

# **KASSON ECONOMIC DEVELOPMENT AUTHORITY**

Kasson City Hall  
Tuesday, June 7th, 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. Façade Improvement Grant application - Chaotic Brewing Company**
- IX. Loan subordination to SMIF (Chaotic Brewing loan)**
- X. Rethos Downtown Assessment Work Group with EDA**
- XI. Other Business/Open Discussion**
- XII. Items for July EDA Meeting**
- XIII. Adjourn**

**The next EDA Board meeting will be held on Tuesday, July 5th, 2022.**

# KASSON ECONOMIC DEVELOPMENT AUTHORITY MEETING

Tuesday, May 5th, 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 5th day of May 2022 at 12:00PM.

The following board members were present: Dan Eggler, Chris McKern, Michael Peterson, Kathy O'Malley, and Janice Borgstrom-Durst

Absent: Jill Moosbrugger, Tom Monson

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 12:00PM.
- 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.
- IV. Coordinators Report. Robert Harris III, CEDA, presented the coordinator's report.

## **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).

- V. City Administrators Report. Ibisch presented the Administrators Report. Report included in meeting packet.
- VI. TIF request KHP LLC – School Redevelopment. Paul Warshauer of KHP LLC presented the historic school redevelopment project and made a request for TIF assistance for the project. Without TIF assistance, the project is unlikely to be viable. Warshauer requested 25 years of pay as you go assistance. The EDA chose to table the item until the June meeting.
- VII. Affordable Housing request for assistance – Sand Companies. Megan Sand Carr and Nicole Sand presented a new development affordable housing project and request some assistance from the city including TIF, waived infrastructure assessments, and reduced land purchase price. To successfully apply for low-income housing tax credits, a resolution from the city and support letter. The EDA chose to table the item until the June meeting.
- VIII. 2022 contribution to SMIF. Harris presented the solicitation for donations letter from Southern MN Initiative Foundation (SMIF). Annually the EDA give \$500 to SMIF, the EDA decided to approve a donation of \$500 for 2022. Motion by McKern, seconded by O'Malley.  
  
Ayes (5), Nays (0). Motion carried.
- IX. Sponsorship for Chamber June 3<sup>rd</sup> Event. Harris presented the sponsorship request from the Kasson Chamber of Commerce for the June 3<sup>rd</sup> Around and About Main Street event. The EDA decided to sponsor the event at the \$360 level. Motion by Borgstrum-Durst, seconded by Peterson.  
  
Ayes (5), Nays (0). Motion carried.
- X. Sponsorship for 2023 St. Paddy's Day event. Harris presented the sponsorship request from the Downtown Improvement Task Force for the 2023 St. Paddy's Day event. The request is for \$500. The EDA requested more information about what a sponsorship entails for this event as

it is new to the community.

- XI. Approval of Rethos Main Street Leadership Team. Harris has recruited a leadership for the Rethos Downtown Assessment. That team includes Nancy Zaworski, Kathy O'Malley, Tom Monson, and Robert Harris. The EDA approved the creation of this leadership team. Motion by Peterson, seconded by McKern.

Ayes (5), Nays (0). Motion carried

- XII. Other Business/Open Discussion. None.

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

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

Ayes (5), Nays (0). Motion carried. Meeting adjourned at 12:50 PM.

The next meeting will be held at 12:00PM on June 7th, 2022.

Minutes Submitted by:

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Robert Harris III, EDA Coordinator

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Dan Egger, EDA President

06/02/22  
13:41:23

CITY OF KASSON  
Balance Sheet  
For the Accounting Period: 5 / 22

Page: 1 of 3  
Report ID: L150

225 EDA FED MIF

Assets

Current Assets

CASH-OPERATING	160,558.52
LOAN PRIN REC-WHITMARSH	1,465.32
LOAN PRIN REC- 1760 MILLWORK	71,640.10

Total Current Assets	233,663.94
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Total Assets	233,663.94
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Liabilities and Equity

Total Liabilities

Equity

UNRESERVED FUND BALANCE	233,494.57
CURRENT YEAR INCOME/(LOSS)	169.37

Total Equity	233,663.94
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Total Liabilities & Equity	233,663.94
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226 EDA RLF

Assets		
Current Assets		
CASH-OPERATING	30,352.18	
CHAOTIC GOOD BREWING LOAN-PRINCIPAL REC	49,646.82	
	-----	
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

06/02/22  
13:41:23

CITY OF KASSON  
Balance Sheet  
For the Accounting Period: 5 / 22

Page: 3 of 3  
Report ID: L150

290 Economic Development

Assets

Current Assets

CASH-OPERATING	33,801.34
DUE FROM OTHER FUNDS	81,677.89

Total Current Assets	115,479.23
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Total Assets	115,479.23
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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)	( 43,464.63)

Total Equity	114,993.00
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Total Liabilities & Equity	115,479.23
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06/02/22  
13:41:59

CITY OF KASSON  
Income Statement by Department  
For the Accounting Period: 5 / 22

Page: 1 of 2  
Report ID: L140

225 EDA FED MIF

	Actual		Actual		Annual Budget
	Period to Date	%	Year-To-Date	%	
Revenue					
Community/Economic Development					
3621 INTEREST EARNED	141.55		169.37		0.00 169.37
Total Department	141.55		169.37		169.37
Total Revenue	141.55	100.00	169.37	100.00	0.00 169.37
Net Income(Loss)	141.55		169.37		



06/02/22  
13:41:59

CITY OF KASSON  
Income Statement by Department  
For the Accounting Period: 5 / 22

Page: 2 of 2  
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
<b>Total Department</b>					<b>102,944.00</b>	<b>-102,944.00</b>
<b>Total Revenue</b>	<b>0.00</b>	<b>100.00</b>	<b>0.00</b>	<b>100.00</b>	<b>102,944.00</b>	<b>-102,944.00</b>
Expenses						
Community/Economic Development						
Community/Economic Development						
101 FULL-TIME EMPLOYEES - REGULAR	1,053.60	23.34	5,748.94	13.23	12,500.00	6,751.06
121 EMPLOYER PERA CONTRIBUTIONS	79.02	1.75	431.18	0.99	938.00	506.82
122 EMPLOYER FICA CONTRIBUTIONS	61.96	1.37	339.07	0.78	775.00	435.93
123 EMPLOYER MEDICARE CONTRIBUTION	14.49	0.32	79.32	0.18	181.00	101.68
130 EMPLOYER PAID INSURANCE	190.86	4.23	973.52	2.24	6,000.00	5,026.48
150 WORKER'S COMPENSATION	0.00		98.00	0.23	100.00	2.00
210 OPERATING SUPPLIES	48.03	1.06	122.44	0.28	500.00	377.56
303 ENGINEERING FEES	0.00		8,089.20	18.61	1,500.00	-6,589.20
304 LEGAL FEES	2,168.50	48.05	2,632.50	6.06	2,500.00	-132.50
321 TELEPHONE	21.99	0.49	110.22	0.25	500.00	389.78
325 COMMUNICATION-OTHER	15.00	0.33	60.00	0.14	200.00	140.00
333 STAFF MEETINGS & CONFERENCES	0.00		0.00		400.00	400.00
334 MEMBERSHIP DUES AND FEES	0.00		75.00	0.17	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	0.00		135.24	0.31	450.00	314.76
414 COMMERCIAL PROGRAMS	0.00		0.00		17,000.00	17,000.00
430 OTHER SERVICE/CHARGES-MISC.	860.00	19.05	1,130.00	2.60	3,500.00	2,370.00
440 PROFESSIONAL SERVICES	0.00		300.00	0.69	800.00	500.00
444 OTHER CONTRACTUAL SERVICES	0.00		23,140.00	53.24	46,500.00	23,360.00
Account Total						
	4,513.45	100.00	43,464.63	100.00	102,944.00	59,479.37
<b>Total Department</b>	<b>4,513.45</b>	<b>100.00</b>	<b>43,464.63</b>	<b>100.00</b>	<b>102,944.00</b>	<b>59,479.37</b>
<b>Total Expenses</b>	<b>4,513.45</b>	<b>100.00</b>	<b>43,464.63</b>	<b>100.00</b>	<b>102,944.00</b>	<b>59,479.37</b>
Net Income(Loss)	-4,513.45	-100.00	-43,464.63	-100.00		

FUND 225

EDA Loans

Loan Name	Origination Date	Original Amount	Interest Rate	Monthly Payment	Term/ Due Date	12.31.21 Balance	Prin Recvd YTD	5.31.22 Balance
Millwork	7/1/2016	\$ 90,000	3.0%	499.14	20 years 6/1/21	71,640	0	71,640
Whitmarsh	6/28/2018	\$ 5,000	4.75%	90	5 years 7/1/20	1,881	416	1,465

No paymnts 9/21 to 8/22

FUND 226

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	5.31.22 Balance
Chaotic Good Brewing	4/15/2022	\$ 50,000	3.3%	488.6	4/15/2032	0	50,000	353	49,647



To: City Council

Date: 6/8/2022

**Agenda Heading:** City Administrator's Report

““It's a cruel season that makes you get ready for bed while it's light out.”

– Bill Watterson

- **Frontline Worker Pay.** A bill was approved that allocates a total of \$500 million to cover the one-time payments for an estimated 667,000 frontline workers. It is anticipated the application will be open June 8 through July 22, 2022. These dates are subject to change. When the system is ready to accept applications, eligible workers will have 45 days to apply for Frontline Worker Pay. Department Heads have been apprised of this and the application will be sent out to them to share when it becomes available. Not all staff will qualify, however many will.
- **Vail Subdivision Information.** The housing subdivision is moving forward. In fact, staff would like to accelerate the bid process to give us more time to complete it. Overall, we are looking at development of four 2-3 acre lots. One has been acquired by Hamilton Real Estate and another they have an option on. The Sand Companies will have an option on the lot to the northside and we'll have 1 lot available for other proposals. Depending on the timing of these projects we can then look that property on the south side of Hwy 14. One thing to keep in mind is that the goal for this development is that public and private investment will help create a larger and broader tax base as well as making it more conducive for EDA efforts in recruitment of different business. In our community population growth will drive the commercial and retail markets. Brandon has included more information on what he is looking for in terms of schedules. Procurement times have been a big issue for all of the developments.
- **Liquor Licensing Changes.** The 2022 Legislature passed a new law (Chapter 86) that makes changes to liquor licenses and rules. It was signed into law by Gov. Tim Walz and went into effect on May 23. Some of those changes that could apply to Kasson include: section 340A.29 now allows a brewer licensed under Minnesota Statutes, section 340A.301 that produces 7,500 barrels or less of malt liquor annually to be issued a license by a municipality for off-sale of up to 128 ounces per customer per day in any packaging conforming to state and federal regulation, this is a significant increase; section 340A.404, now allows a municipality to issue an on-sale wine and an on-sale malt liquor license to a baseball team competing in a league established by the Minnesota Baseball Association, or to a person holding a concessions or management contract for beverage sales at a ballpark for the purposes of summer town ball games, this could apply to the Ice Arena; section 340A.410, subdivision 10 no longer restricts a municipality over population 5,000 from issuing more than one temporary license authorized under Minnesota Statutes, section 340A.404, subdivision 10 for any one organization or political committee, or for any one location within a 30-day period, this would allow for greater

options in terms of temporary licensing; and finally, section 340A.410, subdivision 10 allows a municipality to issue one seven-day temporary license per year to a county agricultural society established under Minnesota Statutes, section 38.01 for alcoholic beverage sales at a county fair. Jan will work to integrate these changes into our current policy.

- **Park and Recreation News.** The Aquatic Center season is in full swing. The opening weekend was well attended with a certain number of issues. We're encouraging the credit card implementation and so far, it's working relatively efficiently. I think that this year we can work out most of the kinks. Staff is doing well and the training went smooth. The pool suffered a substantial water loss in the week before opening, however the leaks seem to be rectified. Plugged filters seem to be a big issue this year and overtime has been needed to keep things running, the weather conditions with the heavy winds led to a significant amount leaves and other debris entering the system. All of the boulevard trees have been planted and we're going to evaluate the program in the off season.
- **2022 Annual LMC Conference.** The League's 2022 Annual Conference is in Duluth June 22-24. There is still time to get registered if you are interested. View this brochure: [https://www.lmc.org/wp-content/uploads/documents/LMC-AC2022\\_Brochure-Final.pdf](https://www.lmc.org/wp-content/uploads/documents/LMC-AC2022_Brochure-Final.pdf) For more information. There are a number of different focus areas including: Connection, Economy, Funding, Communication, and Preparation this year. I have attending in the past and its generally very good content. I am not going to be attending this year, however next year the event will be in Rochester and I will likely plan on attending. Let me know if you're interested. Nancy will be up on Wednesday of the conference to pick up our GreenStep 3.
- **Hwy 57 Project.** The project is in full swing. Pavement and tree removals are completed. There was a water shutoff last week to temp in the lines for the next 2 months. I have authorized the placement of a portapotty up by the liquor store to be available all summer when there are future water shutoffs. The contractors have been willing to change their schedule to accommodate the Chamber of Commerce. Thanks to the Police department for stepped up enforcement. They have not found a lot of people speeding, but there have been rolling stops and driving faster through the neighborhoods than the residents are used to, so some tickets and warnings have been issued.

Just a reminder: I will be at the American Power Association conference June 10-15 and then out on vacation the 16<sup>th</sup> and 17<sup>th</sup>.

### **Meetings or Events Attended or Planned**

May 25	City Council
May 26	City Engineer
	Vail Planning meeting
	Department Heads meeting
June 1	Apartment Discussion-AH+SEH
	Business after Hours-Hubbell House
June 2	Technical Review

	Vail Utility coordination meeting
	16 <sup>th</sup> Street plans finalization-Sewer and Water
June 3	Troy Stafford meeting
	Ribbon Cutting-True North Coffee
	Around and About Kasson Event
June 7	EDA
	Reception@Hubbell House
June 8	Chamber of Commerce
	City Council-Rethos beforehand



# KHP LLC

## Water Tower Place

**PAUL WARSHAUER,  
MANAGING MEMBER,  
PRESIDENT**

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PHONE:  
312-550-7868

PROPERTY  
101 3<sup>RD</sup> Ave SW  
Kasson, MN 55944

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

EMAIL:  
[Grandevenues@gmail.com](mailto:Grandevenues@gmail.com)

Kasson Economic Development Authority  
Mr. Timothy Ibisch, City Administrator  
City of Kasson  
401 5<sup>th</sup> 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 3<sup>rd</sup> 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.

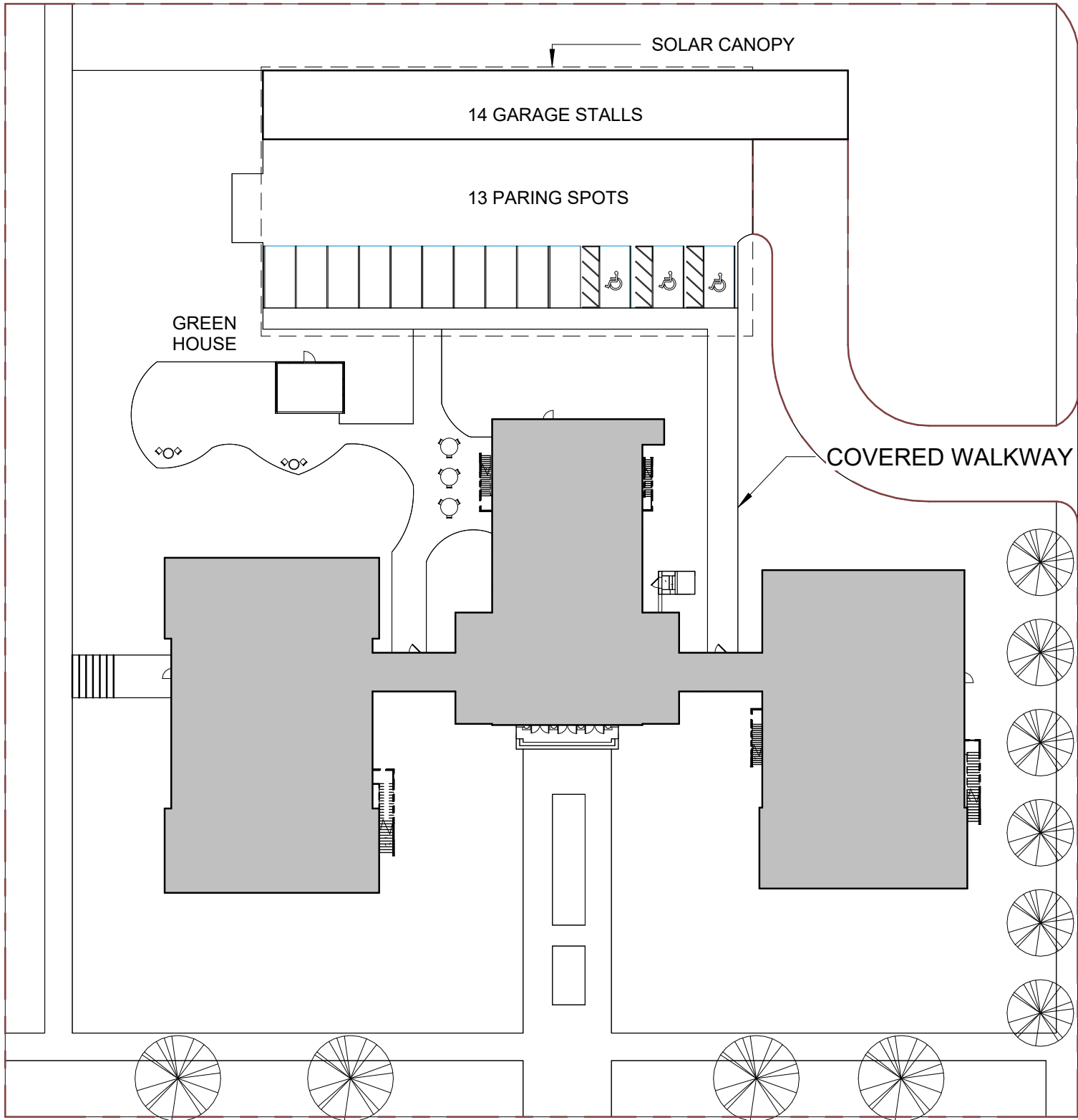
We look forward to working with you.

*Paul Warshauer*

Paul Warshauer

For KHP, LLC

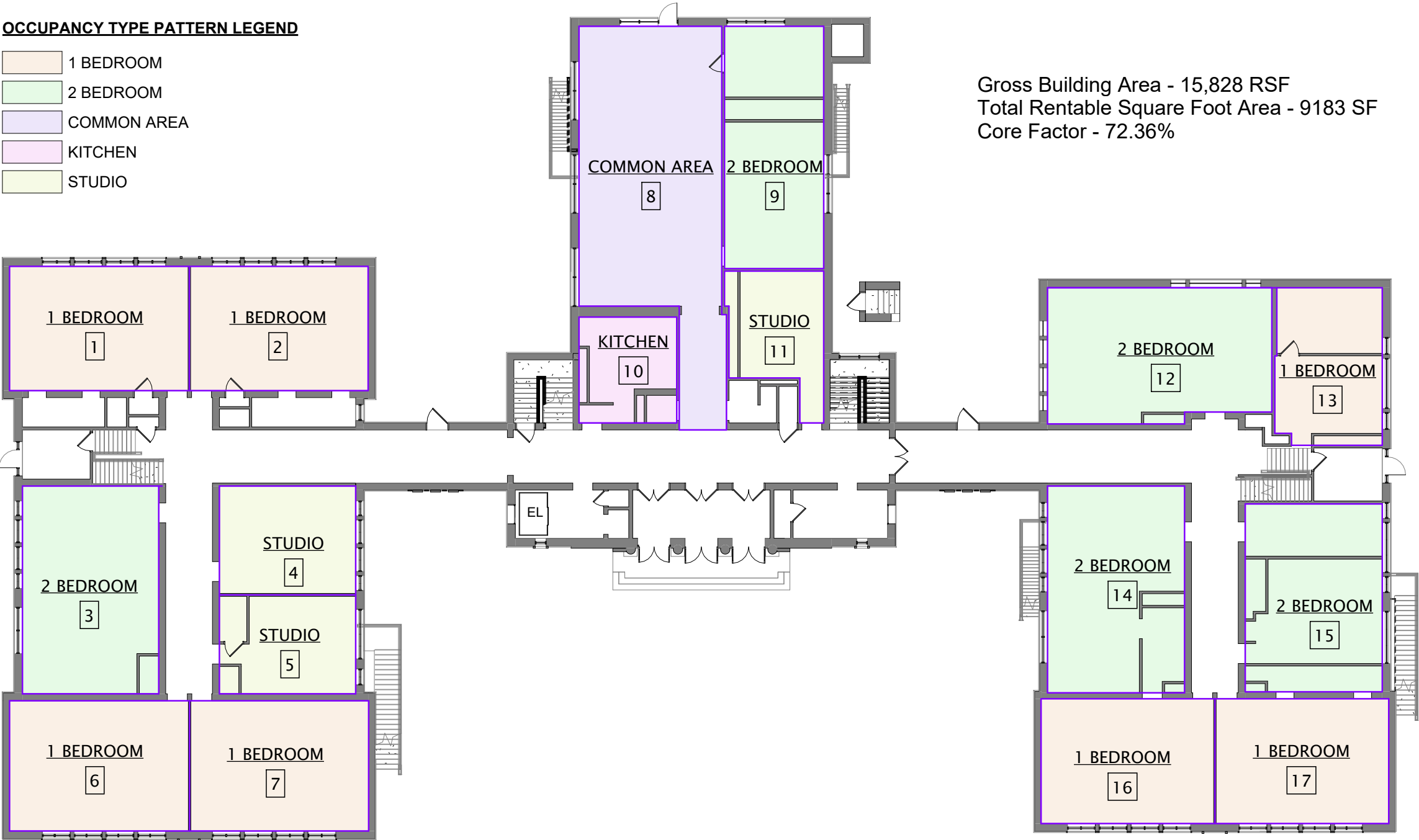
TOTAL GSF = 31,656 SF  
TOTAL RSF = 20,570 SF  
5 - STUDIOS  
13 - 1 BEDROOMS  
9 - 2 BEDROOMS  
2 - 1 BEDROOM/MEZZ UNITS  
2 - 2 BEDROOM/MEZZ UNITS  
TOTAL UNITS = 31 UNITS  
13 SURFACE STALLS  
14 GARAGE STALLS  
~ 55kW Solar Array Canopy



1 ARCHITECTURAL SITE PLAN  
MP1.1 1" = 40'-0"

OCCUPANCY TYPE PATTERN LEGEND

- 1 BEDROOM
- 2 BEDROOM
- COMMON AREA
- KITCHEN
- STUDIO



AREA SCHEDULE (CODE)

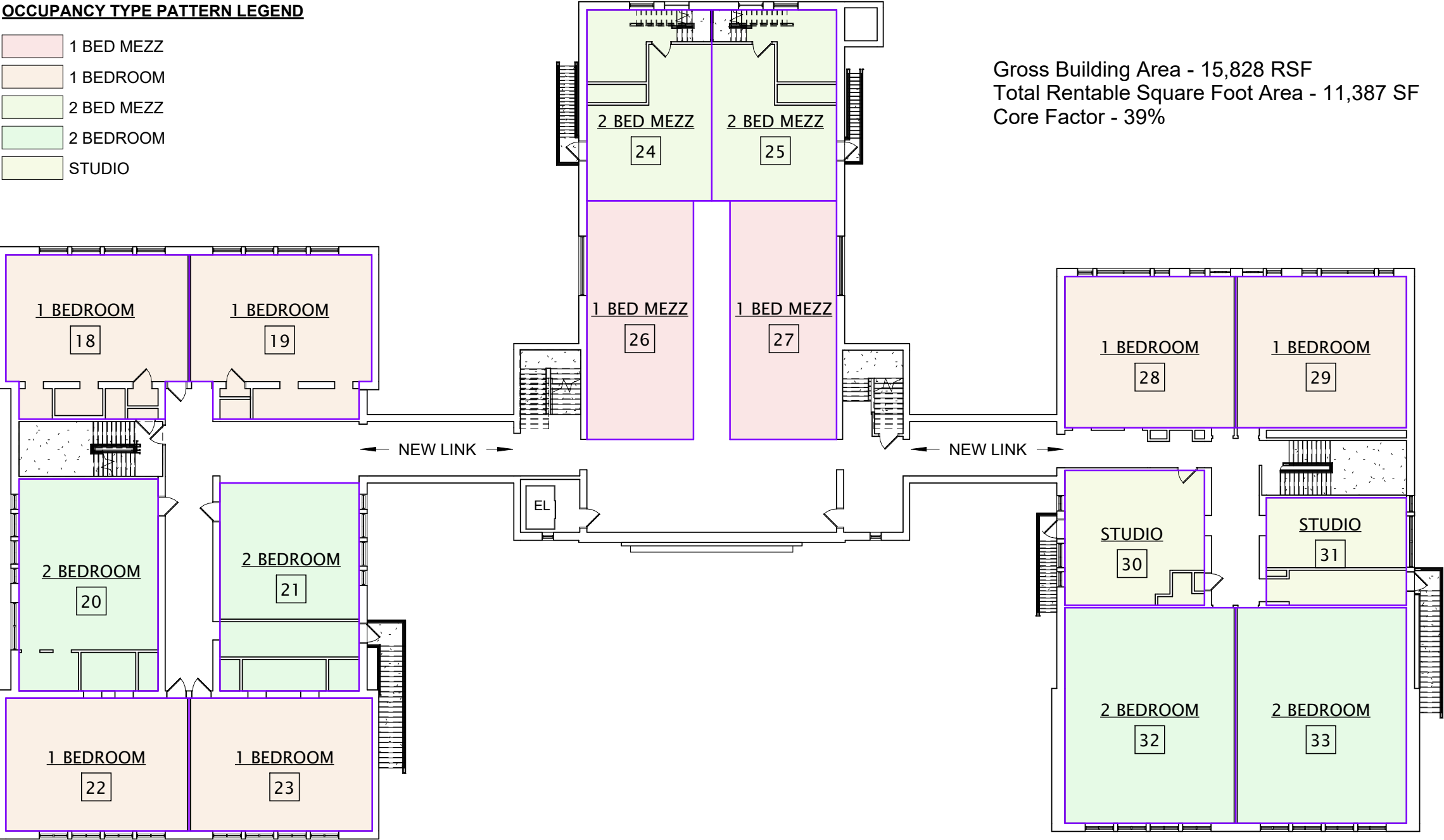
NO.	ROOM NAME	AREA
1	1 BEDROOM	628 SF
2	1 BEDROOM	624 SF
3	2 BEDROOM	795 SF
4	STUDIO	417 SF
5	STUDIO	379 SF
6	1 BEDROOM	659 SF
7	1 BEDROOM	655 SF
8	COMMON AREA	1,285 SF
9	2 BEDROOM	675 SF
10	KITCHEN	291 SF
11	STUDIO	319 SF
12	2 BEDROOM	829 SF
13	1 BEDROOM	466 SF
14	2 BEDROOM	796 SF
15	2 BEDROOM	723 SF
16	1 BEDROOM	609 SF
17	1 BEDROOM	609 SF
18	1 BEDROOM	776 SF
19	1 BEDROOM	772 SF
20	2 BEDROOM	795 SF
21	2 BEDROOM	780 SF
22	1 BEDROOM	657 SF
23	1 BEDROOM	657 SF
24	2 BED MEZZ	643 SF
25	2 BED MEZZ	643 SF
26	1 BED MEZZ	686 SF
27	1 BED MEZZ	686 SF
28	1 BEDROOM	696 SF
29	1 BEDROOM	696 SF
30	STUDIO	508 SF
31	STUDIO	406 SF
32	2 BEDROOM	993 SF
33	2 BEDROOM	993 SF

1 FIRST LEVEL CODE PLAN  
MP1.2 1" = 20'-0"



OCCUPANCY TYPE PATTERN LEGEND

- 1 BED MEZZ
- 1 BEDROOM
- 2 BED MEZZ
- 2 BEDROOM
- STUDIO



Gross Building Area - 15,828 RSF  
Total Rentable Square Foot Area - 11,387 SF  
Core Factor - 39%

AREA SCHEDULE (CODE)

NO.	ROOM NAME	AREA
1	1 BEDROOM	628 SF
2	1 BEDROOM	624 SF
3	2 BEDROOM	795 SF
4	STUDIO	417 SF
5	STUDIO	379 SF
6	1 BEDROOM	659 SF
7	1 BEDROOM	655 SF
8	COMMON AREA	1,285 SF
9	2 BEDROOM	675 SF
10	KITCHEN	291 SF
11	STUDIO	319 SF
12	2 BEDROOM	829 SF
13	1 BEDROOM	466 SF
14	2 BEDROOM	796 SF
15	2 BEDROOM	723 SF
16	1 BEDROOM	609 SF
17	1 BEDROOM	609 SF
18	1 BEDROOM	776 SF
19	1 BEDROOM	772 SF
20	2 BEDROOM	795 SF
21	2 BEDROOM	780 SF
22	1 BEDROOM	657 SF
23	1 BEDROOM	657 SF
24	2 BED MEZZ	643 SF
25	2 BED MEZZ	643 SF
26	1 BED MEZZ	686 SF
27	1 BED MEZZ	686 SF
28	1 BEDROOM	696 SF
29	1 BEDROOM	696 SF
30	STUDIO	508 SF
31	STUDIO	406 SF
32	2 BEDROOM	993 SF
33	2 BEDROOM	993 SF

1 SECOND LEVEL CODE PLAN  
MP1.3 1" = 20'-0"

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

Prepared for  
**Paul Warshauer**  
**KHP, LLC**  
May 2, 2022



1321 North Broadway  
PO Box 725  
New Ulm, MN 56073-0725  
507-298-8760 • Fax (507) 354-7687

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

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## **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**

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**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
<b>Current Assets</b>	<b>Construction</b>					
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
<b>Current Ratio</b>		<b>0.60</b>	<b>1.46</b>	<b>2.37</b>	<b>3.39</b>	<b>4.25</b>
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
<b>Other Assets</b>						
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
<b>Total Assets</b>	<b>\$ 9,856,420</b>	<b>\$ 9,570,364</b>	<b>\$ 9,075,954</b>	<b>\$ 8,581,434</b>	<b>\$ 8,097,913</b>	<b>\$ 7,621,643</b>
<b>Current Liabilities</b>						
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
<b>Total Current Liabilities</b>	-	89,373	97,298	97,103	97,143	102,416
<b>LT Liabilities</b>						
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)
<b>Total LT Liabilities</b>	<b>2,971,420</b>	<b>2,837,805</b>	<b>2,747,870</b>	<b>2,654,452</b>	<b>2,561,034</b>	<b>2,457,153</b>
<b>Total Liabilities</b>	<b>2,971,420</b>	<b>2,927,178</b>	<b>2,845,167</b>	<b>2,751,555</b>	<b>2,658,177</b>	<b>2,559,569</b>
<b>Members Equity</b>						
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
<b>Total Liabilities &amp; Equity</b>	<b>\$ 9,856,420</b>	<b>\$ 9,570,364</b>	<b>\$ 9,075,954</b>	<b>\$ 8,581,434</b>	<b>\$ 8,097,913</b>	<b>\$ 7,621,643</b>

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

**KHP, LLC**

**Summary Forecasted Income Statement**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<b>7 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>12 Months</b>
	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>	<b>December</b>
Rental Income	\$ 273,980	\$ 469,680	\$ 479,074	\$ 488,467	\$ 497,861
<b>Other Income</b>					
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>
<b>Operating Expenses</b>					
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>
<b>EBITA</b>	<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**

<b>KHP, LLC</b>					
<b>Forecasted</b>					
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<b>7 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>12 Months</b>
<b>Cashflow from Operations</b>					
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	-	-	-	-
<b>Net Cashflow from Operations</b>	<b>101,656</b>	<b>173,957</b>	<b>178,024</b>	<b>192,506</b>	<b>204,988</b>
<b>Cashflow from Investment Activities</b>					
Proceeds from sale of assets	-	-	-	-	-
Property and equipment purchased	(9,560,157)	-	-	-	-
Organization Expenses	(296,263)	-	-	-	-
<b>Used by Investing Activities</b>	<b>(9,856,420)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cashflow From Financing Activities</b>					
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	-	-	-	-
<b>Used by Financing Activities</b>	<b>9,808,563</b>	<b>(85,758)</b>	<b>(89,935)</b>	<b>(93,418)</b>	<b>(98,649)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>53,799</b>	<b>88,199</b>	<b>88,089</b>	<b>99,088</b>	<b>106,338</b>
<b>Beginning Cash and Cash Equivalents</b>	<b>-</b>	<b>53,799</b>	<b>141,998</b>	<b>230,086</b>	<b>329,175</b>
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 53,799</b>	<b>\$ 141,998</b>	<b>\$ 230,086</b>	<b>\$ 329,175</b>	<b>\$ 435,513</b>

**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**

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**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
<b>Total Sources</b>	<b>\$</b>	<b>9,856,420</b>

**Uses:**

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

**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**

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**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**

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

**Revenue Detail**

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
	<b>7 Months December</b>	<b>12 Months December</b>	<b>12 Months December</b>	<b>12 Months December</b>	<b>12 Months December</b>
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

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## 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

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## **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.

<b>Detail Opening Balance sheet</b>	<b>Amount</b>
Land and land improvements	\$ 150,000
<b>Construction Costs</b>	
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**

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**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	\$	296,263

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**

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## **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.

# **Kasson Apartment Community**

## **Kasson, Minnesota**

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### **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
<b>TOTALS</b>	<b>\$ 13,000,000</b>	<b>100.0 %</b>	

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.

**Access Development, LLC**

366 10<sup>th</sup> 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 5<sup>th</sup> 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.

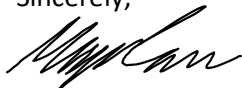
Access Development, LLC, as the developer of Kasson Apartments (exact name TBD), plans to apply for funding through the Minnesota Housing Finance Agency for an approximately 48-unit workforce apartment community with income and rent restrictions ranging from 30-60% of area median income. This funding 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

**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 8<sup>th</sup> 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.

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Dan Eggler, President

## **2022 Business Façade Improvement Program** **Kasson Economic Development Authority**



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Program funding:	\$10,000 total has been designated for this program
Duration:	The Program will accept applications until <b>November 29, 2022</b> . Unless approved by the EDA, all projects must be completed with submitted invoices and completion photos within <b>12 months</b> of award date. Any projects not completed and/or submitted for reimbursement by that time will not be eligible for reimbursement regardless of approval.
Matching grant:	Up to \$2,000 per building/lot per calendar year
Matching requirement:	Commercial building/lot within the City of Kasson. <i>Please note</i> – property must be current on taxes and obligations with the city.
Eligible project:	See list of eligible project items on the next page
Program contact:	Robert Harris III (EDA Staff) – robert.harris@cedausa.com

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To apply, applicants must submit a complete application, including the necessary attachments, to City Hall by no later than the third Tuesday of the month for consideration at the next month's EDA meeting. The EDA will not consider retroactive approval projects; **NO WORK MAY BE DONE PRIOR TO EDA APPROVAL.**

### **Required Documentation for Application**

- ☐ Completed application form
- ☐ Bona fide cost estimate of entire project
- ☐ Project plans, drawings, or sketches
- ☐ Photos of property work area before work begins
- ☐ Email confirmation from City Clerk Rappe that the project is compliant with permitting and ordinances
- ☐ Other documents requested by EDA/Council

#### *For a leased property:*

- ☐ A copy of the lease agreement and written permission from the property owner

### **Required Documentation for Reimbursement**

- ☐ Photo of property after work is complete
- ☐ Proof of payment (invoice, receipt, etc.)

Kasson EDA will approve or deny reimbursement based on the completed project documentation and receipts of work completed and paid for by applicant.

Request for reimbursement must be submitted to City Hall within twelve (12) months of project approval.

*[See page 4 for more details]*

## **Business Façade Improvement Program – Guidelines**

### Eligible project items:

- Painting of building exterior; including necessary scraping, repairing and preparation for completion
- Rehab/replacement of exterior windows visible from public areas that enhance the character of the building
- Rehab/replacement of exterior doors visible from public areas that enhance the character of the building
- Siding
- Installation of brick onto building façade
- Brick tuckpointing
- Awnings and canopies (including the installation of new awnings and removal of deteriorating awnings and canopies)
- Signage
- Ancillary decorative lighting
- Surface parking lots that improve the property's curb appeal
- Screening of unsightly features such as utility connections, dumpsters, etc.
- Permanent and semi-permanent landscaping features
- Other permanent or semi-permanent decorative features that enhance visual aesthetics

### Ineligible project items:

- Any interior work
- New construction and building additions
- Acquisition
- Improvements not visible from public areas
- Moveable landscaping features
- Improvements already completed or in progress at time of application

### Evaluation criteria:

- Overall impact to the community
- Aesthetic improvement to the area
- Need for assistance
- Total owner investment/equity in the project
- Previous or concurrent usage of other EDA and/or City incentive programs

Applications will be denied if, in the sole option of the EDA, the proposed improvements do not follow these guidelines or improve the general character of the building and community as a whole.

The EDA reserves the right of ultimate review. The EDA may, at its discretion, approve projects that deviate from these guidelines if the proposed project is deemed within the general intent of these guidelines and is in the best interest of the community.

Reimbursement will be approved by City Council; applicants must submit proof of payment (invoice) and photos of the completed projects.

**Incomplete applications will not be reviewed**



**Business Façade Improvement Program – Application**  
**Kasson Economic Development Authority**

Name: Scott Stroh Date: 5/10/22

Business: Chaotic Good Brewing Company

Email: scott@chaoticgoodbrewing.com Phone: 507-319-0267

Mailing Address: 601 3rd Ave NW

City/State/ZIP: Kasson, MN 55944

Project Address: 202 2nd St SW Kasson

Project Summary: Update deteriorating outdoor signage

replace existing signs

sand and paint sign structure

Total Project Cost: \$5,345.36

Total Amount Requested: \$2,000.00

**Application Certification**

We, the undersigned certify that the information submitted is true and accurate to the best of our knowledge, that we have read, understand, and will comply with the program guidelines. We understand that this application will be reviewed based on the information provided herein and that if the final project does not meet minimum program guidelines, the City reserves the right to deny payment. We confirm that if approved, the City may use the approved company's name and information in promotional/publicity materials, events, etc.

But for the assistance provided through this program by the Kasson Economic Development Authority, we would not have the resources to complete this project to the extent that we will with assistance.

Scott Stroh/ Owner  
Name/Title (printed)

Molly Stroh / Owner  
Name/Title (printed)

Scott Stroh  
Signature Date

Molly Stroh  
Signature Date

**NO WORK MAY BEGIN PRIOR TO EDA APPROVAL**

**Business Façade Improvement Program – Process**  
**Kasson Economic Development Authority**

1. Applicant must submit a Business Façade Improvement Program Application with the appropriate documentation that indicates the following:
  - ☐ Detailed description of entire the project
  - ☐ Before photos
  - ☐ Bona fide written cost estimates of the entire project
  - ☐ Email confirmation from City Clerk Rappe that the project is compliant with permitting and ordinances
  - ☐ Indicate the amount of Business Façade Improvement Program funds that will be used
  - ☐ Identify that matching funds (50% minimum) have been acquired or made available to the project through a letter of credit from a bank or letter stating the necessary funds are available in the applicant's bank account
  - ☐ For a leased property, a copy of the lease agreement and written permission from the property owner
  - ☐ Any other documentation requested by the EDA or City Council
2. The Economic Development Coordinator and/or the EDA Finance Committee identifies if the project meets eligibility requirements and, if so, will bring it to the next Economic Development Authority meeting for further review.
3. Upon EDA review, the EDA will either approve or deny the project application.
4. The Economic Development Coordinator will contact the applicant and relay the EDA's decision and, if approved, will arrange for the signing of required documents.
5. Applicant makes approved business façade improvements and pays all invoices related to the improvements.
6. Applicant submits applicable documentation of work completed in accordance with the approved plans and specifications to the Economic Development Coordinator:
  - ☐ Receipts for work completed and paid for by applicant
  - ☐ Photos of the improvements that have been made
7. The Economic Development Coordinator will bring all final documentation to the next Economic Development Authority meeting. Based on the final documentation, the Economic Development Authority will approve or deny the final request for reimbursement.
8. Funds will be available to the approved applicant up to twelve (12) months from the date of project approval by the Economic Development Authority. Submit a payment request to City Hall before this date to avoid cancellation of funds.

Created Date: 3/22/2022

**DESCRIPTION:** Brewery Signage (Outdoor)

**Bill To:** Chaotic Good Brewing Company  
601 3rd ave nw  
kasson, MN 55944  
US

**Pickup At:** FASTSIGNS  
3717 Commercial Dr. SW  
Rochester, MN 55902  
US

**Requested By:** Scott Stroh  
Email: scott@chaoticgoodbrewing.com

**Salesperson:** Robert Kelsall  
Entered By: Robert Kelsall

NO.	Product Summary	QTY	UNIT PRICE	TAXABLE	AMOUNT
1	<b>Pillar Sign</b>	1	\$2,028.20	\$2,028.20	\$2,028.20
1.1	dibond 6mm - Dibond 6mm				
1.2	Vinyl -IJ180c - 180				
1.3	Overlaminates- 3M 2 milLaminate 8519 - 8519				
2	<b>Side of Building (Additional Board)</b>	1	\$1,098.28	\$1,098.28	\$1,098.28
2.1	DiBond 3mm - Dibond 3mm				
2.2	Vinyl -IJ180c - 180				
2.3	Overlaminates- 3M 2 milLaminate 8519 - 8519				
3	<b>Side of Building (Existing Dibond)</b>	2	\$566.10	\$1,132.20	\$1,132.20
3.1	Vinyl -IJ180c - 180				
3.2	Overlaminates- 3M 2 milLaminate 8519 - 8519				
4	<b>Install</b>	1	\$685.00	\$685.00	\$685.00
4.1	Installation - Install				
<b>Subtotal:</b>					\$4,943.68
<b>Taxable Amount:</b>					\$4,943.68
<b>Taxes:</b>					\$401.68
<b>Grand Total:</b>					\$5,345.36

Installation does not include wiring from electrical panel to bring power to the sign, this requires an Electrician and will be the responsibility of the customer.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_



