

KASSON ECONOMIC DEVELOPMENT AUTHORITY

Kasson City Hall
Tuesday, May 3rd, 2022
12:00 PM

- I. Call Meeting to Order**
- II. Approve Minutes of the Previous Meeting**
- III. Financial Report**
- IV. Coordinators Report**
- V. City Administrators Report**
- VI. TIF Request for Historic School Redevelopment – KHP LLC**
- VII. Sand Companies Affordable Housing Project request for assistance**
- VIII. 2022 contribution to SMIF - \$500**
- IX. Sponsorship request for Chamber June 3rd event - \$360**
- X. Sponsorship request for 2023 St. Paddy's Day in Kasson - \$500**
- XI. Approval of Rethos Main Street Assessment Leadership Team**
- XII. Other Business/Open Discussion**
- XIII. Items for June EDA Meeting**
- XIV. Adjourn**

The next EDA Board meeting will be held on Tuesday, June 7th, 2022.

KASSON ECONOMIC DEVELOPMENT AUTHORITY MEETING

Tuesday, March 1st, 2022

Kasson City Hall

12:00PM

MINUTES

Pursuant to due call and notice thereof, a regular meeting of the Kasson Economic Development Authority (EDA) was held at Kasson City Hall this 1st day of March 2022 at 12:00PM.

The following board members were present: Dan Eggler, Chris McKern, Michael Peterson, Kathy O'Malley (arrives on item V), Janice Borgstrom-Durst, and Tom Monson

Absent: Jill Moosbrugger.

The following staff members were present: Tim Ibisch- City Administrator, Robert Harris III - EDA Staff

- I. Call Meeting to Order. Eggler called the meeting to order at 12:03PM.
- II. Approve Minutes of the Previous Meeting. McKern motioned to approve the previous minutes. Monson seconded.

Ayes (5), Nays (0). Motion carried.
- III. Financial Report. Harris presented the financial report. The financials were reviewed and accepted. Borgstrom-Durst motioned to approve the financials. McKern seconded.

Ayes (5), Nays (0). Motion carried.
- IV. Coordinators Report. Robert Harris III, CEDA, presented the coordinator's report.

Business visits and assistance

- Johnson's General Store will be opening at 211 W Main Street. Opening date yet announced. I met with the owner Kelly Johnson about programs available through the city and provided her with some guidance on a written business plan.
- Chaotic Good Brewing Company – stayed in close communication as we've processed their revolving loan fund request.
- I've had a couple conversations with a local business looking for a new site in town. They've asked to not be named publicly yet.
- I also field 2 calls from businesses looking to move to town. One business refurbishes antique cameras, and the other is a butcher operation.
- We submitted a DEED Main Street Redevelopment Grant application on behalf of the Baymont by Wyndom's renovation project. It was submitted on Monday, 2/21.

Hamilton Multifamily Project

The Hamilton project has received tax abatement approvals from two taxing bodies (city and county). The school still needs to hold a public hearing, but the board has tentatively approved the tax abatement request.

We had a joint project meeting on Thursday, 2/24 with the city engineer, city planner, public works, and the Hamilton design team to work through some design issues with the site. All in all, there are some remaining elements to work through, but it is looking like we will see development start in July or August of this year.

Kasson Historic School Redevelopment

No major updates on the school project. I've spoken with Paul Warshauer a couple of times about the process of requesting TIF assistance, but he won't be ready to make that request until he closes on the building.

Building offer from Trail Creek Coffee Roasters

Sale is not complete yet. I am waiting on purchase agreement and mortgage documents from the city attorney. I should have those later today or tomorrow.

Childcare Dodge County project

I had a joint meeting on Tuesday, February 8th with the Community ED Director and a few of the county staff (Environmental Services Director, Zoning Administrator, Economic Development Coordinator) to discuss the status of childcare in the region and strategize on getting a full center in Kasson. The conclusion was that more analysis is necessary before moving forward.

Kasson Downtown Improvement Task Force

The Downtown Improvement Task Force met a couple of times this month to finalize the details for the March 12th event. Marketing materials can be found in the packet. Event details are now live.

We are planning to have the EDA EAA grant application submitted by Friday, March 11th.

SE MN Transit Committee

No updates on the transit committee. They are expected to make announcement at the SEMLM meeting on March 29th.

SE MN Impact Hub

No major updates.

- V. City Administrators Report. Ibisch presented the Administrators Report. Report included in meeting packet.
- VI. Chaotic Good Brewing Company RLF loan application. Egger presented the revolving loan fund loan committee's recommendation for the Chaotic Good Brewing revolving loan fund application. McKern motioned to approve the loan for \$50,000 at 3.25% for 10 years.

Ayes (6), Nays (0). Motion carried.
- VII. Proposal to purchase parcel adjacent to Vail property. Harris presented a proposal brought forward by the 1st Stop Realty to purchase 8 acres adjacent to the recently acquired Vail property. It was decided to not pursue purchasing the property.
- VIII. Dodge County Childcare initiative. Harris updated the group that he met with some of the staff in Dodge County to discuss childcare issues and priorities in the county. The EDA expressed that childcare services in Kasson are sufficient and there was no interest to subsidize a new facility in the city.
- IX. Welcoming new businesses to town. Since several new businesses have opened in town, Harris recommended that the EDA have a formal process for welcoming new businesses. It was decided that the EDA would collaborate with the Kasson Chamber of Commerce in their ribbon cutting events as a formal welcome to new businesses.
- X. Kasson Solar Garden project. Ibisch presented the potential solar projects that the city is exploring. There are 2 potential sites being explored for solar development.
- XI. Other Business/Open Discussion. None.

XII. Items for March meeting. The group identified the ribbon cuttings as a future agenda item.

XIII. Adjourn. Peterson motioned to adjourn the meeting. Borgstrom-Durst seconded.

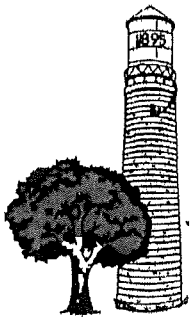
Ayes (6), Nays (0). Motion carried. Meeting adjourned at 12:38 PM.

The next meeting will be held at 12:00PM on April 1st, 2022.

Minutes Submitted by:

Robert Harris III, EDA Coordinator

Dan Egger, EDA President



TREE
CITY
USA

CITY OF KASSON

401 FIFTH STREET SE
KASSON, MINNESOTA 55944-2204
PHONE: (507) 634-7071
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MEMO

To: Robert

From: Nancy Zaworski

Date: April 19, 2022

Re: 2022 Budget

Hello-

The 2021 audit has been completed and approved by City Council at their meeting on April 13, 2022.

Attached is the 2022 budget with 2021 final actual numbers.



AN EQUAL OPPORTUNITY EMPLOYER

ECONOMIC DEVELOPMENT	BUDGET 2019		BUDGET 2020		BUDGET 2021		PROPOSED 2022	COMMENTS
		ACTUAL		ACTUAL		ACTUAL		
290.4650.3101 CURRENT AD VALOREM TAXES	69,602	69,602	-	-	88,223	88,223	102,444	
290.4650.3621 INTEREST EARNED	2,000	590	2,000	242	500	33	500	
290.4650.3107 Abatement Levy		2,637		230		-		
Transfers In	20,000	20,000	-	-	-	-	-	
Total ECONOMIC DEVELOPMENT	91,602	92,829	2,000	472	88,723	88,256	102,944	

ECONOMIC DEVELOPMENT		BUDGET		ACTUAL		BUDGET		ACTUAL		BUDGET		ACTUAL		PROPOSED		COMMENTS
COMMUNITY/ECONOMIC DE		2019		2020		2021		2022		2021		2022		2022		
290.4650.101	FULL-TIME EMPLOYEES - REGULA	11,500	6,782	11,700	11,664	11,700	12,683	12,500								
290.4650.121	EMPLOYER PERA CONTRIBUTIONS	863	488	878	844	878	946	938								
290.4650.122	EMPLOYER FICA CONTRIBUTIONS	713	423	725	689	725	757	775								
290.4650.123	EMPLOYER MEDICARE CONTRIBUT	167	99	170	161	170	177	181								
290.4650.130	EMPLOYER PAID INSURANCE	1,100	538	2,000	1,089	5,500	2,181	6,000								
	Personnel Subtotal	14,342	8,330	15,473	14,447	18,973	16,743	20,394								
290.4650.150	WORKERS COMPENSATION	300	(36)	100	48	100	70	100								
290.4650.210	OPERATING SUPPLIES	400	465	400	259	500	288	500								
290.4650.303	ENGINEERING FEES	3,000	-	3,000	3,443	1,500	8,287	1,500								
290.4650.304	LEGAL FEES	4,000	1,350	4,000	-	2,500	3,949	2,500								
290.4650.321	TELEPHONE	500	329	500	243	500	270	500								
290.4650.325	COMMUNICATION-OTHER	200	227	200	263	200	260	200								Postage
290.4650.333	STAFF MEETINGS & CONFERENCE	500	16	500	-	400	-	400								
290.4650.334	MEMBERSHIP DUES AND FEES	500	416	500	396	500	75	500								
290.4650.343	ADVERTISING	-	-	-	-	5,000	285	8,000								
290.4650.351	LEGAL NOTICES PUBLISHING	-	75	-	51	100	-	100								
290.4650.352	GENERAL NOTICE/PUBLIC INFO	-	-	-	-	-	-	-								
290.4650.360	INSURANCE	360	339	360	355	400	321	450								
290.4650.380	UTILITY SERVICES		-		-		-									
290.4650.414	PROGRAMS	20,000	2,000	20,000	7,969	10,000	1,966	17,000								Commercial Programs
290.4650.413	Rental Expenses	-	-	-	-	-	-	-								
290.4650.430	OTHER SERVICE/CHARGES-MISC.	4,500	1,265	4,500	2,007	3,500	858	3,500								Includes \$500 SMIF
290.4650.440	PROFESSIONAL SERVICES	500	2,967	500	285	800	1,433	800								Marketing
290.4650.444	OTHER CONTRACTUAL SERVICES	42,500	42,355	42,500	43,628	43,750	44,936	46,500								CEDA
290.4650.720	OPERATING TRANSFERS				20,000		-									
	Operations Subtotal	77,260	51,767	77,060	78,946	69,750	62,998	82,550								
Total ECONOMIC DEVELOPMENT		91,602	60,098	92,533	93,393	88,723	79,741	102,944								

04/29/22
15:18:22

CITY OF KASSON
Balance Sheet
For the Accounting Period: 4 / 22

Page: 1 of 3
Report ID: L150

225 EDA FED MIF

Assets

Current Assets

CASH-OPERATING	160,333.10
LOAN PRIN REC-WHITMARSH	1,549.19
LOAN PRIN REC- 1760 MILLWORK	71,640.10

Total Current Assets	233,522.39
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Total Assets	233,522.39
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Liabilities and Equity

Total Liabilities

Equity

UNRESERVED FUND BALANCE	233,494.57
CURRENT YEAR INCOME/(LOSS)	27.82

Total Equity	233,522.39
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Total Liabilities & Equity	233,522.39
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04/29/22
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CITY OF KASSON
Balance Sheet
For the Accounting Period: 4 / 22

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226 EDA RLF

Assets		
Current Assets		
CASH-OPERATING	29,999.00	
CHAOTIC GOOD BREWING LOAN-PRINCIPAL REC	50,000.00	

Total Current Assets		79,999.00

Total Assets		79,999.00
Liabilities and Equity		
Total Liabilities		

Equity		
UNRESERVED FUND BALANCE	79,999.00	

Total Equity		79,999.00

Total Liabilities & Equity		79,999.00

04/29/22
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CITY OF KASSON
Balance Sheet
For the Accounting Period: 4 / 22

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290 Economic Development

Assets

Current Assets

CASH-OPERATING	38,314.79
DUE FROM OTHER FUNDS	81,677.89

Total Current Assets	119,992.68
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Total Assets	119,992.68
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Liabilities and Equity

Current Liabilities

ACCRUED WAGE/SALARY PAYABLE	486.23
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Total Current Liabilities	486.23
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Total Liabilities	486.23
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Equity

UNRESERVED FUND BALANCE	158,457.63
CURRENT YEAR INCOME/(LOSS)	(38,951.18)

Total Equity	119,506.45
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Total Liabilities & Equity	119,992.68
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04/29/22
15:18:56

CITY OF KASSON
Income Statement by Department
For the Accounting Period: 4 / 22

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Report ID: L140

225 EDA FED MIF

	Actual		Actual		Annual Budget
	Period to Date	%	Year-To-Date	%	
Revenue					
Community/Economic Development					
3621 INTEREST EARNED	6.46		27.82		0.00 27.82
Total Department	6.46		27.82		27.82
Total Revenue	6.46	100.00	27.82	100.00	0.00 27.82
Net Income(Loss)	6.46		27.82		

04/29/22
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CITY OF KASSON
Income Statement by Department
For the Accounting Period: 4 / 22

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Report ID: L140

290 Economic Development

	Actual		Actual		Annual Budget	
	Period to Date	%	Year-To-Date	%		
Revenue						
Community/Economic Development						
3101 CURRENT AD VALOREM TAXES	0.00		0.00		102,444.00	-102,444.00
3621 INTEREST EARNED	0.00		0.00		500.00	-500.00
Total Department					102,944.00	-102,944.00
Total Revenue	0.00	100.00	0.00	100.00	102,944.00	-102,944.00
Expenses						
Community/Economic Development						
Community/Economic Development						
101 FULL-TIME EMPLOYEES - REGULAR	1,580.40	9.06	4,695.34	12.05	12,500.00	7,804.66
121 EMPLOYER PERA CONTRIBUTIONS	118.53	0.68	352.16	0.90	938.00	585.84
122 EMPLOYER FICA CONTRIBUTIONS	94.07	0.54	277.11	0.71	775.00	497.89
123 EMPLOYER MEDICARE CONTRIBUTION	22.01	0.13	64.83	0.17	181.00	116.17
130 EMPLOYER PAID INSURANCE	210.09	1.20	782.66	2.01	6,000.00	5,217.34
150 WORKER'S COMPENSATION	0.00		98.00	0.25	100.00	2.00
210 OPERATING SUPPLIES	0.00		74.41	0.19	500.00	425.59
303 ENGINEERING FEES	3,072.50	17.61	8,089.20	20.77	1,500.00	-6,589.20
304 LEGAL FEES	348.00	1.99	464.00	1.19	2,500.00	2,036.00
321 TELEPHONE	21.99	0.13	88.23	0.23	500.00	411.77
325 COMMUNICATION-OTHER	15.00	0.09	45.00	0.12	200.00	155.00
333 STAFF MEETINGS & CONFERENCES	0.00		0.00		400.00	400.00
334 MEMBERSHIP DUES AND FEES	0.00		75.00	0.19	500.00	425.00
343 OTHER ADVERTISING	0.00		0.00		8,000.00	8,000.00
351 LEGAL NOTICES PUBLISHING	0.00		0.00		100.00	100.00
360 INSURANCE	135.24	0.78	135.24	0.35	450.00	314.76
414 COMMERCIAL PROGRAMS	0.00		0.00		17,000.00	17,000.00
430 OTHER SERVICE/CHARGES-MISC.	260.00	1.49	270.00	0.69	3,500.00	3,230.00
440 PROFESSIONAL SERVICES	0.00		300.00	0.77	800.00	500.00
444 OTHER CONTRACTUAL SERVICES	11,570.00	66.31	23,140.00	59.41	46,500.00	23,360.00
Account Total						
	17,447.83	100.00	38,951.18	100.00	102,944.00	63,992.82
Total Department	17,447.83	100.00	38,951.18	100.00	102,944.00	63,992.82
Total Expenses	17,447.83	100.00	38,951.18	100.00	102,944.00	63,992.82
Net Income(Loss)	-17,447.83	-100.00	-38,951.18	-100.00		

EDA Loans

Loan Name	Origination Date	Original Amount	Interest Rate	Monthly Payment	Term/ Due Date	12.31.21 Balance	Prin Recvd YTD	3.31.22 Balance	
Millwork	7/1/2016	\$ 90,000	3.0%	499.14	20 years 6/1/2036	71,640	0	71,640	No paymnts 9/21 to 8/22
Whitmarsh	6/28/2018	\$ 5,000	4.75%	90	5 years 7/1/2023	1,881	332	1,549	

EDA RLF Loans

Loan Name	Origination Date	Original Amount	Interest Rate	Monthly Payment	Term/ Due Date	Loan Balance 12.31.21	Loan	Prin Recvd YTD	4.30.22 Balance
Chaotic Good Brewing	4/15/2022	\$ 50,000	3.3%	488.6	4/15/2032	0	50,000	0	0

Economic Development Authority Coordinators Report

Robert Harris III
April 2022



Business visits and assistance

There is a business looking to acquire the old concrete plant site to process and store hemp products. I have been working with them on securing a finance package for the site acquisition and necessary equipment purchases. A bid has been entered to purchase the site. The Dodge County economic development staff and People's Energy have been assisting with this project.

I spoke with a local resident that is interested in opening a daycare center in Kasson. They are still in a very early exploratory phase.

Hamilton Multifamily Project

The city staff and Hamilton team have a standing weekly meeting to work through the engineering and planning elements of this project. Things are moving along as planned and the project is still on track.

Kasson Historic School Redevelopment

No update. Present at today's meeting.

MICJ Properties sale (Trail Creek Coffee Roasters)

A closing date has been set for May 5, 2022.

Sand Companies -Affordable Housing project

No update. Present at today's meeting.

Kasson Downtown Improvement Task Force

The Committee met to debrief the event on Thursday, April 14th. We discussed much of the feedback that we received from the downtown businesses and decided

to refine the event for next year. A request has been entered for the EDA to sponsor next year's event.

Kasson has been awarded a grant from SMIF to receive a pro-bono Downtown Assessment (valued at over \$10,000). The assessment will take place this summer and will be led by a Downtown Assessment Leadership Team. The Leadership Team currently consists of Robert Harris, Nancy Zaworski, Tom Monson, and Kathy O'Malley.

Chaotic Good Brewing revolving loan

The loan closing was completed on Friday, March 18th. Chaotic Good Brewing Company has completed their building acquisition and will be working on renovating the site into a brewery over the next couple of months. Their goal is to have the tap room open in June.

Kasson Chamber Ribbon Cuttings

The Kasson Chamber is planning to start ribbon cuttings in May. Please mark your calendars for Friday, May 6th to participate in these events. Ribbon cuttings are scheduled for both the Mini-Mall (12pm) and Jill Moosbrugger Photography (12:30pm).

SE MN Transit Committee

The Committee has hired a consultant to lead the next phase of their work. They are working to secure a fiscal agent and bring on additional city investors in a regional transportation management organization (TMO).



To: City Council
Date: 4/27/2022

Agenda Heading: City Administrator's Report

“Despite the forecast, live like it's spring.”
-- Lilly Pulitzer

- **2022 LMC Policy Committees.** They are off and running and you're encouraged to sign up for policy committees to address issues facing municipalities. Meetings will be hybrid format as the League is planning to have members back in St. Paul for in-person policy committees in their newly renovated League building. For convenience's sake, they will have remote audio and video participation via Zoom. During the first meeting in July, each city official will share what issues are affecting their cities and what they would like the committee to address. Officials are encouraged to look at specific policies and offer suggestions to change existing policies, create new ones, and delete obsolete ones. Additionally, League intergovernmental relations (IGR) staff will provide a legislative update on the regular legislative session and any special sessions. Staff also go through each policy and explain whether it was addressed during the previous legislative session or special sessions. At the second meeting in August, members will hear from guest speakers, including representatives from state agencies and interest groups, legislators, and other local officials, to learn more about the issues that the committee has decided to focus on. Additionally, the committee will further offer and review draft changes to policies. During the third and final meeting in September, members will continue to discuss and make policy changes, and vote to approve draft policies. To see current policies review: <https://www.lmc.org/wp-content/uploads/documents/2022-City-Policies.pdf>
- **Park Board Updates.** The Park Board met to discuss preparations for the Summer 2022 season and other topics. One major discussion was on the status of the tennis courts. I've indicated that it is unlikely that we will open them for use this summer due to the delamination of the courts surface. It's been recommended that the Board talk about their long-range plans for tennis courts in the community. There was discussion about having multi-purpose courts that could also be used for basketball or pickle ball. It was suggested that some type of poll or survey be find the community's interest in having new courts constructed. The Board was asked to think about tennis courts when they are setting their priorities for park improvements. Their big concern is how they could be funded. They also reviewed proposals that were received from American Ramp Company to add three BMX bike jumps into the skateboard park. The proposal was broken down into three phases. Phase 1, a jump box, would cost \$13,176.51. Phase 2, a bank ramp, would cost \$9,232.70 and Phase 3, a quarter pipe, would cost \$9,086.72. Total project cost would be \$31,495.93. This project is led by Kody Mayer who has been told to raise funds to help with the cost of the project before any 2023 funds are budgeted. Finally, staff has signed a 3-year contract with Recreation by Lemmie Jones to

inspect the slide, diving boards and play features at the Aquatic Center in 2023 through 2025 at a cost of \$2,500.00 per year. Aquatic Center staff will be instructed to wax the slides monthly to help extend their life for another five to seven years. The diving boards need to be repainted and the platform at the top of the slides should also be repainted. The rubberized plates on the steps to the slide are in need of maintenance at the end of the summer.

- **2022 MISO Auction Results.** There is information included in your packet regarding the MISO auction. It is not good news for the ratepayers. Because of the retirement of firm power generation and the additional of solar and wind, overall capacity in the system is vastly reduced. This means that Kasson Electric will be on the hook for close to \$600,000 in additional charges. I have added a variety of documents to the packet and will be reviewing these with you tonight. Part of the issue is that due to extra capacity over the last 10 years, we've not had these costs to deal with and we have not chosen to invest in local generation due to the additional costs. With the loss of capacity, we may need to revisit this issue. Right now, there are a couple of options, one would be adjusting rates, and the other would be to add a power capacity cost rider to the regular electric bills. I have asked Tim Miller from MRES to review the rate structure and also CMPAS will be presenting in the near future.
- **Omnibus Election Bills Move in House and Senate.** Omnibus election bills are now moving forward in both the House and Senate, and they contain significant differences. The House bill contains provisions focused on expanding the time for direct and mail balloting, and providing protections for election workers. The Senate bill focuses on elections transparency through livestreaming and ballot board observers.

LMC staff testified at the hearing on April 5 and continue to work with key legislators to share the League's concerns. The bill passed the Senate State Government Finance Policy and Elections Committee, and was amended in the Senate Finance Committee to include provisions from SF 1154 regarding transportation and SF 3875 regarding veterans' homes appropriations. Both bills still must pass their respective chambers. The differences between the proposals indicate that these election provisions are likely to be negotiated at a conference committee later this session.

- **Dodge County Hazard Mitigation Plan Report.** Included in your packet is the near finalized DCHMP. Also, a resolution is included in tonight's packet. The EMS committee has reviewed the plan and made suggested changes which were integrated into the plan. This is a requirement for Dodge County every 10 years. It allows the City and County to be eligible to receive FEMA hazard mitigation assistance grants. Please let me know if you have questions.
- **USDA Fire Hall Project Info.** I've included the preliminary information in dropbox for an application process to start at USDA for a potential fire hall project. This does not lock in any project, however in order to remain timely I would like to start things off. It could allow us to lock in an interest rate if the Council decided to move forward in future. The EMS will be reviewing the most recent plans next month. It seems likely that we would use the 40-year financing option if we do a larger project. I am asking the Council to authorize moving forward with the preliminary application.

Meetings of Event Attended or Planned

April 11	Planning and Zoning
April 13	CMPAS meeting City Council Meeting-Audit presentation
April 14	City Engineer DRC meeting
April 15	Southeast EDA/DEED brownfield discussion
April 18	MISO Planning Resource Auction Follow-up
April 19	MCMA Member Connect Park Board
April 21	Vail Property Meeting City Engineer Dodge County Environmental Reuse Meeting

Minnesota House Research Department

Please note, Minnesota House Research Department staff are best contacted by email (which can be found in the [staff directory](#)).



Redevelopment TIF Districts

Duration Limit

How long can increments be collected from a district?

The law permits increments from a redevelopment district to be collected for 25 years after the receipt of the first increment. [Minn. Stat. § 469.176](#), subd. 1b(5). Since the first year of increment is not counted, 26 years of increment may be collected in total. The authority may, in the TIF plan, elect to waive up to the first four years of increment. [Minn. Stat. § 469.175](#), subd. 1b. This allows the authority to avoid using the duration limit for the early years of the district in which only a small amount of increment may be received.

Geographic Areas that Qualify

Where may a redevelopment district be created?

Traditionally, redevelopment districts have been considered mechanisms to aid the development of "blighted areas"—sites occupied by dilapidated or rundown buildings or obsolete uses. The classic examples were inner city slums. Minnesota law provides four types of sites that qualify as redevelopment districts:

1. Areas that meet the statutory blight test
2. Vacant or underused rail facilities
3. Vacant or underused tank farms
4. Qualified disaster areas ([Minn. Stat. § 469.174](#), subd. 10)

What areas qualify under the blight test?

To qualify under the blight test:

- 70 percent of the area of the district must be occupied by buildings, streets, utilities, or other similar structures, and
- More than 50 percent of the buildings must be structurally substandard

What determines whether a parcel is "occupied" by buildings or other improvements?

The law requires that 15 percent of the area of the district contain buildings, streets, utilities, paved or gravel parking lots, or similar structures. [Minn. Stat. § 469.174](#), subd. 10(e).

How are "structurally substandard" buildings defined?

The meaning of "structurally substandard" is crucial, since it is the litmus test of blight. The statute defines "structurally substandard" in two ways. First, it contains a positive, but very general, definition. Secondly, it excludes some buildings that meet some more specific or quantifiable standards.

The positive definition provides improvements are structurally substandard if they contain:

defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. [Minn. Stat. § 469.174](#), subd. 10(b).

The bottom line is whether the relevant factors justify substantial renovation or clearance. Aside from being convoluted, this definition obviously involves a number of fairly subjective elements. Since the definition is applied by the development authority, it initially (and probably ultimately in most cases) becomes a matter of judgment for the authority as to whether a particular building's condition "justifies" renovation

or clearance. Because of this subjectivity and the perception that the definition was being applied expansively, the legislature imposed a number of specific exclusions.

What buildings are specifically excluded from being structurally substandard?

A building is not structurally substandard, if it is in compliance with the building code for new buildings or could be brought into compliance for less than 15 percent of the cost of building a new building of the same type. [Minn. Stat. § 469.174](#), subd. 10(c). The *Walser* case confirmed that satisfying this 15 percent test is not itself sufficient to deem a property to be substandard. *Walser Auto Sales v. City of Richfield*, 635 N.W.2d 391, 402 (Minn. App. 2001). The 2003 Legislature confirmed this by specifying that it was a necessary, but not a sufficient, condition to determine that a building was substandard. Laws 2003, ch. 127, art. 10, § 3, codified at Minn. Stat. § 469.174, subd. 10(c).

Must the authority conduct an interior inspection of a building before determining it is structurally substandard?

Yes, an interior inspection must be conducted, unless the authority cannot gain access. The legislature added this requirement after a program evaluation by the Legislative Auditor that found that some development authorities based blight findings on "windshield surveys." Office of the Legislative Auditor, *Tax Increment Financing* 55 (Jan. 1986). In other words, the staff of the authority simply drove by the site and concluded, based on this "drive-by," that the buildings were structurally substandard.

The statute requires the authority to undertake its "best efforts" to gain access. The *Walser* court held that sending two letters requesting access without follow-up personal contact, such as phone calls, was not sufficient. *Walser Auto Sales v. City of Richfield*, 635 N.W.2d 391, 400-401 (Minn. App. 2001).

If a developed area does not meet the blight test, are there other options for using TIF for redevelopment?

Yes, the law allows use of renewal and renovation districts for developed areas with lesser levels of deterioration and blight. These districts are similar to redevelopment districts, except that they have a 15-year, rather than 25-year, duration limit. [Click here](#) for information on the differences between the blight tests for the two types of districts.

What rail facilities qualify?

Rail facilities include rail yards, storage facilities, and vacated rights-of-way. To qualify facilities must be vacant, unused, underused, inappropriately used, or infrequently used. [Minn. Stat. § 469.174](#), subd. 10(a)(2).

What tank facilities qualify?

To qualify, a tank farm or similar facility must:

- Have or had a capacity of more than 1,000,000 gallons.
- Be located adjacent to rail facilities.
- Be unused, underused, inappropriately used, or infrequently used.
- [Minn. Stat. § 469.174](#), subd. 10(a)(3).

May an area qualify as a redevelopment district if parts qualify under the separate tests?

Yes, a district may qualify by having one part satisfy the blight test, while another area qualifies as a rail facility or tank facility.

How are the qualifying tests applied to noncontiguous redevelopment districts?

The law allows TIF districts to consist of noncontiguous areas. [Minn. Stat. § 469.174](#), subd. 9. If a redevelopment district contains noncontiguous areas, each area of the district must independently satisfy one of the standards (blight, rail facility, or tank facility). [Minn. Stat. § 469.174](#), subd. 10(f).

How are noncontiguous areas defined?

The statute does not explicitly define what constitutes a noncontiguous area. It is generally thought that to be contiguous, parcels must touch one another or abut each other. The Minnesota Court of Appeals has held that parcels separated by a public highway are contiguous for purposes of the statutory requirement. *Reiling v. City of Eagan*, 664 N.W.2d 403 (2003). Similar issues may arise with regard to parts of districts divided by streams and rivers. The courts may look at whether such barriers (highways and other public rights of way) divide the area of the district into two areas with separate characteristics as to their ease of development. Properties separated by a large freeway without easy access to the separate parts of the district could support treating the areas as noncontiguous, despite the court's ruling in *Reiling*.

Are there restrictions on where blight or other conditions are located in the district?

The statute requires that the qualifying "conditions" (substandard buildings, rail facilities, or tank farms) be "reasonably distributed throughout the district[.]" [Minn. Stat. § 469.174](#), subd. 10(a). The legislature imposed this requirement to prevent authorities from "gerrymandering" districts to use redevelopment district powers for an area that is not blighted. In the *Walser* case, the Court of Appeals held that the substandard buildings (i.e., the blight) were not reasonably distributed throughout the district. It found that they were concentrated in the northern portion of the district that was largely residential and not in the southern, commercial portion of the district. The court concluded that

the city's determination was "quasi-judicial" and, thus, subject to review for not being supported by "substantial evidence" or being "arbitrary and capricious." *Walser Auto Sales v. City of Richfield*, 635 N.W.2d 391, 401 (Minn. App. 2001).

What are "qualified disaster areas"?

A qualified disaster area must meet a three-part test that closely parallels the blight test. [Minn. Stat. § 469.174](#), subd. 10(b). In essence, the law allows areas to be treated as blighted, if many of the buildings in the area were substantially damaged by the disaster. The three requirements are:

- 70 percent of area of the district must be occupied by buildings, streets, or other similar structures, immediately before the disaster. This is the same as the occupancy or first part of the blight test.
- The area was subject to a governmentally declared disaster within 18 months before certification of the district is requested. Four types of disasters qualify:
 1. A major disaster declared by the president of the United States
 2. A natural disaster determined by the U.S. Secretary of Agriculture
 3. A disaster determined by the administrator of the Small Business Administration
 4. A local disaster (tornado, flood, etc.) declared by the city or county
- At least 50 percent of the buildings or structures suffered "substantial damage" as a result of the disaster. This parallels the blight test, which requires 50 percent of the buildings to be structurally substandard.

What special rules apply to qualified disaster area districts?

The law provides that the original tax capacity for a qualified disaster area district is the land value, not the current tax capacity for the district. This feature is intended to allow these districts to generate increment to cover part of the reconstruction costs. The most recent assessment will generally include the full value of the buildings (i.e., it would not reflect the damage caused by the disaster). Absent a "write-down" of the original value, reconstruction following a disaster would not generate much or any increment, since it would largely restore the pre-existing value.

Permitted Uses of Increments

What are the permitted uses of redevelopment district increments?

90 percent of the increments from a redevelopment district must be spent for blight correction – i.e., fixing the conditions that allowed designation of the district. The statute contains a list of qualifying expenditures:

- Site acquisition of blighted sites or sites requiring pollution cleanup
- Acquisition of an adjacent parcel or parcels to assemble a site large enough to redevelop
- Cleanup of hazardous substances, pollution, or contaminants
- Site preparation, such as clearing the land and installation of utilities, roads, sidewalks
- Providing parking facilities for the site. [Minn. Stat. § 469.176](#), subd. 4j.

The law explicitly provides that this is not an exhaustive list. Administrative expenses of the authority that are allocated to these activities also meet the 90 percent test.

How does the blight correction requirement apply to rail and tank facilities?

It is not clear how this requirement applies to redevelopment districts that qualify because of rail or tank facilities. The best guess is that expenditures may be used to convert the property to another land use pattern – e.g., site acquisition, removal of the rail or tank facilities, installation of utilities and other infrastructure to permit the new use.

Data on Use of Districts

How many redevelopment districts are active?

Redevelopment districts are the most common type of district, accounting for almost one-half (48 percent) of TIF districts in 2015. See [TIF Districts by Type](#) for a breakdown on TIF districts.

July 2017

Minnesota House Research Department

Please note, Minnesota House Research Department staff are best contacted by email (which can be found in the [staff directory](#)).



Housing TIF Districts

Duration Limit

How long can increments be collected from a housing district?

The law permits increments from a housing district to be collected for 25 years after the receipt of the first increment. [Minn. Stat. § 469.176](#), subd. 1b(5). The authority may, in the TIF plan, elect to waive up to the first four years of increment. [Minn. Stat. § 469.175](#), subd. 1b. This allows the authority to avoid using the duration limit for a year in which only a small amount of increment is received.

What is the duration limit for interest reduction programs?

A special duration limit applies to interest reduction programs. These programs are most commonly, if not exclusively, funded with housing district tax increments. Increments may be collected for an interest reduction program for 15 years after the first interest reduction payment is made. [Minn. Stat. § 469.176](#), subd. 4f. This limit does not, however, limit the duration of the actual housing TIF district. The district may collect increments for the full 25-year duration, if the increments are used for other qualifying purposes (i.e., noninterest costs of the project or another project).

Geographic Areas that Qualify

Do geographic restrictions apply to housing TIF districts?

In general, no geographic restrictions apply to housing districts. A housing district may be created anywhere, but its increments must be used for qualifying purposes. However, the law does contain one geographic-based provision: the income limits on qualifying housing do not apply in [targeted areas](#).

Do pooling rules limit where housing district increments may be spent?

Unlike other types of TIF districts, housing districts are largely exempt from the pooling rules. The [pooling rules](#) limit the portion of increments that may be spent outside of the TIF district (but within the project area). For a housing district, though, these rules consider amounts spent on housing projects to be within the district, regardless of where the developments are physically located. [Minn. Stat. § 469.1763](#), subd. 2(b).

Permitted Uses of Increments

What are the permitted uses of housing district increments?

Increments from a housing district may only be used to finance a "housing project" or public improvements that are directly related to the project, as well as the authority's administrative expenses. [Minn. Stat. § 469.176](#), subd. 4d. The cost of a project includes items such as acquisition, construction, or rehabilitation of the housing, planning, engineering, and architectural services, and related financing costs. Public improvement or infrastructure costs must be directly related to the project. For example, sewer and water connections for or a public access road to the housing could be financed. However, an adjacent road that serves the general public likely could not be.

What is a "housing project" that qualifies for funding?

A housing project is a development that is intended for occupancy, in part, by low- and moderate-income individuals, as defined under a federal, state, or municipal law.

May an incidental amount of commercial development be assisted as part of a housing project?

Yes, the law allows up to 20 percent of the total square footage of improvements to be used for purposes other than low- and moderate-income housing. [Minn. Stat. § 469.174](#), subd. 11. This 20 percent share could be used for commercial developments, such as office or retail

space. (It also could be used for housing for occupancy by individuals who do not meet the definition of low- and moderate-income housing under the federal, state, or municipal law.) In applying the 20 percent test, only developments that received assistance count.

What income limits apply to projects financed with housing district increments?

Two separate sets of income limits apply:

1. The income limits under the federal, state, or municipal law that the authority uses as the legal authority for the housing project
2. The specific income limits under the TIF law that apply regardless of the housing law used

Both of these income limits must be satisfied. The first income limit will vary depending upon the federal, state, or municipal law selected by the authority. The law requires that 80 percent of the fair market value of the project meet the first of these income limits. This will mean that units to be occupied by individuals meeting the income test under the selected law must comprise 80 percent or more of the market value of the property constructed in the district.

What income limit does the TIF act specify?

Separate income limits are established for rental and owner-occupied developments.

Rental developments must meet one of two tests:

1. **20-50 test:** 20 percent of the units are occupied by individuals whose incomes are 50 percent or less of the area median income.
2. **40-60 test:** 40 percent of the units are occupied by individuals whose incomes are 60 percent or less of the area median income.

These tests are taken from federal law.

Special rules with higher income limits apply if the project receives a grant from the Minnesota Housing Finance Agency Challenge Program. For those projects, the income limits under the Challenge Program apply (generally 80 percent of the applicable median).

Owner-occupied developments have considerably higher income limits than the rental developments. The general limit is 115 percent of the greater of (1) the area median income or (2) the statewide median income.

Are the income limits adjusted for family size?

Yes, the income limits are adjusted based on family size. Higher limits apply for units designed to serve larger families and lower limits for units for smaller families.

Projects qualifying for MHFA Challenge Program grants are not subject to family size adjustments.

What are the dollar amounts of the income limits for the Twin Cities metropolitan area and rural counties?

The income limits vary by family size and county or metropolitan area. The limits displayed in the table below apply to a family of four in the seven-county metropolitan area (and in Chisago, Isanti, Sherburne, and Wright counties) and in 42 rural counties. These are the highest and lowest area limits in the state.

TIF Housing District Income Limits

	Twin Cities	38 Rural Counties
Rental Housing Developments		
50% of area median (20% required)	\$45,200	\$32,650
60% of area median (40% required)	54,240	39,180
Owner-Occupied Housing		
115% of the > of area or statewide median	103,960	75,095
Notes		
For family of four, effective April 14, 2017		

How long do the income limits apply?

The rental limits apply for the duration of the TIF district, while the owner-occupied limits apply only to the first purchaser of the housing.

Do exceptions apply to the TIF income limits?

Yes, the income limits do not apply in "targeted areas." [Minn. Stat. § 469.1761](#), subd. 1. Targeted areas are defined as census tracts in which 70 percent or more of families have incomes that are 80 percent or less of the statewide median family income. [Minn. Stat. § 462C.02](#), subd. 9(e).

What special rules apply to housing districts?

Housing districts are exempt from three requirements or rules that apply to other types of TIF districts:

1. The municipality is not required to make the increase in market value finding under the but-for test before approving a housing district. [Minn. Stat. § 469.175](#), subd. 3(b)(2)(ii). The legislature provided this exemption because low-income housing will rarely generate the largest increase in market value for a site and often may generate a lower market value than the use of the site that would be provided solely by the private market. The public benefit of housing districts is thought to be the expansion of the supply housing for low-income families, not the expansion of the property tax base, which lies at the heart of the market value component of the but-for test.
2. Housing districts may be created on parcels, whose property tax values were limited under the Green Acres, Minnesota Open Space Property Law, or the Metropolitan Agricultural Preserves Act. [Minn. Stat. § 469.176](#), subd. 7. In general, parcels in these programs may not be included in TIF districts. The rationale for this prohibition is that these programs are intended to encourage continued use of the property in less intensive uses (e.g., as farms or golf courses) by providing reduced taxes. Given this, the legislature considered it inappropriate to allow public subsidies to encourage development of these properties, shortly after they had received subsidies in return for not doing so. The exemption for housing districts was provided, apparently because the public benefits of expanding the supply of low-income housing was thought to outweigh these concerns.

Data on Use of Housing Districts

How many housing districts are active?

According to the March 2017 *Report of the State Auditor*, there were 541 active housing districts at the end of calendar year 2015.

What share do housing districts comprise of all TIF districts?

Housing districts comprise about 31.5 percent of [all TIF districts](#), according the State Auditor's data for calendar year 2011.

July 2017



KHP LLC

Water Tower Place

**PAUL WARSHAUER,
MANAGING MEMBER,
PRESIDENT**

PHONE:
312-550-7868

PROPERTY
101 3RD Ave SW
Kasson, MN 55944

ADDRESS (Business)
704 Maple St SW
Sleepy Eye, MN 65085

EMAIL:
Grandevenues@gmail.com

Kasson Economic Development Authority
Mr. Timothy Ibisch, City Administrator
City of Kasson
401 5th Street
Kasson, MN 55944

Dear Mr. Ibisch,

KHP LLC formally requests assistance with Tax Incremental Financing for our project, dba, Water Tower Place, located at 101 3rd Avenue in Kasson.

The parcel number is 24.100.1350.

The Seller is KARE, NFP (1918 Kasson Public School, LLLP)

The purchase price is \$150,000.

The estimated project cost is approximately \$10,335,000. based on bids from Beneke and AWH Architects.

The current plan is to create approximately 32 market rate apartments with a focus on providing senior housing.

We look forward to working with you.

Paul Warshauer

Paul Warshauer

For KHP, LLC

**Historic Kasson School Project
Water Tower Place
Project Report**

Prepared for
Paul Warshauer
KHP, LLC
May 2, 2022



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**Senior Apartment Building
Kasson School Building
May 2, 2022**

SUMMARY

Project Description

KHP, LLC, is investigating the potential of building a high-end senior living apartment facility as part of the renovation of the Kasson School Building in Kasson, Minnesota. KHP, LLC, by marketing to the rooms will all be equipped with full kitchens.

The Forecast Team

KHP, LLC, has contracted CarlsonSV, LLP ("CarlsonSV") to provide an analysis for the development of a senior living apartment facility in Kasson, Minnesota. This report covers financial issues related to this facility.

CarlsonSV was established in 1958 and merged with Paul Julin & Company in October of 2002 to form Carlson Highland & Company, LLP, recently shortened to CarlsonSV LLP. CarlsonSV has over 70 full-time personnel in five offices in Minnesota and Wisconsin.

Thomas Byrne of CarlsonSV has over 40 years of independent business development consulting experience. Byrne works with start-up and existing companies interested in starting/expanding their hospitality, agriculture, biomass, biofuel, or renewable energy business. He assists in their efforts to attract private investment capital, private or public financing, USDA guarantees, and tax increment financing grants or a combination of other funding sources. Byrne, along with the CarlsonSV professional staff, develops detailed forecasts, cash assessments and projections, business plans, and feasibility studies. Byrne developed templates to model projects for analysis by public and private finance, private equity and securities firms.

Subject

Management of KHP, LLC, has developed a financial model for senior living apartments. CarlsonSV has investigated various assumptions utilized in the financial forecast prepared by KHP, LLC. The financial forecast is a representation of management and does not include evaluation of the support for all the assumptions underlying the forecast. CarlsonSV has not examined the forecast and, accordingly, does not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences that may be material. CarlsonSV has no responsibility to update this report for events and circumstance occurring after the date of this report.

These forward-looking statements are only predictions. The actual result or actions could, and likely will, differ materially from these forward-looking statements for many reasons, including risks described above. CarlsonSV cannot guarantee future results, levels of activity, performance, or achievements.

**Senior Apartment Building
Kasson School Building
May 2, 2022**

KEY ASSUMPTIONS

The old Kasson School building will be comprised of a senior living apartments. The Kasson School Building was built in 1918, and is located in a prime location. The historic building has road access, which will help entice tenants as it will have relatively easy access to many downtown buildings.

KHP, LLC has not secured the final required financing for completion of the senior living apartments facility, but is in final stages of due diligence and accumulation of documents before financing is finalized. Securing suitable financing is critical to KHP, LLC being able to effectively complete the Kasson School senior living apartments plans.

**Senior Apartment Building
Kasson School Building
May 2, 2022**

CONCLUSIONS AND FINDINGS

There are more detailed assumptions located later in the study information. An excel spreadsheet is also available upon request that can be used to stress the project. Our key assumptions for the investment in the project:

KHP, LLC

Summary Forecasted Balance Sheet

	2-May-22	December 2024	December 2025	December 2026	December 2027	December 2028
Current Assets	Construction					
Cash	\$ -	\$ 53,799	\$ 141,998	\$ 230,086	\$ 329,175	\$ 435,513
Account Receivable	-	-	-	-	-	-
Total Current Assets	-	53,799	141,998	230,086	329,175	435,513
Current Ratio		0.60	1.46	2.37	3.39	4.25
Land and land improvements	150,000	150,000	150,000	150,000	150,000	150,000
Building	8,660,157	8,660,157	8,660,157	8,660,157	8,660,157	8,660,157
Equipment	750,000	750,000	750,000	750,000	750,000	750,000
Net Fixed Assets	9,560,157	9,560,157	9,560,157	9,560,157	9,560,157	9,560,157
Accumulated Dep	-	(305,291)	(828,647)	(1,352,003)	(1,875,359)	(2,398,715)
Net Fixed Assets	9,560,157	9,254,866	8,731,510	8,208,154	7,684,798	7,161,442
Other Assets						
Intangible Asset	-	-	-	-	-	-
Net of Amortization	296,263	261,699	202,446	143,194	83,941	24,689
Historic Credit Receivable	-	-	-	-	-	-
Total Other Assets	296,263	261,699	202,446	143,194	83,941	24,689
Total Assets	\$ 9,856,420	\$ 9,570,364	\$ 9,075,954	\$ 8,581,434	\$ 8,097,913	\$ 7,621,643
Current Liabilities						
Prepayments	\$ -					
Accounts Payable	-	2,615	6,362	2,685	2,726	2,767
Accrued Expenses	-	1,000	1,000	1,000	1,000	1,000
Current portion LT NP	-	85,758	89,935	93,418	93,418	98,649
Total Current Liabilities	-	89,373	97,298	97,103	97,143	102,416
LT Liabilities						
Notes Payable	2,971,420	2,923,563	2,837,805	2,747,870	2,654,452	2,555,803
Less Current Portion	-	(85,758)	(89,935)	(93,418)	(93,418)	(98,649)
Total LT Liabilities	2,971,420	2,837,805	2,747,870	2,654,452	2,561,034	2,457,153
Total Liabilities	2,971,420	2,927,178	2,845,167	2,751,555	2,658,177	2,559,569
Members Equity						
TIF and Grants	125,000	125,000	125,000	125,000	125,000	125,000
Historical Tax Credits	3,760,000	3,760,000	3,760,000	3,760,000	3,760,000	3,760,000
Investor Members	3,000,000	3,000,000	2,758,186	2,345,786	1,944,879	1,554,736
Partnership Accum Earnings		(241,814)	(412,399)	(400,908)	(390,143)	(377,662)
Partnership Distributions		-	-	-	-	-
Total Members Equity	6,885,000	6,643,186	6,230,786	5,829,879	5,439,736	5,062,074
Total Liabilities & Equity	\$ 9,856,420	\$ 9,570,364	\$ 9,075,954	\$ 8,581,434	\$ 8,097,913	\$ 7,621,643

**Senior Apartment Building
Kasson School Building
May 2, 2022**

KHP, LLC

Summary Forecasted Income Statement

	2024	2025	2026	2027	2028
	7 Months	12 Months	12 Months	12 Months	12 Months
	December	December	December	December	December
Rental Income	\$ 273,980	\$ 469,680	\$ 479,074	\$ 488,467	\$ 497,861
Other Income					
Misc. Income	-	-	-	-	-
Gain on Sale of Assets	-	-	-	-	-
Total Other Income	-	-	-	-	-
Total Income	<u>\$ 273,980</u>	<u>\$ 469,680</u>	<u>\$ 479,074</u>	<u>\$ 488,467</u>	<u>\$ 497,861</u>
Operating Expenses					
Advertising	700	1,224	1,248	1,273	1,299
Bank Fees	140	245	250	255	260
Insurance	5,565	9,731	9,925	10,124	10,326
Property Tax	6,650	11,628	11,861	12,098	12,340
Miscellaneous	140	245	250	255	260
Office Supplies	420	734	749	764	779
Gross Wages	17,500	30,000	30,000	30,000	30,000
Payroll Taxes	1,440	2,468	2,468	2,468	2,468
Employee Benefits	875	1,500	1,500	1,500	1,500
Management Company	13,699	23,484	23,954	24,423	24,893
Pest Control	700	1,224	1,248	1,273	1,299
Professional Fees	3,500	6,120	6,242	6,367	6,495
Repairs/Maintenance	2,940	5,141	5,244	5,348	5,455
Snow Removal and Lawn	2,940	5,141	5,244	5,348	5,455
Elevator Contract	1,470	2,570	2,622	2,674	2,728
Utilities	20,125	35,190	35,894	36,612	37,344
Internet & Software	140	245	250	255	260
Security	595	1,040	1,061	1,082	1,104
Total Operating Expenses	<u>79,539</u>	<u>137,930</u>	<u>140,009</u>	<u>142,121</u>	<u>144,265</u>
EBITA	<u>194,441</u>	<u>331,750</u>	<u>339,064</u>	<u>346,346</u>	<u>353,596</u>
Depreciation & Amortization	(339,855)	(582,609)	(582,609)	(582,609)	(582,609)
Interest Expense	(96,401)	(161,541)	(157,363)	(153,881)	(148,649)
Interest Income	-	-	-	-	-
Net Income	<u>\$ (241,814)</u>	<u>\$ (412,399)</u>	<u>\$ (400,908)</u>	<u>\$ (390,143)</u>	<u>\$ (377,662)</u>

**Senior Apartment Building
Kasson School Building
May 2, 2022**

KHP, LLC					
Forecasted					
	2024	2025	2026	2027	2028
	7 Months	12 Months	12 Months	12 Months	12 Months
Cashflow from Operations					
Net Income	\$ (241,814)	\$ (412,399)	\$ (400,908)	\$ (390,143)	\$ (377,662)
Depreciation and Amortization	339,855	582,609	582,609	582,609	582,609
Receivables	-	-	-	-	-
Accounts Payable	2,615	3,747	(3,677)	40	41
Accrued Expenses	1,000	-	-	-	-
Net Cashflow from Operations	101,656	173,957	178,024	192,506	204,988
Cashflow from Investment Activities					
Proceeds from sale of assets	-	-	-	-	-
Property and equipment purchased	(9,560,157)	-	-	-	-
Organization Expenses	(296,263)	-	-	-	-
Used by Investing Activities	(9,856,420)	-	-	-	-
Cashflow From Financing Activities					
Borrowings on long-term debt	0	-	-	-	-
Payments on long-term debt	2,923,563	(85,758)	(89,935)	(93,418)	(98,649)
Borrowing on capital lease obligation	3,760,000	-	-	-	-
Member Contributions	3,125,000	-	-	-	-
Used by Financing Activities	9,808,563	(85,758)	(89,935)	(93,418)	(98,649)
Net Increase (Decrease) in Cash	53,799	88,199	88,089	99,088	106,338
Beginning Cash and Cash Equivalents	-	53,799	141,998	230,086	329,175
Ending Cash and Cash Equivalents	\$ 53,799	\$ 141,998	\$ 230,086	\$ 329,175	\$ 435,513

KHP, LLC
Kasson Senior Living Center
Monday, May 2, 2022

The Project

KHP, LLC will develop the Historic Kasson School into senior living apartments providing the community with high quality living quarters for active seniors. The project will create 30 apartments and one owners apartment. Developer Paul Warshauer will utilize both Minnesota and Federal Historical credits to enhance the equity of the project. He will seek limited partners to fund an additional equity. The project also anticipates Tax Increment Financing (TIF) in the form as a pay as you go funding from the City of Kasson. They will secure bank mortgage to finance the final piece of the project.

The project plans to start construction in January of 2023 with a completion date of May of 2024.

Assumptions:

These forward-looking statements are only predictions. The actual result or actions could, and likely will, differ materially from these forward-looking statements for many reasons, including risks described above. Carlson & Company cannot guarantee future results, levels of activity, performance, or achievements.

**Senior Apartment Building
Kasson School Building
May 2, 2022**

Sources and Uses

Sources:

Term Loan		
Loan amount	\$	2,971,420
Interest Rate	5.60%	
Term in Months	240	
Payment	\$20,608.21	
Federal and State Historic Tax Credits	\$	3,760,000
LLC units		3,000,000
Grants and other funding		125,000
Total Sources	\$	9,856,420

Uses:

Opening Cash	\$	-
Land and Original Building		150,000
Construction		8,660,157
Furniture and Fixtures		750,000
Organizational		296,263
Total Uses	\$	9,856,420

Current Assets

Cash:

This is deemed to be the cash in checking and savings available on the last day of each month of operation.

Land, Property, and Equipment

Land and Land Improvements:

This is the estimated cost of the land and all related improvements.

\$ 150,000

Building:

The estimated building the cost of construction for the 33 apartments is a total of

\$ 8,660,157 See Detail Below

Equipment & Fixtures

Equipment consists of the estimated cost of all ranges, refrigerators, laundry, dishwashers, and Basement Health Center.

\$ 750,000

**Senior Apartment Building
Kasson School Building
May 2, 2022**

Accumulated Depreciation

The buildings are depreciated on a straight line basis over a 27.5 year period. The equipment & fixtures are depreciated over a 7 year period on a straight-line basis.

Intangible Asset

The intangible asset is an estimate of all the organizational and start-up costs including architect fee, consultant fees, landscape architect, fees for historic tax credits, parking and solar consultants, and legal and accounting.

The amount shown is net of amortization. The costs are amortized over a 60 month period from start of operation.

\$ 296,263 See detail below

Other Investment

Accounts Payable

Accounts payable is estimated at 7 days of general operating expenses.

Accrued Expenses

Accrued expense consist of salaries and wages earned but not yet paid per the normal payroll process. This category also includes related Federal payroll taxes that are accrued on wages and salaries but not paid until the due date of the taxes. The company also accrues the real estate taxes on a monthly basis and pays the taxes when required.

Current Portion Long-term Debt

This is the principle portion of the long-term debt that will be due and payable in the next 12 month.

Notes Payable

Loan Number	Interest Rate	Monthly Payment	Beginning Balance	2024 December	2025 December	2026 December	2027 December	2028 December
Bank Mortgage	5.60%	\$ 20,608	\$ 2,971,420	\$ 2,923,563	\$ 2,837,805	\$ 2,747,870	\$ 2,654,452	\$ 2,555,803
	0.00%	-	-	-	-	-	-	-
		<u>\$ 20,608</u>	<u>\$ 2,971,420</u>	<u>\$ 2,923,563</u>	<u>\$ 2,837,805</u>	<u>\$ 2,747,870</u>	<u>\$ 2,654,452</u>	<u>\$ 2,555,803</u>

**Senior Apartment Building
Kasson School Building
May 2, 2022**

Income Assumptions

Studio Apartments		2024	2025	2026	2027	2028
Number	0	0	0	0	0	0
Monthly Rate	\$ 1,250.00	\$ 1,250	\$ 1,250	\$ 1,275	\$ 1,301	\$ 1,327
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%
One Bedroom						
Number	25	25	25	25	25	25
Monthly Rate	\$ 1,250.00	\$ 1,250	\$ 1,250	\$ 1,275	\$ 1,301	\$ 1,327
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%
Two Bedroom						
Number	4	4	4	4	4	4
Monthly Rate	\$ 1,500.00	\$ 1,500	\$ 1,500	\$ 1,530	\$ 1,561	\$ 1,592
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%
Owners Apartment						
Number	1	1	1	1	1	1
Monthly Rate	\$ 2,000.00	\$ 2,000	\$ 2,000	\$ 2,040	\$ 2,081	\$ 2,122
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%
Surface Parking						
Number	25	25	25	25	25	25
Monthly Rate	\$ 30.00	\$ 30	\$ 30	\$ 31	\$ 31	\$ 32
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%
Garage Parking						
Number	12	12	12	12	12	12
Monthly Rate	\$ 100.00	\$ 100	\$ 100	\$ 102	\$ 104	\$ 106
Occupancy Rate	95%	95%	95%	95%	95%	95%
Cumulative Inflation from 2024		0%	0%	2%	4%	6%

Revenue Detail

	2024	2025	2026	2027	2028
	7 Months December	12 Months December	12 Months December	12 Months December	12 Months December
Studio Apartments	\$ -	\$ -	\$ -	\$ -	\$ -
One Bedroom	207,813	356,250	363,375	370,500	377,625
Two Bedroom	39,900	68,400	69,768	71,136	72,504
Owners Apartment	13,300	22,800	23,256	23,712	24,168
Surface Parking	4,988	8,550	8,721	8,892	9,063
Garage Parking	7,980	13,680	13,954	14,227	14,501
Total Revenue	\$ 273,980	\$ 469,680	\$ 479,074	\$ 488,467	\$ 497,861

Senior Apartment Building Kasson School Building May 2, 2022

General and Administrative Expenses

Advertising

This is the anticipated cost to market the apartments to maintain occupancy.
It is forecasted at \$ 100.00 per month adjusted for inflation.

Bank Fees

Bank fees are fees related to the financial accounts.
It is forecasted at \$ 20.00 per month adjusted for inflation.

Insurance:

Insurance covers general liability, fire, and business owners insurance. This is based on experience of similar projects.
It is forecasted at \$ 795.00 per month adjusted for inflation.

Property Tax:

The property tax is based on the county's estimate that the project will have a tax base of \$4,000,000. The City of Kasson is offering a pay as you go tax increment financing thus lowering the actual out of pocket cost for real estate taxes. The amount shown is the actual amount after tax increment financing paid for real estate taxes.

It is forecasted at \$ 950.00 per month adjusted for inflation.

Miscellaneous:

This is a placeholder for any expense that is not predicted and not material enough to have another classification.
It is forecasted at \$ 20.00 per month adjusted for inflation.

Office supplies

Management does not anticipate a material change in office supplies over the periods presented in the forecast. The amount is not material in accordance with the overall expense of the facility.
It is forecasted at \$ 60.00 per month adjusted for inflation.

Gross Wages:

The management plan anticipates that the project will require a part-time maintenance person at an anticipated cost of \$30,000 per year.

Payroll Taxes:

Management anticipates that payroll tax rate will be 8.227% of gross salaries.

Employee Benefits:

Management anticipates that employee benefits will only be offered to the maintenance person: 5.00%

Management Company:

Management intends to hire a management company at a rate of 5% of gross rents to manage the tenants and collect the rents.

Pest Control

The project anticipates it will need to maintain pest control in the common areas.
It is forecasted at \$ 100.00 per month adjusted for inflation.

Professional fees

Professional fees consist of all accounting, legal, and consulting fees paid to professional firms.
It is forecasted at \$ 500.00 per month adjusted for inflation.

Repair and Maintenance

Repair and maintenance costs are estimated utilizing previous experience. These expenses consist of costs of keeping all equipment and buildings in working order.

It is forecasted at \$ 420.00 per month adjusted for inflation.

Senior Apartment Building Kasson School Building May 2, 2022

Snow Removal and Lawn Care

Management anticipates contracting for snow removal and lawn care.

It is forecasted at \$ 420.00 per month adjusted for inflation.

Elevator Contract

The facility will have an elevator therefore requiring regular maintenance and inspections

It is forecasted at \$ 210.00 per month adjusted for inflation.

Utilities

Each of the units will be responsible for their own power. The company will be required to provide power for all common areas and outside security lighting.

It is forecasted at \$ 2,875.00 per month adjusted for inflation.

Internet and Software

Each of the units will be responsible for their own internet. The company will be required to provide internet for all common areas and for security.

It is forecasted at \$ 20.00 per month adjusted for inflation.

Security

To provide a secure environment for the tenants management will install and maintain a security system.

It is forecasted at \$ 85.00 per month adjusted for inflation.

Detail Opening Balance sheet	Amount
Land and land improvements	\$ 150,000
Construction Costs	
Field Supervision	\$ 131,748
General Condition/Temporary Heat	320,000
Hazardous Material Abatement	100,000
Demolition	259,040
Exterior Masonry Restoration	70,000
Roofing	613,660
Windows	590,780
Fit Up Common & Living Space	1,317,000
Elevators & Link	300,000
Fire suppression	155,000
Mechanical	1,550,000
Electrical	620,000
New Utilities	60,000
Site Improvements	311,135
Skylight Restoration	50,000
Green House	34,445
Parking Garages (12)	264,000
Phone & Internet	1,000
Parking Canopies	150,000
Structural Deficiencies	50,000
Permit	37,000
Contingency/Escalation (10%)	698,481
Pre-Construction Fee	12,500
CM Fee	258,430
Testing & Special Inspections	7,500
Builders Risk and Bank Fees	200,000
A/E Fees	331,000
Construction Interest	167,438
Total Construction Costs	\$ 8,660,157
F&E (Appl, drapes carpet etc.	\$ 750,000

**Senior Apartment Building
Kasson School Building
May 2, 2022**

Organizational Costs

Soft Costs

Legal	\$	2,000
Accounting		9,000
Developers' Expenses (reimburse)		5,000
Developer's Expense		2,500
Current Monthly Maintenance Pre-Opening		
Utilities		25,000
Security		5,040
Lawn care & snow removal		4,390
Scavenger/ debris removal		6,000
Taxes		6,600
Insurance		4,500
Maintenance, tools		2,500
Consultant Fees		20,100
Landscape architect		-
Fees for Historic Tax Credits		25,000
Parking / Solar consultants		7,500
Legal and Accounting		7,500
Website, marketing		2,500
Tax Credit Costs attny accountants		120,000
Total Projected Expenses (Pre constr.)		41,133
Total	\$	<u>296,263</u>

The analysis, certified audit, or review of the financial detail is outside the scope of this study. We did, however, analyze the concepts and reasonableness concept and assumptions, and build a financial forecast of managements concepts and assumptions of the key success factors of overall costs, occupancy, and operations. The financial information is to demonstrate management's intent to produce a quality product with a satisfactory rate of return on investment. Our calculation shows Kasson school building project is assuming the cost of construction, do not exceed the estimates, adequate Historic Tax Credits can be secured, and debt can be obtained within the assumptions of the forecast.

Carlson SV LLP

CarlsonSV, LLC

**Senior Apartment Building
Kasson School Building
May 2, 2022**

COMPANY SUMMARY

KHP, is a third party entity formed to acquire additional real estate, while focusing on purchasing and rehabilitating properties in the downtown historic Kasson area, including transforming the Kasson school building into a senior living apartment facility.

The senior living apartments will be headquartered in Kasson, Minnesota – a charming, small town community.

Keys to Success

- Paul Warshauer’s expertise in Historical Tax Credits
- State of Minnesota Legislators renewing the authorizing of Historic Tax
- Paul Warshauer’s background and expertise in high-end restoration of buildings.

Value Proposition

KHP, LLC, will develop 30 senior living apartments that offer high-end lodging and exclusive services.

Located inside a historical school building, the senior living apartments and amenities are designed with the tenant experience in mind, providing a relatively easy access to downtown shops, restaurants, and the Mayo Clinic. Kasson has a bus service to the Mayo Clinic.

The building will offer different size apartments, ample parking with the availability of enclosed and covered garages.

BUSINESS OPERATIONS

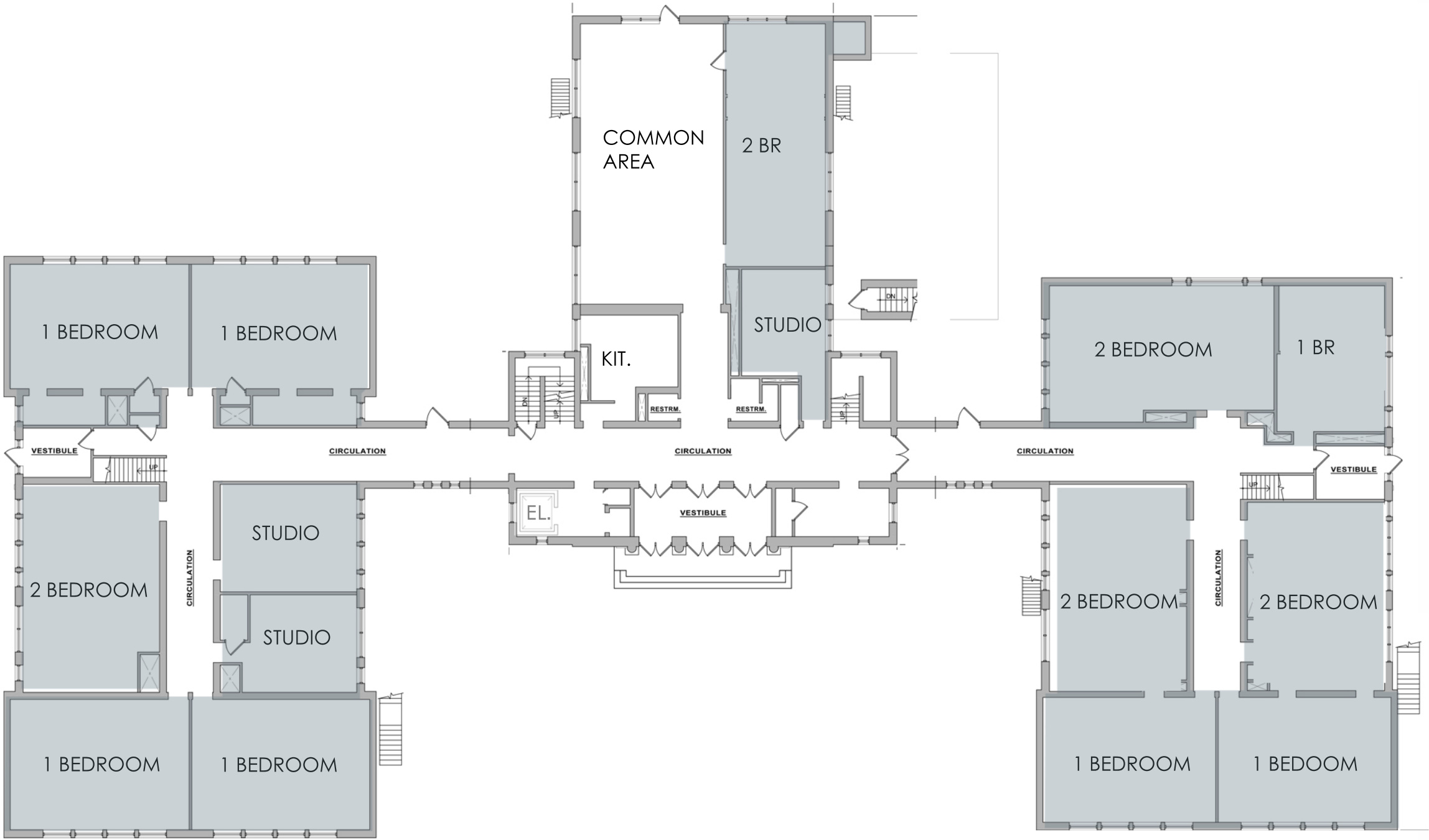
Market

Kasson is an unique city with many differentiating factors from other cities in Minnesota and the country.

The City of Kasson continues to grow and the draw for visitors will also continue into the foreseeable future.

WATER TOWER PLACE - CONCEPTUAL FIT PLANS

5/3/2022



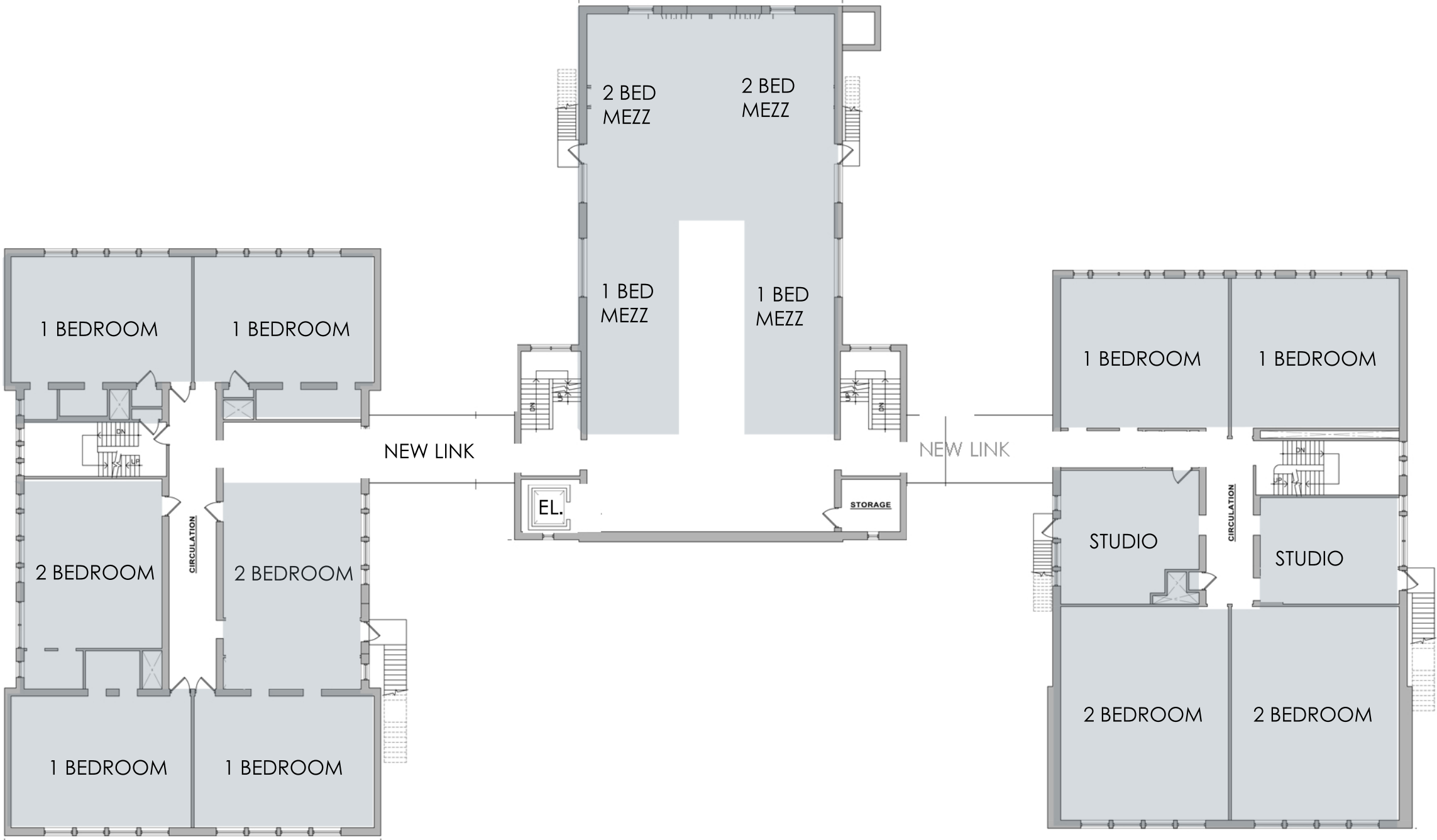
1 FIRST LEVEL FLOOR PLAN
A201 SCALE: 1/8" = 1'-0"



AWH ARCHITECTS

WATER TOWER PLACE - CONCEPTUAL FIT PLANS

5/3/2022



1 SECOND LEVEL FLOOR PLAN
A202 SCALE: 1/8" = 1'-0"



AWH ARCHITECTS

Access Development, LLC

366 10th Ave S

PO Box 727

Waite Park, MN 56387

April 26, 2022

Sent via email to Robert Harris (robert.harris@cedausa.com)

City of Kasson and Kasson EDA

401 5th St. SE

Kasson, Minnesota

**RE: Kasson Apartments (Exact Name TBD)
Kasson, Minnesota**

Dear EDA and City Council Members:

Thank you for the opportunity to work together on the development of much needed work-force housing in the City of Kasson.

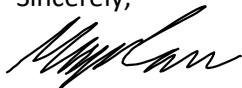
Access Development, LLC, as the developer of Kasson Apartments (exact name TBD), plans to apply for funding through the Minnesota Housing Finance Agency for an approximately 48-unit workforce apartment community with income and rent restrictions ranging from 30-60% of area median income. This funding application through the Minnesota Housing is a very competitive process where each project and their local communities are leveraging local participation to increase the chances of receiving state and federal dollars.

With this in mind, Access Development respectfully requests the following for City Council and EDA consideration:

1. Extend or enter into a new option agreement between the Kasson Economic Development Authority and Kasson Housing Group, LLC with a scheduled closing in May 2023;
2. Sell the Property (as defined within the Option Agreement) of approximately 3.0 acres located at 8th Ave SW to the project for \$100.00;
3. Waive City water and sewer access charges in the approximate value of \$20,000;
4. Waive \$50,000 of project specific infrastructure special assessments; and
5. Provide Tax Increment Financing with a present value of at least \$470,000.

We look forward to discussing this housing community with the City Council and EDA.

Sincerely,



Megan Carr

Vice President of Manager

Kasson Apartment Community

Kasson, Minnesota

Executive Summary

According to Kasson's 2040 Comprehensive Plan housing vision, the City values providing opportunities to live, work at a living wage, play and shop in Kasson. The City wants to develop diverse, high-quality housing that meets the current and future residents at all states of life and at various income limits.

The 48-unit Kasson Apartments rental community will incorporate innovative designs, provide affordable housing opportunities, and link transit options to housing. This high-quality housing development will serve residents with a wide range of incomes and will meet the City's housing goals.

Sand Development, LLC

Sand Development, LLC, a subsidiary of Sand Companies, Inc., and its related entities (Sand), have earned a reputation for professionalism, thoroughness and proven results in the development, design, construction, and property management industries. Sand's reputation and accomplishments can be attributed to the many successful partnerships formed over the years.

Since inception in 1991, Sand has successfully completed the construction and/or development of 74 multifamily housing developments (3,741 units), 30 hotels (2,468 guest rooms), 18 commercial projects, 6 residential subdivisions (239 lots) and various other projects. Sand also manages over \$350 million in assets including 34 residential housing developments (1,430 units), 16 hotels (1,599 guest rooms) and 8 commercial/restaurant/conference facilities.

Sand developed its first workforce housing project in 1995 and still owns and operates it today. A \$2.6 million renovation took place at the property in 2012, which completely renovated all buildings, units, and grounds. Since completing this first project, Sand has successfully completed the development of 38 affordable communities (1,575 units).

Site Location

Kasson Apartment's residential site is located near many services, including Hy-Vee. In addition, it provides much needed workforce housing units in a high income community that has a large employer base in and surround Kasson area.

The location of the proposed development is an excellent fit for housing and has all infrastructure complete and is near services. The site also has access to transit through Rolling Ridge Transit, which provides transportation service with notice to Dodge, Olmsted, Winona, Fillmore, and Houston counties.

Building Description

The 48 units of residential housing will be incorporated into one multifamily building three stories in height. Kasson Apartments will have surface parking with approximately two spaces for each unit. Upper floor construction will incorporate wood frame assembly.

Exterior walls finishes will be clad in several long-lasting materials including a concrete masonry component and a cement or fiber board panel system for lap siding. All units will have patios or balconies depending on grade heights. Balconies will be prefinished aluminum decking with powder coated painted railings.



Interior apartment unit walls will be fully finished with painted gypsum board with accent colors. Unit floors will be covered with residential carpeting in the bedrooms, living room and closets. Floor finishes in the baths, kitchens and laundry area will be vinyl. Custom cabinetry will be placed in the baths and kitchens. Each unit will have individual central, gas fired heating and air conditioning along with a full appliance package including range/oven combination, dishwasher, refrigerator and in-unit washer and dryer.

Corridors and stairs will be carpeted with mats used at all entrances. Public entries including lobby area and stair towers will be tile with insert mats as appropriate. Domestic hot water will be supplied from high efficiency central boilers and water storage tanks. Building public areas will be heated with gas fired central heating and air conditioning.

The site will be fully landscaped with trees, shrubs, sod and include a lawn irrigation system. The development will also feature a private children's play area along with a recreation area with benches and outdoor grills.



Attached are preliminary project concepts.

Sustainable Design

Kasson Apartments will follow the Enterprise Green Communities Design Criteria that establishes standards in green building design and construction. Minnesota Green Communities is a collaboration of the Greater Minnesota Housing Fund, the Family Housing Fund and Enterprise designed to foster the creation of healthier and more energy efficient housing throughout Minnesota. The initiative supports the production of housing with markedly reduced energy costs, the use of materials beneficial to the environment, conversation minded land use planning and attention to the creation of healthy environments and lifestyles for individuals, children, families, and communities. These standards emphasize an integrated design process that involves the developer, architect, engineers, energy consultant, contractor, and the building management team from the start of the design process.

The project standards will focus on location and neighborhood fabric, site improvements, water conservation, energy efficiency, beneficial materials selections, a healthy living environment and operation and management practices. Examples will include efficient land use, use of Energy Star appliances, water conserving plumbing fixtures, high efficiency HVAC systems and extensive use of LED lighting.

Sustainable building strategies are intended to increase resource efficiency and reduce environmental impacts, but they can also yield cost savings through long-term reductions in operating expenses. Increased energy performance, comfort of residents and a healthier indoor environment are the major benefits, but increased durability of building components and simplified maintenance requirements can lead to financial efficiencies for the development. Sand believes in *“building green with common sense,”* rather than scoring points on abstract scales.

All of Sand’s properties are smoke-free. Air filtration and ventilation systems do not eliminate the health hazards caused by secondhand smoke. Tobacco smoke from one unit may seep through the walls, open windows, beneath doors or be circulated by a shared ventilation system or otherwise enter the living space of another resident. In addition to the negative health effects, smoking significantly increases fire hazard and increases cleaning and maintenance costs for the property.

The proposed development will implement and enforce a no-smoking policy for the building. All residents will sign a smoke free lease addendum which prohibits smoking and specifies that it is a violation of the lease. The no-smoking restriction applies to all owners, managers, residents, guests, and servicepersons.

Development Description

Kasson Apartments is a new construction, multifamily development that will consist of 48 units within one building. The target residents will be working families along 4 units designated for individuals and families experiencing long-term homelessness and 5 units serving individuals with developmental disabilities.

The focus of Kasson Apartments will be to meet the significant housing needs of Kasson generated by the increase in people moving to the area for jobs, new and expanding local employers, proximity to Minneapolis/Saint Paul, access to high performing schools and the increasing housing costs in the area that place financial burdens on many Kasson households.

The development will provide a mix of one, two, three, and four-bedroom units, with a majority of the units being two bedrooms or larger. Rents will include water/sewer and refuse removal. All units will serve families with incomes limits 60% or less of area median income (AMI).

Projected Unit Mix, Rents & Income Limits

# of Units	# of BR's	Sq. Ft.	Contract Rents	Rent/Income Limit AMI %	Program Type
5	1	690	\$816	50%/30%	PWD
3	1	690	\$816	50%/30%	HPH
1	1	690	\$659	50%/30%	HPH
12	2	1,089	\$1,027	50%/60%	Affordable
6	3	1,262	\$1,182	50%/60%	Affordable
2	4	1,500	\$1,313	50%/60%	Affordable
3	1	690	\$1,000	60%/60%	Affordable
10	2	1,038	\$1,150	60%/60%	Affordable
4	3	1,262	\$1,300	60%/60%	Affordable
2	4	1,500	\$1,450	60%/60%	Affordable

Table Notes:

1. Unit square footages are approximate values
2. Unit mix, contract rents and income/rent limits are subject to change based on final design and underwriting
3. HPH = high priority homeless unit
4. PWD = people with disabilities unit

Local Participation – A Key to Funding

The largest funding source for the project will be equity from federal housing tax credits which are allocated annually by the Minnesota Housing Finance Agency. This national housing program started in 1987 and has been one of the most successful housing programs in the United States as it promotes private development of affordable housing versus public ownership and management.

Funding for these projects is highly competitive and it takes an experienced developer to navigate the complex application process and a willingness locally to participate in the development. The application weighs heavily on local participation and leverage as this allows more State and Federal dollars to fund more projects. Without local participation, an application has an extremely low chance of being funded. With local participation, the Kasson Apartments application will be extremely competitive.

One of the most common forms of city participation associated with Sand's past workforce housing developments was the utilization of pay-as-you-go tax increment financing (TIF). Sand has successfully used this financing tool with projects in Lakeville, Albany, Chaska, Chanhassen, Jordan, St. Paul, White Bear Lake, St. Michael, Roseau, Plymouth, and other communities. This tends to be a tool that many cities utilize as it has no up-front costs for the city and also does not create any financial obligations.

It is important to note that the TIF does not need to be in place at the time of the Minnesota Housing tax credit application. If the project is selected and moves forward, the project would only then go through the public hearings and establishment of the TIF district. The only thing needed for the application is a letter from the City supporting the use of TIF for the project.

Leveraging

The success of most affordable projects comes from leveraging a number of sources of funds to fill the project gap. Along with the requested participation from the City of Kasson, Sand is also seeking many other funding options to move the project forward. Below is a preliminary list of funding sources for Kasson Apartments.

Projected Sources of Funds

Type of Funds	Amount	% of Total	Source of Funds
Owner Equity	\$ 9,417,800	72.4%	MN Housing (Tax Credits)
First Mortgage Loan	\$2,924,000	22.5%	Private Lender
Tax Increment Financing	\$645,000	5.0%	City of Kasson
Energy Rebates	13,200	0.1%	Local Energy Provider
TOTALS	\$ 13,000,000	100.0 %	

The purpose of the TIF assistance is to fill the funding gap between the project's uses of funds and what is achievable with the available funding sources and but for the local assistance through TIF, housing serving residents of the incomes and at the rents proposed by Kasson Apartments would not be possible.

(CITY OF KASSON LETTERHEAD)

_____, 2022

Minnesota Housing Finance Agency
400 Wabasha Street North
St. Paul, Minnesota 55102
Attention: Multifamily Underwriting

**RE: Housing Tax Credit Program
 Kasson, Minnesota**

Dear Multifamily Development:

Our EDA and City Council are a dedicated group that acts as a professional advocate for our community. Adding to the outstanding qualities of our community, we aim to make Kasson a more livable place by creating a welcoming environment for business and residents. With our small-town community charm, excellent schools, beautiful neighborhoods and short commutes to the region's largest employers, Kasson is a great place to live and do business.

Kasson is a growing community in our region and housing is an integral component to Kasson's landscape. One of our community goals is to promote the development and preservation of quality housing that is affordable to all incomes and at all stages of the life cycle. As a developing community, Kasson has great opportunity to provide housing to meet the needs and life-cycle housing choices of all its current and future residents. Lifecycle housing refers to the mix of housing types that meet the housing demands of individuals and families throughout their lives, such as single-family detached homes, townhomes, apartments and senior housing.

The cost of housing, specifically rental rates and home prices, is an increasing concern throughout our region. Concern over the rising costs of housing affects businesses and our residents. To promote and participate in multifamily housing opportunities, the City is willing to provide incentives for developments such as this proposed housing development in our community.

As a cost reduction measure to endorse this project, the City proposes significant local, financial assistance as part of its participation and endorsement. If the project is selected for funding, the City will:

- Write-down the land for the Project Site which has participation equal to \$[87,900] based on an appraisal and sale price of \$100; and
- Waive Project Specific Sewer and Water Access Charges in the amount of \$[20,000];
- Waive Project Specific infrastructure special assessments in the amount of \$[50,000]; and
- Provide Tax Increment Financing with a present value in the amount of \$[470,000] for a [10] year period.

This project will meet locally identified housing needs and that the proposed housing is in short supply in the local housing market. This need is evidenced by the high demand at other affordable properties in our community and the lack of supply of rental housing opportunities.

We respectfully request funding approval for this needed development in the City of Kasson.

Sincerely,

Chris McKern
Mayor

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF KASSON

DODGE COUNTY, STATE OF MINNESOTA

RESOLUTION NO. _____

**RESOLUTION SUPPORTING TAX INCREMENT FINANCING ASSISTANCE
FOR A MULTI-FAMILY HOUSING PROJECT**

WHEREAS, Access Development, LLC (“Developer”) has proposed to develop and construct an affordable, multifamily housing development on a vacant site along 8th Avenue SW in the City of Kasson known as Kasson Apartments (“Project”); and

WHEREAS, Developer intends to apply for Low Income Housing Tax Credit financing to the Minnesota Housing Finance Agency (“Tax Credits”) for the Project; and

WHEREAS, the Project meets the needs of the City and affordable housing is found to be in short supply in the City;

WHEREAS, the success of this application for Tax Credits will depend, to some degree, on local support for the Project through this commitment of Tax Increment Financing.

NOW THEREFORE, BE IT RESOLVED BY THE ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF KASSON, MINNESOTA (“EDA”):

1. The EDA supports the application for Tax Credits for the Project; and
2. Upon receipt of a complete Application for Public Financing from Developer, including the application fee and escrow deposit, city staff is authorized to prepare a Tax Increment Financing Plan (“TIF Plan”) for a tax increment financing district qualified as a housing district with \$665,000 in tax increment financing assistance with a present value of \$[_____] available for the Project, subject to the procedures under state law for the establishment of the tax increment district and the grant of tax increment financing assistance, for consideration by the EDA and City Council; and
3. The EDA staff is authorized to prepare a tax increment financing plan for a Tax Increment Financing District (“TIF District”) qualified as a housing district; and
4. The TIF Plan preparation authorized by this resolution shall be predicated upon the award of Tax Credits for the Project, and if Developer has not secured an allocation of Tax Credits for the Project by February 28, 2023, then the support for the Project expressed by this resolution shall expire and be no longer in effect;

Adopted this _____ day of April, 2022.

Dan Eggler, President



SOUTHERN MINNESOTA
INITIATIVE FOUNDATION

Collaborating for Regional Vitality

Dodge County Investments

We envision southern Minnesota as a prosperous and growing region with vibrant communities, innovative and successful economies, and engaged and valued citizens. To achieve this vision, Southern Minnesota Initiative Foundation, a regional development and philanthropic organization, fosters economic and community vitality in 20 counties of southern Minnesota through a culture of collaboration and partnership.

For every donation of
from Dodge County

\$1

=

\$30

is invested back
into Dodge County
communities.*

*Includes grants, loans & programming

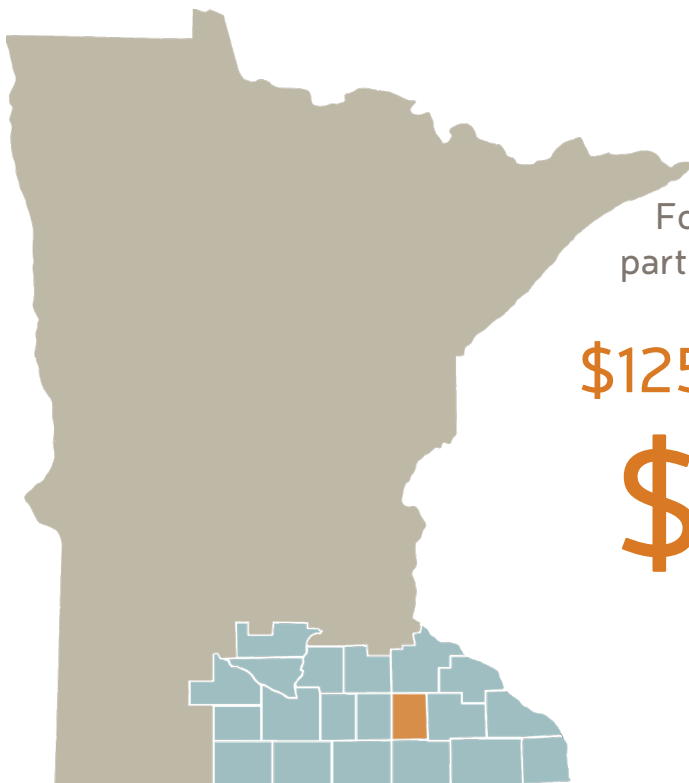
40 LOANS

\$1.7 million to Dodge County entrepreneurs

134 GRANTS

\$685,000 to support community initiatives

***\$5 million invested annually to the 20 counties of
south central and southeastern Minnesota***



Since 1986, Southern Minnesota Initiative Foundation has leveraged local investments & partnerships to create a stronger **Dodge County**:

\$125,000 in local donations to SMIF

\$3.7 million

invested by SMIF in Dodge County
through grants, loans, and programming for
stronger kids, businesses and communities

Loans & Equity Investments* Supporting local entrepreneurs & creating jobs

Clean Plus Incorporated, West Concord	Manufacturing company
New Leaf Transport, Claremont	Trucking company
Little Stars Childcare, Kasson	Family child care
Kasson-Mantorville Nursery Group Inc., Kasson	Child care center
Zumbro Incorporated, Hayfield	Manufacturer of food additives
Tri-Star Manufacturing, Kasson	Machine shop
Steuck Farms, West Concord	Quail farm
TKO Strength LLC, Kasson	Health and fitness center

*Southern Minnesota Initiative Foundation in partnership with CEDA and DEED hold the Comprehensive Economic Development Strategy for Region 10, allowing these counties to apply for Economic Development Administration funding at the Federal level.

Grants Investments in economic development, early childhood and community vitality

AmeriCorps LEAP Initiative, Dodge Center	Members helping with social emotional skill development
Triton Early Childhood Special Education	Awarded 275 book through multiple literacy grants
Kasson-Mantorville Schools	Pre-K alignment grants to support collaboration in classrooms
Kasson-Mantorville Schools	Awarded 500 books for K-M Community Educator Nights
Triton Public Schools, Dodge Center	Hundreds of books awarded through multiple literacy grants
A Chance to Grow, Kasson-Mantorville	Continued S.M.A.R.T. training to prepare children for kindergarten
Stagecoach Brewing Co., Mantorville	FEAST! Smart Start client
Dodge Refreshed, Dodge Center	Small town grant to create Farm-to-Table dinner and 5K run/walk
Dodge County Historical Society, Mantorville	Awarded 15 gallons of paint for repainting of historic structure
Dodge County Faith in Action	Grant to support hiring needed services due to COVID-19
City of Mantorville	Grant for COVID-19 relief to local businesses and organizations
Kasson-Mantorville Schools	Start-up/expansion grant to child care facility
Emergency Child Care Grants	25 child care providers/centers received COVID-19 relief dollars
Small Business Relief Grants	22 businesses received COVID-19 relief grants

Community Collaborations Bringing communities together for change

City of Dodge Center, Regional Community Growth Initiative (started in 2014)
Kasson-Mantorville Early Childhood Initiative (started in 2012)

Making a Difference

Responding quickly to help our smallest communities through the pandemic



SMIF's 2021 Small Town Grant program was entirely focused on responding to the needs that have emerged or increased as a result of the pandemic. Dodge County Faith in Action was awarded \$7,500 to hire additional support for services which support elderly clients including transportation for medical appointments, housekeeping chores and more. The City of Mantorville was awarded \$5,000 for a marketing campaign to bring visitors to the area in order to support businesses facing financial hardship.



SOUTHERN MINNESOTA
INITIATIVE FOUNDATION

525 Florence Avenue • PO Box 695 • Owatonna, MN 55060-0695
PH 507.455.3215 • FAX 507.455.2098 • smifoundation.org

March 28, 2022

Timothy Ibisch
City of Kasson
401 5th St SE
Kasson, MN 55944-2204

Hello Mr. Ibisch and City Council,

35 years ago, a devastating farming crisis swept across greater Minnesota. In response, Southern Minnesota Initiative Foundation (SMIF) along with five other regional foundations, were created to provide economic and philanthropic support to the 80 rural counties of Minnesota. 35 years later, we are faced with another crisis threatening the vitality of our region.

Southern Minnesotans have inspired us with their strength and unity in the face of the COVID-19 pandemic. At SMIF, we are proud to have facilitated more than \$12 million in relief to our region through emergency grants, loans and additional support such as professional trainings and one-on-one assistance. We have also continued our \$5 million in annual programming and grantmaking. Below is the impact we made last year in your county:



In Dodge County...

\$351K in COVID-19 response funding was distributed to entrepreneurs, child care providers and communities.



47 early childhood professionals were impacted through grants, trainings and technical assistance.



32 businesses were impacted through our entrepreneur programming, grantmaking and lending.



For 35 years, SMIF has served the region in times of need. The enclosed fact sheets highlight this work and feature stories from those impacted by your financial gift. Thank you for your gift of \$500.00 on 3/1/2021. ***Will you consider making a donation to SMIF again in 2022?*** With your support, we can continue to invest in our region's early childhood professionals, entrepreneurs and communities.

Sincerely,

Tim Penny
President & CEO

Collaborating for Regional Vitality





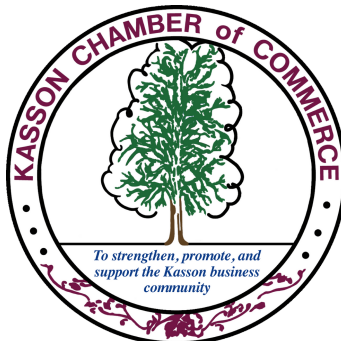
JUNE 3RD, 2022

AROUND & ABOUT KASSON

Kasson Chamber of Commerce

Shop Local Friday Main Street Event

Support our main street
businesses prior to construction
beginning on HWY 57 to add
multiple roundabouts in Kasson



Around & About Kasson Schedule of Events

Friday June 3rd, 2022

10:00 a.m. - 4:00 p.m.:

Main Street Business "Sidewalk Sales"

Register to win 1 of 3 \$50.00 Cash Drawings

Chamber Phantom Shopper Appearances

Main Street Food & Drink Vendors

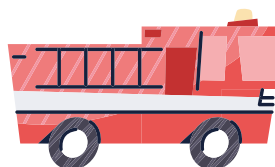
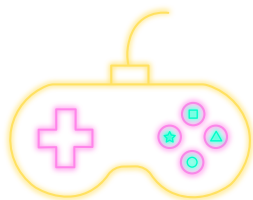


Noon - 2:00 p.m.:

Kasson Police & Fire Departments

Childrens Games & Activities

Feat. MegaWatt Game Trailer



1:00 p.m.: Performance by the K-M Jazz Band

2:00 p.m.: Free Movie @ State Theatre



3:00 p.m.: Special Happy Hour Prices @ Legion

5:00 p.m. - 7:00 p.m.: Food Available @ Legion

7:00 p.m. - 10:00 p.m.: Live Music @ Legion

Feat. Kurt Vatland, JT Thompson, and Matt Heaser



Around & About Kasson - Sponsorship Tiers

- All the Way Around Level - \$360 - business logo on a banner
- Left-Hand Turn level - \$270 - business logo in newspaper
- Straight Ahead level - \$180 - business name listed in the newspaper & logo on website
- Right-Hand Turn Level - \$90 - business name listed on the chamber website

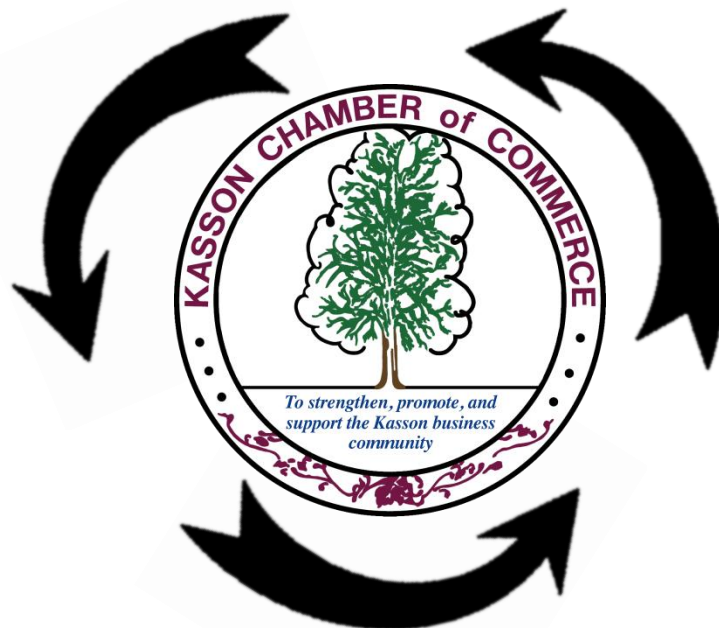
Each level includes the benefits of the level below it.

To get sponsor benefits, you'd have to submit payment by May 3. Payments must be remitted to Kasson Chamber of Commerce and can be mailed to PO Box 326, Kasson, MN 55944 or dropped off to Matt Bradford at Home Federal.

Volunteers serving on the steering committee are boosted 2 tiers of sponsorship for their time.

Volunteers that register to participate in the event are boosted 1 tier of sponsorship.

Sponsorship proceeds will help cover costs for marketing, games/stations, movie licensing for a children's movie, and any other direct event expenses. Any extra proceeds will be set aside to help fund more events.





Robert Harris <robert.harris@cedausa.com>

Rethos Downtown Assessment Selection

7 messages

Emily Kurash Casey <Emily@rethos.org>
To: Robert Harris <robert.harris@cedausa.com>

Tue, Apr 19, 2022 at 3:19 PM

Hello Robert,

I'm so pleased to inform you that Kasson has been selected as one of the three Rethos Downtown Assessment communities, made possible by a grant from the SMIF Foundation. This was an incredibly competitive selection process--14 communities applied for only three places. The applications were such fun to read, as the commitment to beloved downtown districts is apparent. Your application truly stood out, and we're looking forward to working with you in your community this summer.

The next steps for this process are as follows:

- Confirm with your leadership team your acceptance and respond to me by April 29. I'll then send an official agreement form.
- Respond to this doodle poll (<https://doodle.com/meeting/participate/id/elY8LIVa>) by April 29 with your availability for an orientation meeting.
- Save the date for the orientation meeting (held over Zoom) which will be for all three recipient communities.

Orientation will cover a lot of information and will discuss dates for the assessment to take place, so please have your summer calendars ready for the orientation meeting. I'll be at the Buildings on Main Street Conference the remainder of this week, and will be traveling and doing trainings in northern Minnesota next week. This means I may be slow to respond to emails, but I'll get back to you as soon as I'm able.

Congratulations! We're truly excited to work with you on this process for creating an action plan for new energy in your downtown district.

Sincerely,

Emily Kurash Casey

Community Programs Director

Minnesota Main Street Statewide Coordinator

emily@rethos.org

507-205-2335

www.rethos.org