

# Crow Wing County HRA

## AGENDA

**4:00 p.m. Tuesday, April 10, 2018**

**Jinx Ferrari Meeting Room**

**(Located on 2nd floor of the Historic Courthouse,  
326 Laurel Street, Brainerd, MN)**

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### AGENDA ITEM

1. Roll Call
2. Call to Order
3. Presentation of the 2017 Audit: Mary Reedy, CliftonLarsonAllen
4. Review and Approve Minutes (*Attachment 1*)
5. Review and Approve Financial Statements (*Attachment 2*)
6. Old Business
  - a. Consideration of CWC HRA Tax Forfeited Property Policy (*Attachment 3*)
7. New Business
  - a. Approval of Federal Home Loan Bank Affordable Housing Program Application (*Attachment 4*)
  - b. Authorization to Enter into a Contract with CFS for CWC Rehabilitation Needs Assessment (*Attachment 5*)
  - c. Educational Topic: Tax Increment Financing (TIF) (*Attachment 6*)
8. Reports
  - a. Executive Director (*Attachment 7*)
  - b. Brainerd HRA
  - c. BLAEDC
  - d. CWC
9. Meeting Agenda Topics for May 8, 2018
10. Adjourn

### 2018 Officers and Commissioners

Chair – Craig Nathan/District 4 (12-31-20)

Vice Chair – Theresa Goble/District 1 (12-31-22)

Secretary – Sharon Magnan/District 3 (12-31-19)

Commissioner – David Kennedy/District 2 (12-31-18)

Commissioner – Michael Aulie/District 5 (12-31-21)



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**Minutes from Tuesday, February 13<sup>th</sup>, 2018**  
**Crow Wing County**  
**Housing and Redevelopment Authority**  
**Board Meeting**

1. **ROLL CALL:** Present at the meeting were Chair Craig Nathan, Commissioners Sharon Magnan, Mike Aulie, and David Kennedy; Executive Director Jennifer Bergman, Finance Director Karen Young, and Executive Assistant LeAnn Goltz. Also present: Tyler Glynn. Absent: Theresa Goble.

2. **CALL TO ORDER:** Chair Nathan called the meeting to order at 5:01 p.m.

3. **REVIEW AND APPROVE MINUTES:**

Commissioner Magnan made a motion to approve the minutes from the regular board meeting held on January 9, 2018. Commissioner Aulie seconded the motion. All commissioners voted in favor of the motion and none were opposed. The minutes were approved.

4. **REVIEW AND APPROVE FINANCIAL STATEMENTS:** The 2017 audit with CliftonLarsonAllen (CLA) took place last week, February 5–7<sup>th</sup>. Young received a draft audit and there were no findings. Mary Reedy would like to present the final audit at the April board meeting.

Commissioner Magnan made a motion to accept the January financial statements as presented. Commissioner Kennedy seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion passed.

5. **OLD BUSINESS:**

a. **Review Assigned Fund Balance:** The unassigned fund balance at 12/31/17 is approximately 13.75 months of General Fund operating expenses for the year. The Fund Balance Policy recommends eight to 12 months of expenses. The Board approved the 2018 General Fund budget with \$32,500 assigned as Budgeted Stabilization from Prior Year to utilize current fund balance to offset the 2018 budget shortfall. The Board also has funds assigned for Redevelopment and Housing Projects of \$123,000. To reach a targeted unassigned fund balance of 12 months, staff recommended assigning an additional \$11,000 to those initiatives.

The Board had a discussion about the budget.

Commissioner Kennedy moved to approve a motion to change the assigned fund balance amount for Redevelopment and Housing Projects to \$134,000. Commissioner Aulie seconded the motion. All commissioners voted in favor and none were opposed. The motion passed.

6. **NEW BUSINESS:**

a. **Educational Topic: Housing Rehab Programs:** In the CWC HRA Strategic Plan, the Board asked staff to conduct monthly education on HRA programs and potential programs.



Bergman provided the Board with information on programs currently administered by the Brainerd HRA/CWC HRA including SCDP and the MHFA Rehabilitation Loan Program. She also discussed a number of potential programs and funding sources that the Brainerd HRA/CWC HRA will be exploring in the upcoming years for the purposes of possibly adding to the existing programs or creating new ones. Those include the Federal Home Loan Bank – Affordable Housing Programs (AHP), the Minnesota Housing Fix Up Loan Program, the Community Homeownership Impact Fund, and RRDL.

The Board had a discussion about the programs—both current and potential.

## 7. REPORTS:

### a. Executive Director: Bergman reported on the following items:

#### **Deluxe Small Business Revolution – Main Street Program**

Deluxe Corporation's Small Business Revolution announced the Top 5 for the Main Street Makeover Program live on Facebook this morning. Brainerd was not selected.

#### **Tax Forfeited Property Policy**

Staff is working with Crow Wing County staff to create the companion policy with the CWC HRA Tax Forfeited Policy. Bergman and Schommer will attend the Committee of the Whole meeting on February 20<sup>th</sup> to discuss this policy.

#### **Emily SCDP Application**

Schommer is working on the final application to DEED for the Small Cities Development Program application. We are requesting \$229,000 to rehabilitate 10 owner-occupied, single-family homes in the City of Emily. The Emily City Council is holding a public hearing this evening and the final application is due to DEED on February 22<sup>nd</sup>.

#### **Deerwood SCDP Application**

Community Fundraising Solutions (CFS), on behalf of the City of Deerwood, will be submitting an application to DEED for a commercial, rental, and owner-occupied rehab program. They have requested \$8,000 from local income generated by prior SCDP grants currently held by Crow Wing County. These are funds that would be transferred to CWC HRA at the end of each fiscal year. Although we are not the decision maker on these funds until after 10/1 of each year, we anticipate that CWC staff will ask for our input and we would like to have a discussion with the Board regarding this. Bergman talked to Jason Rausch at the County and he said the plan is to give that money to the HRA. He suggested our Board make a motion to give the \$8,000 local income directly to CFS. The Board had a discussion about wanting to know which community has greater need in the County. They would like to see a survey done that shows data and will decide what to do with the money after they get it.

#### **Veterans/Service Member Housing**

The landowner has enlisted a family member, Doug Arndt, to assist with the development. Mr. Arndt is a developer and has had success in other developments. Bergman met with him on February 5<sup>th</sup> to start discussing next steps, and they have a meeting scheduled with Brainerd Public Utilities to begin discussions on the potential for sewer extension out to the North Long Lake property. Mr. Arndt plans to start with the platted subdivision in Nisswa and will be reaching out to single-family developers. They discussed the possibility of applying for grant funds through Minnesota Housing to provide down payment assistance for veterans, service members, and their families.



### Goals Update

Bergman provided the Board with an update on the goals.

- b. **Brainerd HRA:** Nothing to report.
  - c. **BLAEDC:** BLAEDC had their annual meeting this week. Glynn provided the Board with their annual report. He also invited them to attend the River to Rail community event coming up on February 26<sup>th</sup>. They have processed two loans to date with two more going to committee before month's end. BLAEDC has been preparing for Opportunity Zones, legislation that has yet to be passed. This is a new program for areas that are "distressed" in Minnesota. Crow Wing County has nine "severely distressed areas."
  - d. **CWC:** Nothing to report.
8. **NEXT MEETING TOPICS:** CliftonLarsonAllen will attend the April meeting to present the audit. Other items: Tax Forfeit Policy, TIF Education.

**Commissioner Kennedy made a motion to cancel the March 13<sup>th</sup> meeting. Commissioner Aulie seconded the motion. All commissioners voted in favor and none were opposed. The motion passed.**

9. **ADJOURNMENT:**

**Commissioner Magnan made a motion to adjourn the meeting. Commissioner Kennedy seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved and meeting was adjourned at 6:49 p.m.**



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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Karen Young, Finance Director  
Date: April 4, 2018  
Re: Review and Accept Financial Statements

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Please find attached the financial information for February and March 2018.

**2017 Audit**

Auditors from CliftonLarsonAllen have completed the 2017 audit (electronic copy sent separately). Mary Reedy will attend the April meeting to present the audit to the Board. Bound copies of the audit will be available at the meeting.

**Action Requested: Accept the February and March financial statements as submitted.**

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# **February 2018 Financial Statements**

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Date/Time roberta  
4/4/2018 7:58:36 AM

**Crow Wing County  
CWC HRA Combined Balance Sheet  
February, 2018**

**Cumulative**

**ASSETS**

|   |                            |
|---|----------------------------|
| 556-000-1120.000 A/R Other - Dev        | 2,313.26                   |
| 550-000-1129.210 Cash Gen Fund          | 205,182.63                 |
| 550-001-1129.210 Cash CWC SCDP          | 26,325.59                  |
| 551-002-1129.210 Cash RLF TIF           | 357,880.86                 |
| 556-000-1129.210 Cash - Development     | -2,338.40                  |
| 551-002-1143.000 Loan Rec Grand Oaks    | 48,000.00                  |
| 551-002-1153.000 Accrued Int Grand Oaks | 6,874.30                   |
| 550-000-1211.000 Prepaid Insurance      | 1,491.66                   |
| 556-000-1450.000 Land Held for Resale   | 772,954.63                 |
| <b>TOTAL ASSETS</b>                     | <b><u>1,418,684.53</u></b> |

**LIABILITIES**

|  |                           |
|--|---------------------------|
| 550-000-2600.000 Def Inflow of Resources | -6,874.30                 |
| 556-000-2600.000 Def Inflow of Res - Dev | -772,954.63               |
| <b>TOTAL LIABILITIES</b>                 | <b><u>-779,828.93</u></b> |

**SURPLUS**

|                                    |                           |
|------------------------------------|---------------------------|
| 550-000-2700-000 Net Income        | 10,752.18                 |
| 550-000-2806.000 Retained Earnings | -649,607.78               |
| <b>TOTAL SURPLUS</b>               | <b><u>-638,855.60</u></b> |

**TOTAL LIABILITIES & SURPLUS**

**-1,418,684.53**

Proof 0.00



**Crow Wing County**  
**CWC HRA Combined Operating Stmt**  
**February, 2018**

|  | <u>Current Period</u> | <u>Current Year</u> | <u>Year To Date Budget</u> | <u>Variance</u>   |
|--|-----------------------|---------------------|----------------------------|-------------------|
| <b>INCOME</b>                            |                       |                     |                            |                   |
| 556-000-3696.000 Development Revenue     | 0.00                  | 0.00                | -31,866.66                 | 31,866.66         |
| <b>TOTAL INCOME</b>                      | <u>0.00</u>           | <u>0.00</u>         | <u>-31,866.66</u>          | <u>31,866.66</u>  |
| <b>EXPENSE</b>                           |                       |                     |                            |                   |
| 550-000-4110.000 Administrative Salaries | 0.00                  | 375.00              | 750.00                     | -375.00           |
| 550-000-4130.000 Legal                   | 0.00                  | 0.00                | 833.34                     | -833.34           |
| 550-000-4140.000 Staff Training          | 0.00                  | 0.00                | 250.00                     | -250.00           |
| 550-000-4150.000 Travel                  | 0.00                  | 0.00                | 41.66                      | -41.66            |
| 550-000-4171.000 Auditing Fees           | 0.00                  | 0.00                | 3,250.00                   | -3,250.00         |
| 550-000-4172.000 Management Fees         | 5,000.00              | 10,000.00           | 10,000.00                  | 0.00              |
| 550-000-4190.000 Other Administrative    | 25.00                 | 25.00               | 33.34                      | -8.34             |
| 550-000-4500.000 TIF Expense             | 0.00                  | 0.00                | 100.00                     | -100.00           |
| 550-000-4510.000 Insurance               | 149.17                | 298.34              | 350.00                     | -51.66            |
| 550-000-4540.000 Employer FICA           | 0.00                  | 28.70               | 58.34                      | -29.64            |
| 550-000-4590.000 Other General Expense   | 0.00                  | 0.00                | 5,000.00                   | -5,000.00         |
| 556-000-4600.000 Development Expense     | 25.14                 | 25.14               | 31,866.66                  | -31,841.52        |
| <b>TOTAL EXPENSE</b>                     | <u>5,199.31</u>       | <u>10,752.18</u>    | <u>52,533.34</u>           | <u>-41,781.16</u> |
| <b>NET INCOME(-) OR LOSS</b>             | <u>5,199.31</u>       | <u>10,752.18</u>    | <u>20,666.68</u>           | <u>-9,914.50</u>  |



# **March 2018 Financial Statements**

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Date/Time roberta  
4/3/2018 8:48:07 AM

**Crow Wing County  
CWC HRA Combined Balance Sheet  
March, 2018**

**Cumulative**

|  | <b>Cumulative</b>           |
|--|-----------------------------|
| <b>ASSETS</b>                            |                             |
| 556-000-1120.000 A/R Other - Dev         | 2,313.26                    |
| 550-000-1129.210 Cash Gen Fund           | 192,798.05                  |
| 550-001-1129.210 Cash CWC SCDP           | 26,325.59                   |
| 551-002-1129.210 Cash RLF TIF            | 357,880.86                  |
| 556-000-1129.210 Cash - Development      | -2,425.90                   |
| 551-002-1143.000 Loan Rec Grand Oaks     | 48,000.00                   |
| 551-002-1153.000 Accrued Int Grand Oaks  | 6,874.30                    |
| 550-000-1211.000 Prepaid Insurance       | 1,342.49                    |
| 556-000-1450.000 Land Held for Resale    | 772,954.63                  |
| <b>TOTAL ASSETS</b>                      | <b><u>1,406,063.28</u></b>  |
| <b>LIABILITIES</b>                       |                             |
| 550-000-2600.000 Def Inflow of Resources | -6,874.30                   |
| 556-000-2600.000 Def Inflow of Res - Dev | -772,954.63                 |
| <b>TOTAL LIABILITIES</b>                 | <b><u>-779,828.93</u></b>   |
| <b>SURPLUS</b>                           |                             |
| 550-000-2700-000 Net Income              | 23,373.43                   |
| 550-000-2806.000 Retained Earnings       | -649,607.78                 |
| <b>TOTAL SURPLUS</b>                     | <b><u>-626,234.35</u></b>   |
| <b>TOTAL LIABILITIES &amp; SURPLUS</b>   | <b><u>-1,406,063.28</u></b> |
| Proof                                    | 0.00                        |



**Crow Wing County**  
**CWC HRA Combined Operating Stmt**  
**March, 2018**

|  | Current Period   | Current Year     | Year To Date Budget | Variance          |
|--|------------------|------------------|---------------------|-------------------|
| <b>INCOME</b>                            |                  |                  |                     |                   |
| 556-000-3696.000 Development Revenue     | 0.00             | 0.00             | -47,799.99          | 47,799.99         |
| <b>TOTAL INCOME</b>                      | <b>0.00</b>      | <b>0.00</b>      | <b>-47,799.99</b>   | <b>47,799.99</b>  |
| <b>EXPENSE</b>                           |                  |                  |                     |                   |
| 550-000-4110.000 Administrative Salaries | 300.00           | 675.00           | 1,125.00            | -450.00           |
| 550-000-4130.000 Legal                   | 496.00           | 496.00           | 1,250.01            | -754.01           |
| 550-000-4140.000 Staff Training          | 0.00             | 0.00             | 375.00              | -375.00           |
| 550-000-4150.000 Travel                  | 25.62            | 25.62            | 62.49               | -36.87            |
| 550-000-4171.000 Auditing Fees           | 6,400.00         | 6,400.00         | 6,500.00            | -100.00           |
| 550-000-4172.000 Management Fees         | 5,000.00         | 15,000.00        | 15,000.00           | 0.00              |
| 550-000-4190.000 Other Administrative    | 40.00            | 65.00            | 50.01               | 14.99             |
| 550-000-4500.000 TIF Expense             | 0.00             | 0.00             | 150.00              | -150.00           |
| 550-000-4510.000 Insurance               | 149.17           | 447.51           | 525.00              | -77.49            |
| 550-000-4540.000 Employer FICA           | 22.96            | 51.66            | 87.51               | -35.85            |
| 550-000-4590.000 Other General Expense   | 100.00           | 100.00           | 7,500.00            | -7,400.00         |
| 556-000-4600.000 Development Expense     | 87.50            | 112.64           | 47,799.99           | -47,687.35        |
| <b>TOTAL EXPENSE</b>                     | <b>12,621.25</b> | <b>23,373.43</b> | <b>80,425.01</b>    | <b>-57,051.58</b> |
| <b>NET INCOME(-) OR LOSS</b>             | <b>12,621.25</b> | <b>23,373.43</b> | <b>32,625.02</b>    | <b>-9,251.59</b>  |





### Crow Wing County HRA February and March 2018 Payments

| Payment Number | Payment Date | Vendor                                   | Description                           | Check Amount      |
|----------------|--------------|--|---------------------------------------|-------------------|
| 486            | 2/16/2018    | John Schommer                            | Brainerd Oaks & Serene Pines Mileage  | \$7.64            |
| 492            | 3/15/2018    | Jennifer Bergman                         | Mileage-Veterans Project Mtg & BLAEDC | \$20.71           |
| 496            | 3/29/2018    | John Schommer                            | BLAEDC Annual Mtg Mileage             | \$4.91            |
| 21563          | 2/15/2018    | Mike's Tree Company LLC                  | Serene Pines Snow Removal             | \$17.50           |
| 21575          | 2/15/2018    | US Bank                                  | Audit Confirmation West Grove         | \$25.00           |
| 21588          | 3/1/2018     | Kennedy & Graven, Chartered              | TIF RLF Guidelines                    | \$160.00          |
| 21595          | 3/15/2018    | Brainerd Lakes Area Economic Development | BLAEDC Annual Meeting Attendance      | \$40.00           |
| 21621          | 3/15/2018    | Mike's Tree Company LLC                  | Serene Pines Snow Removal             | \$87.50           |
| 21635          | 3/15/2018    | Wells Fargo - CC                         | NAHRO Awards of Merit Entry           | \$100.00          |
| 21644          | 3/28/2018    | CliftonLarsonAllen LLP                   | 2017 Audit                            | \$6,400.00        |
| 21647          | 3/28/2018    | Kennedy & Graven, Chartered              | Tax Forfeit Policy                    | \$336.00          |
| <b>Total</b>   |              |  |                                       | <b>\$7,199.26</b> |



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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Jennifer Bergman, Executive Director  
Date: April 4, 2018  
Re: Consideration of the CWC HRA Tax Forfeited Property Policy

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I worked with attorney Martha Ingram to draft both the CWC HRA and Crow Wing County's companion policy (see Attachment 3a).

In February, I presented to the Committee of the Whole to discuss the proposed Tax Forfeited Property Policy. The County Board then approved the policy at a subsequent meeting.

Attachment 3b is the final policy for your consideration. As a result of the article in the Brainerd Dispatch, I have already received requests from the City of Baxter and the City of Breezy Point to assist them in getting their tax forfeited properties back on the tax rolls.

**Action Requested: Approve the CWC HRA Tax Forfeited Hold Policy and Sales Procedure.**

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**Tax Forfeited Land Policies & Procedures**  
**NON-CONSERVATION LAND -**  
**SALE FOR LESS THAN MARKET VALUE**

**I. POLICY**

Minnesota statutes allow the county board to sell tax forfeited land classified as non-conservation land to a governmental subdivision of the state or a state agency for less than its market value as long as the property will be used to correct blight or to facilitate the development of affordable housing. The Crow Wing County Board has developed a policy as it relates to sales for affordable housing and for correcting blight. This policy will describe how the acquisition price is determined and the process for acquiring non-conservation land for less than its market value for affordable housing or to correct blighting conditions that make the land undesirable on the open market.

If the County Board approves a sale for either of these purposes, the property will be sold as follows:

1. If the property is being developed by a for-profit developer, it will be sold for 50% of market value plus maintenance costs and recording fees;
2. If the property is being developed by a non-profit developer, it will be sold for 25% of market value plus maintenance costs and recording fees.

**II. DEFINITIONS**

**Non-conservation:** Tax-forfeited property that has been determined should be returned to private ownership.

**Governmental Subdivision of the state:** Applies to the county, school districts, cities, towns and many, but not all, of the special taxing districts as defined in Minnesota Statutes, Section 275.066.

**Market Value:** This will be an estimated market value determined by Crow Wing County appraisal staff.

**III. GENERAL INFORMATION**

Minnesota Statutes, Section 282.01, subd. 1a(d) gives the County Board the authority to sell non-conservation land to a governmental subdivision of the state or a state agency for less than its market value if the sale will accomplish the following:

1. The county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted



- conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and
2. The governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

The County Board has adopted this policy describing the terms and conditions under which it will sell non-conservation property for less than market value for affordable housing or correcting blight.

#### **IV. PROCEDURES**

1. A governmental subdivision of the state or a state agency inquires about acquiring a non-conservation property for the development of affordable housing or to correct blighting conditions.
2. County staff determines a market value for the property.
3. TFL staff notifies the governmental subdivision or state agency of the cost of acquisition and any additional documentation required.
4. The governmental subdivision or state agency submits a resolution adopted by the governing body requesting acquisition, a check for the amount of the acquisition and recording fees and costs, a letter describing the specific plans for developing affordable housing or correcting blighting conditions on the site and the specific law or laws that empower it to acquire real property in furtherance of the plans.
5. County staff reviews submission, and assuming everything is satisfactory, prepares a request for County Board action approving the sale of the property to the governmental subdivision or state agency.
6. County Board reviews and approves the sale. If the County Board rejects the sale, acquisition costs paid by the governmental subdivision or state agency are refunded.
7. County staff prepare paperwork for the Minnesota Department of Revenue requesting that a quit claim deed be issued, conveying the property from the state to the governmental subdivision or state agency.
8. Minnesota Department of Revenue issues deed.
9. County staff records deed.
10. County staff sends recorded deed to governmental subdivision.



## Crow Wing County HRA

### Tax Forfeited Property Hold Policy and Sales Procedure

#### Tax Forfeited Hold Policy

The purpose of this policy is to ensure tax forfeited property in Crow Wing County is returned to productive use.

Primary goals of this policy are:

- To build Crow Wing County's density and tax base by ensuring tax forfeited properties are developed
- To eliminate blight and reinvest in our neighborhoods
- To create a clear, straightforward, and efficient procedure for the HRA and developers to act on acquisition of tax forfeited property
- To encourage developer investment to stabilize Crow Wing County neighborhoods and construct affordable housing

The Crow Wing County (CWC) HRA receives a list of tax forfeited properties ("Properties") from Crow Wing County annually. The CWC HRA has 30 days following receipt of the list to put Properties on hold, and six months to complete due diligence related to acquiring the Properties from the State of Minnesota through Crow Wing County as the administrator.

The CWC HRA will put a hold on Properties that the CWC HRA determines are required to achieve commercial or residential redevelopment strategies.

Residential Properties that the CWC HRA desires to acquire will be made available to developers or community development organizations ("Developers") utilizing the Tax Forfeited Hold Sale Procedure outlined below. Properties that are not desired by the CWC HRA and do not receive eligible applications through the Tax Forfeited Hold Sale Procedure shall be released to Crow Wing County.

#### Tax Forfeited Hold Sale Procedure

The following procedure will apply to the sale to Developers of tax forfeited residential Property:

1. **Application:** The CWC HRA will solicit proposals from Developers for the purchase of the Property. All interested Developers must submit a proposal which will be subject to approval by the CWC HRA Board. Proposals may be for affordable housing (as defined below) or for market housing that would result in the elimination or prevention of blight or blighting influences on the Property.
  - **Relocation:** If a Property contains an occupied building, relocation costs may apply. The Developer will be responsible for any relocation costs. The CWC HRA will clarify whether relocation costs will apply and assist the Developer to estimate the amount of payment required.
  - **Discount for Affordable Housing:** A discounted price will be targeted at 50% of the assessed market value for for-profit developers and targeted at 25% of the assessed market value for non-profit developers proposing the construction of affordable housing. "Assessed market value" means the current-year market value of the Property



as determined by the Crow Wing County Assessor. “Affordable” means the owner-occupant has an income at or below 115% of the Area Median Income, as defined by the Department of Housing and Urban Development.

2. **Contract:** When a Developer proposal has been approved, the CWC HRA staff will negotiate a purchase and development contract (the “Contract”) with the Developer. CWC HRA staff require the following from the Developer before presenting the Contract to the CWC HRA Board for approval:
  - Contract signed by the Developer
  - Crow Wing County acquisition price (“Acquisition Price”): The Acquisition Price will either be the full market value or the discounted price for affordable housing per Crow Wing County policy plus known fees
  - A non-refundable administrative fee of \$500 payable to the CWC HRA
  - \$1,000 maintenance and holding cost payment (the “Holding Cost Payment”) payable to the CWC HRA: The Holding Cost Payment will be used to pay Crow Wing County or the CWC HRA’s holding and maintenance costs; any funds not required for such purposes will be returned to the Developer.
3. **HRA Board Approval:** CWC HRA staff will seek CWC HRA Board approval of the Contract. If approved, the CWC HRA will execute the Contract and proceed to seek Crow Wing County approval. If the Contract is denied, the CWC HRA will refund the Acquisition Price and Holding Cost Payment, and will either consider and seek CWC HRA Board approval of other proposals for the Property, or will release the property to Crow Wing County.
4. **Crow Wing County Approval:** Once the CWC HRA Board approves the Contract, staff will send an application to the Crow Wing County Board asking for the Property to be conveyed to the CWC HRA. Upon approval by the Crow Wing County Board, the CWC HRA will proceed to schedule closing with the Developer. If the Crow Wing County Board denies an acquisition discount request, at the discretion of Crow Wing County, the Developer may have the option to pay the remaining balance of the assessed market value to Crow Wing County or to withdraw its application and request a refund of its Acquisition Price payment. If Crow Wing County denies the application, the Acquisition Price and Holding Cost Payment will be refunded to the Developer.
5. **Closing:** Once the Crow Wing County Board approves acquisition of the Property by the CWC HRA, a deed to the CWC HRA will be prepared and recorded by Crow Wing County and the CWC HRA will schedule a closing with the Developer. At the closing, the Developer will be responsible to pay all closing costs, holding costs in excess of the Holding Cost Payment, and any additional fees charged by Crow Wing County.
6. **Property Management:** After closing, the Developer will be responsible to pay for all improvements and maintenance to the Property. The Contract will require that improvements must be completed within 12 months after closing.
7. **Failure to Perform:** If the Developer fails to complete the improvements on the Property within 12 months after closing, no additional Property may be acquired by the Developer through the Tax Forfeited Hold Sale Procedure until the default is cured.





HOUSING AND REDEVELOPMENT AUTHORITY  
IN AND FOR THE COUNTY OF CROW WING

RESOLUTION NO. 2018-01

RESOLUTION ADOPTING THE CROW WING COUNTY HRA TAX FORFEITED  
PROPERTY HOLD POLICY AND SALES PROCEDURE.

WHEREAS, the purpose of this policy is to ensure tax forfeited property in Crow Wing County is returned to productive use, and

WHEREAS, the primary goals of this policy are as follows:

- To build Crow Wing County’s density and tax base by ensuring tax forfeited properties are developed
- To eliminate blight and reinvest in our neighborhood
- To create a clear, straightforward, and efficient procedure for the HRA and developers to act on acquisition of tax forfeited property
- To encourage developer investment to stabilize Crow Wing County neighborhoods and construct affordable housing, and

WHEREAS, Minnesota Statutes, Section 282.01, subd.1a(d) gives the Crow County Board the authority to sell non-conservation land to a governmental subdivision of the state or a state agency for less than its market value as long as the property will be used to correct blight or to facilitate the development of affordable housing, and

WHEREAS, The Crow Wing County Board adopted a policy describing the terms and conditions under which it will sell non-conservation property for less than market value for affordable housing or correcting blight, and

NOW, THEREFORE, BE IT RESOLVED the Board of Commissioners of Crow Wing County Housing and Redevelopment Authority agrees to adopt the Crow Wing County HRA Tax Forfeited Property Hold Policy and Sales Procedure.

Approved by the Board of Commissioners of the Housing and Redevelopment Authority in and for the County of Crow Wing this \_\_ day of April, 2018.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary



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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: John Schommer, Rehabilitation Coordinator  
Date: March 28, 2018  
Re: Approval of Federal Home Loan Bank Affordable Housing Program Application

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We are exploring a potential application for additional funds for owner-occupied housing rehab through the Federal Home Loan Bank's (FHLB) Affordable Housing Program. We are required to partner with a FHLB member bank and have reached out to Brainerd Savings and Loan who is interested in sponsoring our application. Funds are awarded through a points system that get reviewed on a first come, first served basis. Since this is our first application to FHLB and we have two pending SCDP grants, we would like to start small. We haven't been given access to the application yet as Brainerd Savings and Loan needs to grant us access. Since we would like to submit this application within the first week of May, we are asking for the Board to authorize submission. We anticipate requesting \$200,000, which would allow us to do approximately six to eight owner-occupied rehabilitation loans in Crow Wing County. Starting small will give us the opportunity to be successful and possibly apply for a larger amount in the future. I will have more information to share at the board meeting.

**Action Requested: Approve working with Brainerd Savings and Loan to submit an application to Federal Home Loan Bank for owner occupied rehabilitation through the Affordable Housing Program.**



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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: John Schommer, Rehabilitation Coordinator  
Date: March 28, 2018  
Re: Authorization to Enter into a Contract with CFS for CWC Rehabilitation Needs Assessment

---

In an effort to provide rehabilitation opportunities on a fair and equal basis to the areas of Crow Wing County, we are working with CFS to provide an independent analysis of the incorporated areas in the county. SCDP standards would be utilized by CFS to establish, in order, the areas with the greatest need of rehabilitation. We would utilize this information over the next 10 or so years to submit rehabilitation grant applications for these areas.

**Action Requested: Authorize entering into a contract with Community Funding Solutions (CFS) not to exceed \$12,000 to provide an independent needs assessment of the incorporated areas of Crow Wing County.**

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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Jennifer Bergman, Executive Director  
Date: April 4, 2018  
Re: Educational Topic - Tax Increment Financing (TIF)

---

In the CWC HRA Strategic Plan, the Board requested that we hold educational topics at board meetings in 2018. In February, we discussed existing and potential rehab programs. This meeting we will be discussing Tax Increment Financing (TIF).

TIF is very complex and constantly changing. If the CWC HRA were to consider a TIF project, we would hire a financial advisor (such as Springsted or Ehlers) to assist us with the project.

I have attached a presentation that Ehlers created for a TIF 101 training (see Attachment 6a). At the meeting, I will go through the presentation and discuss two existing TIF districts that the Brainerd HRA currently administers. I will provide an example of a redevelopment TIF district and a housing TIF district.

**No Action Requested; Discussion Item**

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# Locally Sourced: TIF 101



Rebecca Kurtz – Ehlers  
Mary Ippel – Briggs & Morgan

2/2/2017



# Session Outline

- Basics of Tax Increment
  - Framework of a District
  - Types of Districts
  - Uses of TIF
  - But-For / Gap Analysis



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# Basics of Tax Increment

Minnesota Statutes 469.174 – 469.1794



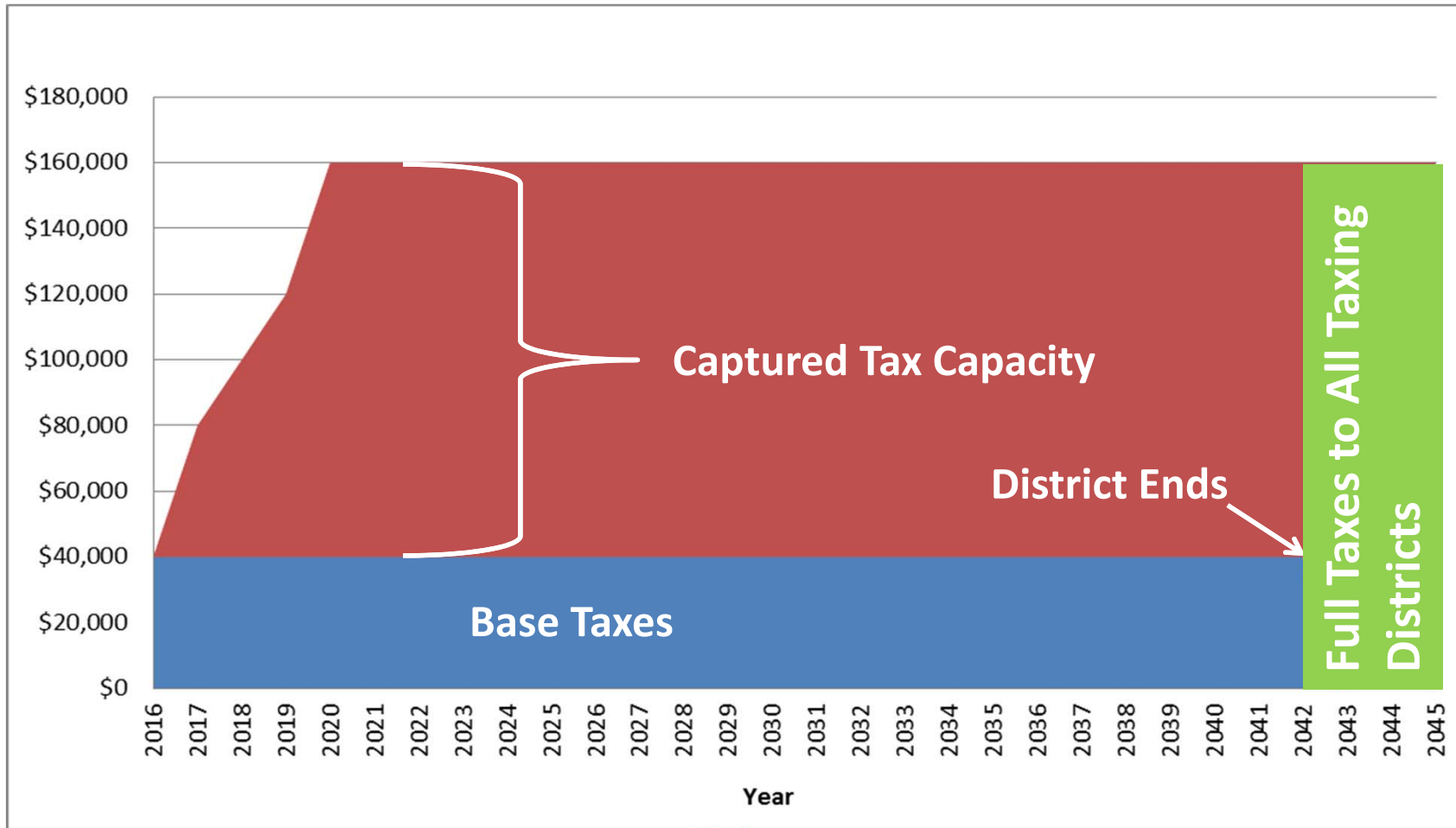
# What is TIF?

## Tax Increment Financing (TIF):

The ability to capture and use most of the increased local property tax revenues from **new development** within a **defined geographic area** for a defined period of time without approval of the other taxing jurisdictions.



# TIF Example (26 year housing dist.)



## Why use TIF?

- Encourage certain types of development or redevelopment that would not normally occur without assistance (“but for” test)
  - Create or retain jobs
  - Redevelop blighted areas
  - Remediate polluted sites
  - Construct affordable housing



# Project Area: Where increment may be spent

- TIF Districts must be located in a Project Area or Development District
- Multiple TIF Districts can be in a Project Area
- Increment can be spent outside a TIF District in Project Area (aka “pooling”)



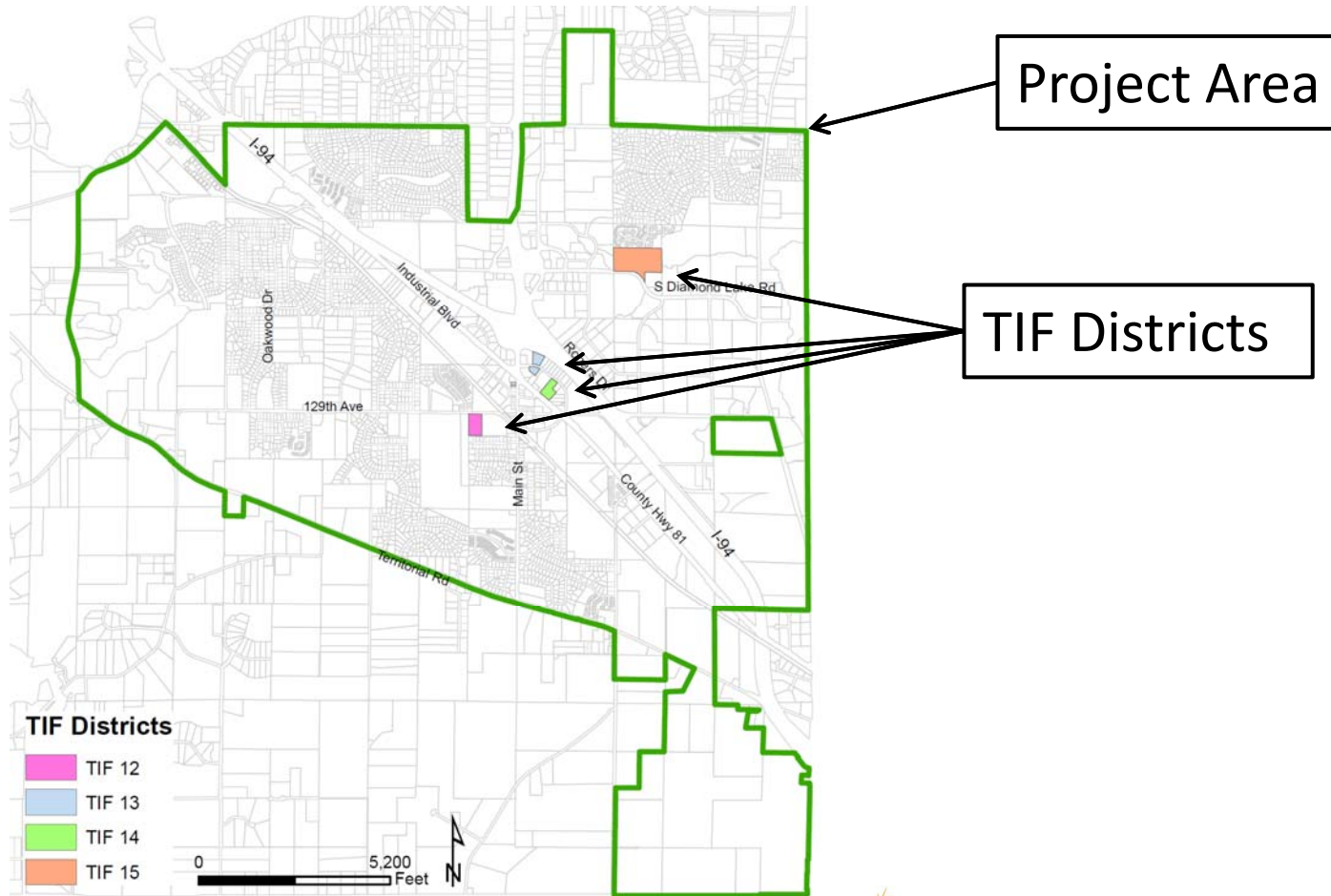
## TIF District: Where increment is collected

- Defines parcels whose increased value will be captured
- Parcels do not have to be contiguous, but usually are
- Must meet criteria in State law for type of District being established





# Project Area and TIF District Example



# TIF District Approval

- Can be established by City, County, EDA or HRA
- TIF Plan and Project Area Plan
  - Set forth policy objectives
  - Provide maximum budget authority for TIF revenues and expenditures
- Must have approval of elected officials following public hearing



# Types of Districts

- Redo substandard / obsolete buildings
  - Redevelopment TIF District
  - Renovation and Renewal TIF District
- Affordable housing
  - Housing TIF District
- Job and tax base creation
  - Economic Development TIF District

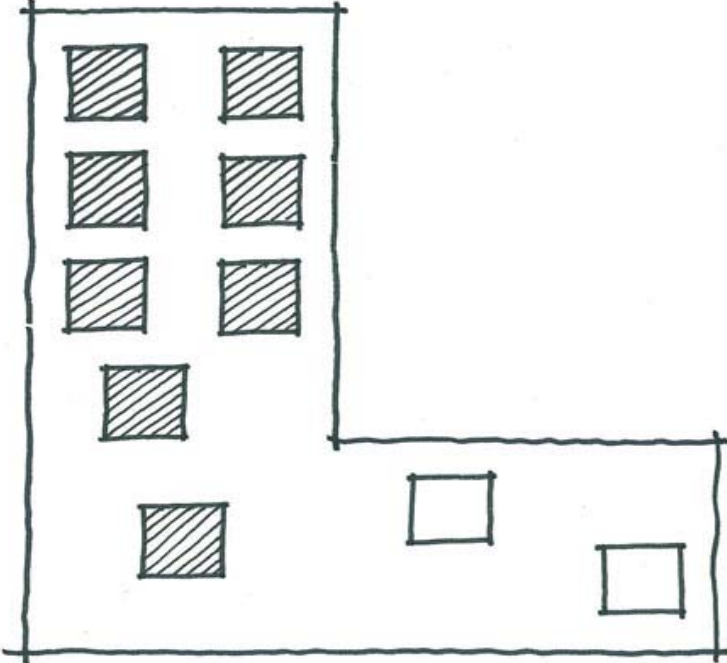


# Redevelopment District Qualifications

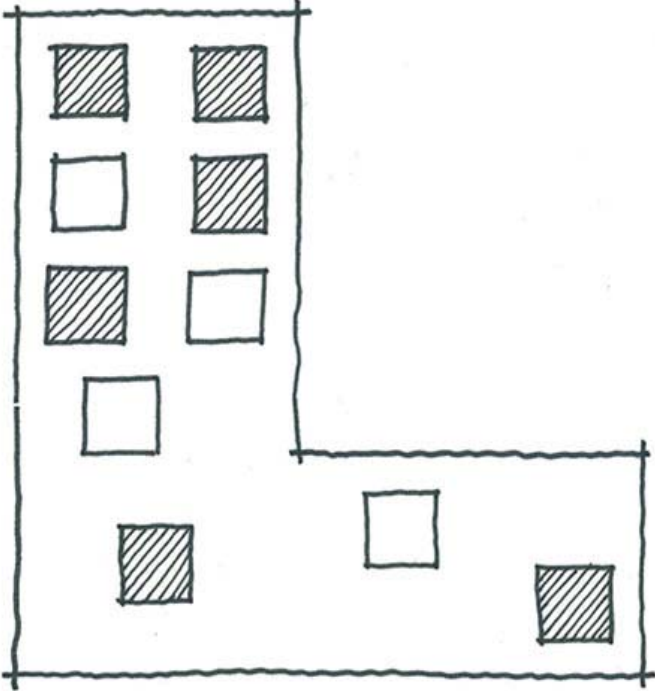
- Parcels consisting of 70% of area must be improved
  - “Improved” means - buildings, streets, utilities, paved or gravel parking lots
  - Improved area equals 15% area of parcel
- More than 50% of buildings must be substandard
- 90% of TIF used to correct redevelopment issues
- Reasonable distribution of conditions



# Reasonable Distribution



80% Substandard buildings  
80% Coverage



60% Substandard buildings  
80% Coverage



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# Renewal and Renovation District Qualifications

- Parcels consisting of 70% of area are improved
- 20% of buildings are structurally substandard
- 30% of other buildings require substantial renovation or clearance
  - To remove inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, etc.



# Housing District

- Affordable Housing - Income test is main qualification
  - TIF law references federal rules on income limitations
  - More liberal rules on pooling
- 100% tax increment used for affordable housing; 20% of project's value can **include** commercial/ industrial development



## Housing District: Owner Occupied

- Income of 95% of first buyers is limited to 100% or 115 % of the greater of State or local median income
  - Metro area: Family of 2 = \$82,500; Family of 3+ = \$94,875
  - State-wide: Family of 2 = \$77,100; Family of 3+ = \$88,665
- *First buyer* test for **income** compliance





## Housing District: Rental

- Income adjusted by number of occupants from 1 to 6
  - 40% of units restricted to 60% of median income OR
  - 20% of units restricted at 50% of median income
- **Annual** test for **income** compliance for life of district



# Economic Development

- At least 85% of new building space must be:
  - Manufacturing
  - Warehousing, storage, distribution
  - Research and development
  - Telemarketing
  - Space necessary and related to the above uses



# How can increment be spent?

- Must meet policy objectives in TIF Plan
- Must be in TIF Plan Budget



# How can increment be spent?

- Must be costs associated with new development:
  - Land Acquisition
  - Demolition and Relocation
  - Site improvements
  - Utilities, Streets, Sidewalks
  - Environmental Clean-up
  - Parking
  - Buildings (only for housing districts)



# Interfund Loans

- Needed prior to making an expenditure that will be reimbursed with TIF
  - Approve loan at very beginning of new TIF project
  - Land acquisition is exception
    - If land will be resold for private development, loan must be approved before sale of land at a write-down. The “advance” occurs at closing.



# Interfund Loans

- Resolution must include:
  - Principal amount
  - Term of loan
  - Interest rate
    - Authority may fix rate or allow it to vary annually along with statutory cap (4% in 2017)
- Loans are “TIF bonds”
  - Include interfund loans in TIF Plan bonded indebtedness
  - May be refinanced with bonds or notes sold to third parties



# Interfund Loans

- Undocumented, pre-August 1, 2001, interfund loans, are ratified but are limited:
  - Largest negative cash balance; and
  - Maximum interest rate



# TIF Financing Options

- Pay-as-you-go TIF Note
  - Developer funds TIF-eligible expenses
  - Authority repays developer with interest, over time, from available tax increment
  - No risk to TIF authority if term expires before note is retired





# TIF Financing Options

- **General Obligation TIF Bonds**
  - Authority issues bonds to fund TIF-eligible expenses
  - Pays debt service with available tax increment
  - IF TIF < debt service, authority is required to cover the gap
  - Can mitigate (but not eliminate) risk with developer guarantees
  - Developer guarantees can impact tax-exemption on bonds
- **TIF Revenue Bonds**
  - Bonds secured solely with TIF
  - Investor takes full risk of non-payment, wants higher interest rate in exchange



## “But For” Test

- The development is only possible *but for* the use of tax increment
- Elected body has to make this finding



# Gap Analysis

- *How much* assistance is needed?
  - Pro forma Analysis
  - Cost comparison of raw land vs. developed land



# TIF Financing – Case study: 167 unit affordable housing project

| <b>Project Gap</b>       |                   |
|--------------------------|-------------------|
|                          | <b>Amount</b>     |
| <b>Gap Calculation</b>   |                   |
| Total Project Costs      | <b>30,017,203</b> |
| Less - First Mortgage    | (17,357,000)      |
| <b>Total Gap</b>         | <b>12,660,203</b> |
| <b>Gap Funding</b>       |                   |
| Tax Credit Equity        | 8,729,410         |
| Grants/Deferred Note     | 300,000           |
| Deferred Developer Fee   | 2,187,793         |
| <b>Total Gap Funding</b> | <b>11,217,203</b> |
| <b>Remaining Gap</b>     | <b>1,443,000</b>  |

- Review proforma to confirm gap
- Evaluate funding options to close gap



# TIF calculation – 167 affordable units

|                                     |                    |
|-------------------------------------|--------------------|
| New Net Tax Capacity (167 Units)    | \$125,250          |
| (Less) base tax capacity            | (\$7,622)          |
| <hr/>                               |                    |
| Captured Tax Capacity               | \$117,628          |
| <hr/>                               |                    |
| Times Local Tax Rate                | 1.12222            |
| Gross Tax Increment                 | \$132,004          |
| <hr/>                               |                    |
| (Less) State Auditor Fee (0.36%)    | (\$475.22)         |
| (Less) City Administration (10%)    | (\$13,153)         |
| <hr/>                               |                    |
| <i>Annual</i> Net Tax Increment     | <b>\$118,376</b>   |
| <hr/>                               |                    |
| Total Present Value (26 years @ 4%) | <b>\$1,774,110</b> |



# Project Funding – 167 affordable units

| <b>SOURCES</b>                                 |                   |                |
|--|-------------------|----------------|
|  | <b>Amount</b>     | <b>Pct.</b>    |
| Developer Financing - First Mortgage           | 17,357,000        | 57.82%         |
| <b>Developer Financing - TIF Note/Mortgage</b> | <b>1,443,000</b>  | <b>4.81%</b>   |
| Tax Credit Equity                              | 8,729,410         | 29.08%         |
| <b>Subtotal</b>                                | <b>27,529,410</b> | <b>91.71%</b>  |
| Grants   | 300,000           | 1.00%          |
| Deferred Developer Fee (78%)                   | 2,187,793         | 7.29%          |
| <b>Subtotal</b>                                | <b>2,487,793</b>  | <b>8.29%</b>   |
| <b>TOTAL SOURCES</b>                           | <b>30,017,203</b> | <b>100.00%</b> |

| <b>USES</b>           |                   |                 |
|-----------------------|-------------------|-----------------|
|                       | <b>Amount</b>     | <b>Per Unit</b> |
| Acquisition Costs     | 900,000           | 5,389           |
| Construction Costs    | 22,623,736        | 135,471         |
| Professional Services | 1,268,300         | 7,595           |
| Financing Costs       | 1,778,848         | 10,652          |
| Real Estate Taxes     | 88,032            | 527             |
| Developer Fee         | 2,752,584         | 16,483          |
| Cash Accounts         | 605,703           | 3,627           |
| <b>TOTAL USES</b>     | <b>30,017,203</b> | <b>179,744</b>  |





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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Jennifer Bergman, Executive Director  
Date: April 4, 2018  
Re: Executive Director Report

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**Breezy Point Tax Forfeited Property**

I received a request from Patrick Wussow, Breezy Point City Administrator, to meet with the City of Breezy Point and Crow Wing County to discuss a potential project to assist them in getting their tax forfeited properties back on the tax roll. A meeting has been scheduled for April 19<sup>th</sup>.

**Emily SCDP Application**

We have submitted an application to DEED for the Small Cities Development Program application. We requested \$229,000 to rehabilitate 10 owner-occupied, single-family homes in the City of Emily. We should find out in June whether or not we are awarded funds.

**River to Rail Update**

The River to Rail Steering Committee will be meeting on April 9<sup>th</sup> to debrief on the community event that was held in February and to discuss next steps. I will provide an update to the Board at the meeting.

**No Action Requested; Discussion Item**

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