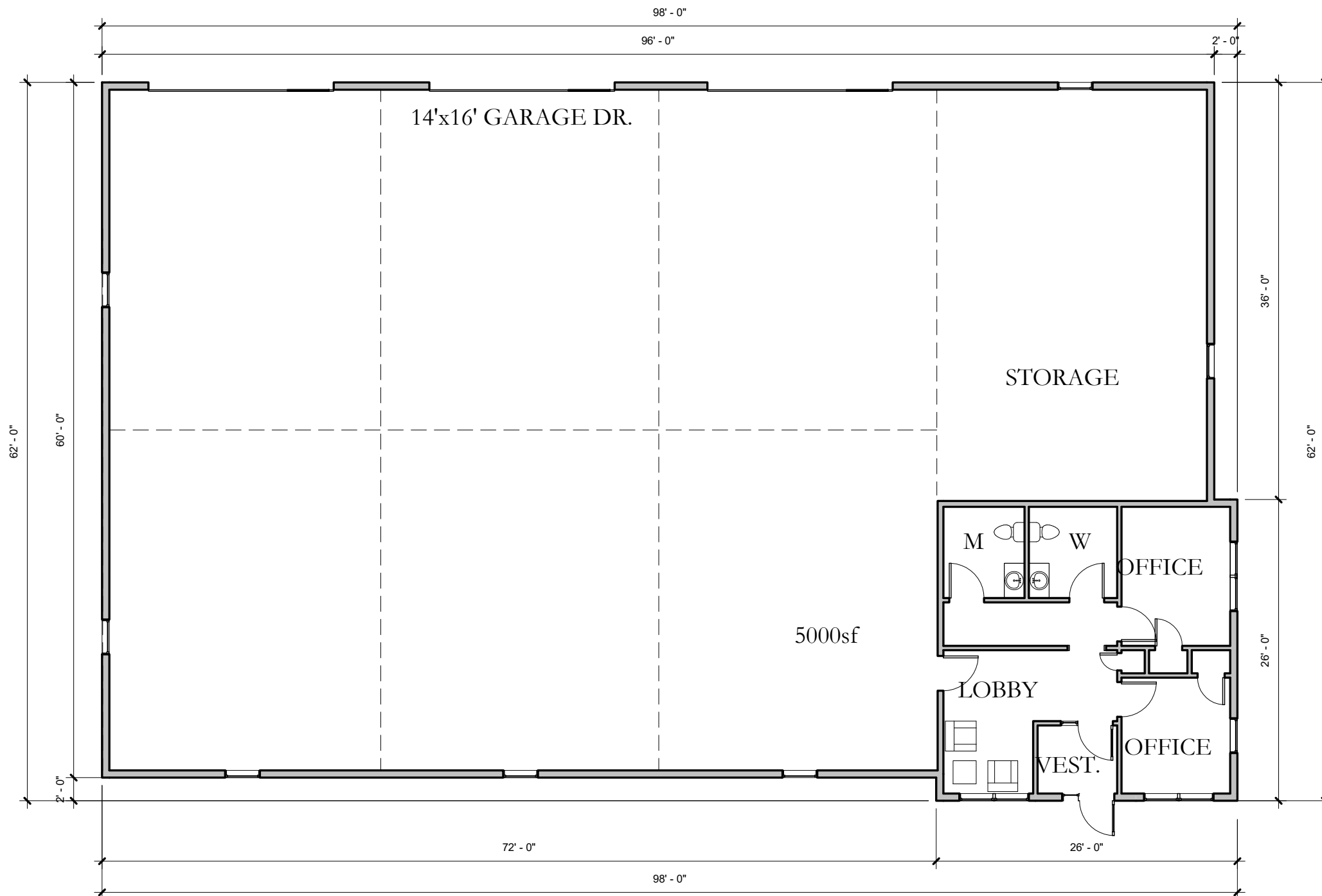
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Project No.



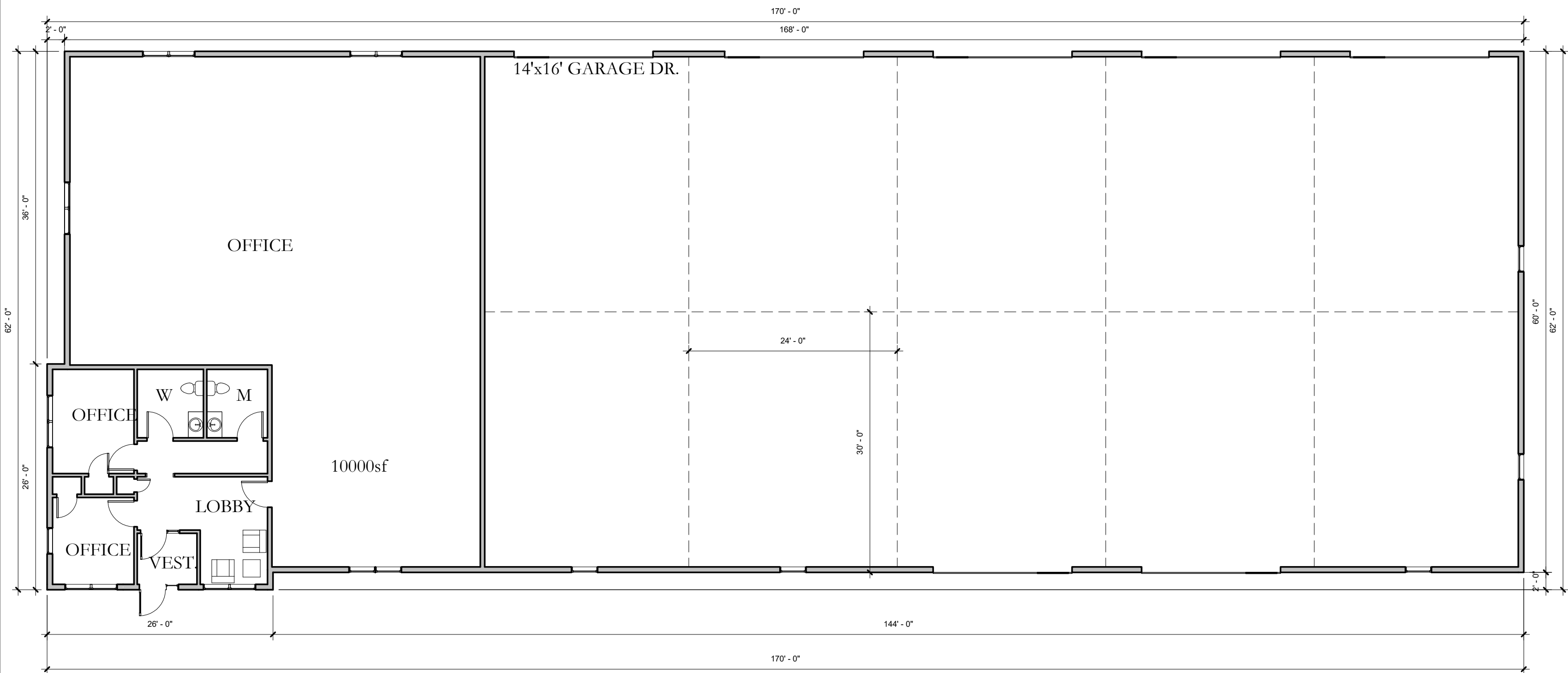
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9.21.23



MAIN LEVEL PLAN
SCALE: 3/32"=1'-0"

9.21.23



MAIN LEVEL PLAN

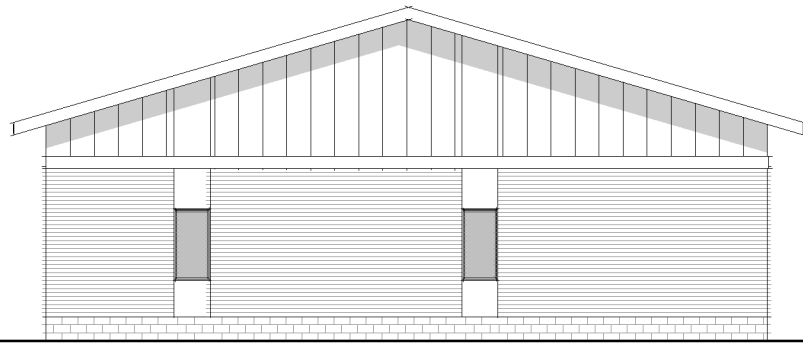
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9.21.23



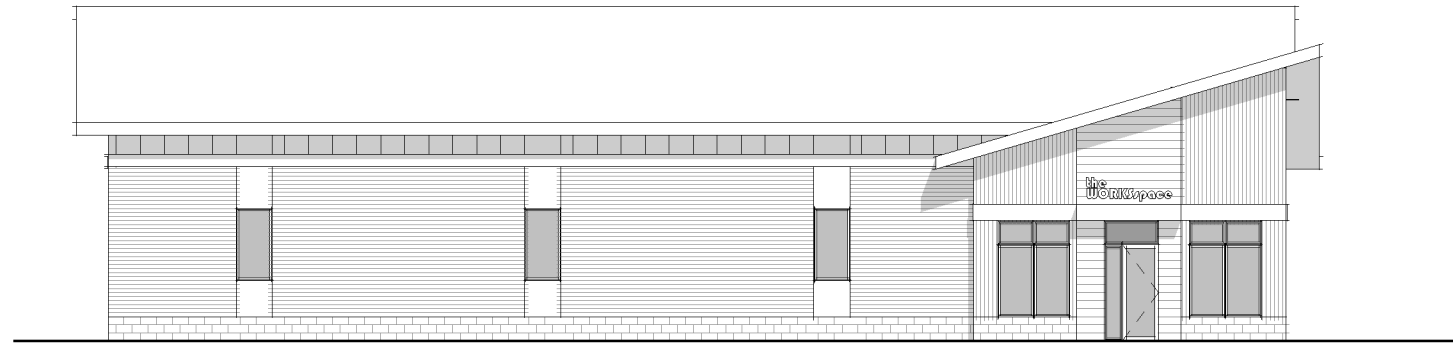
PERSPECTIVE VIEW

NO SCALE



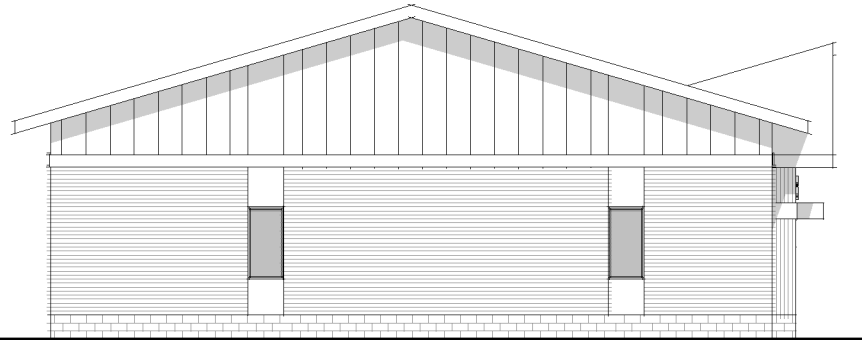
SIDE ELEVATION

SCALE: 1/16"=1'-0"



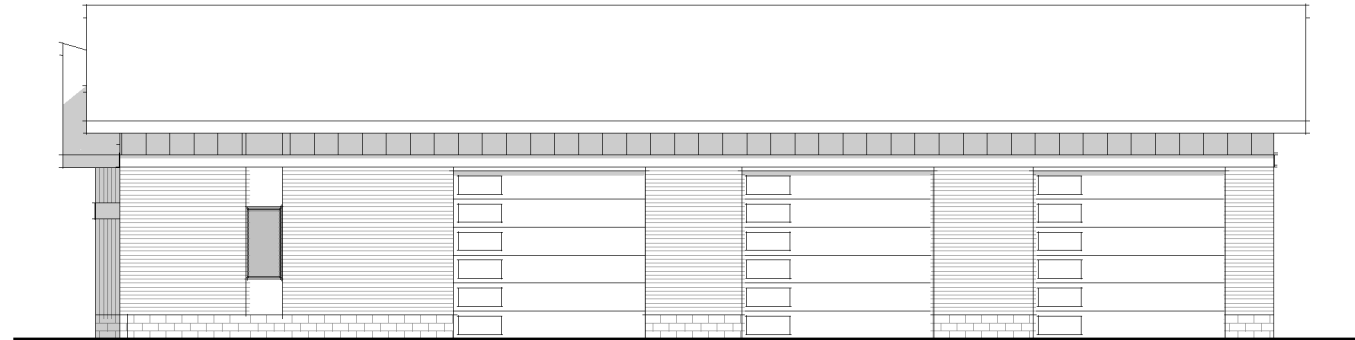
FRONT ELEVATION

SCALE: 1/16"=1'-0"



SIDE ELEVATION

SCALE: 1/16"=1'-0"



REAR ELEVATION

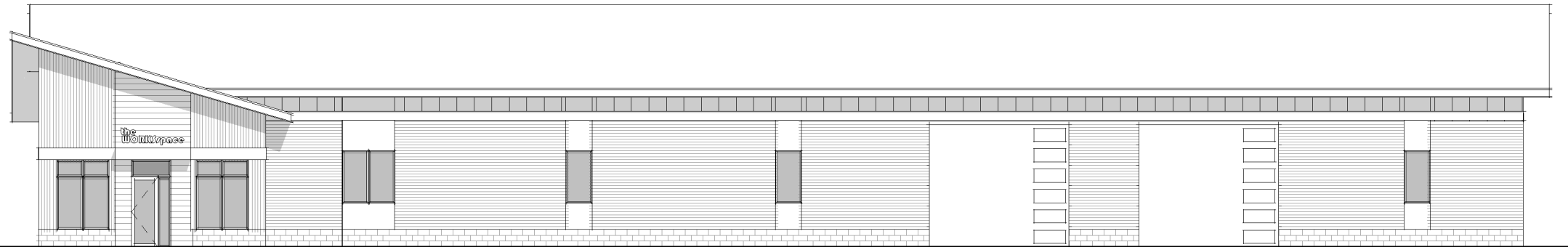
SCALE: 1/16"=1'-0"



PERSPECTIVE VIEW
NO SCALE



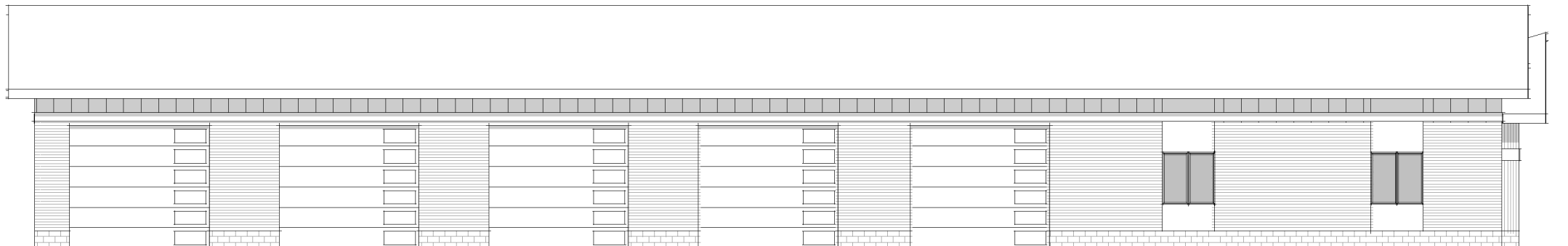
SIDE ELEVATION
SCALE: 1/16"=1'-0"



FRONT ELEVATION
SCALE: 1/16"=1'-0"



SIDE ELEVATION
SCALE: 1/16"=1'-0"



REAR ELEVATION
SCALE: 1/16"=1'-0"

9.21.23

**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL REDEVELOPMENT**

ENVIRONMENTAL INVESTIGATION REPORTS

Not Available / Investigation Work In Process

**INVER GROVE HEIGHTS
DICKMAN TRAIL INDUSTRIAL REDEVELOPMENT**

ECONOMIC BENEFITS REPORT

MEMORANDUM

TO: Jason Zeimer, Community Development Director, Inver Grove Heights
FROM: Jason Aarsvold and Schane Rudlang, Ehlers
DATE: July 18, 2025
SUBJECT: Dickman Trail Redevelopment – Economic Impact

The City of Inver Grove Heights (the “City”) is considering redevelopment of blighted property located at Dickman Trail and 70th St. E. (the “Site”). The Site presents challenges for redevelopment not only from a blight standpoint, but also because the natural topography is limiting redevelopment potential.

As currently proposed, the Site would be redeveloped with 27,000 of flex/industrial space in multiple buildings to accommodate the unique site features. The primary economic benefits from the project include an increase in the tax base for these parcels, new jobs in the community and the removal of a blighting influence in the neighborhood.

Most of the Site is currently owned by the Inver Grove Heights EDA and is, therefore, tax exempt. As the attached estimate of taxes and tax increment financing potential indicates, the current taxable tax capacity of the Site is 6,507. Upon completion of the project, the Site will be fully taxable with an estimated tax capacity of 60,500. This represents a nearly 10X increase in taxable tax capacity of the site.

In addition to increasing tax capacity, the project will also bring quality jobs to the community. Based on current assumptions, the developer anticipates roughly 30 new jobs per building, for a total of 90 new jobs on the Site. This project is focused on space for those in the construction sector such as electricians, plumbers, and contractors. According to the Department of Employment and Economic Development’s quarterly census of employment and wages, hourly wages in the construction sector average \$45.40 per hour in Dakota County.

The project will also remove a significant amount of blight on the Site. In our experience, the benefits of this extend beyond the obvious visual improvements. Redevelopment projects of this nature tend to stabilize declining values of surrounding parcels and often promote additional spin-off investment. This, in turn, also serves to increase the tax base in the community.

If you have any questions, please do not hesitate to contact us at 651-697-8512.

Dakota County, MN

Average Weekly Wages

Year	Industry	Geography	Q1 Average Wages	
			Weekly	Hourly
2025	Natural Resources and Mining	Dakota County	\$995	\$24.88
2025	Construction	Dakota County	\$1,816	\$45.40
2025	Manufacturing	Dakota County	\$1,846	\$46.15
2025	Trade, Transportation and Utilities	Dakota County	\$1,253	\$31.33
2025	Information	Dakota County	\$3,284	\$82.10
2025	Financial Activities	Dakota County	\$2,522	\$63.05
2025	Professional and Business Services	Dakota County	\$2,006	\$50.15
2025	Education and Health Services	Dakota County	\$1,095	\$27.38
2025	Leisure and Hospitality	Dakota County	\$1,027	\$25.68
2025	Other Services	Dakota County	\$907	\$22.68
2025	Public Administration	Dakota County	\$1,593	\$39.83

Source: MN DEED: Quarterly Census of Employment and Wages

Dickman Trail

City of IGH, MN

27,000 sq. ft. commercial



ASSUMPTIONS AND RATES

DistrictType: Redevelopment
District Name/Number:
County District #:
First Year Construction or Inflation on Value 2025
Existing District - Specify No. Years Remaining
Inflation Rate - Every Year: 2.00%
Interest Rate: 4.00%
Present Value Date: 1-Aug-26
First Period Ending: 1-Feb-27
Tax Year District was Certified: Pay 2025
Cashflow Assumes First Tax Increment For Development: 2027
Years of Tax Increment: 26
Assumes Last Year of Tax Increment: 2052
Fiscal Disparities Election [Outside (A), Inside (B), or NA] Inside(B)
Incremental or Total Fiscal Disparities Incremental
Fiscal Disparities Contribution Ratio 36.2889% Pay 2025
Fiscal Disparities Metro-Wide Tax Rate 123.8880% Pay 2025
Maximum/Frozen Local Tax Rate: 95.113% Pay 2025
Current Local Tax Rate: (Use lesser of Current or Max.) 95.113% Pay 2025
State-wide Tax Rate (Comm./Ind. only used for total taxes) 28.8570% Pay 2025
Market Value Tax Rate (Used for total taxes) 0.18368% Pay 2025

Tax Rates

Exempt Class Rate (Exempt)	0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)	
First \$150,000	1.50%
Over \$150,000	2.00%
Commercial Industrial Class Rate (C/I)	2.00%
Rental Housing Class Rate (Rental)	1.25%
Affordable Rental Housing Class Rate (Aff. Rental)	
First \$100,000	0.25%
Over \$100,000	0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)	
First \$500,000	1.00%
Over \$500,000	1.25%
Homestead Residential Class Rate (Hmstd. Res.)	
First \$500,000	1.00%
Over \$500,000	1.25%
Agricultural Non-Homestead	1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map ID	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/ Phase
1	200110027012	IGH EDA	Dickman Tr.	598,800	5,600	604,400	100%	604,400	Pay 2025	Exempt	-	C/I Pref.	11,338	1
	200020056070	McPhilips	6971 Dickman Tr	199,900	104,800	304,700	100%	304,700	Pay 2025	C/I Pref.	5,344	C/I	6,094	
	203990000170	McPhilips	11798 Akron Ave.	72,300	5,200	77,500	100%	77,500	Pay 2025	C/I Pref.	1,163	C/I	1,550	
	201775006090	IGH EDA	6950 Dixie Ave.	46,200	0	46,200	100%	46,200	Pay 2025	Exempt	-	C/I	924	
	201775006071	IGH EDA	6940 Dixie Ave.	46,200	0	46,200	100%	46,200	Pay 2025	Exempt	-	C/I	924	
	201775006050	IGH EDA	6910 Dixie Ave.	27,100	0	27,100	100%	27,100	Pay 2025	Exempt	-	C/I	542	
	201775006030	IGH EDA	6900 Dixie Ave.	53,000	0	53,000	100%	53,000	Pay 2025	Exempt	-	C/I	1,060	
				1,043,500	115,600	1,159,100		1,159,100			6,507		22,432	

Note:

1. Base values are for pay 2026 based on review of the county website on 7-18-25
2. Located in SD #199, WS -Lower Mississippi

Dickman Trail
City of IGH, MN
27,000 sq. ft. commercial



PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2025	Percentage Completed 2026	Percentage Completed 2027	Percentage Completed 2028	First Year Full Taxes Payable
		114	114	27,000	3,065,000	C/I Pref.	60,550	2	100%	100%	100%	100%	2027
TOTAL					3,065,000		60,550						
Subtotal Residential				0	0		0						
Subtotal Commercial/Ind.				27,000	3,065,000		60,550						

Note:

1. Market values are based upon estimates from the City.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
0	60,550	21,973	38,577	36,692	27,222	16,824	5,630	86,367	3.20
TOTAL	60,550	21,973	38,577	36,692	27,222	16,824	5,630	86,367	

Note:

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law, fiscal disparities and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	86,367
less State-wide Taxes	(16,824)
less Fiscal Disp. Adj.	(27,222)
less Market Value Taxes	(5,630)
less Base Value Taxes	(13,593)
Annual Gross TIF	23,098



Dickman Trail
City of IGH, MN
27,000 sq. ft. commercial

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
100%	60,550	(22,432)	(13,833)	24,285	95.113%	23,098	11,549	(42)	(1,151)	10,357	9,955	0.5	2027	02/01/27
100%	61,761	(22,432)	(14,272)	25,057	95.113%	23,832	11,549	(42)	(1,151)	10,357	19,714	1	2027	02/01/28
100%	62,996	(22,432)	(14,720)	25,844	95.113%	24,581	11,916	(43)	(1,187)	10,686	29,586	1.5	2028	08/01/28
100%	64,256	(22,432)	(15,178)	26,647	95.113%	25,344	11,916	(43)	(1,187)	10,686	39,265	2	2028	02/01/29
100%	65,541	(22,432)	(15,644)	27,465	95.113%	26,123	12,290	(44)	(1,225)	11,022	49,052	2.5	2029	08/01/29
100%	66,852	(22,432)	(16,120)	28,301	95.113%	26,917	12,290	(44)	(1,225)	11,022	58,647	3	2029	02/01/30
100%	68,189	(22,432)	(16,605)	29,152	95.113%	27,728	12,672	(46)	(1,263)	11,364	68,346	3.5	2030	08/01/30
100%	69,553	(22,432)	(17,100)	30,021	95.113%	28,554	12,672	(46)	(1,263)	11,364	77,854	4	2030	02/01/31
100%	70,944	(22,432)	(17,604)	30,907	95.113%	29,397	13,062	(47)	(1,301)	11,713	87,463	4.5	2031	08/01/31
100%	72,363	(22,432)	(18,119)	31,811	95.113%	30,257	13,062	(47)	(1,301)	11,713	96,884	5	2031	02/01/32
100%	73,810	(22,432)	(18,645)	32,734	95.113%	31,134	13,459	(48)	(1,341)	12,069	106,400	5.5	2032	08/01/32
100%	75,286	(22,432)	(19,180)	33,674	95.113%	32,028	13,459	(48)	(1,341)	12,069	115,730	6	2032	02/01/33
100%	76,792	(22,432)	(19,727)	34,633	95.113%	32,941	13,864	(50)	(1,381)	12,432	125,152	6.5	2033	08/01/33
100%	78,328	(22,432)	(20,284)	35,612	95.113%	33,871	13,864	(50)	(1,381)	12,432	134,390	7	2033	02/01/34
100%	79,894	(22,432)	(20,853)	36,610	95.113%	34,821	14,277	(51)	(1,423)	12,803	143,716	7.5	2034	08/01/34
100%	81,492	(22,432)	(21,432)	37,628	95.113%	35,789	14,277	(51)	(1,423)	12,803	152,859	8	2034	02/01/35
100%	83,122	(22,432)	(22,024)	38,666	95.113%	36,777	14,698	(53)	(1,465)	13,181	162,088	8.5	2035	08/01/35
100%	84,785	(22,432)	(22,627)	39,726	95.113%	37,784	14,698	(53)	(1,465)	13,181	171,136	9	2035	02/01/36
100%	86,480	(22,432)	(23,242)	40,806	95.113%	38,812	15,128	(54)	(1,507)	13,567	180,266	9.5	2036	08/01/36
100%	88,210	(22,432)	(23,870)	41,908	95.113%	39,860	15,128	(54)	(1,507)	13,567	189,217	10	2036	02/01/37
100%	89,974	(22,432)	(24,510)	43,032	95.113%	40,929	15,567	(56)	(1,551)	13,960	198,247	10.5	2037	08/01/37
100%	91,774	(22,432)	(25,163)	44,178	95.113%	42,019	15,567	(56)	(1,551)	13,960	207,099	11	2037	02/01/38
100%	93,609	(22,432)	(25,829)	45,348	95.113%	43,131	16,014	(58)	(1,596)	14,361	216,028	11.5	2038	08/01/38
100%	95,481	(22,432)	(26,509)	46,540	95.113%	44,266	16,014	(58)	(1,596)	14,361	224,781	12	2038	02/01/39
100%	97,391	(22,432)	(27,202)	47,757	95.113%	45,423	16,470	(59)	(1,641)	14,770	233,607	12.5	2039	08/01/39
100%	99,339	(22,432)	(27,909)	48,998	95.113%	46,603	16,470	(59)	(1,641)	14,770	242,260	13	2039	02/01/40
100%							16,936	(61)	(1,687)	15,187	250,984	13.5	2040	08/01/40
100%							16,936	(61)	(1,687)	15,187	259,536	14	2040	02/01/41
100%							17,410	(63)	(1,735)	15,613	268,155	14.5	2041	08/01/41
100%							17,410	(63)	(1,735)	15,613	276,605	15	2041	02/01/42
100%							17,894	(64)	(1,783)	16,047	285,121	15.5	2042	08/01/42
100%							17,894	(64)	(1,783)	16,047	293,469	16	2042	02/01/43
100%							18,388	(66)	(1,832)	16,490	301,879	16.5	2043	08/01/43
100%							18,388	(66)	(1,832)	16,490	310,124	17	2043	02/01/44
100%							18,892	(68)	(1,882)	16,942	318,430	17.5	2044	08/01/44
100%							18,892	(68)	(1,882)	16,942	326,572	18	2044	02/01/45
100%							19,406	(70)	(1,934)	17,402	334,772	18.5	2045	08/01/45
100%							19,406	(70)	(1,934)	17,402	342,811	19	2045	02/01/46
100%							19,930	(72)	(1,986)	17,872	350,905	19.5	2046	08/01/46
100%							19,930	(72)	(1,986)	17,872	358,840	20	2046	02/01/47
100%							20,464	(74)	(2,039)	18,352	366,829	20.5	2047	08/01/47
100%							20,464	(74)	(2,039)	18,352	374,661	21	2047	02/01/48
100%							21,010	(76)	(2,093)	18,841	382,544	21.5	2048	08/01/48
100%							21,010	(76)	(2,093)	18,841	390,272	22	2048	02/01/49
100%							21,566	(78)	(2,149)	19,339	398,049	22.5	2049	08/01/49
100%							21,566	(78)	(2,149)	19,339	405,674	23	2049	02/01/50
100%							22,133	(80)	(2,205)	19,848	413,346	23.5	2050	08/01/50
100%							22,133	(80)	(2,205)	19,848	420,868	24	2050	02/01/51
100%							22,712	(82)	(2,263)	20,367	428,434	24.5	2051	08/01/51
100%							22,712	(82)	(2,263)	20,367	435,853	25	2051	02/01/52
100%							23,302	(84)	(2,322)	20,896	443,315	25.5	2052	08/01/52
100%							23,302	(84)	(2,322)	20,896	450,630	26	2052	02/01/53
Total							882,018	(3,175)	(87,884)	790,959				
Present Value From 08/01/2026							502,510	(1,809)	(50,070)	450,630				

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY
Dickman Trail Industrial Redevelopment Project & Utility Construction



Utility Project Timelines	
Action Items	Projected Date
Engineering Plans	Complete
Authorize Budget & Project ^	Complete
Construction Documents	September 5, 2025
Public Bidding	September 8-29, 2025
Bid Opening	September 30, 2025
Project Award	October 6 or 13, 2025
Construction	Fall 2025 / Spring 2026

^ EDA authorized budget & final plans, bidding on August 25, 2025.

Utility Project Budget	
Uses	Amounts
Engineering Design ◇	\$69,000
Construction Documents & Bidding	\$15,000
Construction	\$1,281,910
Contingency	\$128,000
Project Total	\$1,493,910

◇ Engineering Design completed & paid; included for project budget purposes.

Sources	Amounts
DEED HCED (2024)	\$69,000
DEED HCED (2025)	\$415,625
Dakota County RIG	\$250,000
Local Share (EDA/Developer) #	\$759,285
Project Total	\$1,493,910

Local share requirements to be negotiated via Development Contract.

Development Timelines	
Action Items	Projected Date
Draft Plans	Mid-September
Pre-Application Meeting	On/Before September 25, 2025
Application Submittal	October 6, 2025
Planning Commission Hearing *	December 2, 2025
City Council Action *	December 15, 2025
McPhillips Closing	December 20, 2025
EDA Closing †	TBD
Construction	Spring 2026

* Targeted dates.

† EDA purchase agreement extension approval - September 8, 2025.



Board of Commissioners

Request for Board Action

Meeting Date: September 23, 2025

Agenda #: 6C

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Action

TITLE

Authorize The Levy Of A Special Benefit Tax Pursuant To Minnesota Statutes 469.033, Subd 6 And 383D.41

PURPOSE/ACTION REQUESTED

- Authorize initial levy funds for 2026.
- Approve an initial budget for the use of the 2026 levy.

SUMMARY

The Dakota County CDA is authorized to levy a Special Benefit Tax of up to 0.0185 percent of the total Estimated Market Value (EMV) in Dakota County, per Minnesota Statute 469.033, subd 6. In accordance with the Minnesota Property Tax Administrative Guide, Housing and Redevelopment Authority levy rates are applied to the assessed value of the previous year. Minnesota Statute requires the CDA to obtain County approval for the levy amount requested and to file a levy budget with the County.

The previous year's final countywide EMV, as confirmed by the Dakota County Assessor's Office, is \$75,322,006,900. The maximum levy available to the CDA is 0.0185 percent of EMV, which is \$13,934,571.

Staff are proposing a levy amount of 0.0156 percent of EMV, the same rate as 2024 and 2025. This levy percentage is estimated to provide \$11,750,233 to the CDA in 2026. This is an increase of \$266,523 from 2025. Attachment A provides other levy rate and dollar amount options.

The majority of the CDA levy funds are pledged to support the Common Bond Fund (Senior Housing and Gateway Place) annual debt service payments, as required by the bond indenture. The remaining funds are available for CDA initiatives and will be budgeted through the Fiscal Year End (FYE) 2027 annual budget process next spring. Attachment B is an initial 2026 levy budget that will be provided to the County Treasurer/Auditor in compliance with Minnesota Statute requirements.

RECOMMENDATION

Staff recommends authorizing the 2026 CDA levy at 0.0156 percent of the Estimated Market Value, which will provide an estimated \$11,750,233.

EXPLANATION OF FISCAL/FTE IMPACTS

This action sets the initial levy for 2026. The final CDA levy will be set by the CDA Board no later than December 16, with any delinquent 2025 levy funds received in February 2026, and will be budgeted in the CDA's FYE27 operating budget, which runs from July 1, 2026 – June 30, 2027.

☐ None ☐ Current budget ☐ Amendment Requested ☒ Other

RESOLUTION

WHEREAS, the Dakota County Community Development Agency (CDA) is organized and existing under Minnesota Statutes, Section 383D.41, as amended (Enabling Act); and

WHEREAS, pursuant to the Enabling Act, the CDA has all the powers and duties of a housing and redevelopment authority under the provisions of the Municipal Housing and Redevelopment Act, Minnesota Statutes, Sections 469.001 to 469.047 (HRA Act), those powers of an Economic Development Authority under Minnesota Statutes, Sections 469.090 to 469.1081 (EDA Act) expressly granted by the Dakota County Board, and the authority to levy the special benefit tax with the approval of the Dakota County Board as permitted under the HRA Act at such higher limits as may be permitted under either the HRA Act or the EDA Act; and

WHEREAS, pursuant to the Enabling Act, for the purpose of applying the provisions of the HRA Act to the CDA, Dakota County is deemed to have all powers and duties of a municipality under the HRA Act and the Board of Commissioners of the County is deemed to have all powers and duties of a governing board of a municipality under the HRA Act; and

WHEREAS, by Resolution 94-926 (December 6, 1994), the Dakota County Board authorized the CDA to levy and collect the Special Benefit Tax Levy authorized by the HRA Act, which at that time was a 0.0144 percent levy limit, without subsequent annual approval of the County; and

WHEREAS, the CDA has subsequently requested approval by the County Board for any levy request above the 0.0144 percent of the estimated market value; and

WHEREAS, the current levy limit under Minnesota Statute authority is 0.0185 percent of the Estimated Market Value (EMV); and

WHEREAS, the CDA is required pursuant to Section 469.033, Subdivision 6, of the HRA Act to formulate and file a budget with the County, and the amount of the Special Benefit Tax levy for the following year shall be based on that budget; and

WHEREAS, the CDA Board has reviewed and discussed the initial budget for the use of 2026 levy proceeds, based on a Special Benefit Tax of EMV, for the payment of debt service for the CDA Common Bond Fund and other CDA initiatives.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That:

Section 1. The 2026 levy budget of \$11,750,233 of the CDA is hereby approved.

Section 2. CDA Staff are hereby authorized to forward the levy budget to the County as required by Section 469.033, Subdivision 6 of the HRA Act, and to request approval by the County of \$903,864 of additional levy allocable to the difference between the 0.0144 percent and the 0.0156 percent of EMV.

Section 3. Pursuant to Minnesota Statute, Section 469.033, Subdivision 6, a special benefit tax in the amount of 0.0156 percent of the estimated market value or \$11,750,233.

PREVIOUS BOARD ACTION

94-926; 12/6/1994

ATTACHMENTS

Attachment A: 2026 Levy Request Analysis

Attachment B: 2026 Proposed Levy Budget

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

Author: Lisa Alfson

2026 Levy Request Analysis

2025 Assessed, Payable 2026	Option: Maximum	Option: Same Rate	Option: Same \$
Estimated Market Value	0.0185%	0.0156%	0.0152%
\$75,322,006,900	\$13,934,571	\$11,750,233	\$11,483,710

**2026 Special Benefit Tax Levy Budget
Dakota County Community Development Agency**

Program: Housing Development and Enhancement Programs

Objective: To provide quality, affordable housing for low- to moderate-income households and support economic development initiatives in Dakota County.

Budget Detail:

Bond-funded CDA Developments	\$ 5,600,000
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Funds will be used for the payment of debt service on bonds issued for the development of affordable housing by the CDA.

CDA Initiatives	\$ 6,150,233
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Funds will be used in support of CDA initiatives to further the mission of the CDA and budgeted through the CDA's FYE25 budget process.

TOTAL BUDGET REQUEST	\$11,750,233
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Memo

To: CDA Board of Commissioners, Tony Schertler

From: Ken Bauer, Chris Meyer

Date: 9/10/25

Re: Workforce Housing Limited Partnership Audit Reports – CY 2024

The CDA is the General Partner in several limited partnerships. These partnerships are required to have annual financial statement audits. For 2024, nine (9) audits were performed by the CPA firm of Mahoney Ulbrich Christensen & Russ P.A. Each audit received a “clean” unmodified opinion on the financial statements, had no adjusting journal entries and had no findings or other issues noted. Audit reports will be available for inspection at the September board meeting. The partnerships audited were:

Partnership	Year Built	Units
Twin Ponds Family Housing Limited Partnership	2009	25
Meadowlark Family Housing Limited Partnership	2010	40
Apple Valley East Family Housing Limited Partnership	2011	45
Twin Ponds Phase II Family Housing Limited Partnership	2012	26
Eagan Northwood Family Housing Limited Partnership	2013	47
Inver Hills & Riverview Ridge Family Housing LP	2014	51
Lakeshore Workforce Housing Limited Partnership	2015	50
Keystone Crossing Workforce Housing LP	2017	36
Rosemount II Limited Partnership	2019	40

April 29, 2025

To the General Partner
Eagan, Minnesota

We have audited the financial statements of the limited partnerships listed below for the year ended December 31, 2024:

Apple Valley East Family Housing Limited Partnership
Eagan Northwood Family Housing Limited Partnership
Inver Hills & Riverview Ridge Family Housing Limited Partnership
Keystone Crossing Workforce Housing Limited Partnership
Lakeshore Workforce Housing Limited Partnership
Meadowlark Family Housing Limited Partnership
Rosemount II Limited Partnership
Twin Ponds Family Housing Limited Partnership
Twin Ponds II Family Housing Limited Partnership

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information to you in our engagement letter dated September 27, 2024. Professional standards also require that we communicate to you the following information related to our audits.

SIGNIFICANT AUDIT MATTERS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnerships are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Partnerships during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment.

Management's estimates of the useful lives of property and equipment are based on their experience in managing and developing real estate projects. We evaluated the methods, assumptions, and data used by management to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in dealing with management in performing and completing our audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audits, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified during our audits.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letters.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnerships' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnerships' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audits of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The supplementary schedules of housing tax credits, which are of a nonaccounting nature, were not subjected to the auditing procedures applied in the audits of the financial statements and were marked as "Unaudited".

* * * * *

This information is intended solely for the use of the Partners and management of the Partnerships and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank management and staff for the courtesies extended to us during the course of our work. If there are any questions regarding our audits or this letter, we would be happy to discuss them with you.

Mahoney Ulbrich
Christiansen & Russ, PA



**APPLE VALLEY EAST FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Partners
Apple Valley East Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements Apple Valley East Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apple Valley East Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Apple Valley East Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Apple Valley East Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Apple Valley East Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Apple Valley East Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 17, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

April 28, 2025

Mahoney Ulbrich
Christiansen & Russ, PA

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 201,051	\$ 154,880
Tenant receivables	9,136	5,603
Accounts receivable - other	598	266
Prepaid expenses	27,252	22,116
Total current assets	<u>238,037</u>	<u>182,865</u>
Restricted cash:		
Security deposit reserve	37,873	36,490
Operating reserve	272,539	272,289
Replacement reserve	422,647	445,036
Working capital reserve	500,460	500,636
Total restricted cash	<u>1,233,519</u>	<u>1,254,451</u>
Property and equipment	7,973,556	7,973,556
Less accumulated depreciation	<u>(2,397,382)</u>	<u>(2,223,379)</u>
Net property and equipment	<u>5,576,174</u>	<u>5,750,177</u>
Total assets	<u>\$ 7,047,730</u>	<u>\$ 7,187,493</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 14,219	\$ 13,294
Accounts payable	4,228	10,285
Due to CDA	21,570	21,168
Accrued real estate tax	23,242	21,782
Prepaid rents	1,760	125
Tenant security deposits	37,363	35,977
Total current liabilities	<u>102,382</u>	<u>102,631</u>
Noncurrent liabilities:		
Accrued interest - CDA TCAP	241,651	224,633
Long-term debt, less current maturities	2,117,530	2,131,749
Less unamortized finance fees	<u>(15,537)</u>	<u>(16,455)</u>
Total noncurrent liabilities	<u>2,343,644</u>	<u>2,339,927</u>
Total liabilities	<u>2,446,026</u>	<u>2,442,558</u>
Partners' equity	<u>4,601,704</u>	<u>4,744,935</u>
Total liabilities and partners' equity	<u>\$ 7,047,730</u>	<u>\$ 7,187,493</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 517,893	\$ 493,705
Less vacancies	(6,630)	(11,028)
Net rental revenue	<u>511,263</u>	<u>482,677</u>
Other	<u>19,632</u>	<u>9,411</u>
Total operating revenues	<u>530,895</u>	<u>492,088</u>
Operating expenses:		
Administrative	96,694	91,456
Maintenance	194,029	146,631
Utilities	36,313	38,639
Insurance	21,426	20,409
Real estate tax	23,242	21,782
Other	<u>3,807</u>	<u>5,024</u>
Total operating expenses	<u>375,511</u>	<u>323,941</u>
Operating income	<u>155,384</u>	<u>168,147</u>
Nonoperating revenues (expenses):		
Interest income - restricted	1,165	1,630
Interest expense	(46,531)	(47,397)
Interest expense - amortization of finance fees	(918)	(919)
Partnership expenses	(51,333)	(49,952)
Depreciation	<u>(174,003)</u>	<u>(173,596)</u>
Total nonoperating revenues (expenses)	<u>(271,620)</u>	<u>(270,234)</u>
Net loss	<u><u>\$ (116,236)</u></u>	<u><u>\$ (102,087)</u></u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2022	\$ 3,509,261	\$ 1,384,368	\$ 4,893,629
Distributions	(46,602)	(5)	(46,607)
Net loss	<u>(102,077)</u>	<u>(10)</u>	<u>(102,087)</u>
Balance, December 31, 2023	3,360,582	1,384,353	4,744,935
Distributions	(26,992)	(3)	(26,995)
Net loss	<u>(116,224)</u>	<u>(12)</u>	<u>(116,236)</u>
Balance, December 31, 2024	<u>\$ 3,217,366</u>	<u>\$ 1,384,338</u>	<u>\$ 4,601,704</u>
Composed of:			
Capital contributions	\$ 4,940,302	\$ 1,384,516	\$ 6,324,818
Credit adjuster	118,000	-	118,000
Distributions	(73,594)	(8)	(73,602)
Cumulative losses	(1,705,311)	(170)	(1,705,481)
Syndication costs	<u>(62,031)</u>	<u>-</u>	<u>(62,031)</u>
Balance, December 31, 2024	<u>\$ 3,217,366</u>	<u>\$ 1,384,338</u>	<u>\$ 4,601,704</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 509,365	\$ 483,281
Interest received	1,165	1,630
Other income	19,300	9,411
Cash paid for operating expenses	(385,389)	(322,940)
Interest paid	(29,513)	(30,379)
Cash paid for partnership expenses	(50,786)	(49,422)
Tenant security deposits	<u>1,386</u>	<u>1,814</u>
Net cash provided (used) by operating activities	<u>65,528</u>	<u>93,395</u>
Cash flows from investing activities:		
Cash paid for capital improvements	<u>-</u>	<u>(48,837)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(48,837)</u>
Cash flows from financing activities:		
Payments on long-term debt	(13,294)	(12,428)
Distributions	<u>(26,995)</u>	<u>(46,607)</u>
Net cash provided (used) by financing activities	<u>(40,289)</u>	<u>(59,035)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	25,239	(14,477)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,409,331</u>	<u>1,423,808</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,434,570</u>	<u>\$ 1,409,331</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 201,051	\$ 154,880
Restricted cash	<u>1,233,519</u>	<u>1,254,451</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,434,570</u>	<u>\$ 1,409,331</u>

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (116,236)	\$ (102,087)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	174,003	173,596
Amortization of finance fees	918	919
(Increase) decrease in receivables	(3,865)	509
(Increase) decrease in prepaid expenses	(5,136)	(1,057)
Increase (decrease) in accounts payable	(6,057)	1,141
Increase (decrease) in due to CDA	402	607
Increase (decrease) in accrued interest	17,018	17,018
Increase (decrease) in accrued real estate tax	1,460	840
Increase (decrease) in prepaid rents	1,635	95
Increase (decrease) in tenant security deposits	<u>1,386</u>	<u>1,814</u>
Total adjustments	<u>181,764</u>	<u>195,482</u>
Net cash provided (used) by operating activities	<u>\$ 65,528</u>	<u>\$ 93,395</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

The Apple Valley East Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on January 7, 2009 and will continue until December 31, 2059 unless sooner terminated in accordance with the Partnership Agreement.

The Partnership constructed and operates a 45-unit townhome complex known as the Quarry View Townhomes (the Project), located in Apple Valley, Minnesota. The Project was placed in service in June and July of 2011.

The General Partner is the Dakota County Community Development Agency (the CDA). The Limited Partner is USB LIHTC Fund 2010-4, LLC.

The Partnership was formed for the purpose of providing affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership is required to remain in compliance with various regulations through December 31, 2025, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

The mortgages on the Project place operating and cash distribution restrictions on the Partnership.

Annual profits, losses, tax credits and available cash flow are allocated 99.99% to the Limited Partner and .01% to the General Partner. Profits and losses arising from capital transactions are allocated as set forth in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 16. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until recognized. All leases between the Partnership and tenants of the Project are operating leases. Leases are for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve in the amount of \$130,000 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. These funds are available for any capital expenditure relating to repair or replacement of the Project, with approval of the Limited Partner. The Partnership made deposits of \$73,962 and \$39,709 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve in the amount of \$85,000 and make deposits from cash flow as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for capital improvements or replacements, operating deficits, and to pay costs of sale and refinance with approval by the Limited Partner.

A summary of the 2024 activity in each reserve appears on page 15.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA	\$ 429,959	\$ 443,253
CDA - TCAP	1,701,790	1,701,790
	2,131,749	2,145,043
Less current maturities	(14,219)	(13,294)
	<u>\$ 2,117,530</u>	<u>\$ 2,131,749</u>

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA - Mortgage payable to the CDA in the amount of \$550,000 with interest at 6.75%, dated July 2, 2010. Commencing on December 1, 2011, principal and interest are payable in monthly installments of \$3,567 until maturity on December 1, 2041.

CDA TCAP - Mortgage payable to the CDA pursuant to the Tax Credit Assistance Program (TCAP) program in the amount of \$1,701,790 with simple interest at 1% dated July 2, 2010. Principal and interest are due on December 1, 2041.

Maturities of long-term debt are as follows:

2025	\$ 14,219
2026	15,209
2027	16,268
2028	17,401
2029	18,613
Thereafter	<u>2,050,039</u>
	<u>\$ 2,131,749</u>

The mortgages are subject to the Partnership's compliance with various debt provisions and covenants including maintenance of 100 percent of the units for tenants at or below 60 percent of HUD median income adjusted by family size.

While the debt agreements provide for entire payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- transfer or sale of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default under any of the loan agreements

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership administration fee equal to \$12,780 per year, increasing 3% per year, payable solely from available cash flow. The partnership administration fee of \$18,768 and \$18,221 is included in partnership expenses in 2024 and 2023, respectively.

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS (Continued)

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$18,576 per year escalated at 3% each year beginning in 2011. This fee will not accrue if unpaid. The Partnership paid an incentive partnership management fee of \$27,277 and \$26,483, which is included in partnership expenses in 2024 and 2023.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 53,919	\$ 52,348
Partnership administration fee	18,768	18,221
Incentive partnership management fee	27,277	26,483
On-site management, tax credit monitoring and maintenance services	68,949	65,547
Interest expense on the CDA mortgages	46,531	47,397
Amount due to the CDA at year end:		
Accounts payable	2,802	2,947
Partnership administration fee	18,768	18,221
Loans payable	2,131,749	2,145,043
Accrued interest	241,651	224,633

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$2,250 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$2,723, and is included in partnership expenses in 2024 and 2023.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (for a total of 30 years). The extended use period ends on December 31, 2040.

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

7. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were to paint exterior trim, repair brick work, remove and replace mulch, and replace various appliances. The 2023 projects were to sealcoat and repair asphalt, replace shutoff valves, and repair brick. Project costs totaled \$94,336 in 2024 and \$24,413 in 2023. These projects were funded with replacement reserve withdrawals.

8. **PROPERTY PURCHASE OPTION**

The Partnership has granted the CDA an option to purchase the Partnership property at the end of the housing tax credit compliance period at a price that would facilitate the purchase while protecting the Partnership's tax benefits from the Project. Such option is based on the General Partner maintaining the low-income occupancy of the Project and must be in a form satisfactory to legal and accounting counsel.

9. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Administrative expenses:		
Administrative salaries	\$ 27,680	\$ 25,140
Administrative benefits	9,740	8,683
Legal	3	17
Auditing	4,625	4,125
Communications	327	375
Other administrative	400	768
Management fee	<u>53,919</u>	<u>52,348</u>
Total administrative expenses	<u>\$ 96,694</u>	<u>\$ 91,456</u>
Maintenance expenses:		
Trash	\$ 9,102	\$ 6,894
Maintenance salaries	21,151	21,229
Caretaker salaries	2,100	1,956
Maintenance benefits	7,828	8,089
Materials/supplies	10,297	25,288
Vehicle expenses	1,377	1,361
Contract costs	7,313	12,610
Flooring	9,870	13,783
Grounds maintenance	18,441	15,919
Heating & air conditioning	1,435	1,260
Contract painting	2,669	3,058
Snow removal	7,210	9,636
Cleaning and custodial	900	1,135
Extraordinary maintenance	<u>94,336</u>	<u>24,413</u>
Total maintenance expenses	<u>\$ 194,029</u>	<u>\$ 146,631</u>
Utilities expenses:		
Water/sewer	\$ 31,468	\$ 31,665
Electricity	4,718	6,274
Gas	<u>127</u>	<u>700</u>
Total utilities expenses	<u>\$ 36,313</u>	<u>\$ 38,639</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 27,277	\$ 26,483
Limited Partner asset management fee	2,723	2,723
Partnership administration fee	18,768	18,221
Partnership tax fees	<u>2,565</u>	<u>2,525</u>
Total partnership expenses	<u>\$ 51,333</u>	<u>\$ 49,952</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 272,289	\$ -	\$ 250	\$ -	\$ 272,539
Replacement reserve	445,036	73,962	422	(96,773)	422,647
Working capital reserve	500,636	-	460	(636)	500,460
	<u>\$ 1,217,961</u>	<u>\$ 73,962</u>	<u>\$ 1,132</u>	<u>\$ (97,409)</u>	<u>\$ 1,195,646</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 1,410,556	\$ -	\$ 1,410,556
Land improvements	282,154	-	282,154
Buildings	6,207,708	-	6,207,708
Residential equipment	71,176	-	71,176
Furniture and equipment	1,962	-	1,962
	<u>\$ 7,973,556</u>	<u>\$ -</u>	<u>\$ 7,973,556</u>

	Accumulated Depreciation			Net Book Value 12/31/24
	Balance 12/31/23	Depreciation	Balance 12/31/24	
Land	\$ -	\$ -	\$ -	\$ 1,410,556
Land improvements	221,474	18,811	240,285	41,869
Buildings	1,928,767	155,192	2,083,959	4,123,749
Residential equipment	71,176	-	71,176	-
Furniture and equipment	1,962	-	1,962	-
	<u>\$ 2,223,379</u>	<u>\$ 174,003</u>	<u>\$ 2,397,382</u>	<u>\$ 5,576,174</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2021, \$7,058,280 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.



**EAGAN NORTHWOOD FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Eagan Northwood Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Eagan Northwood Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagan Northwood Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eagan Northwood Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagan Northwood Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eagan Northwood Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagan Northwood Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Mahoney Ulbrich
Christiansen & Russ, PA

April 28, 2025

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 267,063	\$ 267,364
Tenant receivables	8,147	1,653
Prepaid expenses	29,829	24,237
Total current assets	<u>305,039</u>	<u>293,254</u>
Restricted cash:		
Security deposit reserve	37,582	36,908
Operating reserve	324,135	323,838
Replacement reserve	506,746	513,353
Working capital reserve	500,460	500,636
Total restricted cash	<u>1,368,923</u>	<u>1,374,735</u>
Property and equipment	9,469,521	9,469,521
Less accumulated depreciation	<u>(2,520,786)</u>	<u>(2,307,766)</u>
Net property and equipment	<u>6,948,735</u>	<u>7,161,755</u>
 Total assets	 <u>\$ 8,622,697</u>	 <u>\$ 8,829,744</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 8,091	\$ 7,565
Accounts payable	11,223	15,284
Due to CDA	24,804	25,622
Deferred revenue	-	470
Accrued real estate tax	26,673	25,520
Prepaid rents	4,014	831
Tenant security deposits	36,731	36,888
Total current liabilities	<u>111,536</u>	<u>112,180</u>
Noncurrent liabilities:		
Accrued interest, long-term	94,912	87,172
Long-term debt, less current maturities	1,064,802	1,072,893
Less unamortized finance fees	<u>(11,026)</u>	<u>(11,606)</u>
Total noncurrent liabilities	<u>1,148,688</u>	<u>1,148,459</u>
Total liabilities	<u>1,260,224</u>	<u>1,260,639</u>
Partners' equity	<u>7,362,473</u>	<u>7,569,105</u>
 Total liabilities and partners' equity	 <u>\$ 8,622,697</u>	 <u>\$ 8,829,744</u>

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 574,120	\$ 542,223
Less vacancies	(3,790)	(840)
Net rental revenue	570,330	541,383
Other	12,506	7,726
Total operating revenues	582,836	549,109
Operating expenses:		
Administrative	96,900	91,504
Maintenance	154,000	137,678
Utilities	26,639	24,247
Insurance	23,546	22,989
Real estate tax	26,673	25,520
Other	6,184	6,023
Total operating expenses	333,942	307,961
Operating income	248,894	241,148
Nonoperating revenues (expenses):		
Interest income - restricted	1,261	1,729
Interest expense	(28,195)	(28,688)
Interest expense - amortization of finance fees	(580)	(580)
Partnership expenses	(54,889)	(53,502)
Depreciation	(213,020)	(213,021)
Amortization of tax credit fees	-	(2,519)
Total nonoperating revenues (expenses)	(295,423)	(296,581)
Net loss	\$ (46,529)	\$ (55,433)

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</u>
Balance, December 31, 2022	\$ 7,387,667	\$ 376,597	\$ 7,764,264
Distributions	(139,712)	(14)	(139,726)
Net loss	<u>(55,427)</u>	<u>(6)</u>	<u>(55,433)</u>
Balance, December 31, 2023	7,192,528	376,577	7,569,105
Distributions	(160,087)	(16)	(160,103)
Net loss	<u>(46,525)</u>	<u>(4)</u>	<u>(46,529)</u>
Balance, December 31, 2024	<u>\$ 6,985,916</u>	<u>\$ 376,557</u>	<u>\$ 7,362,473</u>
Composed of:			
Capital contributions	\$ 8,635,935	\$ 376,729	\$ 9,012,664
Credit adjuster	85,000	-	85,000
Distributions	(649,400)	(65)	(649,465)
Syndication costs	(18,344)	-	(18,344)
Cumulative losses	<u>(1,067,275)</u>	<u>(107)</u>	<u>(1,067,382)</u>
Balance, December 31, 2024	<u>\$ 6,985,916</u>	<u>\$ 376,557</u>	<u>\$ 7,362,473</u>

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 567,019	\$ 542,276
Interest received	1,261	1,729
Other income	12,036	8,781
Cash paid for operating expenses	(343,813)	(315,563)
Interest paid	(20,455)	(20,948)
Cash paid for partnership expenses	(54,336)	(52,965)
Tenant security deposits	(157)	539
Net cash provided (used) by operating activities	<u>161,555</u>	<u>163,849</u>
Cash flows from financing activities:		
Payments on long-term debt	(7,565)	(7,072)
Distributions	(160,103)	(139,726)
Net cash provided (used) by financing activities	<u>(167,668)</u>	<u>(146,798)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(6,113)	17,051
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,642,099</u>	<u>1,625,048</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,635,986</u>	<u>\$ 1,642,099</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 267,063	\$ 267,364
Restricted cash	1,368,923	1,374,735
Total cash, cash equivalents, and restricted cash	<u>\$ 1,635,986</u>	<u>\$ 1,642,099</u>

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (46,529)	\$ (55,433)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	213,020	213,021
Amortization of finance fees	580	580
Amortization of tax credit fees	-	2,519
(Increase) decrease in tenant receivables	(6,494)	127
(Increase) decrease in accounts receivable - other	-	1,525
(Increase) decrease in prepaid expenses	(5,592)	(598)
Increase (decrease) in accounts payable	(4,061)	1,027
Increase (decrease) in due to CDA	(818)	(8,441)
Increase (decrease) in deferred revenue	(470)	(470)
Increase (decrease) in accrued interest	7,740	7,740
Increase (decrease) in accrued real estate tax	1,153	947
Increase (decrease) in prepaid rents	3,183	766
Increase (decrease) in tenant security deposits	<u>(157)</u>	<u>539</u>
Total adjustments	<u>208,084</u>	<u>219,282</u>
Net cash provided (used) by operating activities	<u>\$ 161,555</u>	<u>\$ 163,849</u>

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Eagan Northwood Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on April 17, 2008 and will continue until December 31, 2058 unless sooner terminated in accordance with the Partnership Agreement.

The Partnership constructed and operates a 47-unit townhome complex known as Northwood Family Townhomes (the Project), located in Eagan, Minnesota. Construction was completed and units were occupied beginning in July 2013.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is USB LIHTC Fund 2017-5, LLC.

The Partnership was formed for the purpose of providing affordable housing to low and moderate income families utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership must remain in compliance with various regulations through December 31, 2027, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

Additionally, debt agreements impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 and 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the related loan using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Deferred Revenue - Deferred revenue consists of receipts from a cable company which are recognized over 10 years, the term of the agreement, using the straight-line method.

Rental Revenue - Rental income from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases. The townhomes are rented for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve of \$150,352 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$381 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement, until the balance is equal to \$500,000. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner. The annual deposits were \$33,041 and \$52,537 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$65,000 and make deposits from cash flow based on the payment priority set forth in the Partnership Agreement, until the balance is equal to \$500,000. The reserve is available for capital improvements or replacements, operating deficits, and to pay costs of sale and refinancing with approval by the Limited Partner.

A summary of the 2024 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA First mortgage	\$ 298,903	\$ 306,468
CDA - HOME	273,990	273,990
CDA - HOPE	500,000	500,000
	1,072,893	1,080,458
Less current maturities	(8,091)	(7,565)
	<u>\$ 1,064,802</u>	<u>\$ 1,072,893</u>

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA - Mortgage payable to the CDA in the amount of \$360,000 with interest at 6.75%, dated July 12, 2012. Principal and interest are payable in monthly installments of \$2,335 until maturity on January 1, 2044.

CDA HOME loan - Mortgage payable to the CDA in the amount of \$273,990 with simple interest at 1%, dated July 12, 2012. Outstanding principal and accrued interest will be due and payable on or before January 1, 2044. The loan may be prepaid at any time without penalty or premium.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$500,000 with simple interest at 1%, dated July 12, 2012. Principal and interest are due on January 1, 2044. The loan may be prepaid at any time without penalty or premium.

Maturities of long-term debt are as follows:

2025	\$ 8,091
2026	8,655
2027	9,257
2028	9,902
2029	10,591
Thereafter	<u>1,026,367</u>
	<u>\$ 1,072,863</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. These restrictions require that all apartments be rented to individuals that meet certain income guidelines.

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- The Partnership sells, assigns, conveys, transfers, leases, liens, encumbers, or refinances the Project without the lender's approval.
- The use of the Project as low income housing terminates.
- The use of the Project violates any federal, state or local law, statute or ordinance.
- The Partnership defaults in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

Accrued interest consists of the following:

	2024	2023
CDA - HOME	\$ 33,593	\$ 30,853
CDA - HOPE	61,319	56,319
	<u>\$ 94,912</u>	<u>\$ 87,172</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership administration fee in the amount of \$13,724 per year, increasing 3% per year, payable solely from available cash flow. This fee will not accrue if unpaid. Partnership administration fees of \$18,997 and \$18,444 are included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of gross rental income for such year, but in no event to exceed \$19,708 per year escalated at 3% each year beginning in 2013. This fee will not accrue if unpaid. The Partnership paid incentive partnership management fees of \$27,277 and \$26,483, which is included in partnership expenses in 2024 and 2023, respectively.

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 52,429	\$ 50,901
Partnership administration fee	18,997	18,444
Incentive partnership management fee	27,277	26,483
On-site management, tax credit monitoring and maintenance services	78,237	76,260
Interest expense on the CDA mortgages	28,195	28,688
Amount due to the CDA at year end:		
Accounts payable	5,807	7,178
Partnership administration fee	18,997	18,444
Mortgages payable	1,072,893	1,080,458
Accrued interest	94,912	87,172

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. **RELATED PARTY TRANSACTIONS (Continued)**

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$5,000 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$6,050 in 2024 and 2023 and is included in partnership expenses.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

6. **COMMITMENTS**

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (for a total of 30 years). The extended use period ends on December 31, 2042.

7. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were retaining wall repairs, appliance replacements, and to replace exterior light fixtures. The 2023 projects were to fix drainage in one unit and install a concrete walkway. Project costs totaled \$24,073 in 2024 and \$7,636 in 2023. These projects were funded by replacement reserve withdrawals.

8. **OPTION, RIGHT OF FIRST REFUSAL AND PUT**

The Limited Partner and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one year period ending December 31, 2028.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

After the tax credits are used, the Limited Partner has the right to put its entire interest to the General Partner at a price specified in the Partnership Agreement.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 28,909	\$ 26,256
Administrative benefits	10,173	9,069
Legal	3	18
Staff training	-	-
Auditing	4,625	4,125
Communications	342	392
Other administrative	419	743
Management fee	52,429	50,901
	<u>\$ 96,900</u>	<u>\$ 91,504</u>
Total administrative expenses		
	<u>\$ 96,900</u>	<u>\$ 91,504</u>
Maintenance expenses:		
Trash	\$ 9,152	\$ 6,737
Maintenance salaries	24,226	25,680
Caretaker salaries	4,667	4,389
Maintenance benefits	9,792	10,396
Materials/supplies	16,095	21,390
Vehicle expenses	1,438	1,421
Contract costs	17,086	9,410
Flooring	11,959	13,783
Grounds maintenance	20,578	23,728
Heating and air conditioning	1,024	275
Contract painting	6,201	5,054
Snow removal	7,034	7,289
Cleaning and custodial	675	490
Extraordinary maintenance	24,073	7,636
	<u>\$ 154,000</u>	<u>\$ 137,678</u>
Total maintenance expenses		
	<u>\$ 154,000</u>	<u>\$ 137,678</u>
Utilities expenses:		
Water/sewer	\$ 25,082	\$ 20,167
Electricity	1,449	1,914
Gas	108	2,166
	<u>\$ 26,639</u>	<u>\$ 24,247</u>
Total utilities expenses		
	<u>\$ 26,639</u>	<u>\$ 24,247</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 27,277	\$ 26,483
Partnership administration fee	18,997	18,444
Limited Partner asset management fee	6,050	6,050
Partnership tax fees	2,565	2,525
	<u>\$ 54,889</u>	<u>\$ 53,502</u>
Total partnership expenses		
	<u>\$ 54,889</u>	<u>\$ 53,502</u>

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 323,838	\$ -	\$ 297	\$ -	\$ 324,135
Replacement reserve	513,353	33,041	470	(40,118)	506,746
Working capital reserve	<u>500,636</u>	<u>-</u>	<u>460</u>	<u>(636)</u>	<u>500,460</u>
Total reserves	<u>\$ 1,337,827</u>	<u>\$ 33,041</u>	<u>\$ 1,227</u>	<u>\$ (40,754)</u>	<u>\$ 1,331,341</u>

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment			
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24	
Land	\$ 1,564,781	\$ -	\$ 1,564,781	
Land improvements	422,442	-	422,442	
Buildings	7,394,309	-	7,394,309	
Residential equipment	85,854	-	85,854	
Furniture and equipment	2,135	-	2,135	
	<u>\$ 9,469,521</u>	<u>\$ -</u>	<u>\$ 9,469,521</u>	
	Accumulated Depreciation			Net
	Balance 12/31/23	Depreciation	Balance 12/31/24	Book Value 12/31/24
Land	\$ -	\$ -	\$ -	\$ 1,564,781
Land improvements	278,771	28,162	306,933	115,509
Buildings	1,941,006	184,858	2,125,864	5,268,445
Residential equipment	85,854	-	85,854	-
Furniture and equipment	2,135	-	2,135	-
	<u>\$ 2,307,766</u>	<u>\$ 213,020</u>	<u>\$ 2,520,786</u>	<u>\$ 6,948,735</u>

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2023, \$9,286,880 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.



**INVER HILLS AND RIVERVIEW
RIDGE FAMILY HOUSING LIMITED
PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Inver Hills and Riverview Ridge Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Inver Hills and Riverview Ridge Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inver Hills and Riverview Ridge Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Inver Hills and Riverview Ridge Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Inver Hills and Riverview Ridge Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Inver Hills and Riverview Ridge Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt Inver Hills and Riverview Ridge Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Mahoney Ulbrich

Christiansen & Russ, PA

April 28, 2025

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 161,590	\$ 144,632
Tenant receivables	9,604	12,906
Accounts receivable - other	51	426
Prepaid expenses	44,198	38,576
Total current assets	<u>215,443</u>	<u>196,540</u>
Restricted cash:		
Security deposit reserve	42,501	41,014
Operating reserve	962,434	961,551
Replacement reserve	512,083	492,754
Working capital reserve	500,460	500,636
Total restricted cash	<u>2,017,478</u>	<u>1,995,955</u>
Property and equipment	11,024,586	11,024,586
Less accumulated depreciation	<u>(3,111,776)</u>	<u>(2,837,922)</u>
Net property and equipment	<u>7,912,810</u>	<u>8,186,664</u>
Tax credit fees, net	<u>-</u>	<u>1,446</u>
Total assets	<u>\$ 10,145,731</u>	<u>\$ 10,380,605</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 4,295	\$ 4,016
Accounts payable	14,709	11,408
Due to CDA	21,703	26,635
Accrued real estate tax	27,220	26,647
Prepaid rents	2,139	1,112
Deferred revenue	-	510
Tenant security deposits	41,988	39,550
Total current liabilities	<u>112,054</u>	<u>109,878</u>
Noncurrent liabilities:		
Accrued interest, long-term	193,402	176,357
Long-term debt, less current maturities	2,473,848	2,478,143
Less unamortized finance fees	<u>(19,978)</u>	<u>(21,053)</u>
Total noncurrent liabilities	<u>2,647,272</u>	<u>2,633,447</u>
Total liabilities	<u>2,759,326</u>	<u>2,743,325</u>
Partners' equity	<u>7,386,405</u>	<u>7,637,280</u>
Total liabilities and partners' equity	<u>\$ 10,145,731</u>	<u>\$ 10,380,605</u>

See accompanying notes to financial statements.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 607,841	\$ 587,915
Less vacancies	(18,414)	(7,718)
Net rental revenue	589,427	580,197
Other	12,032	17,108
Total operating revenues	601,459	597,305
Operating expenses:		
Administrative	105,972	98,848
Maintenance	138,042	182,088
Utilities	34,603	32,372
Insurance	36,265	27,709
Real estate tax	27,220	26,647
Other	7,296	6,022
Total operating expenses	349,398	373,686
Operating income	252,061	223,619
Nonoperating revenues (expenses):		
Insurance proceeds	-	30,926
Casualty loss	-	(41,744)
Interest income - restricted	1,843	2,549
Interest expense	(28,917)	(29,178)
Interest expense - amortization of finance fees	(1,075)	(1,075)
Partnership expenses	(52,230)	(50,931)
Depreciation	(273,854)	(273,854)
Amortization of tax credit fees	(1,446)	(5,782)
Total nonoperating revenues (expenses)	(355,679)	(369,089)
Net loss	\$ (103,618)	\$ (145,470)

See accompanying notes to financial statements.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years ended December 31, 2024 and 2023

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</u>
Balance, December 31, 2022	\$ 7,219,215	\$ 744,223	\$ 7,963,438
Distributions	(180,670)	(18)	(180,688)
Net loss	<u>(145,456)</u>	<u>(14)</u>	<u>(145,470)</u>
Balance, December 31, 2023	6,893,089	744,191	7,637,280
Distributions	(147,242)	(15)	(147,257)
Net loss	<u>(103,607)</u>	<u>(11)</u>	<u>(103,618)</u>
Balance, December 31, 2024	<u><u>\$ 6,642,240</u></u>	<u><u>\$ 744,165</u></u>	<u><u>\$ 7,386,405</u></u>
Composed of:			
Capital contributions	\$ 9,035,683	\$ 429,015	\$ 9,464,698
Land contribution	-	315,400	315,400
Distributions	(582,887)	(59)	(582,946)
Upward adjuster	116,812	-	116,812
Syndication costs	(20,000)	-	(20,000)
Cumulative losses	<u>(1,907,368)</u>	<u>(191)</u>	<u>(1,907,559)</u>
Balance, December 31, 2024	<u><u>\$ 6,642,240</u></u>	<u><u>\$ 744,165</u></u>	<u><u>\$ 7,386,405</u></u>

See accompanying notes to financial statements.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 593,756	\$ 569,451
Interest received	1,843	2,549
Other income	11,897	16,700
Cash paid for operating expenses	(356,677)	(382,199)
Interest paid	(11,872)	(12,134)
Cash paid for partnership expenses	(51,631)	(50,349)
Tenant security deposits	2,438	(230)
Casualty loss, net	-	(10,818)
	<u>189,754</u>	<u>132,970</u>
Net cash provided (used) by operating activities		
Cash flows from financing activities:		
Payments on long-term debt	(4,016)	(3,754)
Distributions	(147,257)	(180,688)
	<u>(151,273)</u>	<u>(184,442)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash, cash equivalents, and restricted cash	38,481	(51,472)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,140,587</u>	<u>2,192,059</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,179,068</u>	<u>\$ 2,140,587</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 161,590	\$ 144,632
Restricted cash	2,017,478	1,995,955
Total cash, cash equivalents, and restricted cash	<u>\$ 2,179,068</u>	<u>\$ 2,140,587</u>

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (103,618)	\$ (145,470)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	273,854	273,854
Amortization of finance fees	1,075	1,075
Amortization of tax credit fees	1,446	5,782
(Increase) decrease in tenant receivables	3,302	(9,947)
(Increase) decrease in accounts receivable - other	375	102
(Increase) decrease in prepaid expenses	(5,622)	(8,707)
Increase (decrease) in accounts payable	3,301	(2,487)
Increase (decrease) in due to CDA	(4,932)	2,535
Increase (decrease) in accrued interest	17,045	17,044
Increase (decrease) in accrued real estate tax	573	728
Increase (decrease) in deferred revenue	(510)	(510)
Increase (decrease) in prepaid rents	1,027	(799)
Increase (decrease) in tenant security deposits	<u>2,438</u>	<u>(230)</u>
Total adjustments	<u>293,372</u>	<u>278,440</u>
Net cash provided (used) by operating activities	<u>\$ 189,754</u>	<u>\$ 132,970</u>

See accompanying notes to financial statements.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Inver Hills and Riverview Ridge Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on January 22, 2007, and will continue until terminated in accordance with the Partnership Agreement.

The Partnership was formed to construct and operate a 27-unit townhome complex known as Riverview Ridge Family Townhomes located in Eagan, Minnesota and a 24-unit townhome complex known as Inver Hills Family Townhomes located in Inver Grove Heights, Minnesota (the Project). Construction on Riverview Ridge Family Townhomes was completed in June 2014 and on Inver Hills Family Townhomes in January 2014.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is U.S. Bancorp Community Development Corporation (USB CDC), a Minnesota corporation.

The Partnership was formed for the purpose of providing affordable housing to low and moderate income families utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership must remain in compliance with various regulations through December 31, 2028, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

Additionally, debt agreements impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the related loan using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Deferred Revenue - Deferred revenue consists of receipts from a cable company which are recognized over 10 years, the term of the agreement, using the straight-line method.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases. The townhomes are rented for terms not in excess of one year.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve of \$163,505 plus any deposits from cash flow, as defined in the Partnership Agreement. The funds must be held in an interest-bearing account at U.S. Bank. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement. Funds for the construction of a turn lane were deposited into the operating reserve in 2015 (see note 4).

Replacement Reserve - The Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Monthly deposits started October 2014. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement. The funds must be held in an interest-bearing account at U.S. Bank.

The reserve must maintain a minimum balance equal to six monthly installments of the required annual reserve deposits. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner and the lender. The Partnership made deposits of \$29,593 and \$28,050 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$70,000 and make deposits from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for marketing and lease-up expenses and to supplement operations of the Partnership.

A summary of the 2024 activity in each reserve appears on page 16.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. OFF-SITE WORK ESCROW

The Partnership has set aside an off-site work escrow of \$468,368 to be used for constructing a turn lane at Riverview Ridge. As of December 31, 2024 and 2023, this escrow is included in the operating reserve. The Minnesota Department of Transportation must approve the turn lane. If the turn lane is not approved, the Partners will determine how to use these funds. The funds will be held for a minimum of ten years before being transferred to the replacement reserve or working capital reserve to be used for other capital improvements.

5. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA First Mortgage	\$ 173,687	\$ 177,703
CDA - HOME	904,456	904,456
MHFA - Challenge Mortgage	600,000	600,000
CDA - HOPE	500,000	500,000
CDA - Met Council	300,000	300,000
	<u>2,478,143</u>	<u>2,482,159</u>
Less current maturities	<u>(4,295)</u>	<u>(4,016)</u>
	<u><u>\$ 2,473,848</u></u>	<u><u>\$ 2,478,143</u></u>

CDA First Mortgage - Mortgage payable to the CDA in the amount of \$204,084 with interest at 6.75%, dated July 23, 2013. Principal and interest are payable in monthly installments of \$1,324 until maturity on July 23, 2043.

CDA HOME loan - Mortgage payable to the CDA in the amount of \$904,456 with simple interest at 1%, dated July 23, 2013. Outstanding principal and accrued interest will be due and payable on or before July 23, 2043.

MHFA Challenge loan - Mortgage payable to MHFA in the amount of \$600,000 with no interest, dated July 23, 2013. Outstanding principal will be due and payable on or before July 23, 2043.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$500,000 with simple interest at 1%, dated July 23, 2013. Principal and interest are due on July 23, 2043.

CDA Met Council loan - Mortgage payable to the CDA in the amount of \$300,000 with simple interest at 1%, dated July 23, 2013. Principal and interest are due on July 23, 2043.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2025	\$ 4,295
2026	4,595
2027	4,914
2028	5,257
2029	5,623
Thereafter	<u>2,453,459</u>
	<u>\$ 2,478,143</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. These restrictions require that all apartments be rented to individuals that meet certain income guidelines and limit the amount of rent charged.

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project

Accrued interest consists of the following:

	<u>2024</u>	<u>2023</u>
Long-term:		
CDA - HOME	\$ 103,245	\$ 94,200
CDA - HOPE	56,903	51,903
CDA - Met Council	<u>33,254</u>	<u>30,254</u>
	<u>\$ 193,402</u>	<u>\$ 176,357</u>

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

6. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership management fee in the amount of \$15,300 per year, increasing 3% per year, payable solely from available cash flow. Partnership management fees of \$20,575 and \$19,976 are included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$21,420 per year beginning in 2014. The Partnership paid incentive partnership management fees of \$21,420, which is included in partnership expenses in 2024 and 2023.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 56,892	\$ 55,233
Partnership management fee	20,575	19,976
Incentive partnership management fee	21,420	21,420
On-site management, tax credit monitoring and maintenance services	80,863	79,797
Interest expense on the CDA mortgages	28,917	29,178
Amount due to the CDA at year end:		
Accounts payable	1,128	6,659
Partnership management fee	20,575	19,976
Mortgages payable	1,878,143	1,882,159
Accrued interest	193,402	176,357

Because the property manager is the General Partner, 60% of property management fees are subordinated to all amounts owed to the Limited Partner.

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$5,000 per year, prorated for the first year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$6,050 in 2024 and \$5,500 in 2023 and is included in partnership expenses.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

7. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (for a total of 30 years). The extended use period ends on December 31, 2043.

8. CASUALTY LOSS

During 2023 the Project sustained water damage. Total repair costs were \$41,744 for the water damage, of which \$30,926 were covered by insurance proceeds. Repairs were completed in 2023.

9. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were to clean out the stormwater basin and replace various appliances. The 2023 projects were to replace smoke and CO detectors, repair gutters and lower trim boards, and repair a retaining wall. Project costs totaled \$5,631 in 2024 and \$24,715 in 2023. These projects were funded by replacement reserve withdrawals.

10. OPTION, RIGHT OF FIRST REFUSAL AND PUT

The Limited Partner and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one year period ending December 31, 2029.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

After the tax credits are used, the Limited Partner has the right to put its entire interest to the General Partner at a price specified in the Partnership Agreement.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 31,370	\$ 28,492
Administrative benefits	11,039	9,841
Legal	19	54
Auditing	4,625	4,125
Communications	371	425
Other administrative	1,656	678
Management fee	56,892	55,233
	<hr/>	<hr/>
Total administrative expenses	\$ 105,972	\$ 98,848
	<hr/>	<hr/>
Maintenance expenses:		
Trash	\$ 10,242	\$ 7,793
Maintenance salaries	26,889	26,734
Caretaker salaries	1,522	3,276
Maintenance benefits	9,533	10,944
Materials/supplies	16,061	27,242
Vehicle expenses	1,561	1,542
Contract costs	6,793	18,912
Flooring	14,019	12,103
Grounds maintenance	23,163	22,154
Heating & air conditioning	1,117	4,110
Contract painting	6,659	7,806
Snow removal	13,312	12,907
Cleaning and custodial	1,540	1,850
Extraordinary maintenance	5,631	24,715
	<hr/>	<hr/>
Total maintenance expenses	\$ 138,042	\$ 182,088
	<hr/>	<hr/>
Utilities expenses:		
Water/sewer	\$ 30,097	\$ 26,718
Electricity	3,328	3,787
Gas	1,178	1,867
	<hr/>	<hr/>
Total utilities expenses	\$ 34,603	\$ 32,372
	<hr/>	<hr/>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 21,420	\$ 21,420
Partnership management fee	20,575	19,976
Limited Partner asset management fee	6,050	5,500
Partnership tax fees	4,185	4,035
	<hr/>	<hr/>
Total partnership expenses	\$ 52,230	\$ 50,931
	<hr/>	<hr/>

See independent auditor's report.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 961,551	\$ -	\$ 883	\$ -	\$ 962,434
Replacement reserve	492,754	29,593	463	(10,727)	512,083
Working capital reserve	500,636	-	460	(636)	500,460
Total reserves	<u>\$ 1,954,941</u>	<u>\$ 29,593</u>	<u>\$ 1,806</u>	<u>\$ (11,363)</u>	<u>\$ 1,974,977</u>

See independent auditor's report.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Beginning 12/31/23	Additions (Retirements)	Ending 12/31/24
Land	\$ 1,076,698	\$ -	\$ 1,076,698
Land improvements	729,871	-	729,871
Buildings	9,007,839	-	9,007,839
Residential equipment	207,535	-	207,535
Furniture and equipment	2,643	-	2,643
	<u>\$ 11,024,586</u>	<u>\$ -</u>	<u>\$ 11,024,586</u>

	Accumulated Depreciation			Net Book Value 12/31/24
	Balance 12/31/23	Depreciation	Ending 12/31/24	
Land	\$ -	\$ -	\$ -	\$ 1,076,698
Land improvements	435,251	48,658	483,909	245,962
Buildings	2,192,493	225,196	2,417,689	6,590,150
Residential equipment	207,535	-	207,535	-
Furniture and equipment	2,643	-	2,643	-
	<u>\$ 2,837,922</u>	<u>\$ 273,854</u>	<u>\$ 3,111,776</u>	<u>\$ 7,912,810</u>

See independent auditor's report.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2024, \$9,716,760 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.



**KEYSTONE CROSSING WORKFORCE HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Keystone Crossing Workforce Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Keystone Crossing Workforce Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keystone Crossing Workforce Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keystone Crossing Workforce Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt Keystone Crossing Workforce Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Keystone Crossing Workforce Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Keystone Crossing Workforce Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Mahoney Ulbrich

Christiansen & Russ, PA

April 28, 2025

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113,349	\$ 69,648
Tenant receivables	11,480	16,471
Prepaid expenses	25,564	21,222
Total current assets	<u>150,393</u>	<u>107,341</u>
Restricted cash:		
Security deposit reserve	31,789	29,451
Operating reserve	107,305	107,207
Replacement reserve	159,750	141,121
Working capital reserve	421,050	388,693
Total restricted cash	<u>719,894</u>	<u>666,472</u>
Property and equipment	9,492,348	9,492,348
Less accumulated depreciation	<u>(2,055,103)</u>	<u>(1,817,707)</u>
Net property and equipment	<u>7,437,245</u>	<u>7,674,641</u>
Tax credit fees, net	<u>6,669</u>	<u>11,308</u>
Total assets	<u><u>\$ 8,314,201</u></u>	<u><u>\$ 8,459,762</u></u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 9,270	\$ 8,666
Accounts payable	5,450	5,314
Due to CDA	16,295	15,546
Accrued real estate tax	20,158	16,532
Prepaid rents	5,747	1,504
Tenant security deposits	31,279	28,948
Total current liabilities	<u>88,199</u>	<u>76,510</u>
Noncurrent liabilities:		
Accrued interest, long-term	115,560	101,810
Long-term debt, less current maturities	1,814,464	1,823,734
Less unamortized finance fees	<u>(12,487)</u>	<u>(13,080)</u>
Total noncurrent liabilities	<u>1,917,537</u>	<u>1,912,464</u>
Total liabilities	<u>2,005,736</u>	<u>1,988,974</u>
Partners' equity	<u>6,308,465</u>	<u>6,470,788</u>
Total liabilities and partners' equity	<u><u>\$ 8,314,201</u></u>	<u><u>\$ 8,459,762</u></u>

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 436,763	\$ 418,397
Less vacancies	(9,587)	(52,426)
Net rental revenue	427,176	365,971
Other	18,608	13,037
Total operating revenues	445,784	379,008
Operating expenses:		
Administrative	80,597	73,977
Maintenance	131,148	103,203
Utilities	21,263	25,204
Insurance	20,532	18,697
Real estate tax	20,158	16,532
Other	5,176	8,598
Total operating expenses	278,874	246,211
Operating income	166,910	132,797
Nonoperating revenues (expenses):		
Interest income - restricted	637	810
Interest expense	(44,360)	(44,924)
Interest expense - amortization of finance fees	(593)	(594)
Partnership expenses	(42,882)	(42,455)
Depreciation	(237,396)	(237,397)
Amortization of tax credit fees	(4,639)	(4,639)
Total nonoperating revenues (expenses)	(329,233)	(329,199)
Net loss	\$ (162,323)	\$ (196,402)

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 5,981,238	\$ 685,952	\$ 6,667,190
Net loss	(196,383)	(19)	(196,402)
Balance, December 31, 2023	5,784,855	685,933	6,470,788
Net loss	(162,307)	(16)	(162,323)
Balance, December 31, 2024	<u>\$ 5,622,548</u>	<u>\$ 685,917</u>	<u>\$ 6,308,465</u>
Composed of:			
Capital contributions	\$ 7,520,844	\$ 686,103	\$ 8,206,947
Downward adjuster	(25,979)	-	(25,979)
Syndication costs	(7,588)	-	(7,588)
Cumulative losses	(1,864,729)	(186)	(1,864,915)
Balance, December 31, 2024	<u>\$ 5,622,548</u>	<u>\$ 685,917</u>	<u>\$ 6,308,465</u>

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 436,410	\$ 362,671
Interest received	637	810
Other income	18,608	13,037
Cash paid for operating expenses	(279,092)	(253,234)
Interest paid	(30,610)	(31,174)
Cash paid for partnership expenses	(42,495)	(42,079)
Tenant security deposits	2,331	2,653
	<u>105,789</u>	<u>52,684</u>
Net cash provided (used) by operating activities		
Cash flows from financing activities:		
Payments on long-term debt	(8,666)	(8,103)
	<u>(8,666)</u>	<u>(8,103)</u>
Net cash provided (used) by financing activities		
Net increase in cash, cash equivalents, and restricted cash	97,123	44,581
Cash, cash equivalents, and restricted cash, beginning of year	<u>736,120</u>	<u>691,539</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 833,243</u></u>	<u><u>\$ 736,120</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 113,349	\$ 69,648
Restricted cash	719,894	666,472
Total cash, cash equivalents, and restricted cash	<u><u>\$ 833,243</u></u>	<u><u>\$ 736,120</u></u>

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (162,323)	\$ (196,402)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	237,396	237,397
Amortization of tax credit fees	4,639	4,639
Amortization of finance fees	593	594
(Increase) decrease in tenant receivables	4,991	(2,150)
(Increase) decrease in prepaid expenses	(4,342)	(1,875)
Increase (decrease) in accounts payable	136	(3,992)
Increase (decrease) in due to CDA	749	(252)
Increase (decrease) in accrued interest	13,750	13,750
Increase (decrease) in accrued real estate tax	3,626	(528)
Increase (decrease) in prepaid rents	4,243	(1,150)
Increase (decrease) in tenant security deposits	2,331	2,653
Total adjustments	268,112	249,086
Net cash provided (used) by operating activities	\$ 105,789	\$ 52,684

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Keystone Crossing Workforce Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on July 21, 2015 and will continue until terminated in accordance with the Partnership Agreement.

The Partnership was formed to construct, lease, and operate a townhome complex consisting of 36 units in 7 buildings (the Project). The Project is located in Lakeville, Minnesota. The property was acquired in July 2015 and construction was completed on four of the buildings in November and December 2016. The remaining buildings were completed in February 2017.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is USB LIHTC Fund 2017-1, LLC.

The Partnership was formed for the purpose of providing affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership must remain in compliance with various regulations through December 31, 2030, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

The mortgages on the Project impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and Equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10-year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization expense is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases. The townhomes are rented for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve in the amount of \$107,000 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement. The funds must be held in an interest bearing account at U.S. Bank. The reserve must be maintained at a minimum balance equal to six monthly installments of the required annual reserve deposits. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner. The Partnership made deposits of \$19,080 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$40,000 and make deposits from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for marketing and lease-up expenses and to supplement operations of the Partnership.

A summary of the 2024 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA First mortgage	\$ 448,734	\$ 457,400
CDA - HOPE	510,000	510,000
CDA - HOME	720,000	720,000
CDA - LHIA	145,000	145,000
	<u>1,823,734</u>	<u>1,832,400</u>
Less current maturities	<u>(9,270)</u>	<u>(8,666)</u>
	<u>\$ 1,814,464</u>	<u>\$ 1,823,734</u>

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA First mortgage - Mortgage payable to the CDA in the amount of \$504,601 with interest at 6.75%, dated July 22, 2015. Principal and interest are payable in monthly installments of \$3,273 until maturity on December 31, 2045.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$510,000 with simple interest at 1%, dated July 22, 2015. Principal and interest are due on or before December 31, 2045.

CDA HOME loan - Mortgage payable to the CDA in the amount of \$720,000 with simple interest at 1%, dated July 22, 2015. Outstanding principal and accrued interest will be due and payable on or before December 31, 2045.

CDA LHIA loan - Mortgage payable to the CDA under the Local Housing Incentives Account (LHIA) in the amount of \$145,000 with simple interest at 1%, dated July 22, 2015. Principal and interest are due on December 31, 2045.

Maturities of long-term debt are as follows:

2025	\$ 9,270
2026	9,915
2027	10,606
2028	11,344
2029	12,134
Thereafter	<u>1,770,465</u>
	<u>\$ 1,823,734</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. These notes require that all apartments be rented to individuals that meet certain income guidelines.

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

Accrued interest consists of the following:

	2024	2023
CDA - HOME	\$ 59,442	\$ 52,242
CDA - HOPE	44,228	39,128
CDA - LHIA	11,890	10,440
	<u>\$ 115,560</u>	<u>\$ 101,810</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a partnership administration fee in the amount of \$10,800 per year, increasing 3% per year, payable solely from available cash flow. The partnership administration fee of \$13,283 and \$12,896 is included in partnership expenses in 2024 and 2023.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$21,534 per year beginning in 2018. This fee will not accrue if unpaid. The Partnership paid incentive partnership management fees of \$21,534, which is included in partnership expenses in 2024 and 2023.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 40,159	\$ 38,988
Partnership administration fee	13,283	12,896
Incentive partnership management fee	21,534	21,534
Interest expense on the CDA mortgages	44,360	44,924
On-site management, tax credit monitoring and maintenance services	50,963	55,877
Amount due to the CDA at year end:		
Accounts payable	3,012	2,650
Partnership administration fee	13,283	12,896
Mortgages payable	1,823,734	1,832,400
Accrued interest	115,560	101,810

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS (Continued)

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$5,000 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$5,500 and is included in partnership expenses in 2024 and 2023.

Cash and reserve accounts are held by an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2045.

7. EXTRAORDINARY MAINTENANCE

The Project completed an extraordinary maintenance project in 2024. The project was to replace various appliances. Project costs totaled \$1,260 in 2024.

8. OPTION, RIGHT OF FIRST REFUSAL AND PUT

The Limited Partner and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one-year period ending December 31, 2031.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

After the tax credits are used, the Limited Partner has the right to put its entire interest to the General Partner at a price specified in the Partnership Agreement.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 22,144	\$ 20,111
Administrative benefits	7,792	6,946
Legal	561	14
Auditing	4,625	4,125
Communications	3,074	2,730
Other administrative	2,242	1,063
Management fee	40,159	38,988
Total administrative expenses	<u>\$ 80,597</u>	<u>\$ 73,977</u>
Maintenance expenses:		
Trash	\$ 7,126	\$ 5,090
Maintenance salaries	13,712	19,326
Caretaker salaries	990	489
Maintenance benefits	5,965	8,645
Materials/supplies	16,204	7,276
Vehicle expenses	1,102	1,089
Contract costs	12,190	9,491
Flooring	26,176	15,414
Grounds maintenance	27,513	17,168
Heating & air conditioning	225	-
Contract painting	10,187	8,085
Snow removal	6,190	8,570
Cleaning and custodial	2,308	2,560
Extraordinary maintenance	1,260	-
Total maintenance expenses	<u>\$ 131,148</u>	<u>\$ 103,203</u>
Utilities expenses:		
Water/sewer	\$ 17,178	\$ 18,147
Electricity	3,842	5,938
Gas	243	1,119
Total utilities expenses	<u>\$ 21,263</u>	<u>\$ 25,204</u>
Partnership expenses:		
Incentive management fee	\$ 21,534	\$ 21,534
Limited Partner asset management fee	5,500	5,500
Partnership administration fee	13,283	12,896
Partnership tax fees	2,565	2,525
Total partnership expenses	<u>\$ 42,882</u>	<u>\$ 42,455</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 107,207	\$ -	\$ 98	\$ -	\$ 107,305
Replacement reserve	141,121	19,080	139	(590)	159,750
Working capital reserve	<u>388,693</u>	<u>31,985</u>	<u>372</u>	<u>-</u>	<u>421,050</u>
Total reserves	<u>\$ 637,021</u>	<u>\$ 51,065</u>	<u>\$ 609</u>	<u>\$ (590)</u>	<u>\$ 688,105</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 915,538	\$ -	\$ 915,538
Land improvements	650,767	-	650,767
Buildings	7,760,479	-	7,760,479
Residential equipment	163,268	-	163,268
Furniture and equipment	2,296	-	2,296
	<u>\$ 9,492,348</u>	<u>\$ -</u>	<u>\$ 9,492,348</u>

	Accumulated Depreciation		Net Book Value 12/31/24
	Balance 12/31/23	Depreciation	
Land	\$ -	\$ -	\$ 915,538
Land improvements	296,097	43,384	311,286
Buildings	1,356,046	194,012	6,210,421
Residential equipment	163,268	-	-
Furniture and equipment	2,296	-	-
	<u>\$ 1,817,707</u>	<u>\$ 237,396</u>	<u>\$ 7,437,245</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2024, \$6,258,646 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2025	\$ 779,440
2026	<u>756,314</u>
	<u>\$ 1,535,754</u>

Unaudited - See independent auditor's report.



**LAKESHORE WORKFORCE
HOUSING LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Lakeshore Workforce Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Lakeshore Workforce Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore Workforce Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakeshore Workforce Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeshore Workforce Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakeshore Workforce Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeshore Workforce Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

April 28, 2025

Mahoney Ulbrich
Christiansen & Russ, PA

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 213,084	\$ 205,598
Tenant receivables	11,333	8,708
Accounts receivable - other	-	440
Prepaid expenses	42,912	31,395
Total current assets	<u>267,329</u>	<u>246,141</u>
Restricted cash:		
Security deposit reserve	41,705	40,658
Operating reserve	432,649	432,252
Replacement reserve	493,254	493,369
Working capital reserve	500,459	500,637
Total restricted cash	<u>1,468,067</u>	<u>1,466,916</u>
Property and equipment	11,607,352	11,607,352
Less accumulated depreciation	<u>(2,751,251)</u>	<u>(2,475,133)</u>
Net property and equipment	<u>8,856,101</u>	<u>9,132,219</u>
Tax credit fees, net	<u>3,842</u>	<u>10,777</u>
Total assets	<u>\$ 10,595,339</u>	<u>\$ 10,856,053</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 12,261	\$ 11,463
Accounts payable	15,496	9,579
Due to CDA	22,042	23,461
Accrued real estate tax	27,727	26,942
Prepaid rents	2,341	4,681
Tenant security deposits	40,284	40,470
Total current liabilities	<u>120,151</u>	<u>116,596</u>
Noncurrent liabilities:		
Accrued interest, long-term	213,464	193,084
Long-term debt, less current maturities	2,569,388	2,581,650
Less unamortized finance fees	<u>(10,747)</u>	<u>(11,285)</u>
Total noncurrent liabilities	<u>2,772,105</u>	<u>2,763,449</u>
Total liabilities	<u>2,892,256</u>	<u>2,880,045</u>
Partners' equity	<u>7,703,083</u>	<u>7,976,008</u>
Total liabilities and partners' equity	<u>\$ 10,595,339</u>	<u>\$ 10,856,053</u>

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 602,819	\$ 588,160
Less vacancies	(7,004)	(7,012)
Net rental revenue	595,815	581,148
Other	12,080	13,362
Total operating revenues	607,895	594,510
Operating expenses:		
Administrative	103,959	97,439
Maintenance	162,703	170,911
Utilities	28,312	28,621
Insurance	29,087	27,600
Real estate tax	27,727	26,942
Other	7,687	7,367
Total operating expenses	359,475	358,880
Operating income	248,420	235,630
Nonoperating revenues (expenses):		
Interest income - restricted	1,356	1,881
Interest expense	(57,500)	(58,246)
Interest expense - amortization of finance fees	(538)	(538)
Partnership expenses	(50,257)	(49,537)
Depreciation	(276,118)	(275,979)
Amortization of tax credit fees	(6,935)	(6,935)
Total nonoperating revenues (expenses)	(389,992)	(389,354)
Net loss	\$ (141,572)	\$ (153,724)

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 8,183,032	\$ 63,463	\$ 8,246,495
Distributions	(116,751)	(12)	(116,763)
Net loss	<u>(153,709)</u>	<u>(15)</u>	<u>(153,724)</u>
Balance, December 31, 2023	7,912,572	63,436	7,976,008
Distributions	(131,340)	(13)	(131,353)
Net loss	<u>(141,558)</u>	<u>(14)</u>	<u>(141,572)</u>
Balance, December 31, 2024	<u>\$ 7,639,674</u>	<u>\$ 63,409</u>	<u>\$ 7,703,083</u>
Composed of:			
Capital contributions	\$ 9,169,256	\$ 63,605	\$ 9,232,861
Upward adjusters	451,544	-	451,544
Distributions	(248,091)	(25)	(248,116)
Syndication costs	(18,842)	-	(18,842)
Cumulative losses	<u>(1,714,193)</u>	<u>(171)</u>	<u>(1,714,364)</u>
Balance, December 31, 2024	<u>\$ 7,639,674</u>	<u>\$ 63,409</u>	<u>\$ 7,703,083</u>

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 590,850	\$ 576,274
Interest received	1,356	1,881
Other income	12,080	13,362
Cash paid for operating expenses	(365,839)	(363,861)
Interest paid	(37,120)	(37,866)
Cash paid for partnership expenses	(49,687)	(48,983)
Tenant security deposits	(186)	1,750
Net cash provided (used) by operating activities	151,454	142,557
Cash flows from investing activities:		
Cash paid for capital improvements, net	-	(7,440)
Net cash provided (used) by investing activities	-	(7,440)
Cash flows from financing activities:		
Payments on long-term debt	(11,464)	(10,717)
Distributions	(131,353)	(116,763)
Net cash provided (used) by financing activities	(142,817)	(127,480)
Net increase in cash and cash equivalents	8,637	7,637
Cash, cash equivalents, and restricted cash, beginning of year	1,672,514	1,664,877
Cash, cash equivalents, and restricted cash, end of year	\$ 1,681,151	\$ 1,672,514
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 213,084	\$ 205,598
Restricted cash	1,468,067	1,466,916
Total cash, cash equivalents, and restricted cash	\$ 1,681,151	\$ 1,672,514

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (141,572)	\$ (153,724)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	276,118	275,979
Amortization of finance fees	538	538
Amortization of tax credit fees	6,935	6,935
(Increase) decrease in tenant receivables	(2,625)	(5,136)
(Increase) decrease in accounts receivable - other	440	(440)
(Increase) decrease in prepaid expenses	(11,517)	(1,636)
Increase (decrease) in accounts payable	5,917	(4,371)
Increase (decrease) in due to CDA	(1,419)	501
Increase (decrease) in accrued interest	20,380	20,380
Increase (decrease) in accrued real estate tax	785	1,519
Increase (decrease) in prepaid rents	(2,340)	262
Increase (decrease) in tenant security deposits	(186)	1,750
Total adjustments	293,026	296,281
Net cash provided (used) by operating activities	\$ 151,454	\$ 142,557

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Lakeshore Workforce Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on January 23, 2013 and will continue until terminated in accordance with the Partnership Agreement.

The Partnership was formed to acquire, own, develop, construct, lease, manage and operate a townhome complex consisting of 50 units in 10 buildings (the Project). The Project is located in Eagan, Minnesota. The property was acquired in June 2014 and construction was completed in July 2015.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is USB LIHTC Fund 2015-5, LLC.

The Partnership was formed for the purpose of providing affordable housing to low and moderate income families utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership must remain in compliance with various regulations through December 31, 2029, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

Additionally, debt agreements impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until recognized. All leases between the Partnership and tenants of the Project are operating leases. Leases are for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve in the amount of \$176,135 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement. The funds must be held in an interest bearing account at U.S. Bank. The reserve must maintain a minimum balance equal to six monthly installments of the required annual reserve deposits. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner. The Partnership made deposits of \$27,500 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$50,000 and make deposits from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for marketing and lease-up expenses and to supplement operations of the Partnership.

A summary of the 2024 activity in each reserve appears on page 16.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA First mortgage	\$ 543,649	\$ 555,113
CDA - HOME	943,000	943,000
MHFA Loan	495,000	495,000
CDA - HOPE	400,000	400,000
CDA - LHIA	200,000	200,000
	<u>2,581,649</u>	<u>2,593,113</u>
Less current maturities	<u>(12,261)</u>	<u>(11,463)</u>
	<u>\$ 2,569,388</u>	<u>\$ 2,581,650</u>

CDA First mortgage - Mortgage payable to the CDA in the amount of \$624,199 with interest at 6.75%, dated June 4, 2014. Principal and interest are payable in monthly installments of \$4,049 until maturity on December 31, 2044.

CDA HOME loan - Mortgage payable to the CDA in the amount of \$943,000 with simple interest at 1%, dated June 4, 2014. Outstanding principal and accrued interest will be due and payable on or before December 31, 2044.

MHFA loan - Mortgage payable to the Minnesota Housing Finance Agency in the amount of \$495,000 with simple interest at 1%, dated June 4, 2014. Principal and interest are due on December 31, 2044.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$400,000 with simple interest at 1%, dated June 4, 2014. Principal and interest are due on or before December 31, 2044.

CDA LHIA loan - Mortgage payable to the CDA under the Local Housing Incentives Account (LHIA) in the amount of \$200,000 with simple interest at 1%, dated June 4, 2014. Principal and interest are due on December 31, 2044.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2025	\$ 12,261
2026	13,115
2027	14,028
2028	15,005
2029	16,050
Thereafter	<u>2,511,190</u>
	<u>\$ 2,581,649</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. Restrictions include the requirement that all apartments be rented to individuals that meet certain income guidelines.

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- The Partnership sells, assigns, conveys, transfers, leases, liens, encumbers, or refinances the Project without the lender's approval.
- The use of the Project as low income housing terminates.
- The use of the Project which violates any federal, state or local law, statute or ordinance.
- The Partnership defaults in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project.

Accrued interest consists of the following:

	<u>2024</u>	<u>2023</u>
Long-term:		
CDA - HOME	\$ 99,722	\$ 90,292
MHFA Loan	51,042	46,092
CDA - HOPE	42,300	38,300
CDA - LHIA	<u>20,400</u>	<u>18,400</u>
	<u>\$ 213,464</u>	<u>\$ 193,084</u>

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a partnership administration fee in the amount of \$15,000 per year, increasing 3% per year, payable solely from available cash flow. This fee will not accrue if unpaid. Partnership administration fees of \$19,572 and \$19,002 are included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$21,000 per year beginning in 2016. This fee will not accrue if unpaid. Incentive partnership management fee expense was \$21,000 in 2024 and 2023 and is included in partnership expenses.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 55,776	\$ 54,150
Partnership administration fee	19,572	19,002
Incentive partnership management fee	21,000	21,000
On-site management, tax credit monitoring and maintenance services	87,180	79,523
Interest expense on the CDA mortgages	52,550	53,296
Amount due to the CDA at year end:		
Accounts payable	2,470	4,459
Partnership administration fee	19,572	19,002
Mortgages payable	2,086,649	2,098,113
Accrued interest	162,422	146,992

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$5,000 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$5,500 in 2024 and 2023 and is included in partnership expenses.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2044.

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were to replace smoke detectors and CO alarms throughout the Project, repair damaged concrete, and replace mulch. The 2023 projects were to repair landscaping and repair and repaint lower trim. Project costs totaled \$23,709 in 2024 and \$15,896 in 2023. These projects were funded by withdrawals from the replacement reserve.

8. OPTION, RIGHT OF FIRST REFUSAL AND PUT

The Limited Partner and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one year period ending December 31, 2030.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

After the tax credits are fully used, the Limited Partner has the right to put its entire interest to the General Partner at a price specified in the Partnership Agreement.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 30,756	\$ 27,933
Administrative benefits	10,822	9,648
Legal	35	141
Auditing	4,625	4,125
Communications	364	417
Other administrative	1,581	1,025
Management fee	55,776	54,150
	<u>103,959</u>	<u>97,439</u>
Total administrative expenses	\$ <u>103,959</u>	\$ <u>97,439</u>
Maintenance expenses:		
Trash	\$ 10,795	\$ 8,436
Maintenance salaries	30,409	27,317
Caretaker salaries	4,283	4,643
Maintenance benefits	10,410	9,482
Materials/supplies	17,687	26,923
Vehicle expenses	1,530	1,512
Contract costs	7,393	6,481
Flooring	19,919	21,410
Grounds maintenance	16,739	22,988
Heating & air conditioning	1,799	6,950
Contract painting	9,428	9,671
Snow removal	6,713	7,790
Cleaning and custodial	1,889	1,412
Extraordinary maintenance	23,709	15,896
	<u>162,703</u>	<u>170,911</u>
Total maintenance expenses	\$ <u>162,703</u>	\$ <u>170,911</u>
Utilities expenses:		
Water/sewer	\$ 27,018	\$ 25,290
Electricity	1,093	1,344
Gas	201	1,987
	<u>28,312</u>	<u>28,621</u>
Total utilities expenses	\$ <u>28,312</u>	\$ <u>28,621</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 21,000	\$ 21,000
Partnership administration fee	19,572	19,002
Limited Partner asset management fee	5,500	5,500
Partnership tax fees	4,185	4,035
	<u>50,257</u>	<u>49,537</u>
Total partnership expenses	\$ <u>50,257</u>	\$ <u>49,537</u>

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 432,252	\$ -	\$ 397	\$ -	\$ 432,649
Replacement reserve	493,369	27,500	463	(28,078)	493,254
Working capital reserve	<u>500,637</u>	<u>-</u>	<u>459</u>	<u>(637)</u>	<u>500,459</u>
Total reserves	<u>\$ 1,426,258</u>	<u>\$ 27,500</u>	<u>\$ 1,319</u>	<u>\$ (28,715)</u>	<u>\$ 1,426,362</u>

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 1,651,499	\$ -	\$ 1,651,499
Land improvements	731,783	-	731,783
Buildings	9,093,308	-	9,093,308
Residential equipment	127,499	-	127,499
Furniture and equipment	3,263	-	3,263
	<u>\$ 11,607,352</u>	<u>\$ -</u>	<u>\$ 11,607,352</u>

	Accumulated Depreciation			Net
	Balance 12/31/23	Depreciation	Balance 12/31/24	Book Value 12/31/24
Land	\$ -	\$ -	\$ -	\$ 1,651,499
Land improvements	414,677	48,785	463,462	268,321
Buildings	1,929,694	227,333	2,157,027	6,936,281
Residential equipment	127,499	-	127,499	-
Furniture and equipment	3,263	-	3,263	-
	<u>\$ 2,475,133</u>	<u>\$ 276,118</u>	<u>\$ 2,751,251</u>	<u>\$ 8,856,101</u>

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2024, \$9,257,831 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2025	<u>\$ 497,119</u>
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Unaudited - See independent auditor's report.



**MEADOWLARK FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Meadowlark Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Meadowlark Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadowlark Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Meadowlark Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Meadowlark Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Meadowlark Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Meadowlark Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 17, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

April 28, 2025

Mahoney Ulbrich
Christiansen & Russ, PA

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 138,742	\$ 98,479
Tenant receivables	7,087	13,237
Accounts receivable - other	8,559	263
Prepaid expenses	24,616	19,604
Total current assets	<u>179,004</u>	<u>131,583</u>
Restricted cash:		
Security deposit reserve	32,854	31,675
Operating reserve	191,129	190,954
Replacement reserve	287,200	489,525
Working capital reserve	500,459	500,637
Total restricted cash	<u>1,011,642</u>	<u>1,212,791</u>
Property and equipment	6,594,466	6,377,525
Less accumulated depreciation	<u>(2,499,146)</u>	<u>(2,328,980)</u>
Net property and equipment	<u>4,095,320</u>	<u>4,048,545</u>
Total assets	<u>\$ 5,285,966</u>	<u>\$ 5,392,919</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 9,917	\$ 9,272
Accounts payable	6,527	3,923
Due to CDA	21,015	20,173
Accrued real estate tax	21,036	17,860
Prepaid rents	2,410	950
Tenant security deposits	31,771	31,170
Total current liabilities	<u>92,676</u>	<u>83,348</u>
Noncurrent liabilities:		
Accrued interest, long-term	259,256	241,865
Long-term debt, less current maturities	1,994,613	2,004,530
Less unamortized finance fees	<u>(26,565)</u>	<u>(28,336)</u>
Total noncurrent liabilities	<u>2,227,304</u>	<u>2,218,059</u>
Total liabilities	<u>2,319,980</u>	<u>2,301,407</u>
Partners' equity	<u>2,965,986</u>	<u>3,091,512</u>
Total liabilities and partners' equity	<u>\$ 5,285,966</u>	<u>\$ 5,392,919</u>

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 462,389	\$ 441,022
Less vacancies	(7,148)	(44,051)
Less bad debts - rent	(4,468)	(1,448)
Net rental revenue	<u>450,773</u>	<u>395,523</u>
Other	<u>22,724</u>	<u>11,747</u>
Total operating revenues	<u>473,497</u>	<u>407,270</u>
Operating expenses:		
Administrative	86,427	79,280
Maintenance	132,016	130,738
Utilities	25,339	32,362
Insurance	18,915	18,045
Real estate tax	21,036	17,860
Other	<u>14,869</u>	<u>6,039</u>
Total operating expenses	<u>298,602</u>	<u>284,324</u>
Operating income	<u>174,895</u>	<u>122,946</u>
Nonoperating revenues (expenses):		
Interest income - restricted	1,124	1,552
Interest expense	(35,648)	(36,251)
Interest expense - amortization of finance fees	(1,771)	(1,771)
Partnership expenses	(48,961)	(39,244)
Depreciation	<u>(170,166)</u>	<u>(168,961)</u>
Total nonoperating revenues (expenses)	<u>(255,422)</u>	<u>(244,675)</u>
Net loss	<u><u>\$ (80,527)</u></u>	<u><u>\$ (121,729)</u></u>

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 2,892,706	\$ 320,535	\$ 3,213,241
Net loss	(121,717)	(12)	(121,729)
Balance, December 31, 2023	2,770,989	320,523	3,091,512
Distributions	(44,995)	(4)	(44,999)
Net loss	(80,519)	(8)	(80,527)
Balance, December 31, 2024	<u>\$ 2,645,475</u>	<u>\$ 320,511</u>	<u>\$ 2,965,986</u>
Composed of:			
Capital contributions	\$ 4,457,385	\$ 320,705	\$ 4,778,090
Credit adjuster	180,000	-	180,000
Distributions	(229,401)	(23)	(229,424)
Cumulative losses	(1,709,304)	(171)	(1,709,475)
Syndication costs	(53,205)	-	(53,205)
Balance, December 31, 2024	<u>\$ 2,645,475</u>	<u>\$ 320,511</u>	<u>\$ 2,965,986</u>

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 458,383	\$ 395,242
Interest received	1,124	1,552
Other income	22,987	11,814
Cash paid for operating expenses	(297,478)	(303,748)
Interest paid	(18,257)	(18,860)
Cash paid for partnership expenses	(48,475)	(38,771)
Tenant security deposits	601	6,282
	<u>118,885</u>	<u>53,511</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Cash paid for property and equipment	(225,500)	-
	<u>(225,500)</u>	<u>-</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
Principal payments on long-term debt	(9,272)	(8,668)
Distributions	(44,999)	-
	<u>(54,271)</u>	<u>(8,668)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash, cash equivalents, and restricted cash	(160,886)	44,843
Cash, cash equivalents, and restricted cash, beginning of year	1,311,270	1,266,427
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,150,384</u>	<u>\$ 1,311,270</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 138,742	\$ 98,479
Restricted cash	1,011,642	1,212,791
Total cash, cash equivalents, and restricted cash	<u>\$ 1,150,384</u>	<u>\$ 1,311,270</u>
Supplemental cash flow information:		
Non-cash investing and financing activities		
Sales tax rebate related to property and equipment addition included in accounts receivable - other	<u>\$ 8,559</u>	<u>\$ -</u>

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (80,527)	\$ (121,729)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	170,166	168,961
Amortization of finance fees	1,771	1,771
Bad debts - rent	4,468	1,448
(Increase) decrease in receivables	1,945	(112)
(Increase) decrease in prepaid expenses	(5,012)	(908)
Increase (decrease) in accounts payable	2,604	(11,070)
Increase (decrease) in due to CDA	842	(8,149)
Increase (decrease) in accrued interest	17,391	17,391
Increase (decrease) in accrued real estate tax	3,176	1,176
Increase (decrease) in prepaid rents	1,460	(1,550)
Increase (decrease) in tenant security deposits	601	6,282
	<u>199,412</u>	<u>175,240</u>
Total adjustments		
	<u>\$ 118,885</u>	<u>\$ 53,511</u>
Net cash provided (used) by operating activities		

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

The Meadowlark Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on February 11, 2004 and will continue until December 31, 2054 unless sooner terminated in accordance with the Partnership Agreement.

The Partnership constructed and operates a 40-unit townhome complex, known as Meadowlark Family Townhomes (the Project), located in Lakeville, Minnesota. The Project was placed in service during July and August of 2010.

The Partnership was formed for the purpose of providing affordable housing to low and moderate income families utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership was required to remain in compliance with various regulations through December 31, 2024, the end of the tax credit compliance period. Noncompliance may require adjustment to the contributed capital of the Limited Partner.

The General Partner is the Dakota County Community Development Agency (the CDA). The Limited Partner is USB LIHTC Fund 2010-2, LLC.

The mortgages on the Project place operating and cash distribution restrictions on the Partnership.

Annual profits, losses, tax credits and available cash flow are allocated 99.99% to the Limited Partner and .01% to the General Partner. Profits and losses arising from capital transactions are allocated as set forth in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	15 - 40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 16. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the related debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until recognized. All leases between the Partnership and tenants of the Project are operating leases. The apartments are rented for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve in the amount of \$114,400 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. These funds are available for any capital expenditure relating to repair or replacement of the Project, with approval of the Limited Partner. The annual deposits were \$24,995 in 2024 and \$24,200 in 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve in the amount of \$60,000 and make deposits from cash flow as defined in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for capital improvements or replacements, operating deficits, and to pay costs of sale and refinance with approval by the Limited Partner.

A summary of the 2024 activity in each reserve appears on page 15.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA	\$ 265,388	\$ 274,660
CDA - TCAP	425,558	425,558
MHFA - PILOT	813,584	813,584
CDA - HOPE	500,000	500,000
	<u>2,004,530</u>	<u>2,013,802</u>
Less current maturities	<u>(9,917)</u>	<u>(9,272)</u>
	<u>\$ 1,994,613</u>	<u>\$ 2,004,530</u>

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA - Mortgage payable to the CDA in the amount of \$351,688 with interest at 6.75%, dated November 9, 2009. Commencing on March 1, 2011, principal and interest are payable in monthly installments of \$2,294 until maturity on December 1, 2040.

CDA TCAP - Mortgage payable to the CDA pursuant to the TCAP program in the amount of \$425,558 with simple interest at 1%, dated November 9, 2009. Principal and interest are due on December 1, 2040.

MHFA PILOT - Mortgage payable to the Minnesota Housing Finance Agency (MHFA) pursuant to the PILOT program in the amount of \$813,584 with simple interest at 1%, dated November 9, 2009. Principal and interest are due on December 1, 2040.

CDA HOPE - Mortgage payable to the CDA pursuant to the HOPE program in the amount of \$500,000 with simple interest at 1%, dated November 9, 2009. Principal and interest are due on December 1, 2040.

Maturities of long-term debt are as follows:

2025	\$ 9,917
2026	10,608
2027	11,347
2028	12,137
2029	12,982
Thereafter	<u>1,947,539</u>
	<u>\$ 2,004,530</u>

Certain mortgages are subject to the Partnership's compliance with various debt provisions and covenants including maintenance of 100 percent of the units for tenants at or below 60 percent of HUD median income adjusted by family size.

While the debt agreements provide for entire payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- transfer or sale of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default under any of the loan agreements

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

Accrued interest consists of the following:

	2024	2023
Long-term:		
CDA - TCAP	\$ 62,491	\$ 58,235
MHFA - PILOT	121,894	113,759
CDA - HOPE	74,871	69,871
Total accrued interest	<u>\$ 259,256</u>	<u>\$ 241,865</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership administration fee in the amount of \$11,040 per year, increasing 3% per year, payable solely from available cash flow. Partnership administration fees of \$16,699 and \$16,213 were included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner a non-cumulative incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$18,035 per year, increasing 3% annually. This fee will not accrue if unpaid. The Partnership paid an incentive partnership management fee of \$27,277 and \$18,086 which is included in partnership expenses in 2024 and 2023, respectively.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 44,621	\$ 43,320
Partnership administration fee	16,699	16,213
Incentive partnership management fee	27,277	18,086
On-site management, tax credit monitoring and maintenance services	69,844	62,724
Interest expense on the CDA mortgages	27,512	28,115
Amount due to the CDA at year end:		
Accounts payable	4,316	3,960
Partnership administration fee	16,699	16,213
Mortgages payable	1,190,946	1,200,218
Accrued interest	137,362	128,106

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS (Continued)

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$2,000 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$2,420 in 2024 and 2023 and is included in partnership expenses.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (a total of 30 years). The extended use period ends on December 31, 2039.

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 project was to replace various appliances. The 2023 projects were to sealcoat and complete other asphalt repairs, and to repair and repaint lower trim. Project costs totaled \$2,615 and \$21,942 in 2024 and 2023. These projects were funded with withdrawals from the replacement reserve.

8. PROPERTY PURCHASE OPTION

The Partnership has granted the CDA an option to purchase the Partnership property at the end of the housing tax credit compliance period at a price that would facilitate the purchase while protecting the Partnership's tax benefits from the Project. Such option is based on the General Partner maintaining the low-income occupancy of the Project and must be in a form satisfactory to legal and accounting counsel.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 24,604	\$ 22,346
Administrative benefits	8,658	7,718
Legal	644	173
Auditing	4,625	4,125
Communications	291	333
Other administrative	2,984	1,265
Management fee	44,621	43,320
Total administrative expenses	<u>\$ 86,427</u>	<u>\$ 79,280</u>
Maintenance expenses:		
Trash	\$ 8,487	\$ 6,431
Maintenance salaries	19,321	15,623
Caretaker salaries	7,547	8,587
Maintenance benefits	9,314	8,050
Materials/supplies	17,151	13,457
Vehicle expenses	1,224	1,210
Contract costs	14,555	11,580
Flooring	12,824	809
Grounds maintenance	25,496	26,410
Heating and air conditioning	575	2,350
Contract painting	4,827	2,692
Snow removal	6,722	10,132
Cleaning and custodial	1,358	1,465
Extraordinary maintenance	2,615	21,942
Total maintenance expenses	<u>\$ 132,016</u>	<u>\$ 130,738</u>
Utilities expenses:		
Water/sewer	\$ 23,505	\$ 25,931
Electricity	1,131	1,198
Gas	703	5,233
Total utilities expenses	<u>\$ 25,339</u>	<u>\$ 32,362</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 27,277	\$ 18,086
Limited Partner asset management fee	2,420	2,420
Partnership administration fee	16,699	16,213
Partnership tax fees	2,565	2,525
Total partnership expenses	<u>\$ 48,961</u>	<u>\$ 39,244</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 190,954	\$ -	\$ 175	\$ -	\$ 191,129
Replacement reserve	489,525	24,995	460	(227,780)	287,200
Working capital reserve	500,637	-	459	(637)	500,459
Total reserves	<u>\$ 1,181,116</u>	<u>\$ 24,995</u>	<u>\$ 1,094</u>	<u>\$ (228,417)</u>	<u>\$ 978,788</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 354,996	\$ -	\$ 354,996
Land improvements	487,713	-	487,713
Buildings	5,457,862	216,941	5,674,803
Residential equipment	73,100	-	73,100
Furniture and equipment	3,854	-	3,854
	<u>\$ 6,377,525</u>	<u>\$ 216,941</u>	<u>\$ 6,594,466</u>

	Accumulated Depreciation			Net
	Balance 12/31/23	Depreciation	Balance 12/31/24	Book Value 12/31/24
Land	\$ -	\$ -	\$ -	\$ 354,996
Land improvements	429,849	32,514	462,363	25,350
Buildings	1,822,177	137,652	1,959,829	3,714,974
Residential equipment	73,100	-	73,100	-
Furniture and equipment	3,854	-	3,854	-
	<u>\$ 2,328,980</u>	<u>\$ 170,166</u>	<u>\$ 2,499,146</u>	<u>\$ 4,095,320</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2020, \$6,368,330 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.



ROSEMOUNT II LIMITED PARTNERSHIP

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

ROSEMOUNT II LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Rosemount II Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Rosemount II Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rosemount II Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rosemount II Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rosemount II Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rosemount II Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rosemount II Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

April 28, 2025

Mahoney Ulbrich
Christiansen & Russ, PA

ROSEMOUNT II LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 162,187	\$ 170,115
Tenant receivables	10,670	5,528
Prepaid expenses	27,899	21,983
Total current assets	<u>200,756</u>	<u>197,626</u>
Restricted cash:		
Security deposit reserve	34,019	33,208
Operating reserve	137,918	137,792
Replacement reserve	96,629	82,306
Working capital reserve	203,247	144,409
Total restricted cash	<u>471,813</u>	<u>397,715</u>
Property and equipment	10,596,503	10,596,503
Less accumulated depreciation	<u>(1,576,803)</u>	<u>(1,290,810)</u>
Net property and equipment	<u>9,019,700</u>	<u>9,305,693</u>
Tax credit fees, net	<u>23,665</u>	<u>29,581</u>
Total assets	<u>\$ 9,715,934</u>	<u>\$ 9,930,615</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 18,461	\$ 17,259
Accounts payable	9,848	9,585
Due to CDA	15,319	15,888
Accrued real estate tax	21,410	19,744
Prepaid rents	1,248	205
Tenant security deposits	32,791	31,022
Total current liabilities	<u>99,077</u>	<u>93,703</u>
Noncurrent liabilities:		
Accrued interest, long-term	90,654	76,395
Long-term debt, less current maturities	2,560,826	2,579,287
Less unamortized finance fees	<u>(8,263)</u>	<u>(8,607)</u>
Total noncurrent liabilities	<u>2,643,217</u>	<u>2,647,075</u>
Total liabilities	<u>2,742,294</u>	<u>2,740,778</u>
Partners' equity	<u>6,973,640</u>	<u>7,189,837</u>
Total liabilities and partners' equity	<u>\$ 9,715,934</u>	<u>\$ 9,930,615</u>

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 470,252	\$ 446,294
Less vacancies	(8,735)	(17,669)
Less bad debts	-	(694)
Rental revenue	461,517	427,931
Other	14,589	27,542
Total operating revenues	476,106	455,473
Operating expenses:		
Administrative	87,014	79,538
Maintenance	99,718	76,660
Utilities	24,575	28,143
Insurance	19,672	17,861
Real estate tax	21,410	19,744
Other	3,353	5,459
Total operating expenses	255,742	227,405
Operating income	220,364	228,068
Nonoperating revenues (expenses):		
Interest income - restricted	403	493
Interest expense	(92,735)	(93,859)
Interest expense - amortization of finance fees	(344)	(345)
Partnership expenses	(51,976)	(52,541)
Depreciation	(285,993)	(293,531)
Amortization of tax credit fees	(5,916)	(5,916)
Total nonoperating revenues (expenses)	(436,561)	(445,699)
Net loss	\$ (216,197)	\$ (217,631)

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 7,214,604	\$ 192,864	\$ 7,407,468
Net loss	(217,609)	(22)	(217,631)
Balance, December 31, 2023	6,996,995	192,842	7,189,837
Net loss	(216,175)	(22)	(216,197)
Balance, December 31, 2024	<u>\$ 6,780,820</u>	<u>\$ 192,820</u>	<u>\$ 6,973,640</u>
Composed of:			
Capital contributions	\$ 8,279,074	\$ 192,972	\$ 8,472,046
Upward adjuster	30,898	-	30,898
Syndication costs	(12,240)	-	(12,240)
Cumulative losses	(1,516,912)	(152)	(1,517,064)
Balance, December 31, 2024	<u>\$ 6,780,820</u>	<u>\$ 192,820</u>	<u>\$ 6,973,640</u>

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 457,418	\$ 431,905
Interest received	403	493
Other income	14,589	27,542
Cash paid for operating expenses	(260,703)	(232,242)
Interest paid	(78,476)	(79,600)
Cash paid for partnership expenses	(51,571)	(52,148)
Tenant security deposits	1,769	558
Net cash provided (used) by operating activities	83,429	96,508
Cash flows from financing activities:		
Payments on long-term debt	(17,259)	(16,136)
Net cash provided (used) by financing activities	(17,259)	(16,136)
Net increase in cash, cash equivalents, and restricted cash	66,170	80,372
Cash, cash equivalents, and restricted cash, beginning of year	567,830	487,458
Cash, cash equivalents, and restricted cash, end of year	\$ 634,000	\$ 567,830
Reconciliation to the balance sheet:		
Cash and cash equivalents	\$ 162,187	\$ 170,115
Restricted cash	471,813	397,715
Total cash, cash equivalents, and restricted cash	\$ 634,000	\$ 567,830

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (216,197)	\$ (217,631)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	285,993	293,531
Amortization of tax credit fees	5,916	5,916
Amortization of finance fees	344	345
Bad debts - rent	-	694
Forgiveness of construction payable	-	(18,466)
(Increase) decrease in tenant receivables	(5,142)	4,841
(Increase) decrease in accounts receivable - other	-	18,466
(Increase) decrease in prepaid expenses	(5,916)	(1,961)
Increase (decrease) in accounts payable	263	(1,303)
Increase (decrease) in due to CDA	(569)	(1,961)
Increase (decrease) in accrued interest	14,259	14,259
Increase (decrease) in accrued real estate tax	1,666	781
Increase (decrease) in prepaid rents	1,043	(1,561)
Increase (decrease) in tenant security deposits	1,769	558
Total adjustments	299,626	314,139
Net cash provided (used) by operating activities	\$ 83,429	\$ 96,508

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Rosemount II Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on August 30, 2007 and will continue until terminated in accordance with the Partnership Agreement.

The Partnership was formed to construct, lease, and operate a townhome complex consisting of 40 units in 9 buildings (the Project). The Project is located in Rosemount, Minnesota. The property was acquired in June 2018 and construction was completed in August 2019.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is U.S. Bancorp Community Development Corporation (USB CDC), a Minnesota Corporation.

The Partnership was formed for the purpose of providing affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership must remain in compliance with various regulations through December 31, 2033, the end of the tax credit compliance period.

Additionally, debt agreements impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions, and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and Equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10-year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the related loan using the straight-line method and are reported as deductions from the face of the debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until recognized. All leases between the Partnership and tenants of the Project are operating leases. The townhomes are rented for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to fund and maintain an operating reserve from the third Limited Partner capital contribution in the amount of \$106,690 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement.

Replacement Reserve - The Partnership is required to fund a replacement reserve. Commencing January 1, 2020, the Partnership is required to make deposits in the amount of \$300 per unit per year, increasing 3% annually. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement. The funds must be held in an interest bearing account at U.S. Bank. The reserve must be maintained at a minimum balance equal to six monthly installments of the required annual reserve deposits. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner. In 2024 and 2023, deposits of \$21,506 and \$21,113 were made.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$36,000 and make deposits from cash flow, as defined in the Partnership Agreement, until the balance of such reserve is equal to \$1,000,000. The reserve is available for marketing and lease-up expenses and to supplement operations of the Partnership.

A summary of the 2024 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA - First mortgage	\$ 1,153,171	\$ 1,170,430
CDA - HOPE	750,000	750,000
CDA - HOME	676,116	676,116
	<u>2,579,287</u>	<u>2,596,546</u>
Less current maturities	<u>(18,461)</u>	<u>(17,259)</u>
	<u>\$ 2,560,826</u>	<u>\$ 2,579,287</u>

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT

CDA First mortgage - Mortgage payable to the CDA in the original amount of \$1,230,000 with interest at 6.75%, dated June 28, 2018. Principal and interest are payable in monthly installments of \$7,978 until maturity on December 31, 2048.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$750,000 with simple interest at 1%, dated June 28, 2018. Principal and interest are due on or before December 31, 2048.

CDA HOME loan - Mortgage payable to the CDA in the amount of \$676,116 with simple interest at 1%, dated June 28, 2018. Outstanding principal and accrued interest will be due and payable on or before December 31, 2048.

Maturities of long-term debt are as follows:

2025	\$ 18,461
2026	19,747
2027	21,121
2028	22,592
2029	24,165
Thereafter	<u>2,473,201</u>
	<u>\$ 2,579,287</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. These notes require that all townhomes be rented to individuals that meet certain income guidelines.

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

Accrued interest consists of the following:

	2024	2023
CDA - HOME	\$ 41,841	\$ 35,082
CDA - HOPE	48,813	41,313
	<u>\$ 90,654</u>	<u>\$ 76,395</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a partnership administration fee in the amount of \$12,000 per year, increasing 3% per year, payable solely from available cash flow. This fee will not accrue if unpaid. The partnership administration fee of \$13,911 and \$13,506 is included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive property management fee in the amount equal to the greater of 90% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$30,000 per year beginning in 2021. This fee will not accrue if unpaid. The Partnership paid incentive partnership management fees of \$30,000, which are included in partnership expenses in 2024 and 2023.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 44,621	\$ 43,320
Partnership administration fee	13,911	13,506
Incentive property management fee	30,000	30,000
On-site management, tax credit monitoring and maintenance services	59,730	52,957
Interest expense on the CDA mortgages	92,735	93,859
Amount due to the CDA at year end:		
Accounts payable	1,408	2,382
Partnership administration fee	13,911	13,506
Mortgages payable	2,579,287	2,596,546
Accrued interest	90,654	76,395

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. **RELATED PARTY TRANSACTIONS (Continued)**

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$5,000 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$5,500 in 2024 and \$5,000 in 2023 and is included in partnership expenses.

Reserve accounts are held with an affiliate of the Limited Partner.

The Partnership Agreement provides for various obligations of the General Partner including its obligation to provide funds to complete construction, fund operating deficits and guaranty housing tax credits. After the Project has achieved stabilized operations, operating deficit advances are limited to a cumulative maximum of \$106,690. Any advances are interest free and payable out of cash flow in the priority order specified in the Partnership Agreement. The General Partner may be obligated to repurchase the Limited Partner interest upon demand under certain specified circumstances.

6. **COMMITMENTS**

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2048.

7. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2024. The projects were to reroute gutters, insulate chases, and replace various appliances. Project costs totaled \$7,859 in 2024.

8. **OPTION, RIGHT OF FIRST REFUSAL AND PUT**

The Limited Partner and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one-year period ending December 31, 2033.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

8. **OPTION, RIGHT OF FIRST REFUSAL AND PUT (Continued)**

After the tax credits are used, the Limited Partner has the right to put its entire interest to the General Partner at a price specified in the Partnership Agreement.

9. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 24,603	\$ 22,345
Administrative benefits	8,657	7,718
Legal	2,787	437
Auditing	4,625	4,125
Communications	291	333
Other administrative	1,430	1,260
Management fee	44,621	43,320
Total administrative expenses	<u>\$ 87,014</u>	<u>\$ 79,538</u>
Maintenance expenses:		
Trash	\$ 6,429	\$ 5,545
Maintenance salaries	17,729	14,770
Caretaker salaries	1,145	1,270
Maintenance benefits	7,196	6,454
Materials/supplies	8,179	10,217
Vehicle expenses	1,224	1,210
Contract costs	13,964	6,504
Flooring	1,741	2,522
Grounds maintenance	13,382	13,744
Heating & air conditioning	3,460	-
Contract painting	9,070	2,748
Snow removal	7,026	10,201
Cleaning and custodial	1,314	1,475
Extraordinary maintenance	7,859	-
Total maintenance expenses	<u>\$ 99,718</u>	<u>\$ 76,660</u>
Utilities expenses:		
Water/sewer	\$ 20,674	\$ 20,830
Electricity	3,329	4,575
Gas	572	2,738
Total utilities expenses	<u>\$ 24,575</u>	<u>\$ 28,143</u>
Partnership expenses:		
Incentive management fee	\$ 30,000	\$ 30,000
Limited Partner asset management fee	5,500	5,000
Partnership administration fee	13,911	13,506
Partnership tax fees	2,565	4,035
Total partnership expenses	<u>\$ 51,976</u>	<u>\$ 52,541</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 137,792	\$ -	\$ 126	\$ -	\$ 137,918
Replacement reserve	82,306	21,506	85	(7,268)	96,629
Working capital reserve	144,409	58,678	160	-	203,247
Total reserves	<u>\$ 364,507</u>	<u>\$ 80,184</u>	<u>\$ 371</u>	<u>\$ (7,268)</u>	<u>\$ 437,794</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Reclassifications)	Balance 12/31/24
Land	\$ 636,509	\$ -	\$ 636,509
Land improvements	593,865	-	593,865
Buildings	9,253,062	-	9,253,062
Residential equipment	111,230	-	111,230
Furniture and equipment	1,837	-	1,837
	<u>\$ 10,596,503</u>	<u>\$ -</u>	<u>\$ 10,596,503</u>

	Accumulated Depreciation			Net
	Balance 12/31/23	Depreciation	Balance 12/31/24	Book Value 12/31/24
Land	\$ -	\$ -	\$ -	\$ 636,509
Land improvements	171,562	39,590	211,152	382,713
Buildings	1,021,257	231,327	1,252,584	8,000,478
Residential equipment	96,399	14,831	111,230	-
Furniture and equipment	1,592	245	1,837	-
	<u>\$ 1,290,810</u>	<u>\$ 285,993</u>	<u>\$ 1,576,803</u>	<u>\$ 9,019,700</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2024, \$4,935,737 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2025	\$	890,312
2026		890,312
2027		890,312
2028		890,312
2029		<u>406,135</u>
	\$	<u><u>3,967,383</u></u>

Unaudited - See independent auditor's report.



**TWIN PONDS FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Twin Ponds Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Twin Ponds Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Ponds Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Twin Ponds Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Ponds Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Twin Ponds Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Ponds Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Mahoney Ulbrich
Christiansen & Russ, PA

April 28, 2025

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 99,249	\$ 85,934
Tenant receivables	12,841	20,813
Accounts receivable - other	494	433
Prepaid expenses	15,944	11,272
Total current assets	<u>128,528</u>	<u>118,452</u>
Restricted cash:		
Security deposit reserve	22,624	19,466
Working capital reserve	431,128	428,797
Operating reserve	152,367	152,227
Replacement reserve	105,357	128,414
Total restricted cash	<u>711,476</u>	<u>728,904</u>
Property and equipment	4,190,620	4,171,297
Less accumulated depreciation	<u>(1,644,980)</u>	<u>(1,551,346)</u>
Net property and equipment	<u>2,545,640</u>	<u>2,619,951</u>
 Total assets	 <u>\$ 3,385,644</u>	 <u>\$ 3,467,307</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 5,876	\$ 5,494
Accounts payable	6,062	6,821
Due to CDA	12,623	13,672
Accrued real estate tax	12,481	10,493
Prepaid rents	2,008	1,810
Tenant security deposits	22,116	18,305
Total current liabilities	<u>61,166</u>	<u>56,595</u>
Noncurrent liabilities:		
Accrued interest, long-term	216,517	202,892
Long-term debt, less current maturities	1,502,813	1,508,689
Less unamortized finance fees	<u>(10,502)</u>	<u>(11,266)</u>
Total noncurrent liabilities	<u>1,708,828</u>	<u>1,700,315</u>
Total liabilities	<u>1,769,994</u>	<u>1,756,910</u>
Partners' equity	<u>1,615,650</u>	<u>1,710,397</u>
 Total liabilities and partners' equity	 <u>\$ 3,385,644</u>	 <u>\$ 3,467,307</u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 303,545	\$ 281,306
Less vacancies	(32,755)	(35,049)
Less bad debts - rent	(5,485)	-
Net rental revenue	265,305	246,257
Other	13,536	15,016
Total operating revenues	278,841	261,273
Operating expenses:		
Administrative	55,134	51,367
Maintenance	115,692	138,654
Utilities	16,910	21,279
Insurance	10,581	9,858
Real estate tax	12,481	10,493
Other	6,240	2,302
Total operating expenses	217,038	233,953
Operating income	61,803	27,320
Nonoperating revenues (expenses):		
Interest income - restricted	673	956
Interest expense	(23,695)	(24,053)
Interest expense - amortization of finance fees	(764)	(764)
Partnership expenses	(39,130)	(38,988)
Depreciation	(93,634)	(103,139)
Total nonoperating revenues (expenses)	(156,550)	(165,988)
Net loss	\$ (94,747)	\$ (138,668)

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 1,285,970	\$ 563,095	\$ 1,849,065
Net loss	<u>(138,655)</u>	<u>(13)</u>	<u>(138,668)</u>
Balance, December 31, 2023	1,147,315	563,082	1,710,397
Net loss	<u>(94,737)</u>	<u>(10)</u>	<u>(94,747)</u>
Balance, December 31, 2024	<u><u>\$ 1,052,578</u></u>	<u><u>\$ 563,072</u></u>	<u><u>\$ 1,615,650</u></u>
Composed of:			
Capital contributions	\$ 2,605,479	\$ 563,221	\$ 3,168,700
Cumulative losses	(1,491,412)	(149)	(1,491,561)
Syndication costs	<u>(61,489)</u>	<u>-</u>	<u>(61,489)</u>
Balance, December 31, 2024	<u><u>\$ 1,052,578</u></u>	<u><u>\$ 563,072</u></u>	<u><u>\$ 1,615,650</u></u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Cash received from tenants	\$ 273,475	\$ 233,348
Interest received	673	956
Other income	13,475	14,583
Cash paid for operating expenses	(221,834)	(235,183)
Interest paid	(10,070)	(10,428)
Cash paid for partnership expenses	(38,826)	(36,878)
Tenant security deposits	3,811	843
Net cash provided (used) by operating activities	<u>20,704</u>	<u>(32,759)</u>
Cash flows from investing activities:		
Cash paid for capital improvements, net	<u>(19,323)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(19,323)</u>	<u>-</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(5,494)</u>	<u>(5,136)</u>
Net cash provided (used) by financing activities	<u>(5,494)</u>	<u>(5,136)</u>
Net decrease in cash and cash equivalents	(4,113)	(37,895)
Cash, cash equivalents, and restricted cash, beginning of year	<u>814,838</u>	<u>852,733</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 810,725</u></u>	<u><u>\$ 814,838</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 99,249	\$ 85,934
Restricted cash	<u>711,476</u>	<u>728,904</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 810,725</u></u>	<u><u>\$ 814,838</u></u>

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided		
(used) by operating activities:		
Net loss	<u>\$ (94,747)</u>	<u>\$ (138,668)</u>
Adjustments to reconcile net loss to net cash provided		
(used) by operating activities:		
Depreciation expense	93,634	103,139
Amortization of finance fees	764	764
Bad debts - rent	5,485	-
(Increase) decrease in tenant receivables	2,487	(13,718)
(Increase) decrease in accounts receivable - other	(61)	(433)
(Increase) decrease in prepaid expenses	(4,672)	1,051
Increase (decrease) in accounts payable	(759)	(2,679)
Increase (decrease) in due to CDA	(1,049)	2,285
Increase (decrease) in accrued interest	13,625	13,625
Increase (decrease) in accrued real estate tax	1,988	223
Increase (decrease) in prepaid rents	198	809
Increase (decrease) in tenant security deposits	<u>3,811</u>	<u>843</u>
 Total adjustments	 <u>115,451</u>	 <u>105,909</u>
 Net cash provided (used) by operating activities	 <u><u>\$ 20,704</u></u>	 <u><u>\$ (32,759)</u></u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Twin Ponds Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on June 19, 2006 and will continue until December 31, 2056 unless sooner terminated in accordance with the Partnership Agreement.

The Partnership owns and operates a 25-unit residential townhome development, known as Twin Ponds Family Townhomes, located in Farmington, Minnesota (the Project). Construction was completed and the units were occupied beginning in June 2009.

The General Partner is Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is USB LIHTC Fund 2010-1, LLC.

The Partnership was formed for the purpose of providing affordable housing to low and moderate income families utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture, the Partnership was required to remain in compliance with various regulations through December 31, 2023, the end of the tax credit compliance period. Noncompliance may require adjustment to the contributed capital of the Limited Partner.

Additionally, debt agreements place restrictions on tenant qualifications, rental rates and cash distributions.

In general, income, losses, tax credits and available cash from operations, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution. The Partnership has not experienced any losses in these accounts.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years
Furniture and equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Finance Fees - Finance fees are amortized over the term of the related loan using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases. Leases are for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve of \$45,000 plus accrued interest and make deposits from cash flow, as defined in the Partnership Agreement, into a working capital reserve until the balance of such reserve is equal to \$500,000. The reserve is available for capital improvements or replacements, operating deficits, and to pay costs of sale and refinancing with approval by the Limited Partner.

Operating Reserve - The Partnership is required to maintain an operating reserve of \$70,000 plus accrued interest. The funds in the reserve may be used for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes.

Replacement Reserve - The Partnership is required to make monthly deposits in the amount of \$300 per unit per year, increasing 10% every 5 years. Additional deposits are made from cash flow, as defined in the Partnership Agreement, into the replacement reserve until the balance of such reserve is equal to \$500,000. The reserve is available for any capital expenditure relating to the repair or replacement of the Project, with approval by the Limited Partner. The annual deposits were \$15,125 in 2024 and 2023.

A summary of the 2024 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA	\$ 146,180	\$ 151,674
MHFA – HRPP	783,000	783,000
CDA – HOPE	250,000	250,000
CDA – HOME	104,509	104,509
CDA – LHIA	225,000	225,000
	1,508,689	1,514,183
Less current maturities	(5,876)	(5,494)
	<u>\$ 1,502,813</u>	<u>\$ 1,508,689</u>

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA - Mortgage payable to the CDA in the original amount of \$200,000 with interest at 6.75%. Principal and interest are payable in monthly installments of \$1,297 until maturity on September 1, 2038.

MHFA - HRPP - Mortgage payable to the Minnesota Housing Finance Agency (MHFA) under the Housing Resources Performance Pilot program (HRPP) with interest at 1%. Principal and interest are due on September 1, 2038.

CDA - HOPE - Mortgage payable to the CDA under the HOPE program with interest at 1%. Principal and interest are due on September 1, 2038.

CDA - HOME - Mortgage payable to the CDA under the HOME program with interest at 1%. Principal and interest are due on September 1, 2038.

CDA - LHIA - Mortgage payable to the CDA under the Local Housing Incentives Account (LHIA) with interest at 1%. Principal and interest are due on September 1, 2038.

Maturities of long-term debt are as follows:

2025	\$ 5,876
2026	6,286
2027	6,723
2028	7,191
2029	7,692
Thereafter	<u>1,474,921</u>
	<u>\$ 1,508,689</u>

Certain mortgage notes are subject to the Partnership's compliance with various debt provisions and covenants including renting of 100 percent of the units to individuals meeting certain income guidelines based on family size.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

While the debt agreements provide for entire payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- The Partnership sells, assigns, conveys, transfers, leases, liens, encumbers, or refinances the Project without the lender's approval.
- The use of the Project as low income housing terminates.
- The use of the Project violates any federal, state or local law, statute or ordinance.
- The Partnership defaults in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project.

Accrued interest consists of the following:

	2024	2023
Long-term:		
MHFA – HRPP	\$ 124,985	\$ 117,155
CDA – HOPE	40,444	37,944
CDA – HOME	14,796	13,751
CDA – LHIA	36,292	34,042
	<u>\$ 216,517</u>	<u>\$ 202,892</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership administration fee in the amount of \$6,700 per year, increasing 3% per year, from available cash flow. This fee will not accrue if unpaid. Partnership administration fees of \$10,438 and \$10,134 were included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of operating revenues for such year, but in no event to exceed \$17,510 per year escalated at 3% each year beginning in 2010. This fee will not accrue if unpaid. The Partnership paid incentive partnership management fees of \$26,127 and \$24,514 in 2024 and 2023, respectively.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS (Continued)

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 27,888	\$ 27,075
Partnership administration fee	10,438	10,134
Incentive partnership management fee	26,127	24,514
On-site management, tax credit monitoring and maintenance services	44,820	35,681
Interest expense on the CDA mortgages	15,865	16,223
Amount due to the CDA at year end:		
Accounts payable	2,185	3,538
Partnership administration fee	10,438	10,134
Mortgages payable	725,689	731,183
Accrued interest	91,532	85,737

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$1,500 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. The Limited Partner agreed to waive the asset management fee for 2024. For 2023, \$1,815 of asset management fees were included in partnership expenses.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (for a total of 30 years). The extended use period ends December 31, 2038.

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were to remove and replace mulch, replace various appliances, and restore and paint rusted valley flashing. The 2023 projects were to sealcoat and complete other asphalt repairs, wash and paint the building exterior, and repair brick. Project costs totaled \$19,155 in 2024 and \$45,473 in 2023. These projects were funded by replacement reserve withdrawals.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

8. PROPERTY PURCHASE OPTION

The Partnership and the Limited Partner have granted the General Partner an option to purchase the Limited Partner's entire interest in the Partnership at the end of the housing tax credit 15-year compliance period. The purchase price is the greater of the fair market value of the interest or the amount that would be distributed to the Limited Partner upon sale of the Project at the minimum purchase price set forth in Section 42(i)(7)(B) of the Internal Revenue Code. Such option is based on the General Partner maintaining the low-income occupancy of the Project and must be in a form satisfactory to legal and accounting counsel. The General Partner has also been granted the right of first refusal to purchase the Project as set forth in the Partnership Agreement.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 15,377	\$ 13,966
Administrative benefits	5,411	4,824
Legal	356	163
Auditing	4,625	4,125
Communications	182	208
Other administration	1,295	1,006
Management fee	27,888	27,075
	<hr/>	<hr/>
Total administrative expenses	\$ 55,134	\$ 51,367
	<hr/>	<hr/>
Maintenance expenses:		
Trash	\$ 9,631	\$ 9,249
Maintenance salaries	16,823	11,303
Caretaker salaries	1,024	1,024
Maintenance benefits	5,935	4,314
Materials/supplies	8,774	13,952
Vehicle expenses	765	756
Contract costs	6,655	13,572
Grounds maintenance	6,935	7,925
Heating & air conditioning	3,700	325
Flooring	21,342	14,052
Contract painting	6,215	5,984
Snow removal	6,658	8,630
Cleaning and custodial	2,080	2,095
Extraordinary maintenance	19,155	45,473
	<hr/>	<hr/>
Total maintenance expenses	\$ 115,692	\$ 138,654
	<hr/>	<hr/>
Utilities expenses:		
Water/sewer	\$ 14,645	\$ 15,826
Electricity	1,124	1,020
Gas	1,141	4,433
	<hr/>	<hr/>
Total utilities expenses	\$ 16,910	\$ 21,279
	<hr/>	<hr/>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 26,127	\$ 24,514
Limited Partner asset management fee	-	1,815
Partnership administration fee	10,438	10,134
Partnership tax fees	2,565	2,525
	<hr/>	<hr/>
Total partnership expenses	\$ 39,130	\$ 38,988
	<hr/>	<hr/>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Working capital reserve	\$ 428,797	\$ 1,936	\$ 395	\$ -	\$ 431,128
Operating reserve	152,227	-	140	-	152,367
Replacement reserve	128,414	15,125	120	(38,302)	105,357
	<u>\$ 709,438</u>	<u>\$ 17,061</u>	<u>\$ 655</u>	<u>\$ (38,302)</u>	<u>\$ 688,852</u>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 358,438	\$ -	\$ 358,438
Land improvements	217,512	-	217,512
Buildings	3,545,540	19,323	3,564,863
Residential equipment	48,413	-	48,413
Furniture and equipment	1,394	-	1,394
	<u>\$ 4,171,297</u>	<u>\$ 19,323</u>	<u>\$ 4,190,620</u>

	Accumulated Depreciation			Net Book Value 12/31/24
	Balance 12/31/23	Depreciation (Retirements)	Balance 12/31/24	
Land	\$ -	\$ -	\$ -	\$ 358,438
Land improvements	211,470	4,834	216,304	1,208
Buildings	1,290,069	88,800	1,378,869	2,185,994
Residential equipment	48,413	-	48,413	-
Furniture and equipment	1,394	-	1,394	-
	<u>\$ 1,551,346</u>	<u>\$ 93,634</u>	<u>\$ 1,644,980</u>	<u>\$ 2,545,640</u>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2019, \$2,801,870 has been utilized by the Partners. There are no remaining credits available.

Unaudited - See independent auditor's report.



**TWIN PONDS PHASE II FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Partners
Twin Ponds Phase II Family Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Twin Ponds Phase II Family Housing Limited Partnership, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Ponds Phase II Family Housing Limited Partnership as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Twin Ponds Phase II Family Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Ponds Phase II Family Housing Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Twin Ponds Phase II Family Housing Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Ponds Phase II Family Housing Limited Partnership's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Housing Tax Credits on page 18, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audits of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

April 28, 2025

Mahoney Ulbrich
Christiansen & Russ, PA

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 122,911	\$ 90,745
Tenant receivables	7,438	15,356
Accounts receivable - other	477	433
Prepaid expenses	15,370	12,663
Total current assets	<u>146,196</u>	<u>119,197</u>
Restricted cash:		
Security deposit reserve	21,584	20,165
Operating reserve	164,405	164,254
Replacement reserve	113,843	119,338
Working capital reserve	384,523	377,456
Total restricted cash	<u>684,355</u>	<u>681,213</u>
Property and equipment	4,484,651	4,465,312
Less accumulated depreciation	<u>(1,361,624)</u>	<u>(1,256,268)</u>
Net property and equipment	<u>3,123,027</u>	<u>3,209,044</u>
 Total assets	 <u>\$ 3,953,578</u>	 <u>\$ 4,009,454</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 7,427	\$ 6,943
Accounts payable	8,182	6,473
Due to CDA	10,942	11,703
Accrued real estate tax	13,749	10,947
Prepaid rent	1,179	1,991
Tenant security deposits	20,587	19,108
Total current liabilities	<u>62,066</u>	<u>57,165</u>
Noncurrent liabilities:		
Accrued interest, long-term	104,656	96,667
Long-term debt, less current maturities	1,037,531	1,044,958
Less unamortized finance fees	<u>(7,155)</u>	<u>(7,566)</u>
Total noncurrent liabilities	<u>1,135,032</u>	<u>1,134,059</u>
Total liabilities	<u>1,197,098</u>	<u>1,191,224</u>
Partners' equity	<u>2,756,480</u>	<u>2,818,230</u>
 Total liabilities and partners' equity	 <u>\$ 3,953,578</u>	 <u>\$ 4,009,454</u>

See accompanying notes to financial statements.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 319,255	\$ 305,591
Less vacancies	(23,496)	(55,067)
Less bad debts - rent	(2,468)	(7,761)
Net rental revenue	<u>293,291</u>	<u>242,763</u>
Other	<u>17,587</u>	<u>11,980</u>
Total operating revenues	<u>310,878</u>	<u>254,743</u>
Operating expenses:		
Administrative	57,515	53,767
Maintenance	89,937	110,062
Utilities	17,455	15,416
Insurance	11,974	11,404
Real estate tax	13,749	10,947
Other	<u>10,233</u>	<u>9,235</u>
Total operating expenses	<u>200,863</u>	<u>210,831</u>
Operating income	<u>110,015</u>	<u>43,912</u>
Nonoperating revenues (expenses):		
Interest income - restricted	633	896
Interest expense	(24,854)	(25,306)
Interest expense - amortization of finance fees	(411)	(410)
Partnership expenses	(41,777)	(33,261)
Depreciation	<u>(105,356)</u>	<u>(105,196)</u>
Total nonoperating revenues (expenses)	<u>(171,765)</u>	<u>(163,277)</u>
Net loss	<u><u>\$ (61,750)</u></u>	<u><u>\$ (119,365)</u></u>

See accompanying notes to financial statements.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Limited Partner	General Partner	Total
Balance, December 31, 2022	\$ 2,581,843	\$ 355,752	\$ 2,937,595
Net loss	(119,353)	(12)	(119,365)
Balance, December 31, 2023	2,462,490	355,740	2,818,230
Net loss	(61,744)	(6)	(61,750)
Balance, December 31, 2024	<u>\$ 2,400,746</u>	<u>\$ 355,734</u>	<u>\$ 2,756,480</u>
Composed of:			
Capital contributions	\$ 3,543,396	\$ 355,842	\$ 3,899,238
Syndication costs	(57,254)	-	(57,254)
Cumulative losses	(1,085,396)	(108)	(1,085,504)
Balance, December 31, 2024	<u>\$ 2,400,746</u>	<u>\$ 355,734</u>	<u>\$ 2,756,480</u>

See accompanying notes to financial statements.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 300,397	\$ 253,998
Interest received	633	896
Other income	18,020	11,980
Cash paid for operating expenses	(200,595)	(226,546)
Interest paid	(16,865)	(17,316)
Cash paid for partnership expenses	(41,479)	(32,963)
Tenant security deposits	<u>1,479</u>	<u>3,769</u>
Net cash provided (used) by operating activities	<u>61,590</u>	<u>(6,182)</u>
Cash flows from investing activities:		
Cash paid for capital improvements, net	<u>(19,339)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(19,339)</u>	<u>-</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(6,943)</u>	<u>(6,492)</u>
Net cash provided (used) by financing activities	<u>(6,943)</u>	<u>(6,492)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	35,308	(12,674)
Cash, cash equivalents, and restricted cash, beginning of year	<u>771,958</u>	<u>784,632</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 807,266</u></u>	<u><u>\$ 771,958</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 122,911	\$ 90,745
Restricted cash	<u>684,355</u>	<u>681,213</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 807,266</u></u>	<u><u>\$ 771,958</u></u>

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (61,750)	\$ (119,365)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	105,356	105,196
Amortization of tax credit fees	-	-
Amortization of finance fees	411	410
Bad debts - rent	2,468	7,761
(Increase) decrease in tenant receivables	5,450	2,422
(Increase) decrease in accounts receivable - other	(44)	(433)
(Increase) decrease in prepaid expenses	(2,707)	(608)
Increase (decrease) in accounts payable	1,709	(12,616)
Increase (decrease) in due to CDA	(761)	(1,675)
Increase (decrease) in accrued interest	7,989	7,990
Increase (decrease) in accrued real estate tax	2,802	(85)
Increase (decrease) in prepaid rent	(812)	1,052
Increase (decrease) in tenant security deposits	1,479	3,769
	<u>123,340</u>	<u>113,183</u>
Total adjustments		
	<u>\$ 61,590</u>	<u>\$ (6,182)</u>
Net cash provided (used) by operating activities		

See accompanying notes to financial statements.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. ORGANIZATION

Twin Ponds Phase II Family Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on April 8, 2008 and will continue until December 31, 2058 unless sooner terminated in accordance with the Partnership Agreement.

The Partnership constructed and operates a 26-unit townhome complex known as Twin Ponds Phase II Family Townhomes (the Project), located in Farmington, Minnesota. Construction was completed and units were occupied beginning in June 2012. Units are rented for terms not in excess of one year.

The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body. The Limited Partner is USB LIHTC Fund 2013-7, LLC, a Delaware limited liability company.

The Partnership was formed for the purpose of providing affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels. In order to avoid recapture of tax credits, the Partnership is required to remain in compliance with various regulations through December 31, 2026, the end of the tax credit compliance period. Noncompliance may require an adjustment to the contributed capital of the Limited Partner.

The mortgages on the Project impose restrictions on tenant qualifications, rental rates and distributions.

In general, income, losses, tax credits and available cash flow, other than from the sale of the Project, are allocated 99.99% to the Limited Partner and .01% to the General Partner. A detailed description of the allocations can be found in the Partnership Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - The Partnership maintains its cash in bank deposit accounts. The entire amount of bank balances is covered by federal depository insurance and collateral pledged by the financial institution.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Partnership considers investment instruments purchased with original maturities of three months or less to be cash equivalents. Reserves and tenant security deposits are considered restricted cash.

Tenant Receivables and Bad Debts - Tenant receivables are presented net of an allowance for estimated uncollectible amounts. Management estimates the allowance based on historical experience, the age of past due amounts, relevant economic conditions and forecasts, and the financial stability of tenants. Changes to the allowance for rent receivables are presented as a bad debts adjustment of rental revenue. Changes to the allowance for non-rent receivables are presented as a bad debts adjustment of operating expenses. No allowance was considered necessary at December 31, 2024 and 2023.

Property and Equipment - Property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 Years
Buildings and improvements	40 Years
Residential equipment	5 Years

A schedule of property and equipment appears on page 17. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Significant renewals or betterments are capitalized.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment loss was recognized in 2024 or 2023.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is included in interest expense.

Rental Revenue - Rental revenue from tenants and housing assistance payments is recognized over the period to which it relates. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the Project are operating leases. Leases are for terms not in excess of one year.

Income Taxes - The Partnership is not a taxpaying entity; therefore, no provision for income taxes has been recorded in the financial statements. All tax effects of the Partnership are passed through to the partners to be reported on their separate income tax returns.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

3. RESTRICTED CASH

Security Deposit Reserve - The Partnership is required to maintain a security deposit reserve in an amount equal to the tenant deposits plus accrued interest.

Operating Reserve - The Partnership is required to maintain an operating reserve of \$85,000 plus any deposits from cash flow, as defined in the Partnership Agreement. The Partnership may use the funds for any Partnership purpose with approval by the Limited Partner, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. In addition, the General Partner will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement.

Replacement Reserve - The Partnership is required to make deposits in the amount of \$368 per unit per year, increasing 10% every 5 years. Additional deposits will be made from cash flow, based on the payment priority set forth in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. These funds are available for any capital expenditure relating to repair or replacement of the Project, or for any other purpose approved by the Limited Partner. The Partnership made deposits of \$17,863 in 2024 and 2023.

Working Capital Reserve - The Partnership is required to maintain a working capital reserve in the amount of \$50,650 and make deposits from cash flow based on the payment priority set forth in the Partnership Agreement, until the balance of such reserve is equal to \$500,000. The reserve is available for capital improvements or replacements, operating deficits, and to pay costs of sale and refinancing with approval by the Limited Partner.

A summary of the 2024 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2024	2023
CDA	\$ 246,047	\$ 252,990
CDA - TIF	298,911	298,911
CDA - HOPE	250,000	250,000
CDA - Met Council	250,000	250,000
	1,044,958	1,051,901
Less current maturities	(7,427)	(6,943)
	<u>\$ 1,037,531</u>	<u>\$ 1,044,958</u>

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

CDA - Mortgage payable to the CDA in the initial amount of \$306,208 with interest at 6.75%, dated November 16, 2011. Principal and interest are payable in monthly installments of \$1,984 until maturity on October 1, 2042. Secured by a first mortgage on the Project; an assignment of rents; and assignment of replacement and operating reserves.

CDA TIF loan - Mortgage payable to the CDA in the amount of \$298,911 with simple interest at 1%, dated November 16, 2011. Principal and interest are due upon the earliest to occur of the occurrence of an event of default; a sale or transfer of the Project, except as permitted by the CDA HOPE loan agreement; a refinancing of any loan secured by the Project; or October 1, 2042. Secured by a second mortgage on the Project and an assignment of rents and leases.

CDA HOPE loan - Mortgage payable to the CDA in the amount of \$250,000 with simple interest at 1%, dated November 16, 2011. Principal and interest are due upon the earliest to occur of the occurrence of an event of default; a sale or transfer of the Project; a refinancing of any loan secured by the Project; or October 1, 2042. Secured by a third mortgage on the Project and an assignment of rents and leases.

CDA Met Council loan - Mortgage payable to the CDA in the amount of \$250,000 with simple interest at 1%, dated November 16, 2011. Principal and interest are due upon the earliest to occur of the occurrence of an event of default; a sale or transfer of the Project, except as permitted by the CDA HOPE loan agreement; a refinancing of any loan secured by the Project; or October 1, 2042. Secured by a fourth mortgage on the Project and an assignment of rents and leases.

Maturities of long-term debt are as follows:

2025	\$ 7,427
2026	7,944
2027	8,497
2028	9,089
2029	9,722
Thereafter	<u>1,002,279</u>
	<u>\$ 1,044,958</u>

The mortgage notes place certain restrictions on the operation of the Project and cash distributions. These restrictions require that all apartments be rented to individuals that meet certain income guidelines.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

4. LONG-TERM DEBT (Continued)

While the debt agreements provide for payment of principal and interest on the respective maturity dates, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any one of the following events:

- sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the Project without the lender's approval
- termination of the use of the Project as low income housing
- use of the Project which violates any federal, state or local law, statute or ordinance
- default in the performance of any covenant, term or condition of the notes, loan agreements or any other agreement or mortgage relating to or encumbering the Project

Accrued interest consists of the following:

	2024	2023
Long-term:		
CDA - TIF	\$ 39,232	\$ 36,243
CDA - HOPE	32,813	30,313
CDA - Met Council	32,611	30,111
	<u>\$ 104,656</u>	<u>\$ 96,667</u>

5. RELATED PARTY TRANSACTIONS

The Partnership has agreed to pay the General Partner a non-cumulative partnership administration fee in the amount of \$7,384 per year, increasing 3% per year, payable solely from available cash flow. This fee will not accrue if unpaid. Partnership administration fees of \$10,528 and \$10,221 are included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the General Partner an incentive partnership management fee in the amount equal to the greater of 80% of available cash flow or 10% of gross rental income for such year, but in no event to exceed \$18,576 per year escalated at 3% each year beginning in 2012. This fee will not accrue if unpaid. The Partnership paid incentive partnership management fees of \$26,869 and \$18,700, which is included in partnership expenses in 2024 and 2023, respectively.

The Partnership has agreed to pay the Limited Partner an annual asset management fee of \$1,500 per year, increasing 10% every five years. This fee is payable from cash flow as defined by the Partnership Agreement and will accrue if cash flow does not provide for the fee to be paid during the year. Asset management fee expense was \$1,815 in 2024 and 2023 and is included in partnership expenses.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

5. RELATED PARTY TRANSACTIONS (Continued)

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

The General Partner has an obligation to provide funds with respect to the loss of tax credits by the Limited Partner.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2024	2023
Property management fee	\$ 29,004	\$ 28,158
Partnership administration fee	10,528	10,221
Incentive partnership management fee	26,869	18,700
On-site management, tax credit monitoring and maintenance services	41,617	32,760
Interest expense on the CDA mortgages	24,854	25,306
Amount due to (from) the CDA at year end:		
Accounts payable	414	1,482
Partnership administration fee	10,528	10,221
Mortgages payable	1,044,958	1,051,901
Accrued interest	104,656	96,667

6. COMMITMENTS

The Project is subject to an extended use agreement between the Partnership and the CDA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the Project to maintain low income occupancy (income and rent limits) for 15 years beyond the housing tax credit compliance period (for a total of 30 years). The extended use period ends on December 31, 2041.

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2024 and 2023. The 2024 projects were to remove and replace mulch and replace various appliances. The 2023 projects were to sealcoat and complete other asphalt repairs, paint and re-caulk siding, and repair brick. Project costs totaled \$3,654 in 2024 and \$45,473 in 2023. These projects were funded by replacement reserve withdrawals.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

8. OPTION, RIGHT OF FIRST REFUSAL AND PUT

The Limited Partners and the Partnership have granted to the General Partner an option to purchase the entire limited partnership interest at a price specified in the Partnership Agreement during the one year period ending December 31, 2027.

The Partnership has granted the General Partner a right of first refusal to purchase the Partnership property at the end of the housing tax credit compliance period at a specified refusal price.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2025, the date on which the financial statements were available for issue and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULES OF EXPENSES

For the Years Ended December 31, 2024 and 2023

	2024	2023
Administrative expenses:		
Administrative salaries	\$ 15,993	\$ 14,526
Administrative benefits	5,628	5,017
Legal	272	430
Auditing	4,625	4,125
Communications	189	217
Other administrative	1,804	1,294
Management fee	29,004	28,158
	<u>57,515</u>	<u>53,767</u>
Total administrative expenses	<u>\$ 57,515</u>	<u>\$ 53,767</u>
Maintenance expenses:		
Trash	\$ 9,183	\$ 9,249
Maintenance salaries	13,771	8,774
Caretaker salaries	986	954
Maintenance benefits	4,979	3,229
Materials/supplies	5,148	7,138
Vehicle expenses	796	786
Contract costs	10,381	2,012
Flooring	16,296	4,117
Grounds maintenance	7,913	8,826
Heating and air conditioning	363	3,375
Contract painting	7,723	5,165
Snow removal	6,679	9,392
Cleaning and custodial	2,065	1,572
Extraordinary maintenance	3,654	45,473
	<u>89,937</u>	<u>110,062</u>
Total maintenance expenses	<u>\$ 89,937</u>	<u>\$ 110,062</u>
Utilities expenses:		
Water/sewer	\$ 14,811	\$ 9,462
Electricity	1,113	992
Gas	1,531	4,962
	<u>17,455</u>	<u>15,416</u>
Total utilities expenses	<u>\$ 17,455</u>	<u>\$ 15,416</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 26,869	\$ 18,700
Limited Partner asset management fee	1,815	1,815
Partnership administration fee	10,528	10,221
Partnership tax fees	2,565	2,525
	<u>41,777</u>	<u>33,261</u>
Total partnership expenses	<u>\$ 41,777</u>	<u>\$ 33,261</u>

See independent auditor's report.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2024

	Beginning Balance 12/31/23	Additions	Interest	Withdrawals	Ending Balance 12/31/24
Operating reserve	\$ 164,254	\$ -	\$ 151	\$ -	\$ 164,405
Replacement reserve	119,338	17,863	113	(23,471)	113,843
Working capital reserve	377,456	6,717	350	-	384,523
	<u>\$ 661,048</u>	<u>\$ 24,580</u>	<u>\$ 614</u>	<u>\$ (23,471)</u>	<u>\$ 662,771</u>

See independent auditor's report.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2024

	Property and Equipment		
	Balance 12/31/23	Additions (Retirements)	Balance 12/31/24
Land	\$ 422,887	\$ -	\$ 422,887
Land improvements	122,871	-	122,871
Buildings	3,880,167	19,339	3,899,506
Residential equipment	39,387	-	39,387
	<u>\$ 4,465,312</u>	<u>\$ 19,339</u>	<u>\$ 4,484,651</u>

	Accumulated Depreciation			Net
	Balance 12/31/23	Depreciation (Retirements)	Balance 12/31/24	Book Value 12/31/24
Land	\$ -	\$ -	\$ -	\$ 422,887
Land improvements	94,884	8,191	103,075	19,796
Buildings	1,121,997	97,165	1,219,162	2,680,344
Residential equipment	39,387	-	39,387	-
	<u>\$ 1,256,268</u>	<u>\$ 105,356</u>	<u>\$ 1,361,624</u>	<u>\$ 3,123,027</u>

See independent auditor's report.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2024

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2022, \$3,937,499 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.