



Dakota County CDA Board of Commissioners

Agenda

Meeting Date: August 18, 2026	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 County 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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| A. Approval Of Meeting Minutes – June 23, 2026 Regular Meeting | 0 |
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4. Federal Public Housing And Housing Choice Voucher

Consent Agenda

- | | |
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| A. Approval Of Carryover Of Fiscal Year Ended June 30, 2026 Housing Voucher Budget Authority To Fiscal Year Ending June 30, 2027 | 0 |
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5. Consent Agenda

- | | |
|--|---|
| A. Approval Of Record Of Disbursements – June 2026 | 0 |
| B. Approval Of Record Of Disbursements – July 2026 | 0 |
| C. Approval Of Carryover Of Fiscal Year Ended June 30, 2026 Budget Authority To Fiscal Year Ending June 30, 2027 | 0 |
| D. Establish The Date For A Public Hearing Regarding The Disposition Of DCCDA Section 18, LLC Property | 0 |
| E. Authorization To Accept And Sign Temporary Access And Construction Easement With Metropolitan Council For CDA Land On Concord Avenue In Inver Grove Heights | 0 |
| F. Authorization To Accept And Sign Temporary Permit To Construct With State Of Minnesota Along Trunk Highway No. 3 In West St. Paul | 0 |

- G. Approval Of Budget Amendment For Rehabilitation Of Neighborhood Stabilization Program Property (Apple Valley) 0
- H. Authorization To Execute And Deliver An Omnibus Amendment To Bond Documents In Connection With The Senior Multifamily Housing Revenue Bonds (The Quill, Hastings), Series 2021 0
- I. Approval Of Budget Authority To Hire A 0.75 FTE Emergency Limited Term Special Projects Manager For The Administration Department 0

6. Regular Agenda

- A. Conduct Public Hearing To Receive Comments On The Disposition Of A DCCDA Section 18, LLC Property And Authorization To Enter Into Purchase Agreement With Qualified Buyer 0
- B. Conduct A Public Hearing For The Issuance Of Multifamily Housing Revenue Bonds, Adopt The Housing Finance Program, Approve Financing (Multifamily Housing Revenue Bonds And 4% Housing Tax Credits) For The Chancellor Manor Project (Burnsville) 0
- C. Executive Director Update

7. Information

- A. Workforce Housing Limited Partnership Audit Reports – CY 2025 0
- B. Open To Business, Q2 2026 Report 0

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 Meeting

September 22, 2026

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: June 23, 2026

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 – arrived at 3:03 p.m.
Commissioner Hamann-Roland, District 7	X	
Commissioner Velikolangara, At Large	X	

CDA staff in attendance:

Tony Schertler, Executive Director
Kari Gill, Deputy Executive Director
Sara Swenson, Director of Administration & Communications
Lisa Alfson, Director of Community & Economic Development
Maggie Dykes, Assistant Director of Community & Economic Development
Lisa Hohenstein, Director of Housing Assistance
Anna Judge, Director of Property Management
Ken Bauer, Director of Finance

Others in attendance:

Madeline Kastler, Dakota County
Brian Wisdorf, Dakota County
Emily Schug, Dakota County
CDA Interns: Sophia Jongeling; Michael Dratz; Carson Lorenzen

AUDIENCE

No audience members addressed the Board.

APPROVAL OF AGENDA AND MEETING MINUTES

26-7110 Approval Of Agenda And Meeting Minutes

BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, that the agenda for the June 23, 2026 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 May 19, 2026 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

Regular Agenda

26-7111 **Approval Of The Public Housing And Housing Voucher Operating Budget For The Fiscal Year Ending June 30, 2027**

WHEREAS, the Dakota County Community Development Agency (CDA) has completed the operating budget process for the fiscal year ending June 30, 2027; and

WHEREAS, the CDA Board of Commissioners has reviewed the proposed operating budget for the Public Housing and Housing Voucher programs for the fiscal year ending June 30, 2027.

NOW, THEREFORE, BE IT RESOVED by the Dakota County Community Development Agency Board of Commissioners, That the operating budget for the Public Housing and Housing Voucher programs for the fiscal year ending June 30, 2027, is hereby approved as follows:

Subfund/Program	Revenue	Expense	Transfers In (Out)	Reserves & Fund Balances
Public Housing	\$ 2,169,268	\$ 1,902,775	\$ -	\$ 266,493
Housing Assistance - Vouchers	36,031,436	36,538,276	(49,255)	(556,095)
Housing Assistance - Mainstream	599,698	594,914	-	4,784
Total Public Housing/Hsg Voucher	38,800,402	39,035,965	(49,255)	(284,818)
Non-Public Housing/Hsg Voucher	62,818,986	48,770,826	49,255	14,097,415
Total FYE 2027 operating budget	\$ 101,619,388	\$ 87,806,791	\$ -	\$ 13,812,597

BE IT FURTHER RESOLVED, that the HUD-52574, PPHA/IHA Board Resolution, required by the U.S. Department of Housing and Urban Development (HUD) is hereby approved; and

BE IT FURTHER RESOLVED, that the CDA authorizes the transfer of \$49,255 of pre-2004 Unrestricted Net Position in the Housing Choice Voucher program, sufficient to fund capital improvements to the CDA's Administrative Office; and

BE IT FURTHER RESOLVED, that the Executive Director is authorized to implement and carry out this budget program.

Motion: Commissioner Velikolangara

Second: Commissioner Halverson

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

26-7112 Approval Of Record Of Disbursements – May 2026

BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the May 2026 Record of Disbursements is approved as written.

26-7113 Establish The Date For A Public Hearing Regarding The Disposition Of DCCDA Section 18, LLC Property

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 one property 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 property in a timely manner once a buyer is identified, staff recommends setting a public hearing in anticipation that there will be offers prior to the public hearing date of August 18, 2026 at 3:00 p.m.; and

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

WHEREAS, Minnesota Statutes 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 August 18, 2026, at or after 3:00 p.m. at the CDA's office:

Property to be sold through the realtor:

- 16870 & 16884 Glencoe Avenue, Lakeville (duplex)

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.

26-7114 Approval Of Budget Amendment For The Construction Of Crestview Pointe In Inver Grove Heights

WHEREAS, the construction contract for Crestview Pointe senior housing development in Inver Grove Heights was awarded on March 24, 2026 at the CDA Board meeting; and

WHEREAS, the housing development bonds will not be issued prior to the end of the current fiscal year; and

WHEREAS, it has been determined that a budget amendment is needed to ensure there is a funding source for the project until such time housing development bonds can be issued; and

WHEREAS, CDA staff requests a budget amendment of up to \$15,117,965 of fund balance in the Real Estate Operations (REO) program for the construction of Crestview Pointe senior housing development in Inver Grove Heights.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Fiscal Year Ending 2026 operating budget be amended to include up to \$15,117,965 of budget authority in the Real Estate Operations program; and

BE IT FURTHER RESOLVED, That any unspent amount remaining at the end of Fiscal Year 2026 will be carried forward to the Fiscal Year Ending 2027 operating budget.

26-7115 Award Contract For Park Ridge Place (Burnsville) Elevator Modernization

WHEREAS, formal bids were received on May 28, 2026 for the Park Ridge Place Elevator Modernization; and

WHEREAS, Metro Elevator submitted a responsive bid of \$112,947; and

WHEREAS, the contracts are being recommended by Property management, and the contractor is being recommended on their prior experience; 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 be authorized to sign a contract with Metro Elevator in the amount of \$112,947 for the elevator modernization project at Park Ridge Place; and

BE IT FURTHER RESOLVED, That the Deputy Executive Director be authorized to approve change orders in an amount not to exceed \$11,294; and

BE IT FURTHER RESOLVED That unused budget authority will be carried forward to the FYE27 Budget.

26-7117 Approve Amendments To Dakota County CDA's Housing Finance Policy

WHEREAS, the Dakota County Community Development Agency (CDA) staff, in consultation with the CDA's financial advisor Northland Securities, Inc., desires to amend the CDA's Housing Finance Policy; and

WHEREAS, CDA Staff proposes amendments to the Tax Increment Financing sections of the Housing Finance Policy to comply with changes in Minnesota Statutes and be consistent with best practices.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the recommended amendments to the Housing Finance Policy, as shown in Attachment A, are hereby approved.

26-7118 Authorization To Execute Professional Services Contract For 1500 Towerview Road, Eagan

WHEREAS, the Dakota County Community Development Agency (CDA) purchased the property located at 1500 Towerview Road (Site) in June 2024; and

WHEREAS, the CDA purchased the Site to ensure proper environmental clean-up and that the Site is redeveloped cooperatively with the City of Eagan to include affordable housing on a portion of the Site; and

WHEREAS, the CDA is currently completing environmental remediation, demolishing the existing 325,765 sq. ft. building, and grading to prepare the Site for future redevelopment; and

WHEREAS, the CDA issued a Request for Proposals for consulting services related to the master site planning on March 2026; and

WHEREAS, CDA Staff received and evaluated five proposals from firms and based on cost, performance, and experience recommends entering into a professional services agreement with WSB.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director or his designee is authorized to enter into a professional services contract with WSB for consulting services related to master site planning for property located at 1500 Towerview Road in Eagan; and

BE IT FURTHER RESOLVED, That the FYE26 Real Estate Operations budget be amended to include \$135,000 from fund balance for this contract; and

BE IT FURTHER RESOLVED, That any remaining funds in the FYE26 budget for this activity be carried forward to the FYE27 budget to complete the contract with WSB.

26-7118 **Authorization To Submit Opportunity Zones 2.0 Application On Behalf Of Dakota County**

WHEREAS, Congress established the Opportunity Zones program through the Tax Cuts and Jobs Act in 2017 and reauthorized the program in 2025 to encourage long-term private investment in low-income urban and rural communities; and

WHEREAS, the Opportunity Zones program provides a federal tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing in Opportunity Zones; and

WHEREAS, each Governor is authorized to designate 25 percent of the eligible census tracts as Opportunity Zones in their state; and

WHEREAS, in Minnesota, this means the Governor can designate 73 census tracts as Opportunity Zones out of the eligible 289 census tracts; and

WHEREAS, Governor Walz has requested the four largest cities, counties, and tribal nations prioritize and recommend which eligible census tracts in their jurisdictions be designated as Opportunity Zones.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the following seven census tracts will be submitted to the Minnesota Department of Employment and Economic Development (DEED) in this ranking order for the Opportunity Zones 2.0 application:

1. 601.04 (West St. Paul)
2. 607.10 (Burnsville)
3. 609.04 (Farmington)
4. 601.01 (West St. Paul)
5. 607.48 (Burnsville)
6. 608.05 (Apple Valley)
7. 607.35 (Eagan); and

BE IT FURTHER RESOLVED, That the Director of Community and Economic Development is authorized to submit the application to DEED on behalf of Dakota County.

26-7119 **Establish A Date For A Public Hearing Regarding A Housing Finance Program And The Issuance Of Multifamily Housing Revenue Notes Or Bonds (Chancellor Manor Housing Project, Burnsville)**

WHEREAS, pursuant to Minnesota Statutes, Chapter 462C (the “Act”), the Dakota County Community Development Agency (CDA) is authorized to carry out programs to finance multifamily housing which is designed to be affordable to persons of low- and moderate-income; and

WHEREAS, the CDA received an application from Trellis, Co., on behalf of Chancellor Renovation Limited Partnership, a Minnesota limited partnership (the “Owner”), requesting the CDA to issue an amount not to exceed \$16,000,000 of multifamily housing revenue notes or bonds in one or more series of tax-exempt and/or taxable obligations (the “Bonds”) and loan the proceeds thereof to the Owner to finance the acquisition and rehabilitation of an approximately 200-unit rental housing facility and related amenities thereto, designed for occupancy by low- and moderate-income households, to be located at 14250 Irving Avenue South in the City of Burnsville, Minnesota (the “Project”); and

WHEREAS, the Act requires as a condition precedent to issuance of the Bonds that the CDA adopt a housing finance program (the “Program”) for the Project, following a public hearing for which notice is published at least ten (10) days in advance; and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”) prior to issuing tax-exempt bonds, the CDA is required to hold a public hearing regarding the issuance for which notice is published at least seven (7) days in advance; and

WHEREAS, the Owner has requested that the CDA make a declaration of official intent to issue the Bonds in order to permit the Owner to incur certain costs for which it may be reimbursed from proceeds of the Bonds, if and when issued.

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

1. That a public hearing will be held by the CDA on August 18, 2026, at or after 3 p.m. for the purpose of receiving comments regarding the Program and the issuance of the Bonds in order to satisfy the requirements of the Act and Section 147(f) of the Code.
2. That the Executive Director or his designee is hereby authorized and directed to cause notice of such public hearing to be published in a newspaper of general circulation in Dakota County, and to cause a copy of the Program to be submitted to the Metropolitan Council, not fewer than ten (10) days prior to such hearing.
3. That the CDA hereby indicates its intention to issue the Bonds to finance the Project, subject to the CDA, the Owner and the purchaser of the Bonds reaching agreement as to terms and conditions of the Bonds, satisfaction of the procedural requirements and completion of documents in form and substance satisfactory to

the CDA. This statement is not a commitment from the CDA to issue the bonds and final approval of the issuance is subject to further review by the CDA; however, this statement constitutes a declaration of official intent by the CDA, for purposes of Section 1.150-52 of the Treasury Regulations, to reimburse expenditures by the Owner for the Project from proceeds of the Bonds, if and when issued.

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			

REGULAR AGENDA

- 26- **Approval Of The Operating Budget (Excluding Public Housing And Housing**
 7120 **Voucher Operating Budgets) For The Fiscal Year Ending June 30, 2027**
Tony Schertler presented information and answered questions.

WHEREAS, the Dakota County Community Development Agency (CDA) has completed the operating budget process for the fiscal year ending June 30, 2027; and

WHEREAS, the CDA Board of Commissioners has reviewed the proposed operating budget for the fiscal year ending June 30, 2027; and

WHEREAS, the CDA Board of Commissioners has approved the operating budget for the Public Housing and Housing Voucher programs for the fiscal year ending June 30, 2027, in a separate board resolution.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the operating budget (excluding the Public Housing and Housing Voucher programs) for the fiscal year ending June 30, 2027, Is hereby approved as follows:

Subfund/Program	Revenue	Expense	Transfers In (Out)	Reserves & Fund Balances
Total Public Housing/Hsg Voucher	38,800,402	39,035,965	(49,255)	(284,818)
HD&R	2,775,021	2,864,194	179,585	90,412
HIA	16,413	2,419	-	13,994
HOPE	230,128	2,200,886	1,500,000	(470,758)
LAHA	-	300,000	(1,265,000)	(1,565,000)
Levy	12,375,708	-	(8,191,197)	4,184,511
Tax Increment	2,519,786	242,197	(889,352)	1,388,237
Common Bond	22,688,289	23,416,057	6,409,352	5,681,584
Housing Assistance - Other	2,272,814	2,297,586	56,591	31,819
Nicols Pointe	180,755	210,187	49,982	20,550
Workforce Housing LLC	4,974,552	5,895,101	1,070,039	149,490
Workforce Housing II LLC	3,043,752	3,976,002	1,080,000	147,750
Section 18 LLC	1,294,094	829,030	-	465,064
Youth Housing	371,100	440,568	-	(69,468)
Real Estate Operations	8,795,577	4,847,084	-	3,948,493
Office Building	365,417	347,271	49,255	67,401
Technology	915,580	902,244	-	13,336
Non-Public Housing/Hsg Voucher	62,818,986	48,770,826	49,255	14,097,415
Total FYE 2027 operating budget	\$ 101,619,388	\$ 87,806,791	\$ -	\$ 13,812,597

BE IT FURTHER RESOLVED, that the Executive Director is authorized to implement and carry out this budget program.

Motion: Commissioner Slavik

Second: Commissioner Hamman-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			

26-7121

Authorization To Enter Into A Purchase Agreement For Acquisition Of Properties at 1520, 1530, 1534, and 1540 Concord Street South, South St. Paul
Kari Gill presented information and answered questions.

WHEREAS, an area along Concord Street South located south of Chestnut Street and north of Poplar Street East in South St. Paul has been identified as a possible redevelopment area; and

WHEREAS, Dakota County owns four contiguous vacant parcels (Property Identification Numbers 36-45300-11-170; 36-453010-11-191; 36-45300-11-200; 36-45300-11-220, and legally described as Lots 16, 17, 18, 19, 20, 21 and 22, Block 11, LINCOLN PARK ADDITION located in Dakota County, Minnesota according to the

recorded plat thereof) located at 1520, 1530, 1534 and 1540 Concord Street South in South St. Paul; and

WHEREAS, Dakota County is interested in selling and the Dakota County CDA is interested in acquiring the four lots; and

WHEREAS, an independent appraiser completed an appraisal and the appraised value for fee title of the four contiguous parcels is \$178,000; and

WHEREAS, the total acquisition cost, including estimated closing costs of \$2,000 is \$180,000; and

WHEREAS, the County Board will consider the sale of the parcels to Dakota County CDA at one of their future board meetings.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to enter into a purchase agreement for 1520, 1530, 1534, and 1540 Concord Street South, South St. Paul, pay costs related to the acquisition in an amount not to exceed \$180,000 subject to approval by the Dakota County Attorney's Office as to form; and

BE IT FURTHER ESOLVED, That the Fiscal Year Ending 2027 Operating Budget be amended to include \$180,000 of budget authority of Local Affordable Housing Aid for land acquisition, taxes and incidental costs associated with the acquisition of 1520, 1530, 1534, and 1540 Concord Street South, South St. Paul.

Motion: Commissioner Slavik

Second: Commissioner Workman

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			

26-7122

Authorization To Continue Negotiations And Enter Into A Purchase Agreement For Acquisition Of Property At 1556 Concord Street South, South St. Paul
Kari Gill presented information and answered questions.

WHEREAS, an area along Concord Street south located south of Chestnut Street and north of Poplar Street East in the City of South St. Paul has been identified as a possible redevelopment area; and

WHEREAS, Freeport Investments, Inc. owns 1556 Concord Street South (Property Identification Numbers 36-45300-11-130 and legally described as Lot 13, Block 11, Lincoln Park Addition); and

WHEREAS, Freeport Investments, Inc. is interested in selling and Dakota County CDA is interested in purchasing 1556 Concord Street South, South St. Paul.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, that the Executive Director or his designee is authorized to continue negotiations within the guidelines of the CDA's Acquisition Policy and enter into a purchase agreement for 1556 Concord Street South, South St. Pau, pay costs related to the acquisition and demolition in an amount not to exceed \$250,000, subject to approval by the Dakota County Attorney's Office as to form; and

BE IT FURTHER RESOLVED, That the Fiscal Year Ending 2027 operating budget be amended to include \$250,000 of budget authority of Local Affordable Housing Aid for land acquisition, taxes and closing costs, environmental assessment, and demolition associated with the acquisition of 1556 Concord Street South, South St. Paul

Motion: Commissioner Hamann-Roland

Ayes: 8

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			

INFO

Executive Director Update

Tony Schertler provided information.

26-7123

Closed Executive Session: Executive Director's Mid-Year Performance Evaluation

WHEREAS, upon adoption of a resolution by majority vote, the CDA Board is authorized, pursuant to Minn. Stat. § 13D.05 3(a), to hold a closed executive session to discuss the performance of an individual who is subject to its authority; and

WHEREAS, the CDA Board of Commissioners desires to meet to discuss the mid-year performance of the Executive Director.

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

meeting on June 23, 2026 to discuss the mid-year performance of the Executive Director.

Motion: Commissioner Hamann-Roland

Second: Commissioner Halverson

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			

INFO

Information

No items

26-7124

Adjournment

BE IT RESOLVED, that the Dakota County Community Development Agency Board of Commissioners, hereby adjourns until Tuesday, August 18, 2026.

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 4:00 p.m.

Clerk to the Board



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 4A

DEPARTMENT: Finance

FILE TYPE: Federal - Consent

TITLE

Approval Of Carryover Of Fiscal Year Ended June 30, 2026 Housing Voucher Budget Authority To Fiscal Year Ending June 30, 2027

PURPOSE/ACTION REQUESTED

Approve carryover of Fiscal Year Ended June 30, 2026 Housing Voucher budget authority to Fiscal Year Ending June 30, 2027.

SUMMARY

As staff works to close the fiscal year that just ended, several projects and work items have been identified that were not fully completed by June 30, 2026. To complete these projects and items, unspent budget authority will need to be carried forward from the Fiscal Year Ended June 30, 2026 operating budget to the Fiscal Year Ending June 30, 2027 operating budget. A listing of these carryover items is as follows:

Program	Description	Amount
Housing Assistance	Office furniture - standing workstation modifications	\$13,000
	TOTAL	\$13,000

RECOMMENDATION

Staff recommends approval of the carryover of Fiscal Year Ended June 30, 2026 Housing Voucher budget authority to Fiscal Year Ending June 30, 2027.

EXPLANATION OF FISCAL/FTE IMPACTS

Transfer \$13,000 of unspent Housing Voucher budget authority from Fiscal Year Ended June 30, 2026 to Fiscal Year Ending June 30, 2027.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County CDA has adopted a Housing Voucher operating budget for the Fiscal Year Ended June 30, 2026; and

WHEREAS, the CDA had \$13,000 of uncompleted projects and work items relating to the Housing Voucher operating budget for the Fiscal Year Ended June 30, 2026; and

WHEREAS, the CDA wishes to carry forward the unspent budget authority relating to these uncompleted projects and items to the Housing Voucher operating budget for the Fiscal Year Ending June 30, 2027.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That \$13,000 of Fiscal Year Ended June 30, 2026 Housing Voucher budget authority be carried forward to the operating budget for the Fiscal Year Ending June 30, 2027.

PREVIOUS BOARD ACTION

25-6974; 6/24/2025

ATTACHMENTS

None.

CONTACT

Department Head: Ken Bauer, Finance Director

Author: Chris Meyer, Assistant Director of Finance



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5A

DEPARTMENT: Finance

FILE TYPE: Regular - Consent

TITLE

Approval Of Record Of Disbursements – June 2026

PURPOSE/ACTION REQUESTED

Approve Record of Disbursements for June 2026.

SUMMARY

In June 2026, the Dakota County Community Development Agency (CDA) had \$8,667,269.58 in disbursements and \$621,102.36 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 June 2026.

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 June 2026 Record of Disbursements is approved as written.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

Attachment A: Record of Disbursements – June 2026

CONTACT

Department Head: Ken Bauer, Finance Director

Author: Chris Meyer, Assistant Director of Finance

**Dakota County CDA
Record of Disbursements
For the month of June 2026**

	Date	Amount	Total
Common Bond Housing			
	06/22/26	<u>\$ 5,558.66</u>	
			\$ 5,558.66
Disbursing			
	06/01/26	\$ 92,738.35	
	06/04/26	\$ 1,585,559.74	
	06/11/26	\$ 507,511.74	
	06/18/26	\$ 1,201,238.39	
	06/25/26	<u>\$ 1,600,282.31</u>	
			\$ 4,987,330.53
Housing Assistance			
	06/01/26	\$ 3,168,431.70	
	06/18/26	<u>\$ 103,051.90</u>	
			\$ 3,271,483.60
Housing Development & Renewal			
	06/04/26	<u>\$ 402,896.79</u>	
			\$ 402,896.79
Total Disbursements			<u><u>\$ 8,667,269.58</u></u>
June 2026 Payroll			
	06/12/26	\$ 302,459.54	
	06/26/26	<u>\$ 318,642.82</u>	
Total Payroll			<u><u>\$ 621,102.36</u></u>

Disbursement detail is available in the Finance Office



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5B

DEPARTMENT: Finance

FILE TYPE: Regular - Consent

TITLE

Approval Of Record Of Disbursements – July 2026

PURPOSE/ACTION REQUESTED

Approve Record of Disbursements for July 2026.

SUMMARY

In July 2026, the Dakota County Community Development Agency (CDA) had \$12,951,574.96 in disbursements and \$629,373.68 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 July 2026.

EXPLANATION OF FISCAL/FTE IMPACTS

These disbursements are included in the Fiscal Year Ending June 30, 2027 budget.

☐ None ☒ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the July 2026 Record of Disbursements is approved as written.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

Attachment A: Record of Disbursements – July 2026

CONTACT

Department Head: Ken Bauer, Finance Director

Author: Chris Meyer, Assistant Director of Finance

**Dakota County CDA
Record of Disbursements
For the month of July 2026**

	Date	Amount	Total
Common Bond Housing			
	07/20/26	<u>\$ 5,558.66</u>	
			\$ 5,558.66
Disbursing			
	07/01/26	\$ 90,247.00	
	07/02/26	\$ 658,303.16	
	07/09/26	\$ 760,299.31	
	07/16/26	\$ 1,655,992.83	
	07/23/26	\$ 2,191,919.89	
	07/30/26	<u>\$ 1,382,438.28</u>	
			\$ 6,739,200.47
Housing Assistance			
	07/01/26	\$ 3,193,731.18	
	07/16/26	<u>\$ 140,725.00</u>	
			\$ 3,334,456.18
Real Estate Operations			
	07/01/26	<u>\$ 72,359.65</u>	
			\$ 72,359.65
Tax Levy			
	07/17/26	<u>\$ 2,800,000.00</u>	
			\$ 2,800,000.00
Total Disbursements			<u><u>\$ 12,951,574.96</u></u>
July 2026 Payroll			
	07/10/26	\$ 312,150.29	
	07/24/26	<u>\$ 317,223.39</u>	
Total Payroll			<u><u>\$ 629,373.68</u></u>

Disbursement detail is available in the Finance Office



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5C

DEPARTMENT: Finance

FILE TYPE: Regular - Consent

TITLE

Approval Of Carryover Of Fiscal Year Ended June 30, 2026 Budget Authority To Fiscal Year Ending June 30, 2027

PURPOSE/ACTION REQUESTED

Approve carryover of Fiscal Year Ended June 30, 2026 budget authority to Fiscal Year Ending June 30, 2027.

SUMMARY

As staff works to close the fiscal year that just ended, several projects and work items have been identified that were not fully completed by June 30, 2026. To complete these projects and items, unspent budget authority will need to be carried forward from the Fiscal Year Ended June 30, 2026 operating budget to the Fiscal Year Ending June 30, 2027 operating budget. A listing of these carryover items is as follows:

Program	Description	Amount
Housing Development & Renewal	Stand-alone economic development website = \$100,000; Redevelopment incentive grant (RIG): \$250,000 for West St. Paul – YMCA Redevelopment Project, \$92,786 for South St. Paul – Concord Business Center, \$35,362 for Rosemount – North Wind LLC, & \$125,000 for South St. Paul – Wakota Crossing Phase I	\$603,148
Real Estate Operations	Environmental due diligence/demolition oversight/holding costs at 1500 Towerview Road in Eagan	\$558,235
HOPE	Residential rehab loans (7)	\$43,476
LAHA	Funding Workforce Housing LLC EM & capital improvements = \$15,838, Countywide radon = \$299,084, Denmark WHLP – supportive services & rental assistance = \$26,741, Concord properties – property betterments = \$80,838	\$422,501
Tax Increment Financing	Funding Common Bond Housing and Workforce Housing LLC EM & capital improvements = \$31,205, TIF11 – Valley Station Apartments = \$2,000,000, TIF16 – Dakota Woodlands multifamily loan = \$88,152	\$2,119,357
Common Bond Housing	Various Capital/EM projects (Attachment A-1)	\$1,524,616
Common Bond Housing	TIF funding of Common Bond Housing EM & capital improvements	(\$30,000)

Housing Assistance	Bring It Home Rental Assistance Program startup costs	\$26,545
Youth Housing	Replace appliances	\$5,000
Workforce Housing LLC	Various Capital/EM projects (Attachment A-2)	\$82,730
Workforce Housing LLC	TIF funding of Workforce Housing LLC EM & capital improvements	(\$1,205)
Workforce Housing LLC	LAHA funding of Workforce Housing LLC EM & capital improvements	(\$15,838)
Workforce Housing II LLC	Various Capital/EM projects (Attachment A-3)	\$16,500
Technology	CDA website hosting/redesign = \$40,702 and Power BI startup = \$54,868	\$95,570
Real Estate Operations	Capital/EM management fee revenue: Common Bond Housing = \$138,602, Workforce Housing LLC = \$7,521, and Workforce Housing II LLC = \$1,500	(\$147,623)
TOTAL		\$5,303,012

RECOMMENDATION

Staff recommends approval of the carryover of Fiscal Year Ended June 30, 2026 budget authority to Fiscal Year Ending June 30, 2027.

EXPLANATION OF FISCAL/FTE IMPACTS

Transfer \$5,303,012 of unspent budget authority from Fiscal Year Ended June 30, 2026 to Fiscal Year Ending June 30, 2027.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County CDA has adopted an operating budget for the Fiscal Year Ended June 30, 2026; and

WHEREAS, the CDA had \$5,303,012 of uncompleted projects and work items relating to the operating budget for the Fiscal Year Ended June 30, 2026; and

WHEREAS, the CDA wishes to carry forward the unspent budget authority relating to these uncompleted projects and items to the operating budget for the Fiscal Year Ending June 30, 2027.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That \$5,303,012 of Fiscal Year Ended June 30, 2026 budget authority be carried forward to the operating budget for the Fiscal Year Ending June 30, 2027.

PREVIOUS BOARD ACTION

25-6979; 6/24/2025

ATTACHMENTS

Attachment A-1: Extraordinary Maintenance Project List

Attachment A-2: Extraordinary Maintenance Project List

Attachment A-3: Extraordinary Maintenance Project List

CONTACT

Department Head: Ken Bauer, Finance Director

Author: Chris Meyer, Assistant Director of Finance

**ATTACHMENT A-1: EXTRAORDINARY MAINTENANCE PROJECT LIST
COMMON BOND HOUSING
FOR YEAR ENDED JUNE 30, 2026**

Project #	Dept	Staff	Description	G/L Code	Budget Carryover	Comments
Eagan - Oakwoods						
CBF 05-03	HD	JB	Replace com board- phone room water mitigation	cbfund.4611-00-000	15,000.00	
CBF 05-04	HD	JB	Paint garage walls	cbfund.4611-00-000	16,500.00	
CBF 05-05	HD	TB	Add an updater/reader at elevator lobby	cbfund.4611-00-000	3,822.00	Carryover from FYE 6/30/2025
CBF 05-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	3,532.00	
					<u>38,854.00</u>	
Hastings - Mississippi Terrace						
CBF 06-02	HD	VM	Elevator power unit	cbfund.4611-00-000	116,996.00	
CBF 06-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	11,700.00	
					<u>128,696.00</u>	
South St. Paul - River Heights Terrace						
CBF 09-01	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	25,000.00	
CBF 09-02	HD	NS	Replace 4 boilers, one pump assembly and supply piping	cbfund.4611-00-000	39,000.00	
CBF 09-03	HD	TB	Replace Schlage access control hardware	cbfund.4611-00-000	75,000.00	
CBF 09-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	13,900.00	
					<u>152,900.00</u>	
Mendota Heights - Parkview Plaza						
CBF 10-02	HD	TB	Replace Schlage access control hardware	cbfund.4611-00-000	130,000.00	
CBF 10-03	HD	NS	Replace community room furniture	cbfund.4611-00-000	3,000.00	Carryover from FYE 6/30/2025
CBF 10-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	13,300.00	
					<u>146,300.00</u>	
Burnsville II - Park Ridge Place						
CBF 13-01	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	25,000.00	
CBF 13-04	HD	NS	Add gutter gard along backside of building	cbfund.4611-00-000	17,000.00	
CBF 13-05	HD	VM	Elevator modernization (previously "power unit")	cbfund.4611-00-000	112,927.00	
CBF 13-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	15,493.00	
					<u>170,420.00</u>	
Apple Valley II - Cortland Square						
CBF 14-01	HD	TB	Tuckpoint and new cap at chimney near patio	cbfund.4611-00-000	3,859.00	
CBF 14-03	HD	VM	Elevator modernization (previously "power unit")	cbfund.4611-00-000	30,000.00	Transfer in from TIF 11 (cbfund.3660-00-000)
CBF 14-05	HD	TB	Repair cricket and roof near chimney at library	cbfund.4611-00-000	2,400.00	Carryover from FYE 6/30/2024
CBF 14-06	HD	NS	Replace community room chairs	cbfund.4611-00-000	43,200.00	
CBF 14-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	7,946.00	
					<u>87,405.00</u>	

Project #	Dept	Staff	Description	G/L Code	Budget Carryover	Comments
Inver Grove Heights II - Cahill Commons						
CBF 16-02	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	25,000.00	
CBF 16-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	2,500.00	
					27,500.00	
Eagan III - Lakeside Pointe						
CBF 18-03	HD	TB	Replace Schlage access control hardware	cbfund.4611-00-000	125,000.00	
CBF 18-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	12,500.00	
					137,500.00	
West St. Paul II - The Dakotah						
CBF 19-04	HD	VM	Waterproof the elevator pit	cbfund.4611-00-000	24,523.00	Carryover from FYE 6/30/2025
CBF 19-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	2,452.00	
					26,975.00	
Hastings II - Rivertown Court						
CBF 20-01	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	12,849.00	
CBF 20-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	1,285.00	
					14,134.00	
South St. Paul II - Dakota Heights						
CBF 21-01	HD	NS	Replace windows and roof	cbfund.4611-00-000	237,778.00	Carryover from FYE 6/30/2025
CBF 21-02	HD	TB	Replace Schlage access control hardware	cbfund.4611-00-000	80,000.00	
CBF 21-03	HD	JB	Address deflection in the retaining wall	cbfund.4611-00-000	65,000.00	
CBF 21-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	38,278.00	
					421,056.00	
Eagan IV - Oakwoods East						
CBF 22-02	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	25,000.00	Carryover from FYE 6/30/2025
CBF 22-06	HD	TB	Add an updater/reader at elevator lobby	cbfund.4611-00-000	3,500.00	
CBF 22-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	2,850.00	
					31,350.00	
Lakeville III - Crossroads Commons						
CBF 23-02	HD	JB	Landscape improvement- metal edging and rock	cbfund.4611-00-000	25,000.00	
CBF 23-04	HD	TB	Increase access control for stairwell security	cbfund.4611-00-000	12,000.00	
CBF 23-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	3,700.00	
					40,700.00	
Farmington - Vermillion River Crossing						
CBF 26-03	HD	JB	Repair and reflash flat roof areas around boiler exhaust	cbfund.4611-00-000	74,660.00	Carryover from FYE 6/30/2025
CBF 26-04	HD	NS	Repair/replace a few community room chairs	cbfund.4611-00-000	5,000.00	
CBF 26-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	7,966.00	
					87,626.00	
Inver Grove Heights III - Hillcrest						
CBF 28-01	HD	TB	Repair retaining wall near the parking lot	cbfund.4611-00-000	12,000.00	
CBF 28-AD	HD	N/A	HD admin fee	cbfund.4195-01-000	1,200.00	
					13,200.00	

Project #	Dept	Staff	Description	G/L Code	Budget Carryover	Comments
			TOTAL		<u>1,524,616.00</u>	
			Capital management fee revenue	reoper.3433-00- 000.HD.EMF	138,602.00	

ATTACHMENT A-2: EXTRAORDINARY MAINTENANCE PROJECT LIST
WORKFORCE HOUSING LLC
FOR YEAR ENDED JUNE 30, 2026

Project #	Dept	Staff	Description	G/L Code	Budget Carryover	Comments
Apple Valley - Glenbrook						
WH 19-02	HD	TB	Replace soffit and fascia	glenbr.4611-00-000	1,205.00	Transfer in from TIF 11 (glenbr.3660-00-000)
WH 19-04	HD	TB	Sealcoat	glenbr.4611-00-000	16,916.00	
WH 21-AD	HD	N/A	HD admin fee	glenbr.4195-01-000	1,812.00	
					19,933.00	
Lakeville - Cedar Valley						
WH 24-02	HD	TB	Replace landscape edging with metal	cedarv.4611-00-000	20,000.00	
WH 24-AD	HD	N/A	HD admin fee	cedarv.4195-01-000	2,000.00	
					22,000.00	
Mendota Heights - Hillside Gables						
WH 27-01	HD	JB	Exterior rennovation-windows, siding, roof	hillsi.4611-00-000	15,838.00	Transfer in from LAHA (hillsi.3660-00-000)
WH 27-AD	HD	N/A	HD admin fee	hillsi.4195-01-000	1,584.00	
					17,422.00	
Eagan II - Erin Place						
WH 30-01	HD	TB	Landscape mulch & plantings	erinpl.4611-00-000	21,250.00	
WH 30-AD	HD	N/A	HD admin fee	erinpl.4195-01-000	2,125.00	
					23,375.00	
TOTAL					82,730.00	
				reoper.3433-00-000.HD.EMF	7,521.00	
Capital management fee revenue						

ATTACHMENT A-3: EXTRAORDINARY MAINTENANCE PROJECT LIST
 WORKFORCE HOUSING II LLC
 FOR YEAR ENDED JUNE 30, 2026

Project #	Dept	Staff	Description	G/L Code	Budget Carryover	Comments
Inver Grove Heights - Lafayette						
WH 32-01	HD	TB	Repair/replace/paint deteriorated Hardi soffit	lafaye.4611-00-000	15,000.00	
WH 32-AD	HD	N/A	HD admin fee	lafaye.4195-01-000	1,500.00	
					16,500.00	
			TOTAL		16,500.00	
				reoper.3433-00-		
			Capital management fee revenue	000.HD.EMF	1,500.00	



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5D

DEPARTMENT: Housing Development

FILE TYPE: Regular - Consent

TITLE

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

PURPOSE/ACTION REQUESTED

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

SUMMARY

The Dakota County CDA, as the sole member of the DCCDA Section 18, LLC currently owns properties throughout Dakota County. 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 one property going on the market:

- 6463 Delliah Avenue, Inver Grove Heights (single family home)

As required by CDA's Disposition Policy, a public hearing must be held to consider the sale of this property. When an interested buyer enters into a purchase agreement 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, September 22, 2026, at 3 p.m. for the purpose of considering the terms of the sale of the property.

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 owns properties located throughout Dakota County; and

WHEREAS, the CDA is accepting offers from the public for one property 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 property in a timely manner once a buyer is identified, staff recommends setting a public hearing in anticipation that there will be offers prior to the public hearing date of September 22, 2026, at 3 p.m.; 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 22, 2026, at or after 3 p.m. at the CDA's office:

Property to be sold through the realtor:

- 6463 Delliah Avenue, Inver Grove Heights (single family home)
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 Hearing Notice

CONTACT

Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager

Attachment A: 6463 Dellah Avenue, Inver Grove Heights



Mapmap, Inc, Dakota County, MN



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 = 50 feet
7/20/2026

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 22, 2026, 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
6463 Delliah Avenue, Inver Grove Heights	Lots 12 and 11, except the South 20 feet of Lot 11, Block 17, 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 September 18, 2026. 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 22, 2026.

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: August 18, 2026

Agenda #: 5E

DEPARTMENT: Housing Development

FILE TYPE: Regular - Consent

TITLE

Authorization To Accept And Sign Temporary Access And Construction Easement With Metropolitan Council For CDA Land On Concord Avenue In Inver Grove Heights

PURPOSE/ACTION REQUESTED

Authorization to accept \$51,300 from Metropolitan Council ("Project Grantee") for a Temporary Access and Construction Easement on Lots 13, 14 and 15, Block 19, Inver Grove Factory Addition, Dakota County, Minnesota, PID 20-36500-19-150 ("Property").

SUMMARY

Dakota County CDA ("Grantor") received a letter from Project Grantee informing Grantor that Project Grantee intends to construct a public project: Rehabilitation of the West Siphon Chamber in Inver Grove Heights and the East Siphon Chamber in St. Paul Park ("Project"). The Property is the downstream terminus of the temporary conveyance, required for the crossing of the Union Pacific Railroad and Concord Boulevard. To complete the Project temporary access and construction easement is needed on the Property.

A 12-inch sanitary force main for temporarily conveying sewer flows around 65th Street E. will be installed on the Property. The 12-inch force main will be installed inside of a bored 18-inch steel casing pipe approximately 10 feet deep and will terminate at a depth of 10 feet at the intersection of Concord Boulevard & Delilah Avenue at Maintenance Hole 10. Temporarily, there will be a Boring & Jacking pit and excavation with potentially a staging area within the parcel (see Attachment A).

The Project consists of the rehabilitation of two 20-inch siphons across the Mississippi River, from Project Grantee's lift station L31 in St Paul Park, to the intersection of 65th Street E. and Concord Boulevard in Inver Grove Heights. This Project is needed to rehabilitate critical Project Grantee's infrastructure. To accommodate this work, flow must be temporarily conveyed east to west around the existing siphons and downstream sewers discharging to a Project Grantee's interceptor along the west side of Concord Boulevard. The Property was recommended because it is a level undeveloped parcel west of Concord Boulevard with sufficient space for a jacking pit and staging area.

The City of Inver Grove Heights and Holiday Station have granted Project Grantee a temporary easement to extend the temporary conveyance through their Dog Park and Gas Station properties, respectively. Union Pacific Railroad permit requires that there will be an exterior 18-inch steel casing pipe to contain the 12-inch carrier pipe under the Union Pacific railroad, Holiday Gas Station parking lot and Concord Boulevard.

The temporary conveyance 12-inch carrier pipe will be extended, buried, to a cored connection to Project Grantee's Maintenance Hole 10 at Concord Boulevard and Delilah Avenue. Once the

temporary conveyance sewer has been installed, the area within Delilah Avenue will be backfilled and temporarily restored with asphalt pavement. This will allow traffic to resume normal operations. The area within the Property will be backfilled, compacted and restored with topsoil and grass seed throughout the temporary conveyance duration of 1-year.

Upon completion of the Project work, the 12-inch carrier pipe will be removed from both the casing pipe and the Property. Maintenance Hole 10 will be restored to its original condition and the casing pipe will be abandoned in place with a low density flowable concrete fill. The area will be restored and fully available for development. Project Grantee does request a waiver from Grantor regarding the removal of the eastern casing pipe crossing of Concord Boulevard as this casing pipe must remain in place to maintain the integrity of the Union Pacific railroad, Holiday Station parking lot and Concord Boulevard.

RECOMMENDATION

CDA staff recommends authorization to accept the \$51,300 payment from the Grantee for the 36-month Easement and authorize the Executive Director to sign the Temporary Access and Construction Easement Agreement, subject to Dakota County Attorney's review.

EXPLANATION OF FISCAL/FTE IMPACTS

The \$51,300 payment will be deposited into the Housing Development Renewal Fund.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, Metropolitan Council ("Project Grantee") has requested a Temporary Access and Construction Easement ("Easement") on CDA-owned property located in Inver Grove Heights; and

WHEREAS, the Easement is needed to allow Grantee to construction a public project: Rehabilitation of the West Siphon Chamber in Inver Grove Heights and the East Siphon Chamber in St. Paul Park (Project); and

WHEREAS, the Project will facilitate the construction, maintenance and related work for the installation of a sanitary sewer system within the permanent easement area; and

WHEREAS, the Easement will be in place from June 1, 2027 through May 31, 2030; and

WHEREAS, the Grantee will restore the Easement Area to the condition that existed prior to the Easement being granted.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to accept the \$51,3000 payment for the 36-month Easement Area and sign the Temporary Access and Construction Easement Agreement, subject to Dakota County Attorney's review of said document.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

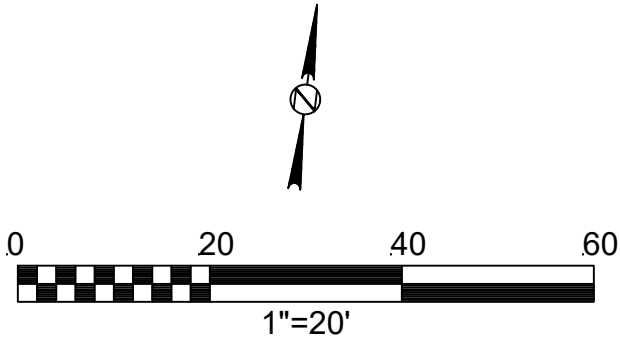
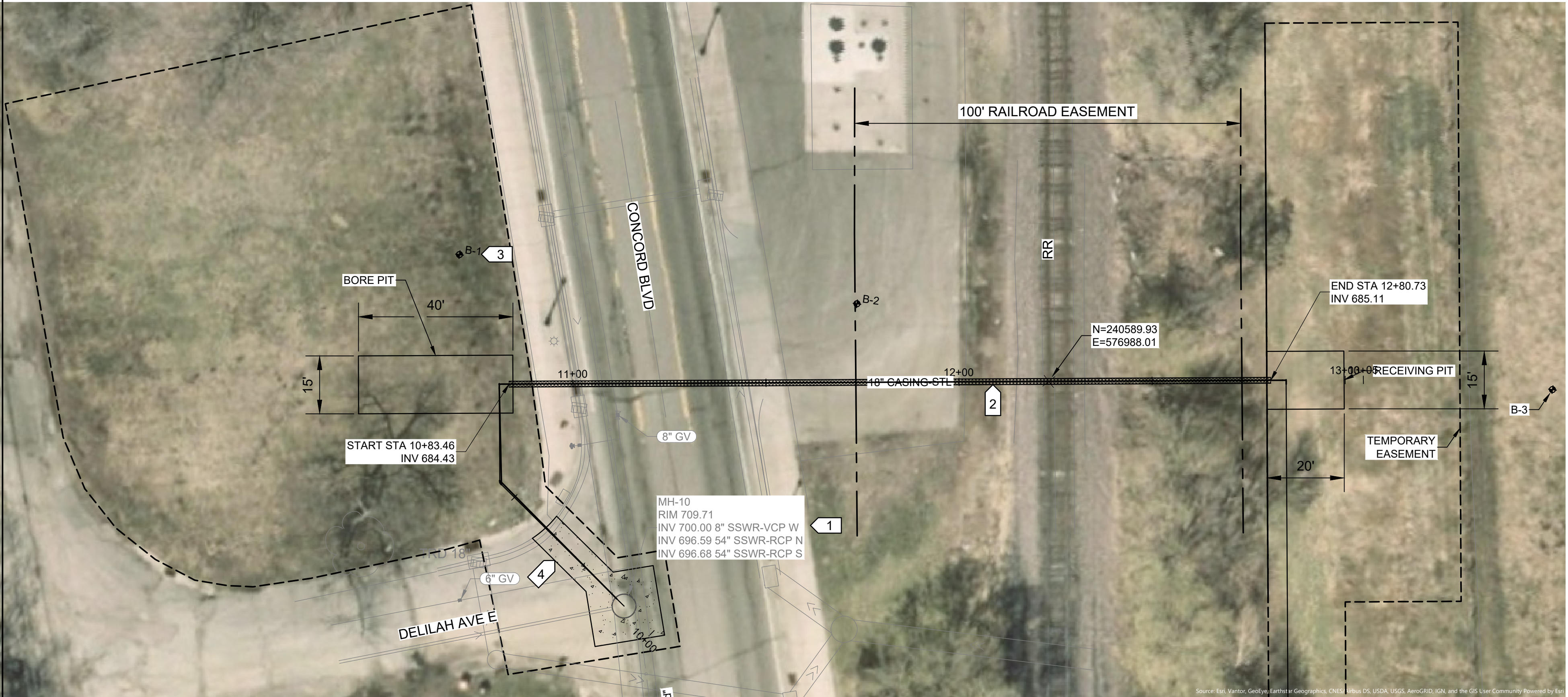
Attachment A: Area Map

Attachment B: Temporary Access and Construction Easement

CONTACT

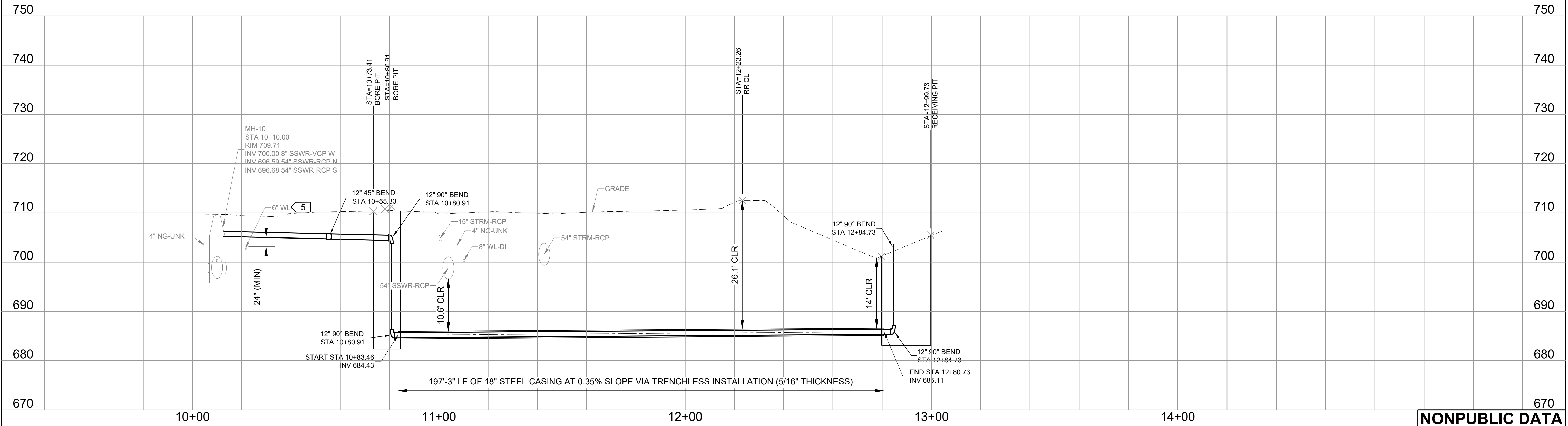
Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager



- GENERAL NOTES**
- THIS DRAWING IS INTENDED TO BE VIEWED IN COLOR.
 - ACCESS TO ALL DRIVEWAYS TO BE MAINTAINED DURING CONSTRUCTION.
 - THE CONTRACTOR SHALL BE RESPONSIBLE TO REPAIR OR REPLACE, RETURN TO EQUAL OR BETTER CONDITION ALL PAVEMENT, SIDEWALKS, DRIVEWAYS, LAWN, UTILITIES, AND OTHER ITEMS DAMAGED BY CONSTRUCTION OPERATIONS.
 - THE PRIMARY TEMPORARY CONVEYANCE LINE WILL BE IN USE FOR THE DURATION OF THE PROJECT. THE SECONDARY TEMPORARY CONVEYANCE LINE IS ONLY REQUIRED DURING CIPP INSTALLATION BETWEEN MH-46 AND MH-212.

- KEY NOTES**
- PRIMARY TEMPORARY CONVEYANCE DISCHARGE INTO MH-10. DISCHARGE TO BE BELOW GRADE THROUGH MANHOLE CONE STRUCTURE WITH PIPING EXTENDED TO SHELF OF MANHOLE. CONTRACTOR TO REMOVE TEMPORARY CONVEYANCE LINE AND REPLACE CONE STRUCTURE AFTER COMPLETION OF TEMPORARY BYPASS OPERATIONS.
 - STEEL CASING PIPE TO BE ABANDONED IN PLACE UPON COMPLETION PROJECT'S TEMPORARY CONVEYANCE REQUIREMENTS. ABANDONMENT TO INCLUDE REMOVAL OF CARRIER PIPE AND APPURTENANCES, ALONG WITH COMPLETE FILLING OF THE CASING PIPE WITH LD-CLSM. CONTRACTORS MEANS AND METHODS MUST ENSURE ALL VOID SPACE IN THE CASING PIPE HAS BEEN FILLED.
 - BORING LOGS AND SOIL TESTING RESULTS ARE INCLUDED IN SPECIFICATION XXXXX. RESULTS ARE PROVIDED AS A REFERENCE OF SOIL PROPERTIES AT SPECIFIC NEARBY LOCATIONS AT A MOMENT IN TIME. RESULTS ARE NOT INTENDED TO GUARANTEE SOIL AND/OR WATER TABLE CONDITIONS. CONTRACTOR SHALL ASSUME THAT MINOR DEVIATIONS FROM PUBLISHED RESULTS ARE LIKELY.
 - TEMPORARY CONVEYANCE LINE TO BE BURIED WITHIN DELILAH AVE. TEMPORARY ASPHALT SHALL BE PLACED OVER TRENCH DURING TEMPORARY CONVEYANCE OPERATIONS SO TRAFFIC MAY RETURN TO NORMAL OPERATIONS. ASPHALT TO BE REPLACED AS SPECIFIED AFTER TEMPORARY CONVEYANCE IS COMPLETED, CONVEYANCE PIPE HAS BEEN REMOVED AND CONE STRUCTURE OF MAINTENANCE HOLE IS REPLACED.
 - WATER MAIN ELEVATION IS APPROXIMATE. THE CONTRACTOR SHALL VERIFY THE ACTUAL WATER MAIN ELEVATION IN THE FIELD PRIOR TO CONSTRUCTION



NONPUBLIC DATA

DESIGNED JLM				DRAWN DC				CHECKED CJT				TYPED OR PRINTED NAME: CHRISTOPHER J. TIPPERY				DATE: _____ REG NO: 66610				PROJECT 809523				FILE NAME C03011				INTERCEPTOR 7111A & SIPHON 7102-2 REHABILITATION				TEMPORARY CONVEYANCE PLAN AND PROFILE				C3.11																											
NO				DATE				BY				REMARKS				NO				DATE				BY				REMARKS				NO				DATE				BY				REMARKS				NO				DATE				BY				REMARKS			

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PLOTTED: 7/16/2025 9:03:30 AM
MODIFIED: 7/16/2025 7:35:56 AM

TEMPORARY ACCESS AND CONSTRUCTION EASEMENT

This Temporary Easement ("Easement") is made by and between Dakota County Community Development Agency, a public body corporate and politic under the laws of Minnesota, ("Grantor") and the Metropolitan Council, a public corporation and political subdivision of the State of Minnesota ("Grantee") (each individually referred to as a "Party" and collectively referred to as the "Parties").

Whereas, Grantor is the fee owner of real property that is legally described on the attached **Exhibit A** ("Property"); and

Whereas, Grantee is constructing rehabilitation of the West Siphon Chamber in Inver Grove Heights and the East Siphon Chamber on the St Paul Park side of the river, (the "Project") for which it needs temporary construction easement over, under and across portions of Grantor's Property,

Whereas, the purpose of this Easement is to provide the Grantee with temporary rights of access over, across, and upon **Parcel 4**, as necessary to facilitate construction, maintenance, and related work associated with the installation of a sanitary sewer system within the adjacent permanent easement area.

For valuable consideration, the Parties agree as follows:

1. **Temporary Construction Easement.** A temporary, non-exclusive construction easement over, under and across that part of the Property legally described on the attached **Exhibit B1** and **B2** (the "Temporary Construction Easement") and depicted for reference on the attached **Exhibit C** to, without limitation, locate, install and construct the Project and associated improvements.
2. **No Structures or Impediments.** During the term of the Temporary Easements, Grantor, its heirs, successors and assigns, will not erect, construct, or create any building, improvement, obstruction, perpendicular utility crossing, or structure of any kind, either above or below the surface of the temporary easement/s, or plant any trees, or stockpile construction debris or construction equipment, or change the grade thereof of the temporary easement/s without the express written permission of the Grantee.
4. **Term of Temporary Easement.** The temporary easements defined above shall commence on June 1, 2027, or the date signed whichever is later and, subject to paragraph 8 below, expire on May 31, 2030.
5. **Restoration.** Upon completion of the Project Grantee shall restore the Easement Area to a like kind condition or the condition that existed prior to the granting of this Easement at Grantee's sole cost and expense to similar or like condition,

except where such restoration is not feasible to due to nature of the Project improvements. Grantee shall remove any Project material debris.

6. **Representation of Ownership.** Grantor represents that it is the lawful owner and is in lawful possession of the above-described real property and has the lawful right and authority to convey and grant the Easement.
7. **Notices and Demands.** All notices, requests, demands, consents, and other communications required or permitted under this Easement shall be in writing and shall be deemed to have been duly and properly given 3 business days after the date of mailing if deposited in a receptacle of the United States mail, first class postage prepaid, addressed to the intended recipient as follows:

Grantor: Dakota County CDA
1228 Town Centre Drive
Eagan, MN 55125

Grantee: Metropolitan Council
Attn: Real Estate Office
390 Robert Street North
Saint Paul, MN 55101-1805

8. **Termination, Amendment, or Release of Easement.** These Easements may only be amended by written agreement signed by the Parties or their successors or assigns. If amended, either Grantee or Grantor shall record the amendment against the Property. Grantee may release the Easements at any time at its discretion, in which case Grantee shall prepare and execute a release in recordable form, record the same against the Property at its cost, and provide Grantor with a copy of the recorded release. Notwithstanding the foregoing, the Temporary Construction and Access Easements shall terminate and be released upon the expiration of the term without further action by the Parties.

9. **Miscellaneous.**

- a. **Binding Covenant.** The provisions and conditions of this Easement shall be binding upon and inure to the benefit of the Parties and their successors and assigns and shall constitute a covenant running with the land.
- b. **Waiver.** No waiver of any provision of this Easement shall be binding unless executed in writing by the Party making the waiver. No waiver of any provision of this Easement shall be deemed to constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver unless the written waiver so specifies.
- c. **Liability.** Each Party is responsible for their own acts and omissions and the results thereof to the extent authorized by the law. This provision shall

not be construed to waive any liability limits or immunities including those arising under Minnesota Statutes Chapter 466.

- d. **Governing Law.** This Easement is governed, construed, and enforced under the laws of the State of Minnesota without regard to conflicts of law provisions.
- e. **Counterparts.** This Easement may be executed in any number of counterparts, each of which is to be deemed to be an original and the counterparts together constitute one and the same Easement. A physical copy or electronic copy of this Easement, including its signature pages, will be binding, and deemed to be an original.
- f. **Severability.** The provisions of this Easement are severable, and if any provision is held to be invalid or unenforceable, the Parties intend that the remaining provisions will remain in full force and effect.
- g. **No Presumption against Drafter.** This Easement has been negotiated at arm's length and with the opportunity for the Parties to consult legal counsel regarding its terms. Accordingly, this Easement shall be interpreted to achieve the intent and purpose of the Parties, without any presumption against the drafting party.
- h. **Authority of Signatory.** Each party to this Easement warrants to the other that it has the right and authority to enter into this Easement.

The remainder of this page is intentionally left blank.

METROPOLITAN COUNCIL,
a public corporation and political subdivision of the
State of Minnesota

By: _____
Kelly Jameson

Its: Director of Real Estate

STATE OF MINNESOTA)
) ss
COUNTY OF RAMSEY)

This instrument was acknowledged before me on the ____ day of _____, 2026,
by Kelly Jameson, Director of Real Estate of the Metropolitan Council, a public
corporation and political subdivision of the State of Minnesota, on its behalf.

Notary Public

This instrument drafted by:

Office of the General Counsel
Metropolitan Council
390 North Robert Street
Saint Paul, MN 55101

Dakota County Community Development
Agency

By _____

Its _____

And _____

Its _____

STATE OF _____)

COUNTY OF _____)

SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 2026 by _____ and _____, the _____ and _____ of Dakota County Community Development Agency, a public body corporate and politic under the laws of Minnesota, in their official capacity.

NOTARY PUBLIC

My commission expires: _____

EXHIBIT A

Legal Descriptions

Lots 13, 14 and 15, Block 19, Inver Grove Factory Addition, Dakota County,
Minnesota

Abstract Property

EXHIBIT B

Temporary Easement Legal Description – Parcel 4

Said temporary easement for sewer purposes over, under and across the following described property:

Lots 13, 14 and 15, Block 19, Inver Grove Factory Addition, according to the recorded plat thereof, Dakota County, Minnesota.

Exhibit C

PROJECT: 809523

PARCEL: Parcel 4

COUNTY: Dakota County

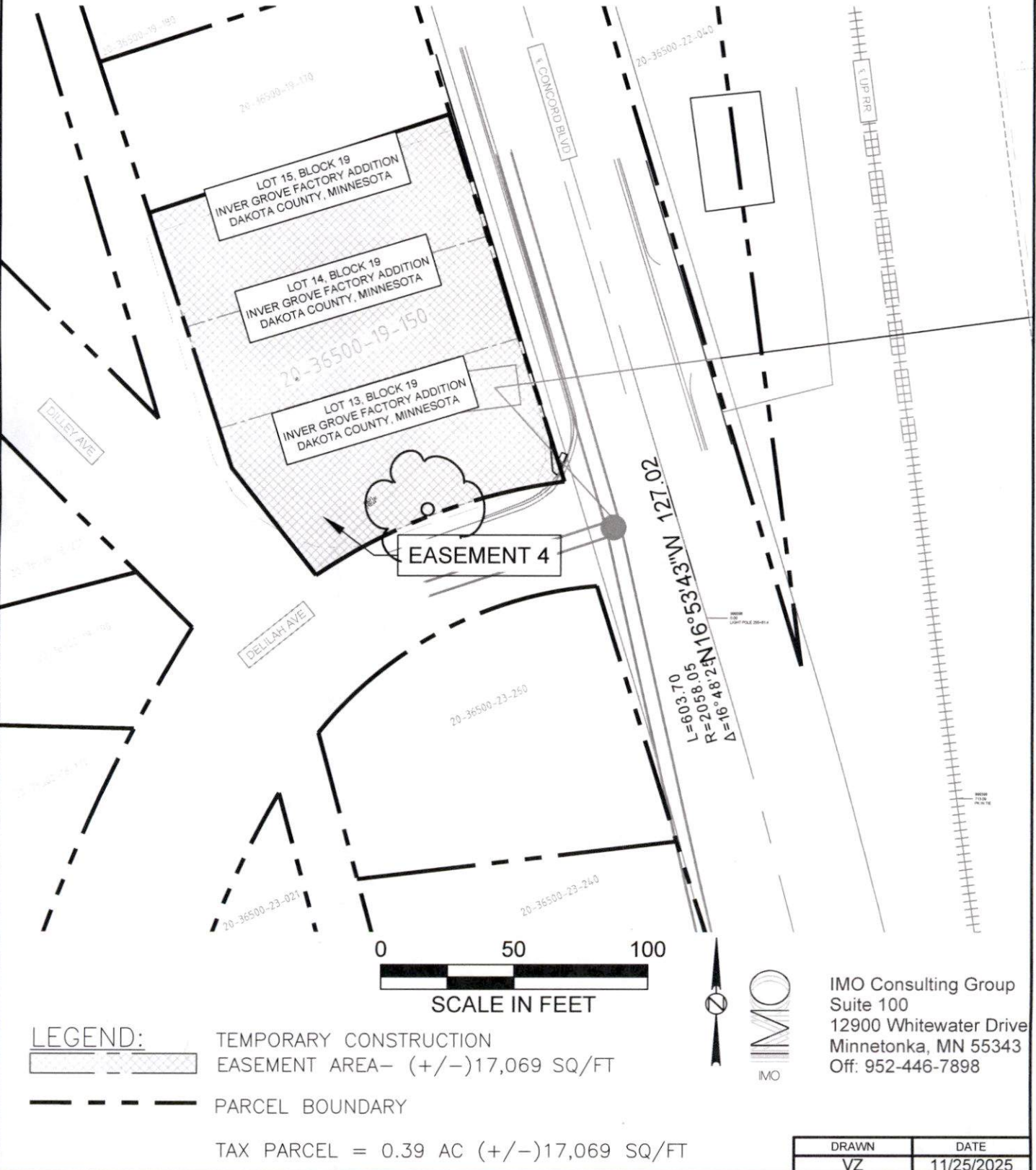
OWNER: DAKOTA COUNTY CDA

ADDRESS: 6375 CONCORD BLVD
INVER GROVE HEIGHTS, MN 55076

PID: 20-36500-19-150



K:\PROJECTS\IP074 CDM SMITH\IP074012312 INTERCEPTOR (GHDRFTNG)DWGS\102A (GH BNDRY EASEMENT 4 EXHIBIT).DWG 11/25/2025 9:11:13 AM VAN





Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5F

DEPARTMENT: Housing Development

FILE TYPE: Regular - Consent

TITLE

Authorization To Accept And Sign Temporary Permit To Construct With State Of Minnesota Along Trunk Highway No. 3 In West St. Paul

PURPOSE/ACTION REQUESTED

Authorization to temporarily allow the State of Minnesota to enter a portion of the work area that is reflected in the Right of Way Parcel Layout drawing (Attachment A).

SUMMARY

Dakota County CDA received a request from the State of Minnesota for a temporary permit to enter a portion of Lot 1, Block 1 Gateway Place as depicted in Attachment A ("Easement Area") for purposes of reconstructing the sidewalk and ramp to ensure they are ADA compliance ("S.P. 6217-50"). Much of the work to be completed will be within the City of West St. Paul easement.

The State of Minnesota will be reconstructing the sidewalk and ramp area to ensure they are ADA compliant.

RECOMMENDATION

CDA staff recommends the CDA Board of Commissioners authorize the Executive Director to sign the Temporary Permit to Construct for Governmental Entities, subject to Dakota County Attorney's review.

EXPLANATION OF FISCAL/FTE IMPACTS

N/A

☒ None ☐ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, State of Minnesota ("State") has requested a Temporary Permit to Construct ("Temporary Permit") on CDA-owned property located in West St. Paul; and

WHEREAS, the Easement is needed to allow the State to reconstruct the sidewalk and ramp area ensuring they are ADA compliant ("Project"); and

WHEREAS, the Project will facilitate the construction, maintenance and related work for the reconstruction of the sidewalk and ramp within the temporary easement area; and

WHEREAS, the Easement will be in place from when the Temporary Permit is signed and expires on December 1, 2031; and

WHEREAS, the State will restore the Easement Area to a condition that is safe, stable, free from hazards, and reasonably similar to its pre-existing condition.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to sign the Temporary Permit To Construct Agreement, subject to Dakota County Attorney's Office review.

PREVIOUS BOARD ACTION

N/A

ATTACHMENTS

Attachment A: Right of Way Parcel Layout

CONTACT

Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager



RIGHT OF WAY PARCEL LAYOUT

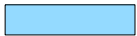
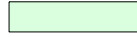
C.S. 1908(3=334)902

S.P. 6217-50

COUNTY: Dakota

PARCEL NUMBER: 26

OWNER: Dakota County Community Development Agency

	Parent Tract		Existing Highway Easement to be purchased in FEE		Existing Access Control
	New Right of Way (Fee)		Existing Other Roads Easement to be purchased in FEE		Inplace R/W Line
	Temporary Easement		Permanent Easement		New Access Control
					New R/W Line
					Temporary Easement
					Proposed Construction

ANNAPOLIS STREET

MOST NLY NE COR OF LOT 1,
BLOCK 1, GATEWAY PLACE

EXCEPT SIGN

ELY LINE OF LOT 1, BLOCK
1, GATEWAY PLACE

AZ: 270°31'41"

AZ: 270°31'41"

AZ: 179°32'15"

AZ: 90°31'41"

AZ: 359°32'15"

AZ: 179°32'15"

SOUTH ROBERT STREET

T.E. = 21 SQ. FT.

T.E. EXPIRES: 12/01/2031

LAYOUT SKETCH BY: JB

47 DATE: 4/23/2026



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5G

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Consent

TITLE

Approval Of Budget Amendment For Rehabilitation Of Neighborhood Stabilization Program Property (Apple Valley)

PURPOSE/ACTION REQUESTED

Approve an amendment to the Fiscal Year Ending (FYE) 2027 operating budget to use up to \$98,318 of Neighborhood Stabilization Program (NSP) reserves for the rehabilitation of the four-plex property located at 14349, 14351, 14353, and 14355 Hayes Road, Apple Valley.

SUMMARY

The U.S. Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP) was created in 2008 to assist states and local governments in addressing the effects of abandoned and foreclosed properties. Dakota County CDA received approximately \$2.7 million of HUD NSP 1 grant funds.

In April 2010, CDA acquired a four-plex residential property located at 14349, 14361, 14353, and 14355 Hayes Rd in Apple Valley for \$260,000 with NSP funds. The property was built in 1979 and has four identical units, each with two bedrooms and one bathroom. The property was significantly rehabbed in 2010 and incorporated into the CDA's rental housing portfolio to rent to income eligible households, per NSP requirements. This property has met the NSP 15-year affordability requirement and no longer is restricted or required to meet NSP rules and regulations.

The NSP Hayes property is currently in need of exterior improvements including sidewalk replacement, foundation repairs, site work, and associated activities. This work has been bid out, per State contract, at a cost of \$86,317.20. In addition to the contract costs, staff requests up to \$12,000 to secure the site (fencing), and pay for any change orders, if needed. Security of the site will be needed as the property is directly across the street from the Apple Valley High School, and this work will occur when school is in session.

As of June 30, 2026, there is approximately \$154,000 in reserves to support the ongoing operations and capital needs of the four-plex Hayes property.

RECOMMENDATION

Staff recommends approving the resolution amending the CDA FYE27 NSP Hayes budget to include up to \$96,318 for exterior capital improvements.

EXPLANATION OF FISCAL/FTE IMPACTS

The amendment would allocate up to \$98,318 in NSP Hayes reserve funds for exterior capital improvements.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the U.S. Housing and Urban Development (HUD) Neighborhood Stabilization Program (NSP) was created in 2008 to assist states and local governments in addressing the effects of abandoned and foreclosed properties; and

WHEREAS, Dakota County CDA received approximately \$2.7 million of HUD NSP 1 grant funds; and

WHEREAS, the CDA acquired the four-plex located at 14349, 14351, 14353, and 14355 Hayes Road in Apple Valley for \$260,000 with NSP funding, significantly rehabbed the property, and rented to income-eligible households, per NSP requirements; and

WHEREAS, the Hayes property was significantly rehabbed in 2010 and incorporated into the CDA's rental housing portfolio to rent to income eligible households, per NSP requirements; and

WHEREAS, this property has met the NSP 15-year affordability requirement and no longer is restricted or required to meet NSP rules and regulations; and

WHEREAS, exterior improvements are needed on the property including sidewalk replacement, foundation repairs, and site work; and

WHEREAS, the capital improvements are a total of \$86,317.20 with staff requesting an additional \$12,000 to secure the site (fencing) and pay for any change orders, if needed, for up to \$98,318 for the project; and

WHEREAS, there are sufficient reserves for the property to pay for these expenses.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Fiscal Year Ending 2027 Budget be amended to allocate up to \$98,318 for the exterior improvement project at the 14349, 14351, 14353, and 14355 Hayes Road property in Apple Valley.

PREVIOUS BOARD ACTION

10-4765; 7/13/10

ATTACHMENTS

None.

CONTACT

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

Author: Lisa Alfson



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5H

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Consent

TITLE

Authorization To Execute And Deliver An Omnibus Amendment To Bond Documents In Connection With The Senior Multifamily Housing Revenue Bonds (The Quill Project, Hastings), Series 2021

PURPOSE/ACTION REQUESTED

Authorize the execution of an Omnibus Amendment to the bond documents in connection with the senior multifamily housing revenue bonds issued for The Quill housing project located in Hastings.

SUMMARY

The Dakota County Community Development Agency (CDA) received a request from Real Estate Equities, the managing general partner of the Hastings AH I, LLLP, a Minnesota limited liability limited partnership (the "Borrower"), to amend bond documents in connection with the senior multifamily housing revenue bonds issued in 2021 (the "Bonds") for the acquisition and construction of The Quill housing project located in Hastings. The Bond Indenture established a Bond Reserve Fund to secure the repayment of the Bonds by the Borrower and on the date of bond issuance \$315,511.25 was deposited into the Bond Reserve Fund as was required in the Bond Indenture. The way the debt structure works is that the Borrower makes monthly debt service payments to the trustee and then trustee uses those debt service payments to pay the bond holders twice a year. The Bond Reserve Fund is there in case there is ever a shortfall in the debt service payment account which is used to make the bi-annual payments to the bond holders. If anything is ever drawn from the Bond Reserve Fund the Borrower is responsible to replenish it.

Real Estate Equities shared that they have only used this type of debt structure requiring a separate bond reserve fund to be held by the trustee for The Quill and one other project. All other bond projects Real Estate Equities has done either does not have this additional reserve requirement or in its place uses a Letter of Credit in lieu of cash. The requested amendment would replace the Bond Reserve Fund with a letter of credit that will be to the benefit of the trustee. Then the cash currently in the Bond Reserve Fund would be released and used to pay eligible costs (e.g., deferred developer fee). The letter of credit will serve the same purpose as the Bond Reserve Fund. Therefore; if there is a shortage in the account used for the bi-annual payment to the bond holders the trustee can draw on the letter of credit to be able to make the full payment, then the Borrower would either replace with a new letter of credit or cash.

Real Estate Equities has requested the CDA and U.S. Bank Trust Company, National Association (the "Trustee") supplement and amend documents executed in connection with the issuance of the Bonds, including but not limited to the Indenture and the Loan Agreement, to provide for the release of amounts on deposit in the Bond Reserve Fund and the addition of a letter of credit to secure the Loan Repayment obligations of the Borrower. This does not create any additional risk for the CDA or

the bond holders. Additionally, the Trustee and bond counsel have supported this structure and the Omnibus Amendment.

RECOMMENDATION

Staff recommends the Board approve the Omnibus Amendment (Amendment) to the bond documents; authorize the Executive Director to execute and deliver the Amendment; direct bond counsel to prepare an opinion of counsel with respect to the Bonds; and authorize the Executive Director to complete necessary acts required in connection with the Amendment and this resolution.

EXPLANATION OF FISCAL/FTE IMPACTS

None.

☒ None ☐ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, on September 30, 2021 (the "Date of Issuance"), in accordance with an Indenture of Trust, dated as of September 1, 2021 (the "Indenture") between the Dakota County Community Development Agency (the "CDA") and U.S. Bank Trust Company, National Association (the "Trustee"), the CDA issued its Senior Multifamily Housing Revenue Bonds (The Quill Project), Series 2021 (the "Bonds"), in the original aggregate principal amount of \$13,500,000, and loaned the proceeds derived from the sale thereof to Hastings AH I, LLLP, a Minnesota limited liability limited partnership (the "Borrower") pursuant to a Loan Agreement, dated as of September 1, 2021 (the "Loan Agreement"), between the CDA and the Borrower, for the purpose of financing a portion of the costs of the acquisition, construction and equipping of The Quill, a multifamily senior rental housing development consisting of 90 units and certain functionally related improvements thereto, designed for occupancy by low and moderate income seniors located at 211 10th Street E in the City of Hastings, Minnesota (the "Project"); and

WHEREAS, a Bond Reserve Fund was established under the Indenture to secure the repayment of the Bonds by the Borrower under the Loan Agreement (the "Loan Repayments"), and on the Date of Issuance, funds of the Borrower in the amount of \$315,511.25 were deposited to the Bond Reserve Fund as the "Bond Reserve Requirement"; and

WHEREAS, the Borrower has proposed to (i) release all amounts on deposit in the Bond Reserve Fund and apply such amounts to the payment of a developer fee incurred in connection with the Project; and (ii) secure its Loan Repayment obligations with the proceeds of a letter of credit to be provided by Bridgewater Bank, a Minnesota banking corporation (the "Letter of Credit Provider"); and

WHEREAS, the Borrower has requested that the CDA and the Trustee supplement and amend documents executed in connection with the issuance of the Bonds, including but not limited to the Indenture and the Loan Agreement, to provide for the release of amounts on deposit in the Bond Reserve Fund and the addition of a letter of credit to secure the Loan Repayment obligations of the Borrower; and

WHEREAS, there has been presented to the Board of Commissioners a form of Omnibus Amendment to Bond Documents (the "Amendment") between the CDA, the Borrower, and the Trustee, which supplements and amends the Indenture and the Loan Agreement to provide for the release of amounts on deposit in the Bond Reserve Fund and the addition of a letter of credit to secure the Loan Repayment obligations of the Borrower; and

WHEREAS, Sections 10.02 and 11.02 of the Indenture require the holder or holders of a majority of principal amount of the Bonds outstanding (the "Majority Bondholders") to consent to the proposed modifications set forth in the Amendment, and Sections 10.03 and 11.03 of the Indenture also require an opinion of counsel stating that such consent, amendment, or supplement is authorized or permitted by the Indenture, and if requested by the Trustee and the CDA an opinion of bond counsel stating, among other things, that such modifications will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; and

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

1. The Board hereby approves the form of the Amendment in substantially the form on file with the CDA, and authorizes and directs the Executive Director of the CDA, or in his absence, the Deputy Executive Director or any member of the Board of Commissioners of the CDA (the "CDA Official") to execute and deliver the Amendment in substantially the form on file, with such omissions and insertions as do not materially change the substance thereof, or as the CDA Official, in their discretion, shall determine, and the execution thereof by the CDA Official shall be conclusive evidence of such determination.
2. The Board hereby directs the preparation of one or more opinions of counsel (which may be Kutak Rock LLP, Minneapolis, Minnesota, as bond counsel to the CDA with respect to the Bonds ("Bond Counsel"), or counsel to the Borrower), to satisfy the requirements of Sections 10.03 and 11.03 of the Indenture.
3. The CDA Official is hereby authorized to do all acts and things required of him or her by or in connection with this resolution and the Amendment for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in this resolution and the Amendment.

PREVIOUS BOARD ACTION

21-6435; 7/20/2021

21-6454; 8/17/2021

21-6455; 8/17/2021

ATTACHMENTS

None.

CONTACT

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

Author: Kathy Kugel, Housing Finance Manager



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 5I

DEPARTMENT: Administration

FILE TYPE: Regular - Consent

TITLE

Approval Of Budget Authority To Hire A 0.75 FTE Limited Term Special Projects Manager For The Administration Department

PURPOSE/ACTION REQUESTED

Approval to add 0.75 FTE limited term Special Projects Manager for the Administration department.

SUMMARY

In conjunction with developing bench strength in agency departments and planning for future staffing needs, the Executive Director has requested to hire a limited term Special Projects Manager to analyze maintenance operations and capital planning models to make recommendations on future forecasts, process improvements and staffing levels.

It is anticipated that this position will end in February 2027.

RECOMMENDATION

Staff recommends revising the authorized full-time positions schedule in the FYE27 Operating Budget and Plan to increase Administration staffing by 0.75 FTE for a six-month limited term position.

EXPLANATION OF FISCAL/FTE IMPACTS

The cost to add this position is estimated to be FYE27 is estimated to be \$72,000.

☐ None ☐ Current budget ☒ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, to provide high levels of service to CDA residents, the Property Management department has determined the need for additional capacity; and

WHEREAS, the department has requested an additional 0.75 FTE Special Projects Manager position.

WHEREAS, the cost to add this position for a six-month term in the FYE27 budget is estimated to be \$72,000.

NOW, THEREFORE BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the FYE27 Operating Budget and Plan for Administration is hereby increased by 0.75 FTE; and

BE IT FURTHER RESOLVED, That the Administration budget authority in the FYE27 Operating Budget be increased by \$72,000 in the Real Operations and Housing Development Renewal Funds.

PREVIOUS BOARD ACTION

26-7120; 6/23/2026

ATTACHMENTS

N/A

CONTACT

Department Head: Sara Swenson, Director of Administration and Communications

Author: Sara Swenson



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 6A

DEPARTMENT: Housing Development

FILE TYPE: Regular - Action

TITLE

Conduct Public Hearing To Receive Comments On The Disposition Of A DCCDA Section 18, LLC Property And Authorization To Enter Into Purchase Agreement With Qualified Buyer

PURPOSE/ACTION REQUESTED

- Conduct and close the public hearing regarding the disposition of a vacant duplex property.
- Authorize the Executive Director to enter into a purchase agreement on behalf of DCCDA Section 18, LLC for one property.

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 June 23, 2026, the CDA Board set a public hearing for the disposition of one DCCDA Section 18, LLC property, a duplex located in Lakeville. Although the property is a duplex, each unit has its own lot and block number. The duplex needs to be treated as two separate parcels so each unit was listed and marketed as a single property. Eight offers were received for each property and a buyer and contingency buyer were identified after review of the offers.

RECOMMENDATION

Staff recommends conducting and closing the public hearing and approving the sale of the properties to the selected buyers.

EXPLANATION OF FISCAL/FTE IMPACTS

HUD requires the proceeds from the sale of the properties to 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, the 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, Kehui Yang, a qualified buyer, submitted the highest and/or best offer to purchase 16870 Glencoe Avenue, Lakeville and Alexander and Crystal Hamm submitted the second highest and/or best offer/bid; and

WHEREAS, Kehui Yang, a qualified buyer, submitted the highest and/or best offer to purchase 16884 Glencoe Avenue, Lakeville and Alexander and Crystal Hamm submitted the second highest and/or best offer/bid; and

WHEREAS, a public hearing was conducted on August 18, 2026, on the proposed terms of the sale of the property:

Address	Buyer	Contingency Buyers
16870 Glencoe Avenue, Lakeville	Kehui Yang	Alexander and Crystal Hamm
16884 Glencoe Avenue, Lakeville	Kehui Yang	Alexander and Crystal Hamm

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.

PREVIOUS BOARD ACTION

26-7113; 6/23/2026

ATTACHMENTS

Attachment A: Affidavit of Public Hearing

CONTACT

Department Head: Kari Gill, Deputy Executive Director

Author: Lori Zierden, Real Estate Manager

**DAKOTA COUNTY
COMMUNITY DEVELOPMENT AGENCY
PUBLIC NOTICE**

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, August 18, 2026, 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 DC-CDA Section 18 LLC is advisable:

Address	Legal Description
16870 & 16884 Glencoe Avenue, Lakeville	Lots 9 and 10, Block 8, Foxborough, 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 August 18, 2026. 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 August 18, 2026.

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
July 31, 2026
1548966



Board of Commissioners

Request for Board Action

Meeting Date: August 18, 2026

Agenda #: 6B

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Action

TITLE

Conduct A Public Hearing For The Issuance Of Multifamily Housing Revenue Bonds, Adopt The Housing Finance Program, Approve Financing (Multifamily Housing Revenue Bonds And 4% Housing Tax Credits) For The Chancellor Manor Project

PURPOSE/ACTION REQUESTED

- Conduct and close a public hearing for the issuance of Multifamily Housing Revenue Bonds.
- Adopt the Housing Finance Program related to the Multifamily Housing Revenue Bonds.
- Authorize the issuance of Multifamily Housing Revenue Bonds and the allocation of the 4% Low Income Housing Tax Credits.
- Authorize and approve the execution of related documents.

SUMMARY

The Dakota County Community Development Agency (CDA) received applications from Trellis, Co., the managing general partner of the Chancellor Manor Renovation Limited Partnership, a Minnesota limited partnership (the "Owner"), requesting the CDA to issue an amount not to exceed \$16,000,000 of multifamily housing revenue notes or bonds in one or more series (the "Bonds") and loan these proceeds to the Owner; and allocate the "automatic" 4% low income housing tax credits (Tax Credits) to the Owner. The Bonds (\$16,000,000) will be tax-exempt sourced from CDA private activity bond 2025 carryforward and 2026 entitlement. The proceeds of the Bonds and the Tax Credit equity will be used to finance the Owner's acquisition and rehabilitation of the Chancellor Manor multifamily housing project (the "Project").

The Project, built in 1972 with mainly exterior improvements completed in 2009, is a 200-unit general occupancy multifamily rental property for low- and moderate-income households located at 14250 Irving Avenue South in Burnsville. The property is comprised of 14 residential buildings, 10 detached garages, and a central community building. Chancellor Manor has a federal project based Housing Assistance (HAP) Contract for 196 of the 200 units, which allows residents to pay a percentage (up to 30%) of their income toward rent payments with the U.S. Department of Housing and Urban Development (HUD) paying the remaining rent payment. Additionally, of the 200 units there are currently 186 housing tax credit units with 10 of these units reserved for long-term homeless households.

In 2009, Chancellor Manor was acquired by CHDC Chancellor Manor Limited Partnership (the "Seller"), which is currently a wholly-owned affiliate of Trellis Co., and at that time completed mainly exterior rehabilitation. The 2009 financing sources included 9% low income housing tax credits, a CDA first mortgage, a HOPE Loan, a Minnesota Housing PARIF Loan and several other sources. The Seller plans to pay off the existing debt on the property.

The “new” Owner, of which Trellis Co. will be the general partner, acquiring the property plans to recapitalize and rehabilitate the project. Funding sources will primarily be comprised of a new HUD insured 221(d)(4) mortgage, 4% low income housing tax credit equity and a seller loan. The rehabilitation will focus on property needs not addressed in the 2009 rehabilitation and will include improvements to the residential units, renovation of the community building, mechanical replacements, selective site repairs and improvements and exterior improvements as needed. The Owner plans to issue bonds and close on the financing in October 2026 and will begin rehabilitation work soon after. A site map with a project summary is included in Attachment A.

The CDA is a suballocator of Tax Credits and is authorized to allocate Tax Credits within Dakota County. Trellis Co. has submitted the 4% Tax Credit application; staff has reviewed the application and determined the application is complete and meets the Tax Credit requirements included in the Dakota County CDA’s 2026 Qualified Allocation Plan and Procedural Manual.

Minnesota Statutes, Chapter 462C (the Act) requires that the Dakota County CDA adopt a Housing Finance Program relating to the Bonds and Section 147(f) of the Internal Revenue Code of 1986 (the Code), as amended, and hold a public hearing prior to the issuance of the Bonds. The public hearing is intended to satisfy both of these requirements. The public notice of the hearing was published in the Dakota County Tribune on August 7, 2026(Attachment B).

RECOMMENDATION

Staff recommends the Board adopt the Housing Finance Program related to the Bonds; authorize the issuance of the Bonds; make certain findings that the finance project conforms to the Dakota County CDA’s Qualified Allocation Plan for low income housing tax credits, and authorize the execution and delivery of related documents for the foregoing.

EXPLANATION OF FISCAL/FTE IMPACTS

The Bonds will be a special limited obligation of the CDA payable solely from Project revenues and other amounts pledged by the Owner under the Bond documents. No holder of the Bonds will ever have the right to compel the exercise of any taxing power of the CDA to pay the Bonds, or the interest thereon, or to enforce payment against any property of the CDA other than the CDA’s interest in the Project.

The Tax Reform Act of 1986 created the Housing Tax Credit Program as a means of raising private capital to finance affordable rental housing and the CDA is authorized under Minnesota Statutes Section 462A.222 to allocate tax credits for eligible projects in Dakota County. The tax credit is a 10-year annual reduction in the tax liability of investors in affordable housing and does not require any commitment of CDA funds. The investor, typically a private corporation, makes an initial equity contribution to the development to receive the annual tax credit.

The Borrower will pay fees to the CDA at financing closing and throughout the process to cover costs in processing these requests and administering the programs.

☒ None ☐ Current budget ☐ Amendment Requested ☐ Other

RESOLUTION

WHEREAS, the Dakota County Community Development Agency (the “Dakota County CDA”) is authorized by the laws of the State of Minnesota, particularly Minnesota Statutes, Chapters 462C and 474A, as amended (the “Act”), to issue its revenue obligations to finance multifamily rental housing

developments pursuant to housing finance programs adopted by the Dakota County CDA and to enter into any agreements in connection therewith; and

WHEREAS, the Dakota County CDA proposes to finance the acquisition, rehabilitation, and equipping of a multifamily rental housing development consisting of 200 units and certain functionally related improvements thereto, designed for occupancy by low and moderate income households to be located at 14250 Irving Avenue South in the city of Burnsville, Minnesota (the "Project"), through the issuance of the Dakota County CDA's Multifamily Housing Revenue Bonds (Chancellor Manor Project), Series 2026 (the "Bonds"); and

WHEREAS, the aggregate principal amount of the Bonds will not exceed \$16,000,000; and

WHEREAS, the Project will be owned by Chancellor Renovation Limited Partnership, a Minnesota limited partnership (the "Borrower"); and

WHEREAS, the Bonds will be issued pursuant to an Indenture of Trust (the "Indenture") between the Dakota County CDA and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"); and

WHEREAS, proceeds of the Bonds will be loaned to the Borrower pursuant to the terms of a Loan Agreement between the Dakota County CDA and the Borrower (the "Loan Agreement"); and

WHEREAS, pursuant to the Act, the Dakota County CDA has developed a Multifamily Housing Financing Program in the form attached hereto as Exhibit A (the "Program") providing for the issuance of the Bonds and has submitted the program to the Metropolitan Council as required by law; and

WHEREAS, on the date hereof, the Dakota County CDA held a public hearing, following publication of notice as required by law, regarding the adoption of the Program and the issuance of the Bonds; and

WHEREAS, the Borrower has applied to the Dakota County CDA for an allocation of "automatic" four percent low-income housing tax credits for the Project (the "Tax Credit Application"); and

WHEREAS, the Dakota County CDA may use its remaining carryforward volume cap allocation and a portion of its 2026 volume cap allocation in the amount of not to exceed \$16,000,000 to issue the Bonds; and

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

1. *Public Hearing.* That a public hearing has been conducted in accordance with law and closed.
2. *Program.* The Program is hereby adopted.
3. *Findings.* The Dakota County CDA hereby finds that the issuance, sale and delivery of the Bonds and the loan of the proceeds thereof to the Borrower to finance the Project in accordance with the Program, the Indenture and the Loan Agreement are consistent with the purposes of the Act. The Dakota County CDA further finds that the Project and the Borrower's Tax Credit Application

comply with the Dakota County CDA's 2026 Qualified Allocation Plan for low-income housing tax credits.

4. *Authorization of Issuance and Delivery of the Bonds.* In order to finance the Project, the Dakota County CDA hereby authorizes the issuance and delivery of the Bonds. The Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption prior to maturity, and shall be in such form and have such other details and provisions as are prescribed in the Indenture and the Loan Agreement in substantially the forms now on file with the Dakota County CDA, subject to such changes not inconsistent with applicable law that are approved by the Executive Director. The issuance and delivery of the Bonds shall be conclusive evidence that the Executive Director has approved all provisions of the Bonds as issued and any changes to the form of the Bonds on file with the Dakota County CDA on the date hereof. The final terms of the Bonds will be determined by the Executive Director of the Dakota County CDA, with the aggregate principal amount of the Bonds expected not to exceed \$16,000,000.

5. *Special Obligations.* The Bonds shall be special limited obligations of the Dakota County CDA payable solely from the revenues generated by the Project. The Bonds do not constitute an indebtedness, liability, general or moral obligation (except to the extent of the assets pledged to the holder of the Bonds pursuant to the Indenture) or a pledge of the faith and credit or any taxing power of the Dakota County CDA, Dakota County, the State of Minnesota, or any political subdivision thereof.

6. *Applicable Elected Representative.* The members of the Board of Commissioners of the Dakota County CDA are the elected members of the Dakota County Board of Commissioners. Accordingly, approval of the issuance of the Bonds by the Board of Commissioners constitutes approval by the applicable elected representative of the Dakota County CDA, as required by Section 147(f) of the Code.

7. *Documents.* The following documents have been submitted to the Dakota County CDA for approval:

- a. the Indenture;
- b. the Loan Agreement;
- c. a Regulatory Agreement among the Dakota County CDA, the Trustee and the Borrower;
- d. the Bonds; and
- e. a Bond Purchase Agreement among the Dakota County CDA, the Borrower and Colliers Securities LLC (the "Underwriter") related to the Bonds;

The foregoing documents to be executed by the Dakota County CDA are hereinafter referred to as the "Bond Documents."

8. *Approval and Execution of Documents.* The Executive Director of the Dakota County CDA, or in his absence, the Deputy Executive Director or any member of the Board of Commissioners of the Dakota County CDA (the "CDA Official"), is hereby authorized and directed to enter into, execute, and deliver the Bond Documents, together with any other documents necessary or convenient in connection with the issuance of the Bonds, and is hereby authorized and directed to execute and deliver the Bonds in accordance with the terms of the Indenture and the Loan Agreement. The Bond Documents shall be substantially in the form now on file with the Dakota County CDA, with such necessary and appropriate variations, omissions, and insertions as do not

materially change the substance thereof, or as the Executive Director, in his discretion, shall determine, and the execution and delivery thereof by the CDA Official shall be conclusive evidence of such determination.

The Indenture, the Loan Agreement and the Bonds shall provide the forms and conditions, covenants, rights, obligations, duties, and agreements of the holder of the Bonds and the Dakota County CDA, as set forth therein.

All the provisions of the Bond Documents, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof.

9. *Offering Documents.* The Dakota County CDA hereby consents to the preparation and distribution by the Borrower and the Underwriter of an offering document relating to the Bonds.

10. *Additional Certificates, Instruments and Documents.* The CDA Official is hereby authorized to execute and deliver, on behalf of the Dakota County CDA, such other certificates, instruments, and other documents as are necessary, customary, or appropriate in connection with the issuance, sale, and delivery of the Bonds, or are necessary to establish the validity or enforceability of the Bonds, or are required by bond counsel to establish the validity or enforceability of the Bonds or the exclusion from gross income of interest on the Bonds for purposes of federal and State of Minnesota income taxation.

11. *Volume Cap.* The Bonds will require volume cap. The Dakota County CDA has carryforward allocation in the amount of \$1,215,798 and calendar year 2026 allocation in the amount of \$35,186,610 available for qualified residential rental projects, up to \$16,000,000 of which will be used to issue the Bonds.

12. *42(m) Letters.* The Executive Director is authorized and directed to execute and deliver to the Borrower, on behalf of the Dakota County CDA, a letter or letters required by Sections 42(m)(1)(D) or 42(m)(2)(D) of the Internal Revenue Code of 1986, as amended, and to take such other actions as may be necessary or convenient in connection with the allocation to the Project by the Dakota County CDA of "automatic" four percent tax credits.

13. *Limited Liability.* All covenants, stipulations, obligations, and agreements of the Dakota County CDA contained in this resolution and the aforementioned certificates, instruments, and Bond Documents shall be deemed to be the covenants, stipulations, obligations, and agreements of the Dakota County CDA to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations, and agreements shall be binding upon the Dakota County CDA. No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned certificates, instruments, or Bond Documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board of Commissioners of the Dakota County CDA, or any officer, agent, or employee of the Dakota County CDA in that person's individual capacity, and neither the Board of Commissioners of the Dakota County CDA nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant, or agreement contained in the aforementioned certificates, instruments, or Bond Documents, or in the Bonds, or in any other document related to the Bonds, and no

obligation therein or herein imposed upon the Dakota County CDA or the breach thereof, shall constitute or give rise to any pecuniary liability of the Dakota County CDA or any charge upon its general credit or taxing powers. The Bonds shall never constitute indebtedness of the Dakota County CDA within the meaning of any provision or limitation of the Minnesota Constitution or statutes and shall not constitute or give rise to any pecuniary liability of the Dakota County CDA or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the Dakota County CDA has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement and which are to be applied to the payment of the Bonds, as provided therein.

14. *Third Parties.* Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the Dakota County CDA or any owner of the Bonds issued under the provisions of this resolution any right, remedy, or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents, and all of their provisions being intended to be and being for the sole and exclusive benefit of the Dakota County CDA and any owner from time to time of the Bonds issued under the provisions of this resolution.

15. *Invalid Provisions.* In case any one or more of the provisions of this resolution or any of the Bond Documents shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution or of the Bond Documents, but this resolution and the Bond Documents shall be construed and endorsed as if such illegal or invalid provision had not been contained therein.

16. *Bond Recital.* The Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Bonds, and precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

17. *CDA Official.* The CDA Official is hereby authorized to do all acts and things required of him or her by or in connection with this resolution, the aforementioned certificates, instruments, or Bond Documents, and the Bonds for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned certificates, instruments, and Bond Documents, and this resolution. If any person whose signature appears on any of the foregoing certificates, instruments, or Bond Documents shall cease to be a CDA Official before the date of issuance of the Bonds, such signature shall, nevertheless, be valid and sufficient for all purposes.

18. *Future Amendments.* The authority to approve, execute and deliver future amendments to the Bond Documents relating to the Bonds is hereby delegated to the Executive Director, subject to the following conditions: (a) the holder of the Bonds has consented to such amendment (if such Bondholder consent is required); (b) such amendments do not materially adversely affect the interests of the Dakota County CDA; (c) such amendments do not contravene or violate any policy of the Dakota County CDA; (d) such amendments are acceptable in form and substance to bond

counsel or other counsel retained by the Dakota County CDA to review such amendments; and (e) the Dakota County CDA has received an opinion of bond counsel to the effect that the amendments will not adversely affect the tax-exempt character of interest on the Bonds. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this resolution. The execution of any instrument by the Executive Director shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof.

EXHIBIT A

DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY

MULTIFAMILY HOUSING FINANCE PROGRAM

Pursuant to Minnesota Statutes, Chapters 462C and 474A (together, the “Act”), the Dakota County Community Development Agency (the “CDA”) is authorized to undertake multifamily housing development projects and to issue its revenue bonds to finance such projects.

Minnesota Statutes, Section 462C.03, requires the adoption of a housing program following a public hearing prior to the issuance of conduit revenue bonds or other obligations under Section 462C.

Chancellor Renovation Limited Partnership, a Minnesota limited partnership (the “Borrower”), has requested that the CDA adopt this Multifamily Housing Finance Program (the “Program”) in connection with the issuance by the CDA of its multifamily housing revenue bonds in one or more series of tax-exempt and/or taxable obligations (the “Bonds”) to finance the acquisition and rehabilitation of an approximately 200-unit rental housing facility and related amenities thereto, designed for occupancy by low and moderate income households located at 14250 Irving Avenue South in the City of Burnsville, Minnesota (the “Project”), and to be owned and operated by the Borrower.

The Project will be acquired and rehabilitated in accordance with the requirements of Subdivisions 1 and 2 of Section 462C.05 of the Act.

The CDA has determined that undertaking the Project furthers the CDA’s local and regional housing policies and is in the best interest of the public health, safety and welfare of the people of Dakota County.

Section A. Program For Financing the Project. The CDA is establishing this Program to provide financing for acquisition and rehabilitation of the Project at such costs and upon such other terms and conditions as may be determined by the CDA in accordance with the Act. The proceeds of the Bonds and certain equity generated by low-income housing tax credits will be applied by the Borrower to finance the acquisition, rehabilitation and equipping of the Project and to pay the costs of issuing the Bonds.

Section B. Local Contributions To The Program. The Borrower expects to pay certain administrative costs of the Program from Bond proceeds and revenues generated by the Project. The

Bonds will be secured by a pledge of specific revenues described in the indenture pursuant to which the Bonds will be issued. The CDA will not make any contribution to the cost of the Project. The CDA will not hire additional staff for the administration of this Program.

Section C. Standards and Requirements Relating to the Financing of the Project Pursuant to the Program. The following standards and requirements shall apply with respect to the operation of the Project by the Borrower:

- (1) Substantially all of the proceeds of the sale of the Bonds will be applied to the acquisition and rehabilitation of the Project and payment of costs of issuance. The proceeds will be made available to the Borrower pursuant to the terms of the Bond offering, which will include certain covenants to be made by the Borrower to the CDA regarding the use of proceeds and the character and use of the Project.
- (2) The Borrower, and any subsequent owner of the Project, will not arbitrarily reject an application from a proposed tenant because of race, color, creed, religion, national origin, sex, marital status, or status with regard to public assistance or disability.
- (3) Pursuant to Section 142(d) of the Internal Revenue Code of 1986, as amended, either 20% or more of the units in the Project shall be occupied by persons at 50% or less of the area median income or 40% or more of the units in the Project shall be occupied by persons at 60% or less of the area median income. Pursuant to Minnesota Statutes, Section 474A.047, Subd. 1, the maximum rent for at least 20% of the units in the Project will not exceed the area fair market rents or exception fair market rents for existing housing, if applicable, established by HUD.
- (4) Pursuant to Section 462C.05, Subd. 2 of the Act, at least 20 percent of units in the Project will be occupied by persons at 80 percent or less of the area median income.

Section D. Issuance of Bonds. To finance the Project pursuant to this Program, the CDA expects to issue the Bonds in one or more series of tax-exempt and/or taxable obligations in an aggregate principal amount not exceeding \$16,000,000. It is anticipated that the Bonds issued under this Program will have a final maturity of five years or less. The Bonds will be priced to the market at the time of issuance.

The cost of the Project may change between the date of preparation of this Program and the date of issuance of Bonds for the Project.

Section E. Severability. The provisions of this Program are severable and if any of its provisions, sentences, clauses or paragraphs shall be held unconstitutional, contrary to statute, exceeding the authority of the CDA or otherwise illegal or inoperative by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.

Section F. Amendment. The CDA shall not amend this Program, while Bonds authorized hereby are outstanding, to the detriment of the holders of such Bonds.

Section G. Volume Cap. The Bonds will require volume cap. The Issuer has carryforward allocation in the amount of \$1,215,798 and calendar year 2026 allocation in the amount of

\$35,186,610 available for qualified residential rental projects, a portion of which may be used to issue the Bonds.

PREVIOUS BOARD ACTION

26-7119; 6/23/26

ATTACHMENTS

Attachment A: Chancellor Manor Project Summary

Attachment B: Affidavit of Publication

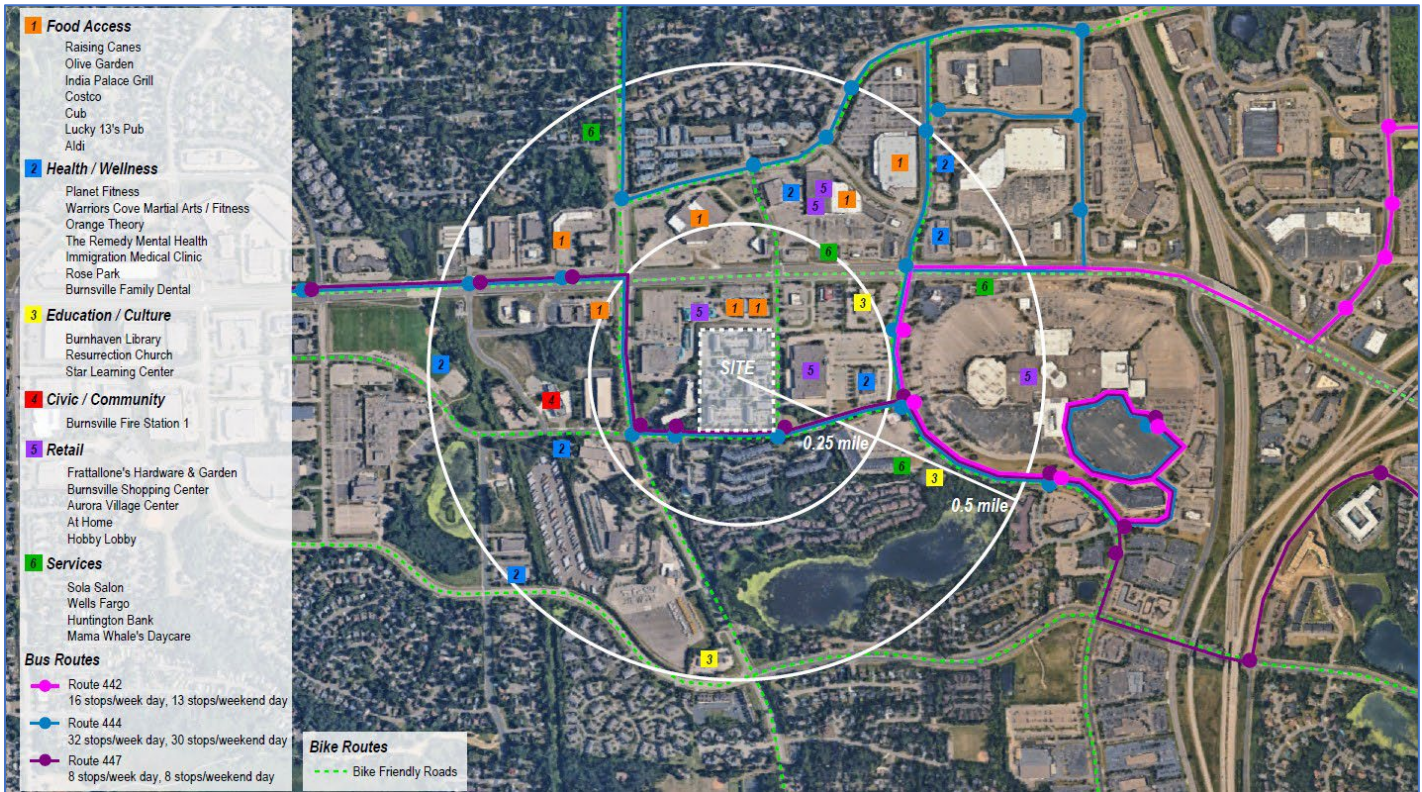
CONTACT

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

Author: Kathy Kugel, Housing Finance Manager

Attachment A. Chancellor Manor Apartments and Townhomes Affordable Housing Project Summary

Located at 114250 Irving Avenue South, Burnsville, MN 55306



Project Summary:

- Originally built in 1972
- In 2009 was acquired by current owner who completed rehab work focused on the exterior of the properties.
- Property includes 14 residential buildings, 10 detached garage buildings and a central community center, along with an outdoor play area
- 200 units of general occupancy rental housing
 - 60 one-bedroom units (30% of all units)
 - 80 two-bedroom units (40% of all units)
 - 60 three-bedroom units (30% of all units)
- Rehabilitation scope of work:
 - Site and accessory structures: replace damaged parking lots, replace 10% of sidewalks and curbs, add community patio area, bike racks and selective landscaping improvements
 - Building Envelope: add insulation to attics, mechanical room walls and selected units/walls with insulation need; waterproof mechanical room floors; garage improvements
 - Common Areas – Community Building: reconfigure and renovate the Community Building to create a new TV/lounge area with renovated kitchen and restrooms (ADA compliant) and a new laundry room
 - Common Areas – Apartments: epoxy paint mechanical room floors, paint walls in stairway and laundry room, and add panic bars to interior laundry room door
 - Common Plumbing and Sanitation Systems: replace domestic water mains in each apartment building; replace all apartment zone valve; and community room plumbing in restrooms, laundry room, and kitchen
 - Common Area Mechanical Systems: In the community building replace furnace and condensing units, water heater, install new washer/dryers and separate heating/cooling system for laundry room; at each apartment building attic replace water heaters and hot water tank; and replace boiler in apartment attic
 - Common Area Electrical Systems: replace exterior light fixtures; replace interior light fixtures in community building and corridor and laundry room in all apartments; install CCTV security cameras; replace unit load centers, new AFCI/GFCI and surge suppression
 - Dwelling Units:
 - Apartments: replace doors; patch and paint walls and ceilings; replace flooring throughout; kitchen improvements including patch and paint, replace casework, countertops, cabinet liners, replace appliances where needed, add dishwashers; bathroom improvements including patch and paint, replace toilets, vanity, bathroom accessories, mirror with medicine cabinets, shower replacements, exhaust fans, etc.; add ceiling fans, replace window treatments, replace/relocate smoke/CO detectors and replace baseboard
 - Townhomes: replace doors; patch and paint walls and ceilings; replace flooring throughout; kitchen improvements include patch and paint walls and ceiling, replace casework, countertops, sink basin and faucet, replace appliances and add dishwashers; bathroom improvements including patch and paint, replace toilets, vanity, bathroom accessories, mirror with medicine cabinets, shower replacements, exhaust fans, etc.; replace lighting, add ceiling fans, replace window treatments, replace/relocate smoke/CO detectors, replace baseboard, replace water heater, replace furnace and condensing units.

Chancellor Manor Affordability Requirements:

	All Units	<u>Current</u> Rent & Income Limits (MTSP)	<u>Current</u> Tax Credit Units	Project Based Housing Assistance Payment (HAP)	Long Term Homeless Units	(2026) Max Gross Rents (MTSP)	<u>NEW</u> Rent & Income Limits (MTSP)	<u>NEW</u> Tax Credit Units	<u>NEW</u> Tax Exempt Bond Units
Affordability		Ends 12/31/39	Ends 12/31/39		Ends 12/31/39			Min. 30 years	Min. 15 years
Number of units	200		186	196	10			200	40
Percent of Total Units	100%							100%	Min 20% of units
Rent Limits									@< FMR
1-bedroom - Apts	58	50%		HAP	3	HAP	60%	58	0
1-bedroom – Apts	2	80%		PSR	0	\$1,100	80%	2	
2-bedroom – Apts	76	50%		HAP	5	HAP	60%	76	
2-bedroom – Apts	4	50%		HAP	0	HAP	40%	4	
3-bedroom – TH	20	50%		HAP	0	HAP	60%	20	
3-bedroom – Apts	38	50%		HAP	2	HAP	60%	58	
3-bedroom - Apts	2	80%		PSR	0	\$1,750	80%	2	

Note: AMI is Area Median Income; MTSP is Multifamily Tax Subsidy Projects; FMR is Fair Market Rents;
HAP is Housing Assistance Payments (tenants pay 30% of income); PSR is Project Specific Rents

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 08/07/2026 and the last insertion being on 08/07/2026.

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 08/07/2026

J Huerta

Notary Public

**Rate Information:**

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

\$999.99 per column inch

Ad ID 1550416

**DAKOTA COUNTY
COMMUNITY
DEVELOPMENT AGENCY**

**NOTICE OF
PUBLIC HEARING
ON A HOUSING
FINANCE PROGRAM**

NOTICE IS HEREBY GIVEN that the Dakota County Community Development Agency (the "CDA") will meet on Tuesday, August 18, 2026, at or after 3:00 p.m. at 1228 Town Centre Drive, Eagan, Minnesota for the purpose of conducting a public hearing in accordance with Minnesota Statutes, Chapter 462C and Section 147(f) of the Internal Revenue Code of 1986, as amended, regarding the adoption of a housing finance program (the "**Program**") and a plan of finance, including the issuance of the Bonds described below. The Program provides for the issuance by the CDA of not to exceed \$16,000,000 of multifamily housing revenue bonds in one or more series of tax-exempt and/or taxable obligations (the "**Bonds**"), the proceeds of which will be loaned to Chancellor Renovation Limited Partnership, a Minnesota limited partnership (the "**Owner**"), to finance the acquisition and rehabilitation of an approximately 200-unit rental housing facility and related amenities thereto, designed for occupancy by low and moderate income households located at 14250 Irving Avenue South in the City of Burnsville, Minnesota (the "**Project**").

The Bonds will be issued in an aggregate principal amount anticipated not to exceed \$16,000,000. The Bonds shall be limited obligations of the CDA and the principal and interest thereon shall be payable solely from the revenues and proceeds pledged to the payment thereof. No holder of any such Bonds shall ever have the right to compel the exercise of any taxing power of the CDA to pay the Bonds, or the interest thereon, nor to enforce payment against any property of the CDA except the Project.

All persons interested can participate in one or both of the following ways:

- All persons interested may appear and be heard at the time and place set forth above.
- The public may comment in writing or via voicemail. Any comments and materials submitted by 9:00 am of the day of the meeting will be attached to the public record and available for review by the Board. Comments may be submitted to the Clerk of the Board via email at sjacobson@dakotacda.org or by voicemail at 651-675-4434.

August 7, 2026
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
August 7, 2026
155

Memo

To: CDA Board of Commissioners, Tony Schertler

From: Ken Bauer, Chris Meyer

Date: 8/5/26

Re: Workforce Housing Limited Partnership Audit Reports – CY 2025

The CDA is the General Partner in several limited partnerships. These partnerships are required to have annual financial statement audits. For 2025, ten (10) 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 August 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 Limited Partnership	2017	36
Rosemount II Limited Partnership	2019	40
Denmark Trail Workforce Housing Limited Partnership	2025	40

April 24, 2026

To the General Partner
Eagan, Minnesota

We have audited the financial statements of the limited partnerships listed below (the Partnerships) for the year ended December 31, 2025:

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
Rosemount II 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 November 11, 2025. 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

April 8, 2026

To the General Partner
Eagan, Minnesota

We have audited the financial statements of the limited partnerships listed below (the Partnerships) for the period ended June 30, 2025:

Meadowlark Family Housing Limited Partnership
Twin Ponds 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 November 11, 2025. 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 period. We noted no transactions entered into by the Partnerships during the period 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, 2025 AND 2024**

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 24, 2026

Mahoney Ulbrich
Christiansen & Russ, PA

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 185,698	\$ 201,051
Tenant receivables	7,878	9,136
Accounts receivable - other	598	598
Prepaid expenses	31,373	27,252
Total current assets	<u>225,547</u>	<u>238,037</u>
Restricted cash:		
Security deposit reserve	37,907	37,873
Operating reserve	272,785	272,539
Replacement reserve	508,236	422,647
Working capital reserve	500,450	500,460
Total restricted cash	<u>1,319,378</u>	<u>1,233,519</u>
Property and equipment	7,973,556	7,973,556
Less accumulated depreciation	<u>(2,571,385)</u>	<u>(2,397,382)</u>
Net property and equipment	<u>5,402,171</u>	<u>5,576,174</u>
 Total assets	 <u>\$ 6,947,096</u>	 <u>\$ 7,047,730</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 15,209	\$ 14,219
Accounts payable	7,970	4,228
Due to CDA	34,046	21,570
Accrued payment in lieu of taxes	24,810	23,242
Prepaid rents	1,580	1,760
Tenant security deposits	35,982	37,363
Total current liabilities	<u>119,597</u>	<u>102,382</u>
Noncurrent liabilities:		
Accrued interest - CDA TCAP	258,669	241,651
Long-term debt, less current maturities	2,102,321	2,117,530
Less unamortized finance fees	<u>(14,618)</u>	<u>(15,537)</u>
Total noncurrent liabilities	<u>2,346,372</u>	<u>2,343,644</u>
Total liabilities	<u>2,465,969</u>	<u>2,446,026</u>
Partners' equity	<u>4,481,127</u>	<u>4,601,704</u>
 Total liabilities and partners' equity	 <u>\$ 6,947,096</u>	 <u>\$ 7,047,730</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 558,039	\$ 517,893
Less vacancies	(11,266)	(6,630)
Net rental revenue	546,773	511,263
Other	29,657	19,632
Total operating revenues	576,430	530,895
Operating expenses:		
Administrative	101,698	96,694
Maintenance	158,015	194,029
Utilities	41,535	36,313
Insurance	26,522	21,426
Payment in lieu of taxes	24,810	23,242
Other	10,994	3,807
Total operating expenses	363,574	375,511
Operating income	212,856	155,384
Nonoperating revenues (expenses):		
Interest income - restricted	1,158	1,165
Interest expense	(45,606)	(46,531)
Interest expense - amortization of finance fees	(919)	(918)
Partnership expenses	(52,754)	(51,333)
Depreciation	(174,003)	(174,003)
Total nonoperating revenues (expenses)	(272,124)	(271,620)
Net loss	\$ (59,268)	\$ (116,236)

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2025 and 2024

	Limited Partner	General Partner	Total
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	3,217,366	1,384,338	4,601,704
Distributions	(61,303)	(6)	(61,309)
Net loss	<u>(59,262)</u>	<u>(6)</u>	<u>(59,268)</u>
Balance, December 31, 2025	<u>\$ 3,096,801</u>	<u>\$ 1,384,326</u>	<u>\$ 4,481,127</u>
Composed of:			
Capital contributions	\$ 4,940,302	\$ 1,384,516	\$ 6,324,818
Credit adjuster	118,000	-	118,000
Distributions	(134,897)	(14)	(134,911)
Cumulative losses	(1,764,573)	(176)	(1,764,749)
Syndication costs	<u>(62,031)</u>	<u>-</u>	<u>(62,031)</u>
Balance, December 31, 2025	<u>\$ 3,096,801</u>	<u>\$ 1,384,326</u>	<u>\$ 4,481,127</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 547,851	\$ 509,365
Interest received	1,158	1,165
Other income	29,657	19,300
Cash paid for operating expenses	(350,472)	(385,389)
Interest paid	(28,588)	(29,513)
Cash paid for partnership expenses	(52,191)	(50,786)
Tenant security deposits	<u>(1,381)</u>	<u>1,386</u>
Net cash provided (used) by operating activities	<u>146,034</u>	<u>65,528</u>
Cash flows from financing activities:		
Payments on long-term debt	(14,219)	(13,294)
Distributions	<u>(61,309)</u>	<u>(26,995)</u>
Net cash provided (used) by financing activities	<u>(75,528)</u>	<u>(40,289)</u>
Net increase in cash, cash equivalents, and restricted cash	70,506	25,239
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,434,570</u>	<u>1,409,331</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 1,505,076</u></u>	<u><u>\$ 1,434,570</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 185,698	\$ 201,051
Restricted cash	<u>1,319,378</u>	<u>1,233,519</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 1,505,076</u></u>	<u><u>\$ 1,434,570</u></u>

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (59,268)	\$ (116,236)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	174,003	174,003
Amortization of finance fees	919	918
(Increase) decrease in receivables	1,258	(3,865)
(Increase) decrease in prepaid expenses	(4,121)	(5,136)
Increase (decrease) in accounts payable	3,742	(6,057)
Increase (decrease) in due to CDA	12,476	402
Increase (decrease) in accrued interest	17,018	17,018
Increase (decrease) in accrued payment in lieu of taxes	1,568	1,460
Increase (decrease) in prepaid rents	(180)	1,635
Increase (decrease) in tenant security deposits	<u>(1,381)</u>	<u>1,386</u>
 Total adjustments	 <u>205,302</u>	 <u>181,764</u>
 Net cash provided (used) by operating activities	 <u>\$ 146,034</u>	 <u>\$ 65,528</u>

See accompanying notes to financial statements.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 was 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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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, 2025 and 2024

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 \$94,511 and \$73,962 in 2025 and 2024.

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 2025 activity in each reserve appears on page 15.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA	\$ 415,740	\$ 429,959
CDA - TCAP	1,701,790	1,701,790
	2,117,530	2,131,749
Less current maturities	(15,209)	(14,219)
	<u>\$ 2,102,321</u>	<u>\$ 2,117,530</u>

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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:

2026	\$ 15,209
2027	16,268
2028	17,401
2029	18,613
2030	19,909
Thereafter	<u>2,030,130</u>
	<u>\$ 2,117,530</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 \$19,331 and \$18,768 is included in partnership expenses in 2025 and 2024, respectively.

(Continued)

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$28,095 and \$27,277, which is included in partnership expenses in 2025 and 2024.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 55,539	\$ 53,919
Partnership administration fee	19,331	18,768
Incentive partnership management fee	28,095	27,277
On-site management, tax credit monitoring and maintenance services	78,030	68,949
Interest expense on the CDA mortgages	45,606	46,531
Amount due to the CDA at year end:		
Accounts payable	14,715	2,802
Partnership administration fee	19,331	18,768
Loans payable	2,117,530	2,131,749
Accrued interest	258,669	241,651

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 2025 and 2024.

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, 2025 and 2024

7. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2025 and 2024. The 2025 projects were to replace various appliances and repair concrete. The 2024 projects were to paint exterior trim, repair brick work, remove and replace mulch, and replace various appliances. Project costs totaled \$18,647 in 2025 and \$94,336 in 2024. These projects were partially 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 24, 2026, 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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Administrative expenses:		
Administrative salaries	\$ 29,105	\$ 27,680
Administrative benefits	10,146	9,740
Legal	201	3
Auditing	4,625	4,625
Communications	316	327
Other administrative	1,766	400
Management fee	<u>55,539</u>	<u>53,919</u>
Total administrative expenses	<u>\$ 101,698</u>	<u>\$ 96,694</u>
Maintenance expenses:		
Trash	\$ 11,662	\$ 9,102
Maintenance salaries	26,302	21,151
Caretaker salaries	2,501	2,100
Maintenance benefits	9,526	7,828
Materials/supplies	15,230	10,297
Vehicle expenses	1,534	1,377
Contract costs	13,641	7,313
Flooring	18,958	9,870
Grounds maintenance	13,119	18,441
Heating & air conditioning	1,675	1,435
Contract painting	13,866	2,669
Snow removal	8,215	7,210
Cleaning and custodial	3,139	900
Extraordinary maintenance	<u>18,647</u>	<u>94,336</u>
Total maintenance expenses	<u>\$ 158,015</u>	<u>\$ 194,029</u>
Utilities expenses:		
Water/sewer	\$ 35,059	\$ 31,468
Electricity	5,928	4,718
Gas	<u>548</u>	<u>127</u>
Total utilities expenses	<u>\$ 41,535</u>	<u>\$ 36,313</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 28,095	\$ 27,277
Limited Partner asset management fee	2,723	2,723
Partnership administration fee	19,331	18,768
Partnership tax fees	<u>2,605</u>	<u>2,565</u>
Total partnership expenses	<u>\$ 52,754</u>	<u>\$ 51,333</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 272,539	\$ -	\$ 246	\$ -	\$ 272,785
Replacement reserve	422,647	94,511	429	(9,351)	508,236
Working capital reserve	500,460	-	450	(460)	500,450
	<u>\$ 1,195,646</u>	<u>\$ 94,511</u>	<u>\$ 1,125</u>	<u>\$ (9,811)</u>	<u>\$ 1,281,471</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2025

	Property and Equipment		
	Balance	Additions	Balance
	12/31/24	(Retirements)	12/31/25
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
	Balance		Balance	Book Value
	12/31/24	Depreciation	12/31/25	12/31/25
Land	\$ -	\$ -	\$ -	\$ 1,410,556
Land improvements	240,285	18,810	259,095	23,059
Buildings	2,083,959	155,193	2,239,152	3,968,556
Residential equipment	71,176	-	71,176	-
Furniture and equipment	1,962	-	1,962	-
	<u>\$ 2,397,382</u>	<u>\$ 174,003</u>	<u>\$ 2,571,385</u>	<u>\$ 5,402,171</u>

See independent auditor's report.

APPLE VALLEY EAST FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2025

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.



**DENMARK TRAIL WORKFORCE HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE PERIOD ENDED
DECEMBER 31, 2025**

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Period Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

The Partners
Denmark Trail Workforce Housing Limited Partnership
Eagan, Minnesota

Opinion

We have audited the accompanying financial statements of Denmark Trail Workforce Housing Limited Partnership, which comprise the balance sheet as of December 31, 2025, and the related statements of operations, partners' equity, and cash flows for the period from June 25, 2024 to December 31, 2025, 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 Denmark Trail Workforce Housing Limited Partnership as of December 31, 2025, and the results of its operations and its cash flows for the period from June 25, 2024 to December 31, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Denmark Trail Workforce Housing Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Denmark Trail 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 Denmark Trail 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 Denmark Trail 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 18 and 19 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 audit 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 20, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

June 3, 2026

Mahoney Ulbrich
Christiansen & Russ, PA

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

BALANCE SHEET

December 31, 2025

ASSETS

Current assets:	
Cash and cash equivalents	\$ 73,122
Tenant receivables	7,110
Other receivables - construction observation deposit	89,670
Sales tax refund receivable	304,693
Prepaid expenses	16,839
Total current assets	<u>491,434</u>
Restricted cash:	
Security deposit reserve	<u>41,610</u>
Total restricted cash	<u>41,610</u>
Property and equipment	14,596,286
Less accumulated depreciation	<u>(181,038)</u>
Net property and equipment	<u>14,415,248</u>
Tax credit fees, net	<u>76,739</u>
Total assets	<u><u>\$ 15,025,031</u></u>

LIABILITIES AND PARTNERS' EQUITY

Current liabilities:	
Current maturities of long-term debt	\$ 21,140
Accounts payable	8,682
Due to CDA	16,082
Accrued interest, current	106
Accrued payment in lieu of taxes	6,971
Prepaid rents	922
Tenant security deposits	41,103
Total current liabilities	<u>95,006</u>
Noncurrent liabilities:	
Accrued interest, long-term	23,161
Accrued interest, bridge loan	241,584
Development fees payable	1,619,000
Bridge loan	7,738,783
Long-term debt	2,842,721
Less unamortized finance fees	<u>(23,514)</u>
Total noncurrent liabilities	<u>12,441,735</u>
Total liabilities	<u>12,536,741</u>
Partners' equity	<u>2,488,290</u>
Total liabilities and partners' equity	<u><u>\$ 15,025,031</u></u>

See accompanying notes to financial statements.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENT OF OPERATIONS

For the Period Ended December 31, 2025

Operating revenues:	
Apartment rent:	
Gross potential rent	\$ 204,010
Less vacancies	(35,879)
Rental revenue	<u>168,131</u>
Other	<u>4,126</u>
Total operating revenues	<u>172,257</u>
Operating expenses:	
Administrative	23,904
Maintenance	25,901
Utilities	15,803
Insurance	16,073
Payment in lieu of taxes	6,971
Other	<u>4,290</u>
Total operating expenses	<u>92,942</u>
Operating income	<u>79,315</u>
Nonoperating revenues (expenses):	
Interest expense	(189,757)
Interest expense - amortization of finance fees	(1,275)
Partnership expenses	(15,088)
Organizational and developmental costs	(35,380)
Depreciation	(181,038)
Amortization of tax credit fees	<u>(8,527)</u>
Total nonoperating revenues (expenses)	<u>(431,065)</u>
Net loss	<u><u>\$ (351,750)</u></u>

See accompanying notes to financial statements.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENT OF PARTNERS' EQUITY

For the Period Ended December 31, 2025

	Limited Partner	General Partner	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, June 24, 2024	\$ -	\$ -	\$ -
Capital contributions	2,013,911	846,928	2,860,839
Syndication costs	(20,799)	-	(20,799)
Net loss	<u>(351,715)</u>	<u>(35)</u>	<u>(351,750)</u>
Balance, December 31, 2025	<u><u>\$ 1,641,397</u></u>	<u><u>\$ 846,893</u></u>	<u><u>\$ 2,488,290</u></u>
Composed of:			
Capital contributions	\$ 10,194,555	\$ 846,928	\$ 11,041,483
Subscriptions receivable	(8,180,644)	-	(8,180,644)
Syndication costs	(20,799)	-	(20,799)
Cumulative losses	<u>(351,715)</u>	<u>(35)</u>	<u>(351,750)</u>
Balance, December 31, 2025	<u><u>\$ 1,641,397</u></u>	<u><u>\$ 846,893</u></u>	<u><u>\$ 2,488,290</u></u>

See accompanying notes to financial statements.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

For the Period Ended December 31, 2025

Cash flows from operating activities:	
Cash received from tenants	\$ 161,943
Other income	4,126
Cash paid for operating expenses	(89,046)
Interest paid	(4,332)
Cash paid for partnership expenses	(4,088)
Cash paid for organizational and developmental expenses	(35,380)
Tenant security deposits	41,103
Net cash provided (used) by operating activities	74,326
Cash flows from investing activities:	
Refundable sales tax payments	(304,693)
Cash paid for property and equipment	(12,894,549)
Cash paid for construction observation deposit	(89,670)
Net cash provided (used) by investing activities	(13,288,912)
Cash flows from financing activities:	
Proceeds from issuance of long-term debt	2,863,861
Proceeds from bridge loan	7,738,783
Capital contributions	2,860,839
Payment of finance and tax credit fees	(113,366)
Payment of syndication costs	(20,799)
Net cash provided (used) by financing activities	13,329,318
Net increase in cash, cash equivalents, and restricted cash	114,732
Cash, cash equivalents, and restricted cash, beginning of period	-
Cash, cash equivalents, and restricted cash, end of period	\$ 114,732
Reconciliation to the balance sheet:	
Cash and cash equivalents	\$ 73,122
Restricted cash	41,610
Total cash, cash equivalents, and restricted cash	\$ 114,732

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

For the Period Ended December 31, 2025

Reconciliation of net loss to net cash
provided (used) by operating activities:

Net loss	\$ (351,750)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation expense	181,038
Amortization of tax credit fees	8,527
Amortization of finance fees	1,275
(Increase) decrease in tenant receivables	(7,110)
(Increase) decrease in prepaid expenses	(16,839)
Increase (decrease) in accounts payable	8,682
Increase (decrease) in due to CDA	16,082
Increase (decrease) in accrued interest	185,425
Increase (decrease) in accrued payment in lieu of taxes	6,971
Increase (decrease) in prepaid rents	922
Increase (decrease) in tenant security deposits	41,103
Total adjustments	426,076
Net cash provided (used) by operating activities	\$ 74,326

Supplemental cash flow information:

Cash paid for interest expense	\$ 536
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Noncash investing and financing activities:

Capital improvement additions included in development fees payable and accrued interest	\$ 1,698,426
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See accompanying notes to financial statements.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

1. ORGANIZATION

Denmark Trail Workforce Housing Limited Partnership (the Partnership) was formed in accordance with provisions of the Minnesota Uniform Limited Partnership Act on March 28, 2018 and will continue until terminated in accordance with the Amended and Restated Agreement of Limited Partnership (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 Farmington, Minnesota. The property was acquired in June 2024 and construction was completed and the units placed in service in June through August 2025. These financial statements present the period from June 25, 2024 to December 31, 2025.

Beginning June 25, 2024, the Limited Partner was U.S. Bancorp Community Development Corporation (USB CDC), a Minnesota Corporation. USB CDC assigned its interest in the Partnership to USB LIHTC Fund 2025-4, LLC, a Delaware limited liability company, effective December 11, 2025. The General Partner is the Dakota County Community Development Agency (the CDA), a Minnesota public body and the Project Developer.

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, 2039, the end of the tax credit compliance period. In addition, the Partnership has entered into an extended use agreement extending the compliance period for 35 years beyond the tax credit compliance period (for a total of 50 years).

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.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2025.

Sales Tax Refund Receivable - The Partnership is eligible for a sales tax refund as a result of the General Partner's tax-exempt status. The expected refund relates to sales tax paid on materials and supplies used or consumed in, and equipment incorporated into, the Project during construction.

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

A schedule of property and equipment appears on page 19. 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 during the period.

Tax Credit Fees - Tax credit fees are amortized over a 10-year period using the straight-line method.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

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 \$215,334. 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 Partnership will maintain the balance of the reserve with any cash flow based on the payment priority set forth in the Partnership Agreement. At December 31, 2025, the operating reserve had not been funded.

Replacement Reserve - The Partnership is required to fund a replacement reserve. Commencing one month after stabilization (as defined in the Partnership Agreement), the Partnership will be required to make deposits in the amount of \$310 per unit per year, increasing 10% every five 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. At December 31, 2025, the replacement reserve had not been funded.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

3. RESTRICTED CASH (Continued)

Debt Service Reserve - The Partnership is required to fund a debt service reserve of at least \$133,000, to be funded from the third Limited Partner capital contribution. The reserve must be held in an interest bearing account held at U.S. Bank. Withdrawals from the debt service reserve require approval of the Limited Partner. At December 31, 2025, the debt service reserve had not been funded.

4. DEBT

Debt consists of the following:

	<u>Commitment</u>	<u>Balance</u>
CDA Bridge Loan	<u>\$ 9,000,000</u>	<u>\$ 7,738,783</u>
Long-term debt:		
CDA First Mortgage	\$ 1,600,000	\$ -
CDA HOPE Loan	750,000	750,000
CDA HOME Loan	1,689,744	1,689,744
CDA TIF Loan	402,977	402,977
CDA Revolving Loan	<u>21,140</u>	<u>21,140</u>
	<u>\$ 4,463,861</u>	<u>2,863,861</u>
Less current maturities		<u>(21,140)</u>
		<u>\$ 2,842,721</u>

CDA Bridge Loan - Mortgage payable to the CDA in the amount of \$9,000,000 with interest at 6.75%, dated June 25, 2024. Principal and interest are due on June 25, 2026. Also secured by an assignment of leases and rents. The bridge loan has been included in long-term liabilities on the balance sheet because it will be repaid with funds from the first mortgage and capital contributions.

CDA First Mortgage - Amended and restated mortgage payable to the CDA in the amount of \$1,600,000 with interest at 6.75%, dated June 25, 2024. Principal and interest is expected to be payable in monthly installments of \$10,378 beginning January 1, 2026 until maturity on December 31, 2054. The loan was funded in 2026. Also secured by an assignment of leases and rents.

CDA HOPE Loan - Mortgage payable to the CDA in the amount of \$750,000 with interest at 1%, dated June 25, 2024. Principal and interest are payable from distributions of cash flow, as outlined in the Partnership Agreement. Outstanding principal and accrued interest will be due and payable on or before December 31, 2054. Also secured by an assignment of leases and rents.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

4. DEBT (Continued)

CDA HOME Loan - Mortgage payable to the CDA in the amount of \$1,689,744 with simple interest at 1%, dated June 25, 2024. Principal and interest may be paid from distributions of cash flow, as outlined in the Partnership Agreement. Outstanding principal and accrued interest will be due and payable on or before December 31, 2054. Also secured by an assignment of leases and rents.

CDA TIF Loan - Mortgage payable to the CDA in the amount of \$402,977 without interest, dated June 25, 2024. Principal may be paid from distributions of cash flow, as outlined in the Partnership Agreement. Outstanding principal is due December 31, 2054.

CDA Revolving Loan - Loan payable to the CDA in any amount requested by the Partnership with interest at 7%, dated March 20, 2018. Outstanding principal and interest are due on demand.

Maturities of debt when fully funded are as follows:

2026 - bridge loan	\$ 9,000,000
2026	39,666
2027	18,342
2028	19,619
2029	20,985
2030	22,446
Thereafter	4,342,803
	<u>\$ 13,463,861</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. The following restrictions, among others, exist under the terms of various debt and related regulatory agreements:

- Tenants must meet income limitations to qualify for occupancy in the Project
- Lease terms must not be more than one year
- Various escrows and reserves are required as previously described

Mortgage agreements require that the debt be repaid if the Project is sold or transferred without the lender's approval; no longer used as low income housing; in violation of any federal, state or local law, statute or ordinance; or if the Partnership is in default or declares bankruptcy, unless the lender permits the debt to remain outstanding.

The Partnership incurred interest expense of \$269,180 during the period, of which \$79,423 was capitalized. Additionally, construction period interest expense - finance fees of \$3,311 was capitalized during the period.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

4. DEBT (Continued)

Accrued interest consists of the following:

Current:	
CDA Revolving loan	<u>\$ 106</u>
CDA Bridge loan	<u>\$ 241,584</u>
Long-term:	
CDA HOPE loan	\$ 6,463
CDA HOME loan	<u>16,698</u>
	<u>\$ 23,161</u>

5. LIMITED PARTNER SUBSCRIPTIONS RECEIVABLE

The Limited Partner has agreed to make capital contributions to the Partnership in the aggregate amount of \$10,194,555. The capital contributions will be made once certain conditions have been met. For a detailed description of the conditions, see the Partnership Agreement.

At December 31, 2025, remaining capital contributions are summarized as follows:

Second installment - due upon the latest of: October 1, 2025; achievement of completion; receipt of owner's title policy and endorsement; as-built survey; 10% test; all applicable insurance policies; draft cost certification; Supportive Services Agreement; estimate of credit delivery; evidence Project is anticipated to qualify for sales tax rebate; executed emergency access easement; deed evidencing transfer of Outlot A; executed access easement between Partnership and City of Farmington for Outlot A; updated capital installment notice; all requirements for previous installments have been met.	\$ 6,884,083
Third installment - due upon the latest of: April 1, 2026; all conditions of the permanent loan conversion have been met; permanent certificates of occupancy received; completion of the lease-up period; final cost certification completed; completion of all Partnership tax returns, including K-1's; projected credits for year 1 prepared; completion of the stabilization period; approval of all initial tenant and vendor leases by the Limited Partner; all requirements for previous installments have been met.	1,246,561

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

5. LIMITED PARTNER SUBSCRIPTIONS RECEIVABLE (Continued)

Fourth installment - due upon the latest of: April 1, 2026; completed 8609s received; executed extended use agreement received; all requirements for previous installments have been met.

50,000

Subscriptions receivable at December 31, 2025

\$ 8,180,644

6. CASH FLOW PRIORITY

In accordance with the Partnership Agreement, the Partnership will make cash distributions to the Partners in the following order of priority:

- 1) To pay the asset management fee and any accrued and unpaid asset management fee from prior periods;
- 2) To pay any outstanding and unpaid credit deficiencies and tax equivalency payments;
- 3) As directed by the Limited Partner, to pay any default cash flow priority;
- 4) To the Limited Partner to repay any loans or other advances made by the Limited Partner;
- 5) To pay any unpaid development fee;
- 6) To the General Partner, to pay the service coordinator fee;
- 7) To the General Partner, to pay the partnership management fee;
- 8) To fund the cash flow component of the replacement reserve;
- 9) To fund the replacement and operating reserves until they have a balance of \$1,000,000;
- 10) To pay outstanding principal and interest on the HOPE loan;
- 11) To pay outstanding principal and interest on either the HOME loan or TIF loan which the partners shall mutually agree to pay, from time to time;
- 12) The balance to the General Partner and the Limited Partner as outlined in the Partnership Agreement

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

7. RELATED PARTY TRANSACTIONS

The General Partner provides various services to the Partnership, which are summarized as follows:

Property management fee	\$ 15,990
Partnership management fee	9,000
Service coordinator fee	2,000
On-site management, tax credit monitoring and maintenance services	12,771
Interest expense on CDA mortgages	189,757
Interest capitalized on CDA mortgages	79,423
Amount due to the CDA at period end:	
Accounts payable	5,082
Partnership administration fee	9,000
Service coordinator fee	2,000
Debt and bridge loan payable	10,602,644
Accrued interest	264,851
Development fees	1,619,000

Property Management Fee - The Partnership is paying the CDA a monthly fee of \$95.75 per unit following the receipt of the certificate of occupancy for such unit. Once certificates of occupancy have been received for all units, an annual fee of \$45,960 will be paid, increasing 3% annually. Property management fees were \$15,990 for five months of property management services during the period.

Partnership Management Fee - Annual fee payable to the General Partner in the amount of \$18,000, increasing 3% per year, payable solely from available cash flow, as outlined in the Partnership Agreement, and will accrue if not paid. The partnership management fee of \$9,000 is included in partnership expenses during the period.

Service Coordinator Fee - Annual fee payable to the General Partner in the amount of \$4,000, increasing 3% per year, payable solely from available cash flow, as outlined in the Partnership Agreement, and will accrue if not paid. The service coordinator fee of \$2,000 is included in partnership expenses in during the period.

Development Fee - The Partnership has entered into a Development Services Agreement with the CDA. The CDA is to receive a fee in the amount of \$1,075,000 for development services relating to the Project and an incentive development fee of \$544,000, for a total of \$1,619,000. At December 31, 2025 the entire development fee has been earned and \$1,619,000 remains to be paid. The development fee will be paid first from available capital contributions. Any deferred portion will be payable without interest, from available cash flow, as defined in the Partnership Agreement; however, it must be paid in full by August 22, 2038. The General Partner will be required to make a capital contribution to the Partnership to pay any remaining balance due on that date.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

7. RELATED PARTY TRANSACTIONS (Continued)

Asset Management Fee - 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 \$2,083 during the period and is included in partnership expenses.

Reserve accounts are to be 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 \$215,334. Any advances will bear interest at 2% and are 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.

The CDA has guaranteed all of the General Partner's and Developer's obligations.

8. CONTINGENCIES, COMMITMENTS, AND CONCENTRATIONS

The Partnership's primary asset is the Project. The Partnership's operations are concentrated in the Farmington, Minnesota multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to rules and regulations of federal, state and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

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 35 years beyond the compliance period (for a total of 50 years). The extended use period ends on December 31, 2074.

The Partnership's housing tax credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of the Limited Partner.

Two units must be dedicated to individuals experiencing long-term homelessness. Supportive services must be provided to these tenants. The Partnership has contracted with a service provider to provide these services.

(Continued)

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Period Ended December 31, 2025

9. **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 Project or the limited partnership interest at a price specified in the Partnership Agreement for a period of two years after the end of the initial fifteen year compliance period.

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 outlined in the Partnership Agreement.

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.

10. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 3, 2026, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF EXPENSES

For the Period Ended December 31, 2025

Administrative expenses:	
Administrative salaries	\$ 5,206
Administrative benefits	1,559
Communications	51
Other administrative	1,098
Management fee	15,990
Total administrative expenses	<u>\$ 23,904</u>
Maintenance expenses:	
Trash	\$ 5,329
Maintenance salaries	3,399
Caretaker salaries	1,121
Maintenance benefits	1,086
Materials/supplies	3,623
Vehicle expenses	218
Contract costs	845
Grounds maintenance	6,016
Contract painting	469
Snow removal	3,795
Total maintenance expenses	<u>\$ 25,901</u>
Utilities expenses:	
Water/sewer	\$ 10,736
Electricity	3,842
Gas	1,225
Total utilities expenses	<u>\$ 15,803</u>
Partnership expenses:	
Limited Partner asset management fee	\$ 2,083
Partnership administration fee	9,000
Service coordinator fee	2,000
Partnership tax fees	2,005
Total partnership expenses	<u>\$ 15,088</u>
Organizational and developmental costs:	
Organization and startup	\$ 12,848
Letter of credit fees	7,532
Cost certification	15,000
Total organizational and developmental costs	<u>\$ 35,380</u>

See independent auditor's report.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Period Ended December 31, 2025

	Property and Equipment		
	Balance 06/24/24	Additions (Reclassifications)	Balance 12/31/25
Land	\$ -	\$ 874,476	\$ 874,476
Land improvements	-	824,989	824,989
Buildings	-	12,404,079	12,404,079
Residential equipment	-	492,742	492,742
	<u>\$ -</u>	<u>\$ 14,596,286</u>	<u>\$ 14,596,286</u>

	Accumulated Depreciation			Net
	Balance 6/24/24	Depreciation	Balance 12/31/25	Book Value 12/31/25
Land	\$ -	\$ -	\$ -	\$ 874,476
Land improvements	-	18,333	18,333	806,656
Buildings	-	129,855	129,855	12,274,224
Residential equipment	-	32,850	32,850	459,892
	<u>\$ -</u>	<u>\$ 181,038</u>	<u>\$ 181,038</u>	<u>\$ 14,415,248</u>

See independent auditor's report.

DENMARK TRAIL WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Period Ended December 31, 2025

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2025, \$494,045 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2026	\$ 1,158,588
2027	1,158,588
2028	1,158,588
2029	1,158,588
2030	1,158,588
2031	1,158,588
2032	1,158,588
2033	1,158,588
2034	1,158,588
2035	<u>664,543</u>
	<u>\$ 11,091,835</u>

Unaudited - See independent auditor's report.



**EAGAN NORTHWOOD FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 24, 2026

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 197,594	\$ 267,063
Tenant receivables	9,230	8,147
Prepaid expenses	36,735	29,829
Total current assets	<u>243,559</u>	<u>305,039</u>
Restricted cash:		
Security deposit reserve	38,216	37,582
Operating reserve	324,427	324,135
Replacement reserve	495,138	506,746
Working capital reserve	500,450	500,460
Total restricted cash	<u>1,358,231</u>	<u>1,368,923</u>
Property and equipment	9,469,521	9,469,521
Less accumulated depreciation	<u>(2,733,807)</u>	<u>(2,520,786)</u>
Net property and equipment	<u>6,735,714</u>	<u>6,948,735</u>
 Total assets	 <u>\$ 8,337,504</u>	 <u>\$ 8,622,697</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 8,655	\$ 8,091
Accounts payable	15,946	11,223
Due to CDA	37,178	24,804
Accrued payment in lieu of taxes	26,389	26,673
Prepaid rents	1,171	4,014
Tenant security deposits	37,706	36,731
Total current liabilities	<u>127,045</u>	<u>111,536</u>
Noncurrent liabilities:		
Accrued interest, long-term	102,651	94,912
Long-term debt, less current maturities	1,056,147	1,064,802
Less unamortized finance fees	<u>(10,445)</u>	<u>(11,026)</u>
Total noncurrent liabilities	<u>1,148,353</u>	<u>1,148,688</u>
Total liabilities	<u>1,275,398</u>	<u>1,260,224</u>
Partners' equity	<u>7,062,106</u>	<u>7,362,473</u>
 Total liabilities and partners' equity	 <u>\$ 8,337,504</u>	 <u>\$ 8,622,697</u>

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 602,622	\$ 574,120
Less vacancies	(32,916)	(3,790)
Less bad debts - rent	(122)	-
Net rental revenue	569,584	570,330
Other	12,829	12,506
Total operating revenues	582,413	582,836
Operating expenses:		
Administrative	100,667	96,900
Maintenance	224,385	154,000
Utilities	26,923	26,639
Insurance	29,099	23,546
Payment in lieu of taxes	26,389	26,673
Other	12,860	6,184
Total operating expenses	420,323	333,942
Operating income	162,090	248,894
Nonoperating revenues (expenses):		
Interest income - restricted	1,228	1,261
Interest expense	(27,669)	(28,195)
Interest expense - amortization of finance fees	(581)	(580)
Partnership expenses	(56,317)	(54,889)
Depreciation	(213,021)	(213,020)
Total nonoperating revenues (expenses)	(296,360)	(295,423)
Net loss	\$ (134,270)	\$ (46,529)

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2025 and 2024

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</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	6,985,916	376,557	7,362,473
Distributions	(166,080)	(17)	(166,097)
Net loss	<u>(134,256)</u>	<u>(14)</u>	<u>(134,270)</u>
Balance, December 31, 2025	<u>\$ 6,685,580</u>	<u>\$ 376,526</u>	<u>\$ 7,062,106</u>
Composed of:			
Capital contributions	\$ 8,635,935	\$ 376,729	\$ 9,012,664
Credit adjuster	85,000	-	85,000
Distributions	(815,480)	(82)	(815,562)
Syndication costs	(18,344)	-	(18,344)
Cumulative losses	<u>(1,201,531)</u>	<u>(121)</u>	<u>(1,201,652)</u>
Balance, December 31, 2025	<u>\$ 6,685,580</u>	<u>\$ 376,526</u>	<u>\$ 7,062,106</u>

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from tenants	\$ 565,658	\$ 567,019
Interest received	1,228	1,261
Other income	12,829	12,036
Cash paid for operating expenses	(410,986)	(343,813)
Interest paid	(19,930)	(20,455)
Cash paid for partnership expenses	(55,747)	(54,336)
Tenant security deposits	975	(157)
	<u>94,027</u>	<u>161,555</u>
Net cash provided (used) by operating activities		
Cash flows from financing activities:		
Payments on long-term debt	(8,091)	(7,565)
Distributions	(166,097)	(160,103)
	<u>(174,188)</u>	<u>(167,668)</u>
Net cash provided (used) by financing activities		
Net decrease in cash, cash equivalents, and restricted cash	(80,161)	(6,113)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,635,986</u>	<u>1,642,099</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,555,825</u>	<u>\$ 1,635,986</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 197,594	\$ 267,063
Restricted cash	1,358,231	1,368,923
Total cash, cash equivalents, and restricted cash	<u>\$ 1,555,825</u>	<u>\$ 1,635,986</u>

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (134,270)	\$ (46,529)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	213,021	213,020
Amortization of finance fees	581	580
Bad debts - rent	122	-
(Increase) decrease in tenant receivables	(1,205)	(6,494)
(Increase) decrease in prepaid expenses	(6,906)	(5,592)
Increase (decrease) in accounts payable	4,723	(4,061)
Increase (decrease) in due to CDA	12,374	(818)
Increase (decrease) in deferred revenue	-	(470)
Increase (decrease) in accrued interest	7,739	7,740
Increase (decrease) in accrued payment in lieu of taxes	(284)	1,153
Increase (decrease) in prepaid rents	(2,843)	3,183
Increase (decrease) in tenant security deposits	975	(157)
	<u>228,297</u>	<u>208,084</u>
Total adjustments		
	<u>\$ 94,027</u>	<u>\$ 161,555</u>
Net cash provided (used) by operating activities		

See accompanying notes to financial statements.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 and 2024.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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 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.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$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 in 2025 and 2024.

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 2025 activity in each reserve appears on page 16.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA First mortgage	\$ 290,812	\$ 298,903
CDA - HOME	273,990	273,990
CDA - HOPE	500,000	500,000
	<u>1,064,802</u>	<u>1,072,893</u>
Less current maturities	<u>(8,655)</u>	<u>(8,091)</u>
	<u>\$ 1,056,147</u>	<u>\$ 1,064,802</u>

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:

2026	\$ 8,655
2027	9,257
2028	9,902
2029	10,591
2030	11,329
Thereafter	<u>1,015,068</u>
	<u>\$ 1,064,802</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)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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:

- 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:

	2025	2024
CDA - HOME	\$ 36,332	\$ 33,593
CDA - HOPE	66,319	61,319
	<u>\$ 102,651</u>	<u>\$ 94,912</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 \$19,567 and \$18,997 are included in partnership expenses in 2025 and 2024, 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 \$28,095 and \$27,277, which is included in partnership expenses in 2025 and 2024, respectively.

Because the property manager is the General Partner, 60% of property management fees are subordinate to all amounts owed to the Limited Partner.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

5. RELATED PARTY TRANSACTIONS (Continued)

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 54,003	\$ 52,429
Partnership administration fee	19,567	18,997
Incentive partnership management fee	28,095	27,277
On-site management, tax credit monitoring and maintenance services	90,738	78,237
Interest expense on the CDA mortgages	27,669	28,195
Amount due to the CDA at year end:		
Accounts payable	17,611	5,807
Partnership administration fee	19,567	18,997
Mortgages payable	1,064,802	1,072,893
Accrued interest	102,651	94,912

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 2025 and 2024 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.

(Continued)

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2025 and 2024. The 2025 projects were to repair concrete, complete sealcoating, and replace various appliances. The 2024 projects were retaining wall repairs, appliance replacements, and to replace exterior light fixtures. Project costs totaled \$35,456 in 2025 and \$24,073 in 2024. 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.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 30,398	\$ 28,909
Administrative benefits	10,597	10,173
Legal	-	3
Auditing	4,625	4,625
Communications	330	342
Other administrative	714	419
Management fee	54,003	52,429
Total administrative expenses	\$ 100,667	\$ 96,900
Maintenance expenses:		
Trash	\$ 11,209	\$ 9,152
Maintenance salaries	31,399	24,226
Caretaker salaries	5,531	4,667
Maintenance benefits	12,343	9,792
Materials/supplies	20,674	16,095
Vehicle expenses	1,602	1,438
Contract costs	16,295	17,086
Flooring	43,434	11,959
Grounds maintenance	14,762	20,578
Heating and air conditioning	350	1,024
Contract painting	19,210	6,201
Snow removal	8,058	7,034
Cleaning and custodial	4,062	675
Extraordinary maintenance	35,456	24,073
Total maintenance expenses	\$ 224,385	\$ 154,000
Utilities expenses:		
Water/sewer	\$ 22,247	\$ 25,082
Electricity	3,150	1,449
Gas	1,526	108
Total utilities expenses	\$ 26,923	\$ 26,639
Partnership expenses:		
General Partner incentive partnership management fee	\$ 28,095	\$ 27,277
Partnership administration fee	19,567	18,997
Limited Partner asset management fee	6,050	6,050
Partnership tax fees	2,605	2,565
Total partnership expenses	\$ 56,317	\$ 54,889

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 324,135	\$ -	\$ 292	\$ -	\$ 324,427
Replacement reserve	506,746	33,041	452	(45,101)	495,138
Working capital reserve	<u>500,460</u>	<u>-</u>	<u>450</u>	<u>(460)</u>	<u>500,450</u>
Total reserves	<u>\$ 1,331,341</u>	<u>\$ 33,041</u>	<u>\$ 1,194</u>	<u>\$ (45,561)</u>	<u>\$ 1,320,015</u>

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2025

	Property and Equipment		
	Balance	Additions	Balance
	12/31/24	(Retirements)	12/31/25
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		Balance	Book Value
	12/31/24	Depreciation	12/31/25	12/31/25
Land	\$ -	\$ -	\$ -	\$ 1,564,781
Land improvements	306,933	28,163	335,096	87,346
Buildings	2,125,864	184,858	2,310,722	5,083,587
Residential equipment	85,854	-	85,854	-
Furniture and equipment	2,135	-	2,135	-
	<u>\$ 2,520,786</u>	<u>\$ 213,021</u>	<u>\$ 2,733,807</u>	<u>\$ 6,735,714</u>

See independent auditor's report.

EAGAN NORTHWOOD FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2025

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, 2025 AND 2024**

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 24, 2026

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 134,991	\$ 161,590
Tenant receivables	20,337	9,604
Accounts receivable - other	274	51
Prepaid expenses	47,026	44,198
Total current assets	<u>202,628</u>	<u>215,443</u>
Restricted cash:		
Security deposit reserve	42,540	42,501
Operating reserve	963,301	962,434
Replacement reserve	498,743	512,083
Working capital reserve	500,450	500,460
Total restricted cash	<u>2,005,034</u>	<u>2,017,478</u>
Property and equipment	11,024,586	11,024,586
Less accumulated depreciation	<u>(3,385,630)</u>	<u>(3,111,776)</u>
Net property and equipment	<u>7,638,956</u>	<u>7,912,810</u>
Total assets	<u>\$ 9,846,618</u>	<u>\$ 10,145,731</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 4,595	\$ 4,295
Accounts payable	16,974	14,709
Due to CDA	31,469	21,703
Accrued payment in lieu of taxes	27,531	27,220
Prepaid rents	2,094	2,139
Tenant security deposits	41,754	41,988
Total current liabilities	<u>124,417</u>	<u>112,054</u>
Noncurrent liabilities:		
Accrued interest, long-term	210,446	193,402
Long-term debt, less current maturities	2,469,253	2,473,848
Less unamortized finance fees	<u>(18,903)</u>	<u>(19,978)</u>
Total noncurrent liabilities	<u>2,660,796</u>	<u>2,647,272</u>
Total liabilities	<u>2,785,213</u>	<u>2,759,326</u>
Partners' equity	<u>7,061,405</u>	<u>7,386,405</u>
Total liabilities and partners' equity	<u>\$ 9,846,618</u>	<u>\$ 10,145,731</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, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 628,943	\$ 607,841
Less vacancies	(24,206)	(18,414)
Net rental revenue	604,737	589,427
Other	19,559	12,032
Total operating revenues	624,296	601,459
Operating expenses:		
Administrative	110,429	105,972
Maintenance	190,531	138,042
Utilities	35,225	34,603
Insurance	41,756	36,265
Payment in lieu of taxes	27,531	27,220
Other	5,937	7,296
Total operating expenses	411,409	349,398
Operating income	212,887	252,061
Nonoperating revenues (expenses):		
Interest income - restricted	1,812	1,843
Interest expense	(28,637)	(28,917)
Interest expense - amortization of finance fees	(1,075)	(1,075)
Partnership expenses	(51,267)	(52,230)
Depreciation	(273,854)	(273,854)
Amortization of tax credit fees	-	(1,446)
Total nonoperating revenues (expenses)	(353,021)	(355,679)
Net loss	\$ (140,134)	\$ (103,618)

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, 2025 and 2024

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</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	6,642,240	744,165	7,386,405
Distributions	(184,848)	(18)	(184,866)
Net loss	<u>(140,120)</u>	<u>(14)</u>	<u>(140,134)</u>
Balance, December 31, 2025	<u><u>\$ 6,317,272</u></u>	<u><u>\$ 744,133</u></u>	<u><u>\$ 7,061,405</u></u>
Composed of:			
Capital contributions	\$ 9,035,683	\$ 429,015	\$ 9,464,698
Land contribution	-	315,400	315,400
Distributions	(767,735)	(77)	(767,812)
Upward adjuster	116,812	-	116,812
Syndication costs	(20,000)	-	(20,000)
Cumulative losses	<u>(2,047,488)</u>	<u>(205)</u>	<u>(2,047,693)</u>
Balance, December 31, 2025	<u><u>\$ 6,317,272</u></u>	<u><u>\$ 744,133</u></u>	<u><u>\$ 7,061,405</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, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from tenants	\$ 593,959	\$ 593,756
Interest received	1,812	1,843
Other income	19,336	11,897
Cash paid for operating expenses	(402,512)	(356,677)
Interest paid	(11,593)	(11,872)
Cash paid for partnership expenses	(50,650)	(51,631)
Tenant security deposits	(234)	2,438
	<u>150,118</u>	<u>189,754</u>
Net cash provided by operating activities		
Cash flows from financing activities:		
Payments on long-term debt	(4,295)	(4,016)
Distributions	(184,866)	(147,257)
	<u>(189,161)</u>	<u>(151,273)</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash, cash equivalents, and restricted cash	(39,043)	38,481
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,179,068</u>	<u>2,140,587</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,140,025</u>	<u>\$ 2,179,068</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 134,991	\$ 161,590
Restricted cash	2,005,034	2,017,478
Total cash, cash equivalents, and restricted cash	<u>\$ 2,140,025</u>	<u>\$ 2,179,068</u>

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (140,134)	\$ (103,618)
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
(Increase) decrease in tenant receivables	(10,733)	3,302
(Increase) decrease in accounts receivable - other	(223)	375
(Increase) decrease in prepaid expenses	(2,828)	(5,622)
Increase in accounts payable	2,265	3,301
Increase (decrease) in due to CDA	9,766	(4,932)
Increase in accrued interest	17,044	17,045
Increase in accrued payment in lieu of taxes	311	573
Increase (decrease) in deferred revenue	-	(510)
Increase (decrease) in prepaid rents	(45)	1,027
Increase (decrease) in tenant security deposits	(234)	2,438
	<u>290,252</u>	<u>293,372</u>
Total adjustments		
	<u>\$ 150,118</u>	<u>\$ 189,754</u>
Net cash provided by operating activities		

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, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$30,855 and \$29,593 in 2025 and 2024.

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 2025 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, 2025 and 2024

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, 2025 and 2024, 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:

	2025	2024
CDA First Mortgage	\$ 169,392	\$ 173,687
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>2,473,848</u>	<u>2,478,143</u>
Less current maturities	<u>(4,595)</u>	<u>(4,295)</u>
	<u>\$ 2,469,253</u>	<u>\$ 2,473,848</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, 2025 and 2024

5. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2026	\$ 4,595
2027	4,914
2028	5,257
2029	5,623
2030	6,014
Thereafter	<u>2,447,444</u>
	<u>\$ 2,473,847</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>2025</u>	<u>2024</u>
Long-term:		
CDA - HOME	\$ 112,289	\$ 103,245
CDA - HOPE	61,903	56,903
CDA - Met Council	<u>36,254</u>	<u>33,254</u>
	<u>\$ 210,446</u>	<u>\$ 193,402</u>

(Continued)

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$21,192 and \$20,575 are included in partnership expenses in 2025 and 2024, 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 2025 and 2024.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 58,599	\$ 56,892
Partnership management fee	21,192	20,575
Incentive partnership management fee	21,420	21,420
On-site management, tax credit monitoring and maintenance services	86,068	80,863
Interest expense on the CDA mortgages	28,637	28,917
Amount due to the CDA at year end:		
Accounts payable	10,277	1,128
Partnership management fee	21,192	20,575
Mortgages payable	1,873,848	1,878,143
Accrued interest	210,446	193,402

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 2025 and 2024 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, 2025 and 2024

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. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2025 and 2024. The 2025 projects were to complete asphalt sealcoating and replace various appliances. The 2024 projects were to clean out the stormwater basin and replace various appliances. Project costs totaled \$21,363 in 2025 and \$5,631 in 2024. These projects were funded by replacement reserve withdrawals.

9. **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.

10. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 32,985	\$ 31,370
Administrative benefits	11,499	11,039
Legal	18	19
Auditing	4,625	4,625
Communications	358	371
Other administrative	2,345	1,656
Management fee	58,599	56,892
	<u>110,429</u>	<u>105,972</u>
Total administrative expenses	\$ 110,429	\$ 105,972
Maintenance expenses:		
Trash	\$ 13,549	\$ 10,242
Maintenance salaries	26,038	26,889
Caretaker salaries	5,534	1,522
Maintenance benefits	9,502	9,533
Materials/supplies	21,389	16,061
Vehicle expenses	1,738	1,561
Contract costs	13,615	6,793
Flooring	26,214	14,019
Grounds maintenance	17,072	23,163
Heating & air conditioning	1,670	1,117
Contract painting	15,643	6,659
Snow removal	14,600	13,312
Cleaning and custodial	2,604	1,540
Extraordinary maintenance	21,363	5,631
	<u>190,531</u>	<u>138,042</u>
Total maintenance expenses	\$ 190,531	\$ 138,042
Utilities expenses:		
Water/sewer	\$ 29,626	\$ 30,097
Electricity	3,949	3,328
Gas	1,650	1,178
	<u>35,225</u>	<u>34,603</u>
Total utilities expenses	\$ 35,225	\$ 34,603
Partnership expenses:		
General Partner incentive partnership management fee	\$ 21,420	\$ 21,420
Partnership management fee	21,192	20,575
Limited Partner asset management fee	6,050	6,050
Partnership tax fees	2,605	4,185
	<u>51,267</u>	<u>52,230</u>
Total partnership expenses	\$ 51,267	\$ 52,230

See independent auditor's report.

INVER HILLS AND RIVERVIEW RIDGE FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 962,434	\$ -	\$ 867	\$ -	\$ 963,301
Replacement reserve	512,083	30,855	457	(44,652)	498,743
Working capital reserve	500,460	-	450	(460)	500,450
Total reserves	<u>\$ 1,974,977</u>	<u>\$ 30,855</u>	<u>\$ 1,774</u>	<u>\$ (45,112)</u>	<u>\$ 1,962,494</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, 2025

	Property and Equipment		
	Beginning 12/31/24	Additions (Retirements)	Ending 12/31/25
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
	Balance 12/31/24	Depreciation	Ending 12/31/25	Book Value 12/31/25
Land	\$ -	\$ -	\$ -	\$ 1,076,698
Land improvements	483,909	48,658	532,567	197,304
Buildings	2,417,689	225,196	2,642,885	6,364,954
Residential equipment	207,535	-	207,535	-
Furniture and equipment	2,643	-	2,643	-
	<u>\$ 3,111,776</u>	<u>\$ 273,854</u>	<u>\$ 3,385,630</u>	<u>\$ 7,638,956</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, 2025

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, 2025 AND 2024**

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

April 24, 2026

Mahoney Ulbrich
Christiansen & Russ, PA

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,016	\$ 113,349
Tenant receivables	14,675	11,480
Prepaid expenses	32,122	25,564
Total current assets	<u>179,813</u>	<u>150,393</u>
Restricted cash:		
Security deposit reserve	32,537	31,789
Operating reserve	107,402	107,305
Replacement reserve	177,154	159,750
Working capital reserve	488,400	421,050
Total restricted cash	<u>805,493</u>	<u>719,894</u>
Property and equipment	9,492,348	9,492,348
Less accumulated depreciation	<u>(2,292,500)</u>	<u>(2,055,103)</u>
Net property and equipment	<u>7,199,848</u>	<u>7,437,245</u>
Tax credit fees, net	<u>2,029</u>	<u>6,669</u>
Total assets	<u>\$ 8,187,183</u>	<u>\$ 8,314,201</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 9,915	\$ 9,270
Accounts payable	6,317	5,450
Due to CDA	17,663	16,295
Accrued payment in lieu of taxes	20,934	20,158
Prepaid rents	1,697	5,747
Tenant security deposits	32,027	31,279
Total current liabilities	<u>88,553</u>	<u>88,199</u>
Noncurrent liabilities:		
Accrued interest, long-term	129,310	115,560
Long-term debt, less current maturities	1,804,549	1,814,464
Less unamortized finance fees	<u>(11,893)</u>	<u>(12,487)</u>
Total noncurrent liabilities	<u>1,921,966</u>	<u>1,917,537</u>
Total liabilities	<u>2,010,519</u>	<u>2,005,736</u>
Partners' equity	<u>6,176,664</u>	<u>6,308,465</u>
Total liabilities and partners' equity	<u>\$ 8,187,183</u>	<u>\$ 8,314,201</u>

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 461,529	\$ 436,763
Less vacancies	(7,261)	(9,587)
Less bad debts - rent	(169)	-
Net rental revenue	454,099	427,176
Other	21,544	18,608
Total operating revenues	475,643	445,784
Operating expenses:		
Administrative	85,845	80,597
Maintenance	116,700	131,148
Utilities	25,303	21,263
Insurance	24,836	20,532
Payment in lieu of taxes	20,934	20,158
Other	4,815	5,176
Total operating expenses	278,433	278,874
Operating income	197,210	166,910
Nonoperating revenues (expenses):		
Interest income - restricted	696	637
Interest expense	(43,756)	(44,360)
Interest expense - amortization of finance fees	(594)	(593)
Partnership expenses	(43,320)	(42,882)
Depreciation	(237,397)	(237,396)
Amortization of tax credit fees	(4,640)	(4,639)
Total nonoperating revenues (expenses)	(329,011)	(329,233)
Net loss	\$ (131,801)	\$ (162,323)

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2025 and 2024

	Limited Partner	General Partner	Total
Balance, December 31, 2023	\$ 5,784,855	\$ 685,933	\$ 6,470,788
Net loss	(162,307)	(16)	(162,323)
Balance, December 31, 2024	5,622,548	685,917	6,308,465
Net loss	(131,787)	(14)	(131,801)
Balance, December 31, 2025	<u>\$ 5,490,761</u>	<u>\$ 685,903</u>	<u>\$ 6,176,664</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	(1,996,516)	(200)	(1,996,716)
Balance, December 31, 2025	<u>\$ 5,490,761</u>	<u>\$ 685,903</u>	<u>\$ 6,176,664</u>

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from tenants	\$ 446,854	\$ 436,410
Interest received	696	637
Other income	21,544	18,608
Cash paid for operating expenses	(282,378)	(279,092)
Interest paid	(30,006)	(30,610)
Cash paid for partnership expenses	(42,922)	(42,495)
Tenant security deposits	748	2,331
Net cash provided (used) by operating activities	114,536	105,789
Cash flows from financing activities:		
Payments on long-term debt	(9,270)	(8,666)
Net cash provided (used) by financing activities	(9,270)	(8,666)
Net increase in cash, cash equivalents, and restricted cash	105,266	97,123
Cash, cash equivalents, and restricted cash, beginning of year	833,243	736,120
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 938,509</u>	<u>\$ 833,243</u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 133,016	\$ 113,349
Restricted cash	805,493	719,894
Total cash, cash equivalents, and restricted cash	<u>\$ 938,509</u>	<u>\$ 833,243</u>

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	<u>\$ (131,801)</u>	<u>\$ (162,323)</u>
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	237,397	237,396
Amortization of tax credit fees	4,640	4,639
Amortization of finance fees	594	593
Bad debts - rent	169	-
(Increase) decrease in tenant receivables	(3,364)	4,991
(Increase) decrease in prepaid expenses	(6,558)	(4,342)
Increase (decrease) in accounts payable	867	136
Increase (decrease) in due to CDA	1,368	749
Increase (decrease) in accrued interest	13,750	13,750
Increase (decrease) in accrued payment in lieu of taxes	776	3,626
Increase (decrease) in prepaid rents	(4,050)	4,243
Increase (decrease) in tenant security deposits	<u>748</u>	<u>2,331</u>
Total adjustments	<u>246,337</u>	<u>268,112</u>
Net cash provided (used) by operating activities	<u><u>\$ 114,536</u></u>	<u><u>\$ 105,789</u></u>

See accompanying notes to financial statements.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Tax Credit Fees - Tax credit fees are amortized over a 10-year period using the straight-line method.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 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 2025 and 2024.

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 2025 activity in each reserve appears on page 16.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA First mortgage	\$ 439,464	\$ 448,734
CDA - HOPE	510,000	510,000
CDA - HOME	720,000	720,000
CDA - LHIA	145,000	145,000
	<u>1,814,464</u>	<u>1,823,734</u>
Less current maturities	<u>(9,915)</u>	<u>(9,270)</u>
	<u>\$ 1,804,549</u>	<u>\$ 1,814,464</u>

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:

2026	\$ 9,915
2027	10,606
2028	11,344
2029	12,134
2030	12,979
Thereafter	<u>1,757,486</u>
	<u>\$ 1,814,464</u>

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT (Continued)

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

Accrued interest consists of the following:

	2025	2024
CDA - HOME	\$ 66,642	\$ 59,442
CDA - HOPE	49,328	44,228
CDA - LHIA	13,340	11,890
	<u>\$ 129,310</u>	<u>\$ 115,560</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 \$13,681 and \$13,283 is included in partnership expenses in 2025 and 2024.

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 2025 and 2024.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

5. RELATED PARTY TRANSACTIONS (Continued)

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 41,364	\$ 40,159
Partnership administration fee	13,681	13,283
Incentive partnership management fee	21,534	21,534
Interest expense on the CDA mortgages	43,756	44,360
On-site management, tax credit monitoring and maintenance services	58,449	50,963
Amount due to the CDA at year end:		
Accounts payable	3,982	3,012
Partnership administration fee	13,681	13,283
Mortgages payable	1,814,464	1,823,734
Accrued interest	129,310	115,560

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 2025 and 2024.

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.

(Continued)

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

7. **EXTRAORDINARY MAINTENANCE**

The Project completed extraordinary maintenance projects in 2025 and 2024. The projects in both years were to replace various appliances. Project costs totaled \$1,503 in 2025 and \$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.

9. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 23,284	\$ 22,144
Administrative benefits	8,117	7,792
Legal	348	561
Auditing	4,625	4,625
Communications	3,405	3,074
Other administrative	4,702	2,242
Management fee	41,364	40,159
Total administrative expenses	<u>\$ 85,845</u>	<u>\$ 80,597</u>
Maintenance expenses:		
Trash	\$ 8,883	\$ 7,126
Maintenance salaries	17,213	13,712
Caretaker salaries	1,431	990
Maintenance benefits	8,044	5,965
Materials/supplies	13,746	16,204
Vehicle expenses	1,227	1,102
Contract costs	7,073	12,190
Flooring	17,359	26,176
Grounds maintenance	19,478	27,513
Heating & air conditioning	-	225
Contract painting	10,939	10,187
Snow removal	6,275	6,190
Cleaning and custodial	3,529	2,308
Extraordinary maintenance	1,503	1,260
Total maintenance expenses	<u>\$ 116,700</u>	<u>\$ 131,148</u>
Utilities expenses:		
Water/sewer	\$ 19,192	\$ 17,178
Electricity	5,913	3,842
Gas	198	243
Total utilities expenses	<u>\$ 25,303</u>	<u>\$ 21,263</u>
Partnership expenses:		
Incentive management fee	\$ 21,534	\$ 21,534
Limited Partner asset management fee	5,500	5,500
Partnership administration fee	13,681	13,283
Partnership tax fees	2,605	2,565
Total partnership expenses	<u>\$ 43,320</u>	<u>\$ 42,882</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 107,305	\$ -	\$ 97	\$ -	\$ 107,402
Replacement reserve	159,750	19,080	152	(1,828)	177,154
Working capital reserve	<u>421,050</u>	<u>66,932</u>	<u>418</u>	<u>-</u>	<u>488,400</u>
Total reserves	<u>\$ 688,105</u>	<u>\$ 86,012</u>	<u>\$ 667</u>	<u>\$ (1,828)</u>	<u>\$ 772,956</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 12/31/25
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 12/31/25
	Balance 12/31/24	Depreciation	Balance 12/31/25	
Land	\$ -	\$ -	\$ -	\$ 915,538
Land improvements	339,481	43,385	382,866	267,901
Buildings	1,550,058	194,012	1,744,070	6,016,409
Residential equipment	163,268	-	163,268	-
Furniture and equipment	2,296	-	2,296	-
	<u>\$ 2,055,103</u>	<u>\$ 237,397</u>	<u>\$ 2,292,500</u>	<u>\$ 7,199,848</u>

See independent auditor's report.

KEYSTONE CROSSING WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2025

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2025, \$7,038,086 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2026	<u>\$ 756,314</u>
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Unaudited - See independent auditor's report.



**LAKESHORE WORKFORCE
HOUSING LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024**

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Mahoney Ulbrich
Christiansen & Russ, PA

April 24, 2026

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 191,818	\$ 213,084
Tenant receivables	22,018	11,333
Prepaid expenses	45,666	42,912
Total current assets	<u>259,502</u>	<u>267,329</u>
Restricted cash:		
Security deposit reserve	41,743	41,705
Operating reserve	433,038	432,649
Replacement reserve	505,168	493,254
Working capital reserve	500,450	500,459
Total restricted cash	<u>1,480,399</u>	<u>1,468,067</u>
Property and equipment	11,607,352	11,607,352
Less accumulated depreciation	<u>(3,027,370)</u>	<u>(2,751,251)</u>
Net property and equipment	<u>8,579,982</u>	<u>8,856,101</u>
Tax credit fees, net	<u>125</u>	<u>3,842</u>
Total assets	<u><u>\$ 10,320,008</u></u>	<u><u>\$ 10,595,339</u></u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 13,115	\$ 12,261
Accounts payable	13,379	15,496
Due to CDA	28,416	22,042
Accrued payment in lieu of taxes	28,685	27,727
Prepaid rents	2,480	2,341
Tenant security deposits	38,113	40,284
Total current liabilities	<u>124,188</u>	<u>120,151</u>
Noncurrent liabilities:		
Accrued interest, long-term	233,844	213,464
Long-term debt, less current maturities	2,556,273	2,569,388
Less unamortized finance fees	<u>(10,209)</u>	<u>(10,747)</u>
Total noncurrent liabilities	<u>2,779,908</u>	<u>2,772,105</u>
Total liabilities	<u>2,904,096</u>	<u>2,892,256</u>
Partners' equity	<u>7,415,912</u>	<u>7,703,083</u>
Total liabilities and partners' equity	<u><u>\$ 10,320,008</u></u>	<u><u>\$ 10,595,339</u></u>

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 632,386	\$ 602,819
Less vacancies	(12,913)	(7,004)
Net rental revenue	619,473	595,815
Other	20,080	12,080
Total operating revenues	639,553	607,895
Operating expenses:		
Administrative	110,942	103,959
Maintenance	172,244	162,703
Utilities	29,730	28,312
Insurance	40,473	29,087
Payment in lieu of taxes	28,685	27,727
Other	6,879	7,687
Total operating expenses	388,953	359,475
Operating income	250,600	248,420
Nonoperating revenues (expenses):		
Interest income - restricted	1,329	1,356
Interest expense	(56,702)	(57,500)
Interest expense - amortization of finance fees	(538)	(538)
Partnership expenses	(51,524)	(50,257)
Depreciation	(276,119)	(276,118)
Amortization of tax credit fees	(3,717)	(6,935)
Total nonoperating revenues (expenses)	(387,271)	(389,992)
Net loss	\$ (136,671)	\$ (141,572)

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2025 and 2024

	Limited Partner	General Partner	Total
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	7,639,674	63,409	7,703,083
Distributions	(150,485)	(15)	(150,500)
Net loss	<u>(136,657)</u>	<u>(14)</u>	<u>(136,671)</u>
Balance, December 31, 2025	<u>\$ 7,352,532</u>	<u>\$ 63,380</u>	<u>\$ 7,415,912</u>
Composed of:			
Capital contributions	\$ 9,169,256	\$ 63,605	\$ 9,232,861
Upward adjusters	451,544	-	451,544
Distributions	(398,576)	(40)	(398,616)
Syndication costs	(18,842)	-	(18,842)
Cumulative losses	<u>(1,850,850)</u>	<u>(185)</u>	<u>(1,851,035)</u>
Balance, December 31, 2025	<u>\$ 7,352,532</u>	<u>\$ 63,380</u>	<u>\$ 7,415,912</u>

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from tenants	\$ 608,927	\$ 590,850
Interest received	1,329	1,356
Other income	20,080	12,080
Cash paid for operating expenses	(387,079)	(365,839)
Interest paid	(36,322)	(37,120)
Cash paid for partnership expenses	(50,937)	(49,687)
Tenant security deposits	(2,171)	(186)
Net cash provided by operating activities	<u>153,827</u>	<u>151,454</u>
Cash flows from financing activities:		
Payments on long-term debt	(12,261)	(11,464)
Distributions	(150,500)	(131,353)
Net cash provided (used) by financing activities	<u>(162,761)</u>	<u>(142,817)</u>
Net increase (decrease) in cash and cash equivalents	(8,934)	8,637
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,681,151</u>	<u>1,672,514</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 1,672,217</u></u>	<u><u>\$ 1,681,151</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 191,818	\$ 213,084
Restricted cash	<u>1,480,399</u>	<u>1,468,067</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 1,672,217</u></u>	<u><u>\$ 1,681,151</u></u>

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (136,671)	\$ (141,572)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	276,119	276,118
Amortization of finance fees	538	538
Amortization of tax credit fees	3,717	6,935
(Increase) decrease in tenant receivables	(10,685)	(2,625)
(Increase) decrease in accounts receivable - other	-	440
(Increase) decrease in prepaid expenses	(2,754)	(11,517)
Increase (decrease) in accounts payable	(2,117)	5,917
Increase (decrease) in due to CDA	6,374	(1,419)
Increase (decrease) in accrued interest	20,380	20,380
Increase (decrease) in accrued payment in lieu of taxes	958	785
Increase (decrease) in prepaid rents	139	(2,340)
Increase (decrease) in tenant security deposits	(2,171)	(186)
Total adjustments	290,498	293,026
Net cash provided (used) by operating activities	\$ 153,827	\$ 151,454

See accompanying notes to financial statements.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Tax Credit Fees - Tax credit fees are amortized over a 10 year period using the straight-line method.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 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 \$27,912 and \$27,500 in 2025 and 2024.

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 2025 activity in each reserve appears on page 16.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA First mortgage	\$ 531,388	\$ 543,649
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>2,569,388</u>	<u>2,581,649</u>
Less current maturities	<u>(13,115)</u>	<u>(12,261)</u>
	<u><u>\$ 2,556,273</u></u>	<u><u>\$ 2,569,388</u></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, 2025 and 2024

4. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2026	\$ 13,115
2027	14,028
2028	15,005
2029	16,050
2030	17,167
Thereafter	<u>2,494,023</u>
	<u>\$ 2,569,388</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>2025</u>	<u>2024</u>
Long-term:		
CDA - HOME	\$ 109,152	\$ 99,722
MHFA Loan	55,992	51,042
CDA - HOPE	46,300	42,300
CDA - LHIA	<u>22,400</u>	<u>20,400</u>
	<u>\$ 233,844</u>	<u>\$ 213,464</u>

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$20,159 and \$19,572 are included in partnership expenses in 2025 and 2024, 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 2025 and 2024 and is included in partnership expenses.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 57,450	\$ 55,776
Partnership administration fee	20,159	19,572
Incentive partnership management fee	21,000	21,000
On-site management, tax credit monitoring and maintenance services	86,373	87,180
Interest expense on the CDA mortgages	51,752	52,550
Amount due to the CDA at year end:		
Accounts payable	8,257	2,470
Partnership administration fee	20,159	19,572
Mortgages payable	2,074,388	2,086,649
Accrued interest	177,852	162,422

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 \$6,050 in 2025 and \$5,500 in 2024 and is included in partnership expenses.

Cash and reserve accounts are held with an affiliate of the Limited Partner.

(Continued)

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

5. RELATED PARTY TRANSACTIONS (Continued)

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, 2044.

7. EXTRAORDINARY MAINTENANCE

The Project completed extraordinary maintenance projects in 2025 and 2024. The 2025 projects were to complete asphalt sealcoating and replace various appliances. The 2024 projects were to replace smoke detectors and CO alarms throughout the Project, repair damaged concrete, and replace mulch. Project costs totaled \$12,875 in 2025 and \$23,709 in 2024. 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 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 32,338	\$ 30,756
Administrative benefits	11,273	10,822
Legal	361	35
Auditing	4,625	4,625
Communications	351	364
Other administrative	4,544	1,581
Management fee	57,450	55,776
	<u>110,942</u>	<u>103,959</u>
Total administrative expenses	\$ 110,942	\$ 103,959
Maintenance expenses:		
Trash	\$ 13,159	\$ 10,795
Maintenance salaries	28,914	30,409
Caretaker salaries	4,072	4,283
Maintenance benefits	9,276	10,410
Materials/supplies	17,921	17,687
Vehicle expenses	1,704	1,530
Contract costs	12,430	7,393
Flooring	22,329	19,919
Grounds maintenance	21,212	16,739
Heating & air conditioning	5,300	1,799
Contract painting	14,195	9,428
Snow removal	7,353	6,713
Cleaning and custodial	1,504	1,889
Extraordinary maintenance	12,875	23,709
	<u>172,244</u>	<u>162,703</u>
Total maintenance expenses	\$ 172,244	\$ 162,703
Utilities expenses:		
Water/sewer	\$ 27,794	\$ 27,018
Electricity	1,505	1,093
Gas	431	201
	<u>29,730</u>	<u>28,312</u>
Total utilities expenses	\$ 29,730	\$ 28,312
Partnership expenses:		
General Partner incentive partnership management fee	\$ 21,000	\$ 21,000
Partnership administration fee	20,159	19,572
Limited Partner asset management fee	6,050	5,500
Partnership tax fees	4,315	4,185
	<u>51,524</u>	<u>50,257</u>
Total partnership expenses	\$ 51,524	\$ 50,257

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 432,649	\$ -	\$ 389	\$ -	\$ 433,038
Replacement reserve	493,254	27,912	451	(16,449)	505,168
Working capital reserve	500,459	-	450	(459)	500,450
Total reserves	<u>\$ 1,426,362</u>	<u>\$ 27,912</u>	<u>\$ 1,290</u>	<u>\$ (16,908)</u>	<u>\$ 1,438,656</u>

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 12/31/25
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 Book Value
	Balance 12/31/24	Depreciation	Balance 12/31/25	12/31/25
Land	\$ -	\$ -	\$ -	\$ 1,651,499
Land improvements	463,462	48,786	512,248	219,535
Buildings	2,157,027	227,333	2,384,360	6,708,948
Residential equipment	127,499	-	127,499	-
Furniture and equipment	3,263	-	3,263	-
	<u>\$ 2,751,251</u>	<u>\$ 276,119</u>	<u>\$ 3,027,370</u>	<u>\$ 8,579,982</u>

See independent auditor's report.

LAKESHORE WORKFORCE HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2025

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2025, \$9,754,950 has been utilized by the Partners. There are no remaining tax credits available.

Unaudited - See independent auditor's report.



**MEADOWLARK FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE PERIODS ENDED
JUNE 30, 2025 AND DECEMBER 31, 2024**

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Periods Ended June 30, 2025 and December 31, 2024

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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 June 30, 2025 and December 31, 2024, and the related statements of operations, partners' equity, and cash flows for the six months ended June 30, 2025 and the year ended December 31, 2024 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 June 30, 2025 and December 31, 2024, and the results of its operations and its cash flows for the six months ended June 30, 2025 and the year ended December 31, 2024 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 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 2, 2026

Mahoney Ulbrich
Christiansen & Russ, PA

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

June 30, 2025 and December 31, 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,494	\$ 138,742
Tenant receivables	8,264	7,087
Accounts receivable - other	8,559	8,559
Prepaid expenses	12,694	24,616
Total current assets	<u>125,011</u>	<u>179,004</u>
Restricted cash:		
Security deposit reserve	33,499	32,854
Operating reserve	191,214	191,129
Replacement reserve	380,407	287,200
Working capital reserve	500,223	500,459
Total restricted cash	<u>1,105,343</u>	<u>1,011,642</u>
Property and equipment	6,594,466	6,594,466
Less accumulated depreciation	(2,590,858)	(2,499,146)
Net property and equipment	<u>4,003,608</u>	<u>4,095,320</u>
Total assets	<u>\$ 5,233,962</u>	<u>\$ 5,285,966</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 10,257	\$ 9,917
Accounts payable	17,559	6,527
Due to CDA	16,586	21,015
Accrued real estate tax	11,103	21,036
Prepaid rents	2,985	2,410
Tenant security deposits	32,991	31,771
Total current liabilities	<u>91,481</u>	<u>92,676</u>
Noncurrent liabilities:		
Accrued interest, long-term	267,982	259,256
Long-term debt, less current maturities	1,989,398	1,994,613
Less unamortized finance fees	(25,680)	(26,565)
Total noncurrent liabilities	<u>2,231,700</u>	<u>2,227,304</u>
Total liabilities	<u>2,323,181</u>	<u>2,319,980</u>
Partners' equity	<u>2,910,781</u>	<u>2,965,986</u>
Total liabilities and partners' equity	<u>\$ 5,233,962</u>	<u>\$ 5,285,966</u>

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Periods Ended June 30, 2025 and December 31, 2024

	2025 (6 months)	2024 (12 months)
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 240,366	\$ 462,389
Less vacancies	(4,422)	(7,148)
Less bad debts - rent	-	(4,468)
Net rental revenue	235,944	450,773
Other	12,552	22,724
Total operating revenues	248,496	473,497
Operating expenses:		
Administrative	48,547	86,427
Maintenance	67,848	132,016
Utilities	14,597	25,339
Insurance	11,943	18,915
Real estate tax	11,103	21,036
Other	615	14,869
Total operating expenses	154,653	298,602
Operating income	93,843	174,895
Nonoperating revenues (expenses):		
Interest income - restricted	464	1,124
Interest expense	(17,615)	(35,648)
Interest expense - amortization of finance fees	(885)	(1,771)
Partnership expenses	(39,300)	(48,961)
Depreciation	(91,712)	(170,166)
Total nonoperating revenues (expenses)	(149,048)	(255,422)
Net loss	\$ (55,205)	\$ (80,527)

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Periods Ended June 30, 2025 and December 31, 2024

	<u>Limited Partner</u>	<u>General Partner</u>	<u>Total</u>
Balance, December 31, 2023	\$ 2,770,989	\$ 320,523	\$ 3,091,512
Distributions	(44,995)	(4)	(44,999)
Net loss	<u>(80,519)</u>	<u>(8)</u>	<u>(80,527)</u>
Balance, December 31, 2024	2,645,475	320,511	2,965,986
Net loss	<u>(55,199)</u>	<u>(6)</u>	<u>(55,205)</u>
Balance, June 30, 2025	<u><u>\$ 2,590,276</u></u>	<u><u>\$ 320,505</u></u>	<u><u>\$ 2,910,781</u></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	(1,764,503)	(177)	(1,764,680)
Syndication costs	<u>(53,205)</u>	<u>-</u>	<u>(53,205)</u>
Balance, June 30, 2025	<u><u>\$ 2,590,276</u></u>	<u><u>\$ 320,505</u></u>	<u><u>\$ 2,910,781</u></u>

See accompanying notes to financial statements.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2025 and December 31, 2024

	2025 (6 months)	2024 (12 months)
Cash flows from operating activities:		
Cash received from tenants	\$ 235,342	\$ 458,383
Interest received	464	1,124
Other income	12,552	22,987
Cash paid for operating expenses	(137,962)	(297,478)
Interest paid	(8,889)	(18,257)
Cash paid for partnership expenses	(47,399)	(48,475)
Tenant security deposits	1,220	601
Net cash provided (used) by operating activities	<u>55,328</u>	<u>118,885</u>
Cash flows from investing activities:		
Cash paid for property and equipment	<u>-</u>	<u>(225,500)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(225,500)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(4,875)	(9,272)
Distributions	<u>-</u>	<u>(44,999)</u>
Net cash provided (used) by financing activities	<u>(4,875)</u>	<u>(54,271)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	50,453	(160,886)
Cash, cash equivalents, and restricted cash, beginning of period	<u>1,150,384</u>	<u>1,311,270</u>
Cash, cash equivalents, and restricted cash, end of period	<u><u>\$ 1,200,837</u></u>	<u><u>\$ 1,150,384</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 95,494	\$ 138,742
Restricted cash	1,105,343	1,011,642
Total cash, cash equivalents, and restricted cash	<u><u>\$ 1,200,837</u></u>	<u><u>\$ 1,150,384</u></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><u>\$ -</u></u>	<u><u>\$ 8,559</u></u>

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2025 and December 31, 2024

	<u>2025</u> <u>(6 months)</u>	<u>2024</u> <u>(12 months)</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (55,205)	\$ (80,527)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	91,712	170,166
Amortization of finance fees	885	1,771
Bad debts - rent	-	4,468
(Increase) decrease in receivables	(1,177)	1,945
(Increase) decrease in prepaid expenses	11,922	(5,012)
Increase (decrease) in accounts payable	11,032	2,604
Increase (decrease) in due to CDA	(4,429)	842
Increase (decrease) in accrued interest	8,726	17,391
Increase (decrease) in accrued real estate tax	(9,933)	3,176
Increase (decrease) in prepaid rents	575	1,460
Increase (decrease) in tenant security deposits	1,220	601
	<u>110,533</u>	<u>199,412</u>
Total adjustments		
	<u>\$ 55,328</u>	<u>\$ 118,885</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 Periods Ended June 30, 2025 and December 31, 2024

1. ORGANIZATION

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 required 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. An extended use agreement remains in effect through 2039.

The General Partner is Dakota County Community Development Agency (the CDA). The Limited Partner is USB LIHTC Fund 2010-2, LLC. The Limited Partner assigned its interest to Dakota County CDA Workforce Housing II LLC on July 2, 2025.

During 2025, the Partnership's financial reporting year end was changed from December 31 to June 30 to coincide with the year end of the CDA. As a result, the Partnership's June 30, 2025 financial statements are for a six-month period.

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.

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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 June 30, 2025 and December 31, 2024.

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 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 2025 or 2024.

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 Periods Ended June 30, 2025 and December 31, 2024

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 Partnership made deposits of \$93,401 in 2025 and \$24,995 and 2024.

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 2025 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA	\$ 260,513	\$ 265,388
CDA - TCAP	425,558	425,558
MHFA - PILOT	813,584	813,584
CDA - HOPE	500,000	500,000
	1,999,655	2,004,530
Less current maturities	(10,257)	(9,917)
	<u>\$ 1,989,398</u>	<u>\$ 1,994,613</u>

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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:

2026	\$ 10,257
2027	10,971
2028	11,735
2029	12,552
2030	13,426
Thereafter	<u>1,940,714</u>
	<u>\$ 1,999,655</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 Periods Ended June 30, 2025 and December 31, 2024

4. LONG-TERM DEBT (Continued)

Accrued interest consists of the following:

	2025	2024
Long-term:		
CDA - TCAP	\$ 64,619	\$ 62,491
MHFA - PILOT	125,992	121,894
CDA - HOPE	77,371	74,871
Total accrued interest	<u>\$ 267,982</u>	<u>\$ 259,256</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 \$8,600 and \$16,699 were included in partnership expenses in 2025 and 2024, 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 \$28,095 and \$27,277 which is included in partnership expenses in 2025 and 2024, respectively.

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 22,980	\$ 44,621
Partnership administration fee	8,600	16,699
Incentive partnership management fee	28,095	27,277
On-site management, tax credit monitoring and maintenance services	37,386	69,844
Interest expense on the CDA mortgages	13,517	27,512
Amount due to the CDA at period end:		
Accounts payable	7,986	4,316
Partnership administration fee	8,600	16,699
Mortgages payable	1,186,071	1,190,946
Accrued interest	141,990	137,362

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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 is included in partnership expenses. No fee was paid or expensed in 2025.

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 2025 and 2024. The 2025 and 2024 projects were to replace various appliances. Project costs totaled \$1,515 and \$2,615 in 2025 and 2024. These projects were partially 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

USB LIHTC Fund 2010-2, LLC assigned its Limited Partner interest to Dakota County CDA Workforce Housing II LLC on July 2, 2025.

The MHFA loan was repaid in full in July 2025.

(Continued)

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

9. SUBSEQUENT EVENTS (Continued)

Management has evaluated subsequent events through April 2, 2026, 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 Periods Ended June 30, 2025 and December 31, 2024

	2025 <u>(6 months)</u>	2024 <u>(12 months)</u>
Administrative expenses:		
Administrative salaries	\$ 13,384	\$ 24,604
Administrative benefits	4,785	8,658
Legal	297	644
Auditing	4,625	4,625
Communications	177	291
Other administrative	2,299	2,984
Management fee	<u>22,980</u>	<u>44,621</u>
Total administrative expenses	<u>\$ 48,547</u>	<u>\$ 86,427</u>
Maintenance expenses:		
Trash	\$ 5,282	\$ 8,487
Maintenance salaries	10,052	19,321
Caretaker salaries	4,153	7,547
Maintenance benefits	5,012	9,314
Materials/supplies	5,312	17,151
Vehicle expenses	940	1,224
Contract costs	5,425	14,555
Flooring	4,309	12,824
Grounds maintenance	15,096	25,496
Heating and air conditioning	-	575
Contract painting	4,381	4,827
Snow removal	3,359	6,722
Cleaning and custodial	3,012	1,358
Extraordinary maintenance	<u>1,515</u>	<u>2,615</u>
Total maintenance expenses	<u>\$ 67,848</u>	<u>\$ 132,016</u>
Utilities expenses:		
Water/sewer	\$ 13,753	\$ 23,505
Electricity	695	1,131
Gas	<u>149</u>	<u>703</u>
Total utilities expenses	<u>\$ 14,597</u>	<u>\$ 25,339</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 28,095	\$ 27,277
Limited Partner asset management fee	-	2,420
Partnership administration fee	8,600	16,699
Partnership tax fees	<u>2,605</u>	<u>2,565</u>
Total partnership expenses	<u>\$ 39,300</u>	<u>\$ 48,961</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Period Ended June 30, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 06/30/25
Operating reserve	\$ 191,129	\$ -	\$ 85	\$ -	\$ 191,214
Replacement reserve	287,200	93,401	141	(335)	380,407
Working capital reserve	500,459	-	223	(459)	500,223
Total reserves	<u>\$ 978,788</u>	<u>\$ 93,401</u>	<u>\$ 449</u>	<u>\$ (794)</u>	<u>\$ 1,071,844</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Period Ended June 30, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 06/30/25
Land	\$ 354,996	\$ -	\$ 354,996
Land improvements	487,713	-	487,713
Buildings	5,674,803	-	5,674,803
Residential equipment	73,100	-	73,100
Furniture and equipment	3,854	-	3,854
	<u>\$ 6,594,466</u>	<u>\$ -</u>	<u>\$ 6,594,466</u>

	Accumulated Depreciation			Net Book Value
	Balance 12/31/24	Depreciation	Balance 06/30/25	06/30/25
Land	\$ -	\$ -	\$ -	\$ 354,996
Land improvements	462,363	16,257	478,620	9,093
Buildings	1,959,829	75,455	2,035,284	3,639,519
Residential equipment	73,100	-	73,100	-
Furniture and equipment	3,854	-	3,854	-
	<u>\$ 2,499,146</u>	<u>\$ 91,712</u>	<u>\$ 2,590,858</u>	<u>\$ 4,003,608</u>

See independent auditor's report.

MEADOWLARK FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Period Ended June 30, 2025

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, 2025 AND 2024**

ROSEMOUNT II LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Mahoney Ulbrich
Christiansen & Russ, PA

April 24, 2026

ROSEMOUNT II LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 167,986	\$ 162,187
Tenant receivables	6,240	10,670
Accounts receivable - other	92	-
Prepaid expenses	33,159	27,899
Total current assets	<u>207,477</u>	<u>200,756</u>
Restricted cash:		
Security deposit reserve	35,420	34,019
Operating reserve	138,042	137,918
Replacement reserve	99,020	96,629
Working capital reserve	262,470	203,247
Total restricted cash	<u>534,952</u>	<u>471,813</u>
Property and equipment	10,596,503	10,596,503
Less accumulated depreciation	<u>(1,847,721)</u>	<u>(1,576,803)</u>
Net property and equipment	<u>8,748,782</u>	<u>9,019,700</u>
Tax credit fees, net	<u>17,749</u>	<u>23,665</u>
Total assets	<u>\$ 9,508,960</u>	<u>\$ 9,715,934</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 19,747	\$ 18,461
Accounts payable	4,716	9,848
Due to CDA	23,480	15,319
Accrued payment in lieu of taxes	22,821	21,410
Prepaid rents	2,355	1,248
Tenant security deposits	34,914	32,791
Total current liabilities	<u>108,033</u>	<u>99,077</u>
Noncurrent liabilities:		
Accrued interest, long-term	104,912	90,654
Long-term debt, less current maturities	2,541,079	2,560,826
Less unamortized finance fees	<u>(7,919)</u>	<u>(8,263)</u>
Total noncurrent liabilities	<u>2,638,072</u>	<u>2,643,217</u>
Total liabilities	<u>2,746,105</u>	<u>2,742,294</u>
Partners' equity	<u>6,762,855</u>	<u>6,973,640</u>
Total liabilities and partners' equity	<u>\$ 9,508,960</u>	<u>\$ 9,715,934</u>

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 505,642	\$ 470,252
Less vacancies	(18,729)	(8,735)
Rental revenue	486,913	461,517
Other	13,003	14,589
Total operating revenues	499,916	476,106
Operating expenses:		
Administrative	88,801	87,014
Maintenance	119,266	99,718
Utilities	26,489	24,575
Insurance	25,459	19,672
Payment in lieu of taxes	22,821	21,410
Other	7,177	3,353
Total operating expenses	290,013	255,742
Operating income	209,903	220,364
Nonoperating revenues (expenses):		
Interest income - restricted	458	403
Interest expense	(91,534)	(92,735)
Interest expense - amortization of finance fees	(344)	(344)
Partnership expenses	(52,434)	(51,976)
Depreciation	(270,918)	(285,993)
Amortization of tax credit fees	(5,916)	(5,916)
Total nonoperating revenues (expenses)	(420,688)	(436,561)
Net loss	\$ (210,785)	\$ (216,197)

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Years Ended December 31, 2025 and 2024

	Limited Partner	General Partner	Total
Balance, December 31, 2023	\$ 6,996,995	\$ 192,842	\$ 7,189,837
Net loss	(216,175)	(22)	(216,197)
Balance, December 31, 2024	6,780,820	192,820	6,973,640
Net loss	(210,764)	(21)	(210,785)
Balance, December 31, 2025	<u>\$ 6,570,056</u>	<u>\$ 192,799</u>	<u>\$ 6,762,855</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	(1,727,676)	(173)	(1,727,849)
Balance, December 31, 2025	<u>\$ 6,570,056</u>	<u>\$ 192,799</u>	<u>\$ 6,762,855</u>

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Cash received from tenants	\$ 492,450	\$ 457,418
Interest received	458	403
Other income	13,003	14,589
Cash paid for operating expenses	(291,343)	(260,703)
Interest paid	(77,276)	(78,476)
Cash paid for partnership expenses	(52,016)	(51,571)
Tenant security deposits	2,123	1,769
Net cash provided (used) by operating activities	87,399	83,429
Cash flows from financing activities:		
Payments on long-term debt	(18,461)	(17,259)
Net cash provided (used) by financing activities	(18,461)	(17,259)
Net increase in cash, cash equivalents, and restricted cash	68,938	66,170
Cash, cash equivalents, and restricted cash, beginning of year	634,000	567,830
Cash, cash equivalents, and restricted cash, end of year	\$ 702,938	\$ 634,000
Reconciliation to the balance sheet:		
Cash and cash equivalents	\$ 167,986	\$ 162,187
Restricted cash	534,952	471,813
Total cash, cash equivalents, and restricted cash	\$ 702,938	\$ 634,000

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	2025	2024
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (210,785)	\$ (216,197)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	270,918	285,993
Amortization of tax credit fees	5,916	5,916
Amortization of finance fees	344	344
(Increase) decrease in tenant receivables	4,430	(5,142)
(Increase) decrease in accounts receivable - other	(92)	-
(Increase) decrease in prepaid expenses	(5,260)	(5,916)
Increase (decrease) in accounts payable	(5,132)	263
Increase (decrease) in due to CDA	8,161	(569)
Increase (decrease) in accrued interest	14,258	14,259
Increase (decrease) in accrued payment in lieu of taxes	1,411	1,666
Increase (decrease) in prepaid rents	1,107	1,043
Increase (decrease) in tenant security deposits	2,123	1,769
Total adjustments	298,184	299,626
Net cash provided (used) by operating activities	\$ 87,399	\$ 83,429

See accompanying notes to financial statements.

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Tax Credit Fees - Tax credit fees are amortized over a 10-year period using the straight-line method.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 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 2025 and 2024, deposits of \$21,911 and \$21,506 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 2025 activity in each reserve appears on page 16.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA - First mortgage	\$ 1,134,710	\$ 1,153,171
CDA - HOPE	750,000	750,000
CDA - HOME	676,116	676,116
	<u>2,560,826</u>	<u>2,579,287</u>
Less current maturities	<u>(19,747)</u>	<u>(18,461)</u>
	<u><u>\$ 2,541,079</u></u>	<u><u>\$ 2,560,826</u></u>

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:

2026	\$ 19,747
2027	21,121
2028	22,592
2029	24,165
2030	25,848
Thereafter	<u>2,447,353</u>
	<u><u>\$ 2,560,826</u></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.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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:

	2025	2024
CDA - HOME	\$ 48,600	\$ 41,841
CDA - HOPE	56,312	48,813
	<u>\$ 104,912</u>	<u>\$ 90,654</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 \$14,329 and \$13,911 is included in partnership expenses in 2025 and 2024, 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 2025 and 2024.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

5. RELATED PARTY TRANSACTIONS (Continued)

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 45,960	\$ 44,621
Partnership administration fee	14,329	13,911
Incentive property management fee	30,000	30,000
On-site management, tax credit monitoring and maintenance services	64,080	59,730
Interest expense on the CDA mortgages	91,534	92,735
Amount due to the CDA at year end:		
Accounts payable	9,151	1,408
Partnership administration fee	14,329	13,911
Mortgages payable	2,560,826	2,579,287
Accrued interest	104,912	90,654

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 2025 and 2024 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.

(Continued)

ROSEMOUNT II LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 2025 and 2024. The 2025 projects were to repair interior doors and replace various appliances. The 2024 projects were to reroute gutters, insulate chases, and replace various appliances. Project costs totaled \$19,362 in 2025 and \$7,859 in 2024. These projects were funded with 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, 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.

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 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 25,870	\$ 24,603
Administrative benefits	9,019	8,657
Legal	1,566	2,787
Auditing	4,625	4,625
Communications	281	291
Other administrative	1,480	1,430
Management fee	45,960	44,621
Total administrative expenses	<u>\$ 88,801</u>	<u>\$ 87,014</u>
Maintenance expenses:		
Trash	\$ 7,594	\$ 6,429
Maintenance salaries	19,507	17,729
Caretaker salaries	1,502	1,145
Maintenance benefits	7,782	7,196
Materials/supplies	10,410	8,179
Vehicle expenses	1,363	1,224
Contract costs	12,185	13,964
Flooring	4,347	1,741
Grounds maintenance	17,807	13,382
Heating & air conditioning	-	3,460
Contract painting	6,805	9,070
Snow removal	7,277	7,026
Cleaning and custodial	3,325	1,314
Extraordinary maintenance	19,362	7,859
Total maintenance expenses	<u>\$ 119,266</u>	<u>\$ 99,718</u>
Utilities expenses:		
Water/sewer	\$ 21,839	\$ 20,674
Electricity	3,638	3,329
Gas	1,012	572
Total utilities expenses	<u>\$ 26,489</u>	<u>\$ 24,575</u>
Partnership expenses:		
Incentive management fee	\$ 30,000	\$ 30,000
Limited Partner asset management fee	5,500	5,500
Partnership administration fee	14,329	13,911
Partnership tax fees	2,605	2,565
Total partnership expenses	<u>\$ 52,434</u>	<u>\$ 51,976</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 137,918	\$ -	\$ 124	\$ -	\$ 138,042
Replacement reserve	96,629	21,911	87	(19,607)	99,020
Working capital reserve	<u>203,247</u>	<u>59,006</u>	<u>217</u>	<u>-</u>	<u>262,470</u>
Total reserves	<u>\$ 437,794</u>	<u>\$ 80,917</u>	<u>\$ 428</u>	<u>\$ (19,607)</u>	<u>\$ 499,532</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Year Ended December 31, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 12/31/25
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 Book Value 12/31/25
	Balance 12/31/24	Depreciation	Balance 12/31/25	
Land	\$ -	\$ -	\$ -	\$ 636,509
Land improvements	211,152	39,591	250,743	343,122
Buildings	1,252,584	231,327	1,483,911	7,769,151
Residential equipment	111,230	-	111,230	-
Furniture and equipment	1,837	-	1,837	-
	<u>\$ 1,576,803</u>	<u>\$ 270,918</u>	<u>\$ 1,847,721</u>	<u>\$ 8,748,782</u>

See independent auditor's report.

ROSEMOUNT II LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Year Ended December 31, 2025

The Partnership was allocated housing tax credits by the CDA. As of December 31, 2025, \$5,826,049 has been utilized by the Partners. The expected availability of the remaining tax credits is as follows:

2026	\$	890,312
2027		890,312
2028		890,312
2029		<u>406,135</u>
	\$	<u><u>3,077,071</u></u>

Unaudited - See independent auditor's report.



**TWIN PONDS FAMILY HOUSING
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE PERIODS ENDED
JUNE 30, 2025 AND DECEMBER 31, 2024**

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Periods Ended June 30, 2025 and December 31, 2024

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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 June 30, 2025 and December 31, 2024, and the related statements of operations, partners' equity, and cash flows for the six months ended June 30, 2025 and the year ended December 31, 2024, 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 June 30, 2025 and December 31, 2024, and the results of its operations and its cash flows for the six months ended June 30, 2025 and the year ended December 31, 2024 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 2, 2026

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

June 30, 2025 and December 31, 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 105,819	\$ 99,249
Tenant receivables	8,795	12,841
Accounts receivable - other	494	494
Prepaid expenses	8,357	15,944
Total current assets	<u>123,465</u>	<u>128,528</u>
Restricted cash:		
Security deposit reserve	22,635	22,624
Working capital reserve	440,381	431,128
Operating reserve	152,435	152,367
Replacement reserve	115,228	105,357
Total restricted cash	<u>730,679</u>	<u>711,476</u>
Property and equipment	4,190,620	4,190,620
Less accumulated depreciation	<u>(1,690,749)</u>	<u>(1,644,980)</u>
Net property and equipment	<u>2,499,871</u>	<u>2,545,640</u>
 Total assets	 <u>\$ 3,354,015</u>	 <u>\$ 3,385,644</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 6,078	\$ 5,876
Accounts payable	7,077	6,062
Due to CDA	10,995	12,623
Accrued real estate tax	6,863	12,481
Prepaid rents	4,327	2,008
Tenant security deposits	21,553	22,116
Total current liabilities	<u>56,893</u>	<u>61,166</u>
Noncurrent liabilities:		
Accrued interest, long-term	223,342	216,517
Long-term debt, less current maturities	1,499,722	1,502,813
Less unamortized finance fees	<u>(10,120)</u>	<u>(10,502)</u>
Total noncurrent liabilities	<u>1,712,944</u>	<u>1,708,828</u>
Total liabilities	<u>1,769,837</u>	<u>1,769,994</u>
Partners' equity	<u>1,584,178</u>	<u>1,615,650</u>
 Total liabilities and partners' equity	 <u>\$ 3,354,015</u>	 <u>\$ 3,385,644</u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Periods Ended June 30, 2025 and December 31, 2024

	<u>2025</u> (6 months)	<u>2024</u> (12 months)
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 159,339	\$ 303,545
Less vacancies	(7,587)	(32,755)
Less bad debts - rent	(1,010)	(5,485)
Net rental revenue	<u>150,742</u>	<u>265,305</u>
Other	<u>7,744</u>	<u>13,536</u>
Total operating revenues	<u>158,486</u>	<u>278,841</u>
Operating expenses:		
Administrative	32,018	55,134
Maintenance	38,244	115,692
Utilities	8,958	16,910
Insurance	7,607	10,581
Real estate tax	6,863	12,481
Other	<u>2,643</u>	<u>6,240</u>
Total operating expenses	<u>96,333</u>	<u>217,038</u>
Operating income	<u>62,153</u>	<u>61,803</u>
Nonoperating revenues (expenses):		
Interest income - restricted	320	673
Interest expense	(11,718)	(23,695)
Interest expense - amortization of finance fees	(382)	(764)
Partnership expenses	(36,076)	(39,130)
Depreciation	<u>(45,769)</u>	<u>(93,634)</u>
Total nonoperating revenues (expenses)	<u>(93,625)</u>	<u>(156,550)</u>
Net loss	<u><u>\$ (31,472)</u></u>	<u><u>\$ (94,747)</u></u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF PARTNERS' EQUITY

For the Periods Ended June 30, 2025 and December 31, 2024

	Limited Partner	General Partner	Total
Balance, December 31, 2023	\$ 1,147,315	\$ 563,082	\$ 1,710,397
Net loss	(94,737)	(10)	(94,747)
Balance, December 31, 2024	1,052,578	563,072	1,615,650
Net loss	(31,469)	(3)	(31,472)
Balance, June 30, 2025	<u>\$ 1,021,109</u>	<u>\$ 563,069</u>	<u>\$ 1,584,178</u>
Composed of:			
Capital contributions	\$ 2,605,479	\$ 563,221	\$ 3,168,700
Cumulative losses	(1,522,881)	(152)	(1,523,033)
Syndication costs	(61,489)	-	(61,489)
Balance, June 30, 2025	<u>\$ 1,021,109</u>	<u>\$ 563,069</u>	<u>\$ 1,584,178</u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2025 and December 31, 2024

	2025 <u>(6 months)</u>	2024 <u>(12 months)</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 157,107	\$ 273,475
Interest received	320	673
Other income	7,744	13,475
Cash paid for operating expenses	(89,915)	(221,834)
Interest paid	(4,893)	(10,070)
Cash paid for partnership expenses	(41,138)	(38,826)
Tenant security deposits	<u>(563)</u>	<u>3,811</u>
Net cash provided (used) by operating activities	<u>28,662</u>	<u>20,704</u>
Cash flows from investing activities:		
Cash paid for capital improvements, net	<u>-</u>	<u>(19,323)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(19,323)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(2,889)</u>	<u>(5,494)</u>
Net cash provided (used) by financing activities	<u>(2,889)</u>	<u>(5,494)</u>
Net increase (decrease) in cash and cash equivalents	25,773	(4,113)
Cash, cash equivalents, and restricted cash, beginning of period	<u>810,725</u>	<u>814,838</u>
Cash, cash equivalents, and restricted cash, end of period	<u><u>\$ 836,498</u></u>	<u><u>\$ 810,725</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 105,819	\$ 99,249
Restricted cash	<u>730,679</u>	<u>711,476</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 836,498</u></u>	<u><u>\$ 810,725</u></u>

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Periods Ended June 30, 2025 and December 31, 2024

	<u>2025</u> <u>(6 months)</u>	<u>2024</u> <u>(12 months)</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (31,472)	\$ (94,747)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	45,769	93,634
Amortization of finance fees	382	764
Bad debts - rent	1,010	5,485
(Increase) decrease in tenant receivables	3,036	2,487
(Increase) decrease in accounts receivable - other	-	(61)
(Increase) decrease in prepaid expenses	7,587	(4,672)
Increase (decrease) in accounts payable	1,015	(759)
Increase (decrease) in due to CDA	(1,628)	(1,049)
Increase (decrease) in accrued interest	6,825	13,625
Increase (decrease) in accrued real estate tax	(5,618)	1,988
Increase (decrease) in prepaid rents	2,319	198
Increase (decrease) in tenant security deposits	(563)	3,811
Total adjustments	<u>60,134</u>	<u>115,451</u>
Net cash provided (used) by operating activities	<u>\$ 28,662</u>	<u>\$ 20,704</u>

See accompanying notes to financial statements.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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 Limited Partner assigned its interest to Dakota County CDA Workforce Housing II LLC on July 2, 2025.

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 required 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. An extended use agreement remains in effect through 2038.

During 2025, the Partnership's financial reporting year end was changed from December 31 to June 30 to coincide with the year end of the CDA. As a result, the Partnership's June 30, 2025 financial statements are for a six-month period.

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.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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 June 30, 2025 and December 31, 2024.

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 2025 or 2024.

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 Periods Ended June 30, 2025 and December 31, 2024

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 Partnership made deposits of \$11,571 and \$15,125 in 2025 and 2024.

A summary of the 2025 activity in each reserve appears on page 16.

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA	\$ 143,291	\$ 146,180
MHFA – HRPP	783,000	783,000
CDA – HOPE	250,000	250,000
CDA – HOME	104,509	104,509
CDA – LHIA	225,000	225,000
	1,505,800	1,508,689
Less current maturities	(6,078)	(5,876)
	<u>\$ 1,499,722</u>	<u>\$ 1,502,813</u>

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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:

2026	\$ 6,078
2027	6,501
2028	6,953
2029	7,438
2030	7,955
Thereafter	<u>1,470,875</u>
	<u>\$ 1,505,800</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 Periods Ended June 30, 2025 and December 31, 2024

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:

	2025	2024
Long-term:		
MHFA – HRPP	\$ 128,913	\$ 124,985
CDA – HOPE	41,694	40,444
CDA – HOME	15,318	14,796
CDA – LHIA	37,417	36,292
	<u>\$ 223,342</u>	<u>\$ 216,517</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 \$5,376 and \$10,438 were included in partnership expenses in 2025 and 2024, 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 \$28,095 and \$26,127 in 2025 and 2024, respectively.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

5. RELATED PARTY TRANSACTIONS (Continued)

The General Partner provides various services to the Partnership, which are summarized as follows:

	2025	2024
Property management fee	\$ 14,363	\$ 27,888
Partnership administration fee	5,376	10,438
Incentive partnership management fee	28,095	26,127
On-site management, tax credit monitoring and maintenance services	19,861	44,820
Interest expense on the CDA mortgages	7,791	15,865
Amount due to the CDA at period end:		
Accounts payable	5,619	2,185
Partnership administration fee	5,376	10,438
Mortgages payable	722,800	725,689
Accrued interest	94,429	91,532

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 2025 and 2024.

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 2025 and 2024. The 2025 projects were to replace various appliances. The 2024 projects were to remove and replace mulch, replace various appliances, and restore and paint rusted valley flashing. Project costs totaled \$2,826 in 2025 and \$19,155 in 2024. These projects were partially funded by replacement reserve withdrawals.

(Continued)

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Periods Ended June 30, 2025 and December 31, 2024

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

USB LIHTC Fund 2010-1, LLC assigned its Limited Partner interest to Dakota County CDA Workforce Housing II LLC on July 2, 2025.

The MHFA – HRPP loan was repaid in full in July 2025.

Management has evaluated subsequent events through April 2, 2026, 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 Periods Ended June 30, 2025 and December 31, 2024

	2025 (6 months)	2024 (12 months)
Administrative expenses:		
Administrative salaries	\$ 8,365	\$ 15,377
Administrative benefits	2,991	5,411
Legal	284	356
Auditing	4,625	4,625
Marketing	250	-
Communications	110	182
Other administration	1,030	1,295
Management fee	14,363	27,888
Total administrative expenses	<u>\$ 32,018</u>	<u>\$ 55,134</u>
Maintenance expenses:		
Trash	\$ 4,994	\$ 9,631
Maintenance salaries	5,786	16,823
Caretaker salaries	517	1,024
Maintenance benefits	2,202	5,935
Materials/supplies	2,081	8,774
Vehicle expenses	588	765
Contract costs	1,817	6,655
Grounds maintenance	7,976	6,935
Heating & air conditioning	-	3,700
Flooring	3,237	21,342
Contract painting	2,075	6,215
Snow removal	3,560	6,658
Cleaning and custodial	585	2,080
Extraordinary maintenance	2,826	19,155
Total maintenance expenses	<u>\$ 38,244</u>	<u>\$ 115,692</u>
Utilities expenses:		
Water/sewer	\$ 8,204	\$ 14,645
Electricity	470	1,124
Gas	284	1,141
Total utilities expenses	<u>\$ 8,958</u>	<u>\$ 16,910</u>
Partnership expenses:		
General Partner incentive partnership management fee	\$ 28,095	\$ 26,127
Partnership administration fee	5,376	10,438
Partnership tax fees	2,605	2,565
Total partnership expenses	<u>\$ 36,076</u>	<u>\$ 39,130</u>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Period Ended June 30, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 06/30/25
Working capital reserve	\$ 431,128	\$ 9,060	\$ 193	\$ -	\$ 440,381
Operating reserve	152,367	-	68	-	152,435
Replacement reserve	<u>105,357</u>	<u>11,571</u>	<u>48</u>	<u>(1,748)</u>	<u>115,228</u>
	<u>\$ 688,852</u>	<u>\$ 20,631</u>	<u>\$ 309</u>	<u>\$ (1,748)</u>	<u>\$ 708,044</u>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF PROPERTY AND EQUIPMENT

For the Period Ended June 30, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 06/30/25
Land	\$ 358,438	\$ -	\$ 358,438
Land improvements	217,512	-	217,512
Buildings	3,564,863	-	3,564,863
Residential equipment	48,413	-	48,413
Furniture and equipment	1,394	-	1,394
	<u>\$ 4,190,620</u>	<u>\$ -</u>	<u>\$ 4,190,620</u>

	Accumulated Depreciation			Net
	Balance 12/31/24	Depreciation (Retirements)	Balance 06/30/25	Book Value 06/30/25
Land	\$ -	\$ -	\$ -	\$ 358,438
Land improvements	216,304	1,208	217,512	-
Buildings	1,378,869	44,561	1,423,430	2,141,433
Residential equipment	48,413	-	48,413	-
Furniture and equipment	1,394	-	1,394	-
	<u>\$ 1,644,980</u>	<u>\$ 45,769</u>	<u>\$ 1,690,749</u>	<u>\$ 2,499,871</u>

See independent auditor's report.

TWIN PONDS FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF HOUSING TAX CREDITS

For the Period Ended June 30, 2025

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, 2025 AND 2024**

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Mahoney Ulbrich
Christiansen & Russ, PA

April 24, 2026

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 123,478	\$ 122,911
Tenant receivables	12,990	7,438
Accounts receivable - other	477	477
Prepaid expenses	18,336	15,370
Total current assets	<u>155,281</u>	<u>146,196</u>
Restricted cash:		
Security deposit reserve	22,573	21,584
Operating reserve	164,553	164,405
Replacement reserve	126,222	113,843
Working capital reserve	414,359	384,523
Total restricted cash	<u>727,707</u>	<u>684,355</u>
Property and equipment	4,484,651	4,484,651
Less accumulated depreciation	<u>(1,467,303)</u>	<u>(1,361,624)</u>
Net property and equipment	<u>3,017,348</u>	<u>3,123,027</u>
Total assets	<u>\$ 3,900,336</u>	<u>\$ 3,953,578</u>
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 7,944	\$ 7,427
Accounts payable	8,905	8,182
Due to CDA	22,665	10,942
Accrued payment in lieu of taxes	13,187	13,749
Prepaid rent	1,176	1,179
Tenant security deposits	20,668	20,587
Total current liabilities	<u>74,545</u>	<u>62,066</u>
Noncurrent liabilities:		
Accrued interest, long-term	112,645	104,656
Long-term debt, less current maturities	1,029,587	1,037,531
Less unamortized finance fees	<u>(6,744)</u>	<u>(7,155)</u>
Total noncurrent liabilities	<u>1,135,488</u>	<u>1,135,032</u>
Total liabilities	<u>1,210,033</u>	<u>1,197,098</u>
Partners' equity	<u>2,690,303</u>	<u>2,756,480</u>
Total liabilities and partners' equity	<u>\$ 3,900,336</u>	<u>\$ 3,953,578</u>

See accompanying notes to financial statements.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Apartment rent:		
Gross potential rent	\$ 326,081	\$ 319,255
Less vacancies	(33,139)	(23,496)
Less bad debts - rent	(73)	(2,468)
Net rental revenue	<u>292,869</u>	<u>293,291</u>
Other	<u>27,094</u>	<u>17,587</u>
Total operating revenues	<u>319,963</u>	<u>310,878</u>
Operating expenses:		
Administrative	60,935	57,515
Maintenance	99,530	89,937
Utilities	19,444	17,455
Insurance	14,640	11,974
Payment in lieu of taxes	13,187	13,749
Other	<u>5,226</u>	<u>10,233</u>
Total operating expenses	<u>212,962</u>	<u>200,863</u>
Operating income	<u>107,001</u>	<u>110,015</u>
Nonoperating revenues (expenses):		
Interest income - restricted	641	633
Interest expense	(24,370)	(24,854)
Interest expense - amortization of finance fees	(411)	(411)
Partnership expenses	(43,359)	(41,777)
Depreciation	<u>(105,679)</u>	<u>(105,356)</u>
Total nonoperating revenues (expenses)	<u>(173,178)</u>	<u>(171,765)</u>
Net loss	<u><u>\$ (66,177)</u></u>	<u><u>\$ (61,750)</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, 2025 and 2024

	Limited Partner	General Partner	Total
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2023	\$ 2,462,490	\$ 355,740	\$ 2,818,230
Net loss	<u>(61,744)</u>	<u>(6)</u>	<u>(61,750)</u>
Balance, December 31, 2024	2,400,746	355,734	2,756,480
Net loss	<u>(66,170)</u>	<u>(7)</u>	<u>(66,177)</u>
Balance, December 31, 2025	<u>\$ 2,334,576</u>	<u>\$ 355,727</u>	<u>\$ 2,690,303</u>
Composed of:			
Capital contributions	\$ 3,543,396	\$ 355,842	\$ 3,899,238
Syndication costs	(57,254)	-	(57,254)
Cumulative losses	<u>(1,151,566)</u>	<u>(115)</u>	<u>(1,151,681)</u>
Balance, December 31, 2025	<u>\$ 2,334,576</u>	<u>\$ 355,727</u>	<u>\$ 2,690,303</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 287,314	\$ 300,397
Interest received	641	633
Other income	27,094	18,020
Cash paid for operating expenses	(204,360)	(200,595)
Interest paid	(16,381)	(16,865)
Cash paid for partnership expenses	(43,043)	(41,479)
Tenant security deposits	<u>81</u>	<u>1,479</u>
Net cash provided (used) by operating activities	<u>51,346</u>	<u>61,590</u>
Cash flows from investing activities:		
Cash paid for capital improvements, net	<u>-</u>	<u>(19,339)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(19,339)</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(7,427)</u>	<u>(6,943)</u>
Net cash provided (used) by financing activities	<u>(7,427)</u>	<u>(6,943)</u>
Net increase in cash, cash equivalents, and restricted cash	43,919	35,308
Cash, cash equivalents, and restricted cash, beginning of year	<u>807,266</u>	<u>771,958</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 851,185</u></u>	<u><u>\$ 807,266</u></u>
Reconciliation to the balance sheets:		
Cash and cash equivalents	\$ 123,478	\$ 122,911
Restricted cash	<u>727,707</u>	<u>684,355</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 851,185</u></u>	<u><u>\$ 807,266</u></u>

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of net loss to net cash provided (used) by operating activities:		
Net loss	\$ (66,177)	\$ (61,750)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	105,679	105,356
Amortization of finance fees	411	411
Bad debts - rent	73	2,468
(Increase) decrease in tenant receivables	(5,625)	5,450
(Increase) decrease in accounts receivable - other	-	(44)
(Increase) decrease in prepaid expenses	(2,966)	(2,707)
Increase (decrease) in accounts payable	723	1,709
Increase (decrease) in due to CDA	11,723	(761)
Increase (decrease) in accrued interest	7,989	7,989
Increase (decrease) in accrued payment in lieu of taxes	(562)	2,802
Increase (decrease) in prepaid rent	(3)	(812)
Increase (decrease) in tenant security deposits	81	1,479
	<u>117,523</u>	<u>123,340</u>
Total adjustments		
	<u>\$ 51,346</u>	<u>\$ 61,590</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, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024.

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 2025 or 2024.

Payment in Lieu of Taxes - The Project is exempt from real estate taxes under Minnesota law. However, the Partnership does make payments in lieu of taxes to support services and facilities provided with respect to the Project. The real estate tax exemption does not apply to charges for special assessments.

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.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$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 2025 and 2024.

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 2025 activity in each reserve appears on page 16.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT

Long-term debt consists of the following:

	2025	2024
CDA	\$ 238,620	\$ 246,047
CDA - TIF	298,911	298,911
CDA - HOPE	250,000	250,000
CDA - Met Council	250,000	250,000
	<u>1,037,531</u>	<u>1,044,958</u>
Less current maturities	<u>(7,944)</u>	<u>(7,427)</u>
	<u><u>\$ 1,029,587</u></u>	<u><u>\$ 1,037,531</u></u>

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.

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

4. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2026	\$ 7,944
2027	8,497
2028	9,089
2029	9,722
2030	10,398
Thereafter	991,881
	<u>\$ 1,037,531</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:

- 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:

	2025	2024
Long-term:		
CDA - TIF	\$ 42,221	\$ 39,232
CDA - HOPE	35,313	32,813
CDA - Met Council	35,111	32,611
	<u>\$ 112,645</u>	<u>\$ 104,656</u>

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 \$10,844 and \$10,528 are included in partnership expenses in 2025 and 2024, 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 \$28,095 and \$26,869, which is included in partnership expenses in 2025 and 2024, 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 2025 and 2024 and is included in partnership expenses.

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:

	2025	2024
Property management fee	\$ 29,874	\$ 29,004
Partnership administration fee	10,844	10,528
Incentive partnership management fee	28,095	26,869
On-site management, tax credit monitoring and maintenance services	44,226	41,617
Interest expense on the CDA mortgages	24,370	24,854
Amount due to (from) the CDA at year end:		
Accounts payable	11,821	414
Partnership administration fee	10,844	10,528
Mortgages payable	1,037,531	1,044,958
Accrued interest	112,645	104,656

(Continued)

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

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 2025 and 2024. The 2025 projects were to repair concrete and replace various appliances. The 2024 projects were to remove and replace mulch and replace various appliances. Project costs totaled \$9,297 in 2025 and \$3,654 in 2024. These projects were partially funded by replacement reserve withdrawals.

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 24, 2026, 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, 2025 and 2024

	2025	2024
Administrative expenses:		
Administrative salaries	\$ 16,816	\$ 15,993
Administrative benefits	5,862	5,628
Legal	570	272
Auditing	4,625	4,625
Marketing	250	-
Communications	182	189
Other administrative	2,756	1,804
Management fee	29,874	29,004
	<u>60,935</u>	<u>57,515</u>
Total administrative expenses	\$ 60,935	\$ 57,515
Maintenance expenses:		
Trash	\$ 9,987	\$ 9,183
Maintenance salaries	15,133	13,771
Caretaker salaries	818	986
Maintenance benefits	5,337	4,979
Materials/supplies	7,749	5,148
Vehicle expenses	886	796
Contract costs	3,834	10,381
Flooring	14,338	16,296
Grounds maintenance	10,386	7,913
Heating and air conditioning	1,885	363
Contract painting	9,775	7,723
Snow removal	7,098	6,679
Cleaning and custodial	3,007	2,065
Extraordinary maintenance	9,297	3,654
	<u>99,530</u>	<u>89,937</u>
Total maintenance expenses	\$ 99,530	\$ 89,937
Utilities expenses:		
Water/sewer	\$ 15,442	\$ 14,811
Electricity	1,987	1,113
Gas	2,015	1,531
	<u>19,444</u>	<u>17,455</u>
Total utilities expenses	\$ 19,444	\$ 17,455
Partnership expenses:		
General Partner incentive partnership management fee	\$ 28,095	\$ 26,869
Limited Partner asset management fee	1,815	1,815
Partnership administration fee	10,844	10,528
Partnership tax fees	2,605	2,565
	<u>43,359</u>	<u>41,777</u>
Total partnership expenses	\$ 43,359	\$ 41,777

See independent auditor's report.

TWIN PONDS PHASE II FAMILY HOUSING LIMITED PARTNERSHIP

SCHEDULE OF RESERVES

For the Year Ended December 31, 2025

	Beginning Balance 12/31/24	Additions	Interest	Withdrawals	Ending Balance 12/31/25
Operating reserve	\$ 164,405	\$ -	\$ 148	\$ -	\$ 164,553
Replacement reserve	113,843	17,863	110	(5,594)	126,222
Working capital reserve	384,523	29,473	363	-	414,359
	<u>\$ 662,771</u>	<u>\$ 47,336</u>	<u>\$ 621</u>	<u>\$ (5,594)</u>	<u>\$ 705,134</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, 2025

	Property and Equipment		
	Balance 12/31/24	Additions (Retirements)	Balance 12/31/25
Land	\$ 422,887	\$ -	\$ 422,887
Land improvements	122,871	-	122,871
Buildings	3,899,506	-	3,899,506
Residential equipment	39,387	-	39,387
	<u>\$ 4,484,651</u>	<u>\$ -</u>	<u>\$ 4,484,651</u>

	Accumulated Depreciation			Net Book Value 12/31/25
	Balance 12/31/24	Depreciation (Retirements)	Balance 12/31/25	
Land	\$ -	\$ -	\$ -	\$ 422,887
Land improvements	103,075	8,191	111,266	11,605
Buildings	1,219,162	97,488	1,316,650	2,582,856
Residential equipment	39,387	-	39,387	-
	<u>\$ 1,361,624</u>	<u>\$ 105,679</u>	<u>\$ 1,467,303</u>	<u>\$ 3,017,348</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, 2025

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.



Natalie Mouilso, nmouilso@mccdmn.org, 952-451-6390
1/01/2026 – 06/30/2026

Clients Served YTD

Client Inquiry	1
Existing - Challenged	16
Existing - Opportunity	27
Pre-start planning	21
Start-up	24
Total	89

Business Owner Demographics YTD

	# of Clients
Low-Income Owned	55
BIPOC or Immigrant Owned	49
Woman Owned	20

Financing & Access to Capital YTD

Loans & Grants Approved	
includes CBLs (YRLY Total)	\$20,000.00
Equity (YRLY Total)	\$30,750.00
Total Investment	\$50,750.00

Hours

	TA HRS	Program HRS
1 st QTR	146.75	293
2 nd QTR	222.85	134
Total	369.60	427

TA: Client Meetings, Providing Resources, Client Calls, Client Deliverables, Loan Packaging

Program HRS: City Initiatives, Program Outreach, Public Events, City Meetings, Research, Data/Admin, General Inquiries

Industry Segment YTD

Construction / Real Estate	3
Food	13
Health/Fitness	4
Manufacturing	2
Consulting	8
Retail	12
Service	25
Technology	4
Wholesale / Distribution	2
Other	16
Total	89

Referral Source YTD

Bank Referral	5
Entrepreneur	7
Friends and Family	13
Municipality	12
MCCD Partner/staff	10
Other	17
Web	25
Total	89

City YTD

	Business	Resident
Apple Valley	8	9
Burnsville	14	9
Eagan	10	12
Farmington	7	7
Hastings	5	5
Inver Grove Heights	6	6
Lakeville	6	12
Mendota Heights	0	1
Rosemount	3	3
South St. Paul	4	3
West St. Paul	2	2
Other Dakota Co.	1	0
Other/ No Data	23	13

“Working with Natalie helped me be more professional, understand the loan process, and get our business organized. I lean on her all the time for advice... It’s a neighborhood store. Everybody comes and talks about what they’re celebrating, who’s going to be there, and I get to share their happiness with them.” – Apple Valley Loan Client

Direct Financing & Access to Capital**Business Type: Bakery**

Business City: Inver Grove Heights

Residence City: Inver Grove Heights

Referred by: Family and Friends

MCCD Financing: \$10,000

Equity: \$30,000

This Hispanic, women-owned startup bakery opened in Inver Grove Heights in spring 2026. MCCD provided support to the entrepreneur through in-depth direct technical assistance and access to capital via our loan funds. The client invested \$30,000 from her personal savings to open her doors and MCCD's loan funds provided additional working capital to purchase more sophisticated equipment and continue to improve the bakery space.

Business Type: Mowing and Landscaping

Business City: Mendota

Residence City: Mendota

Referred by: Website

MCCD Financing: \$10,000

Equity: \$750

This immigrant, women owned startup business received a loan from MCCD to purchase equipment and machinery so that operations can begin. The business employs the owner and her partner part time as they look to turn a lawncare hobby into a side business to generate additional income and give back to their community.

Highlights, Networking, & Outreach**Programming, Partnerships, & Trainings**

- April – In partnership with UMN Law School, MCCD hosted our spring a virtual Q&A session on small business law. This free virtual event is held twice annually and is designed for business owners at any stage. Law student panelists work with their supervising attorney to answer questions and provide legal resources and guidance to help navigate law questions and concerns.
- May – In partnership with the Northwest Minnesota Foundation and UWM Extension, MCCD hosted an in person Navigating Business Succession & Transition training. Participants heard from experts about business succession and transition, shared ownership, family business transitions, and more. The workshop was designed for current and prospective small businesses to strengthen succession planning efforts.
- May – Business Advisor Natalie Mouilso represented MCCD and Open to Business at the SE Metro Development Summit at Mendakota Country Club. The annual event covers regional market trends and CRE development in the southeast metro area.
- June – MCCD facilitated an interactive small business workshop guiding entrepreneurs through the process of starting a business including validating a business idea, understanding target market, basics of business planning, budgeting, and understanding financing options.
- June – MCCD was awarded a \$10,00 allocation from MN Microgrants which translates to ~6 grants for very low-income entrepreneurs. MCCD has partnered with Microgrants for more than 6 years to bring this much needed funding to entrepreneurs where it can make the most impact.

- July – EDAM hosted a virtual panel discussion on Non-Traditional Lending: Gap Financings and Economic Development Loan Programs. MCCD's Director of Small Business Development, Tyler Hilsabeck, joined other experts from four Minnesota Initiative Foundations to discuss unique financing programs in support of small business and community development projects.

Advertising, Advocacy, & Outreach

- April & May – MCCD and community partners advocated at the Capitol in St. Paul to push for emergency small business relief as small businesses across our state struggled with lost revenue and workforce shortages due to circumstances out of their control. MCCD built a small business coalition, hosted rallies, and engaged with lawmakers in a coordinated effort to get relief dollars to small businesses. While lawmakers and advocates pushed until the final hours, the legislative session ended without a deal.
- June – MCCD Staff attended the Immigrant Entrepreneur Summit (IES) and spent the day networking with small business owners, sharing small business development resources and hearing from speakers including Secretary of State Steve Simon.
- June – Open to Business featured in [Eagan Business News](#) publication for Q2 2026.
- In the last quarter, banker and lender outreach occurred specifically with Lakeview Bank, MidCountry Bank, Royal Credit Union, Sunrise Bank, and US Bank.
- In addition to lending outreach, written or in-person presentations were made and/or networking efforts were made including ongoing partnership discussions with UMN Law School, Dakota County CDA, and City of Farmington monthly check-ins. Additional activity included presenting outcomes at the City and County Community Development Meeting, tabling at the SE Metro Dev. Summit, ribbon cutting at Salaam Global Flavors Grocery, a presentation to the Lakeville EDC, as well as numerous client site visits.

Quarterly Highlight



Ribbon Cutting at Salaam Global Flavors Grocery, Farmington MN. Farmington's new grocery store!