

## **Crow Wing County HRA**

### **AGENDA**

**5:00 p.m. Tuesday, October 8<sup>th</sup>, 2019**

**Crow Wing County Jinx Ferrari Room**

(Located on 2<sup>nd</sup> floor of the Historic Courthouse, 326 Laurel Street, Brainerd, MN)

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*“Our mission is to support the creation and preservation of affordable housing, economic development, and redevelopment projects towards a more vibrant Crow Wing County.”*

#### **AGENDA ITEMS**

- 1. CALL to ORDER**
- 2. ROLL CALL**
- 3. REVIEW and APPROVE MINUTES** (*Attachment 1*)
- 4. REVIEW and ACCEPT FINANCIAL STATEMENTS** (*Attachment 2*)
- 5. UNFINISHED BUSINESS**
  - a. Ratify the Assignment and Assumption of the Master PDA (*Attachment 3*)
- 6. NEW BUSINESS**
  - a. Approve Using Local Income for Pequot Lakes SCDP (*Attachment 4*)
- 7. REPORTS**
  - a. Executive Director (*Attachment 5*)
  - b. Brainerd HRA/Rehab Programs (*Attachment 6*)
  - c. BLAEDC
  - d. CWC
- 8. NEXT MEETING AGENDA TOPICS:** Tuesday, November 12, 2019
- 9. ADJOURNMENT**

#### **2019 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 – Michael Morford /District 2 (12-31-23)

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



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**Minutes from Tuesday, September 10<sup>th</sup>, 2019**  
**Crow Wing County**  
**Housing and Redevelopment Authority**  
**Board Meeting**

A regular meeting of the Board of Commissioners of the Housing and Redevelopment Authority (HRA) in and for the County of Crow Wing, Minnesota, was held at 5:00 p.m., Tuesday, September 10<sup>th</sup>, 2019.

1. **CALL TO ORDER:** Chair Craig Nathan called the meeting to order at 4:59 p.m.
2. **ROLL CALL:** Those present at the meeting include CWC HRA Board Chair Craig Nathan and Commissioners Sharon Magnan, Theresa Goble, Michael Morford, and Michael Aulie. Also present were HRA Executive Director Jennifer Bergman, Finance Director Karen Young, Executive Assistant LeAnn Goltz, Rehab Coordinator John Schommer, Tyler Glynn with BLAEDC, and Monty Jensen with Level Contracting.
3. **REVIEW AND APPROVE MINUTES:**  
  

Commissioner Morford moved to approve the minutes from the August 20<sup>th</sup> meeting. Commissioner Magnan 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:**  
  

Payments  
 Reflected in the August financial statements is the payment of \$18,000 to Redevelopment Resources for the first progress billing midway through the workforce housing study. The total fee is not-to-exceed \$41,035.

Moved by Commissioner Goble and seconded by Commissioner Aulie to accept the August financial statements as presented. All commissioners voted in favor and none were opposed. The motion passed.
5. **UNFINISHED BUSINESS:** Nothing to report.
6. **NEW BUSINESS:**
  - a. **Consider Assignment of the Master Purchase and Development Agreement to Level Contracting:** Kent Roessler of Paxmar-Brainerd, LLC, has requested to transfer the Master Purchase and Development Agreement (PDA) to Level Contracting.

Staff consulted Attorney Martha Ingram to ask what options the Crow Wing County HRA would have to transfer the PDA and the Board was provided with a letter from her outlining the process. Since the HRA has an agreement with Paxmar-Brainerd, LLC, the HRA is obligated to consider any assignee proposed by Paxmar. If after performing the due diligence the HRA determines that the assignee is not qualified, the HRA can withhold its consent. Then, Paxmar would be obligated to seek another assignee.



Bergman requested additional information from Level Contracting so staff could do its due diligence. She requested references from at least two cities and two subcontractors as well as proof of financial ability, background information on the company, and the house plans. This information was provided to the Board.

Monty Jensen from Level Contracting was in attendance of the meeting and introduced himself. He has been the builder for Paxmar on this project and several other. He believes he will be more successful if he is the developer on the project. He has good relationships with several subcontractors and has a business plan that he believes will add to the success of the project. He is also originally from the Brainerd Lakes Area and understands the area's unique culture.

The Board had a discussion and were able to have a discussion with Mr. Jensen. Commissioner Nathan expressed concern about the possibility of Paxmar benefiting from this transfer. Mr. Jensen was clear that Paxmar did not; the company was simply ready to move on.

**Commissioner Goble moved to adopt a resolution agreeing to approve the transfer and assignment of the Master Purchase and Development Agreement to Level Contracting, contingent upon providing financial reports to the HRA for its qualified review. Commissioner Aulie seconded the motion. Via roll call vote, all commissioners were in favor with none opposed. The motion was approved.**

- b. Consider Grant for 722 Laurel Street, Brainerd Utilizing Program Income:** The SCDP grant for downtown Brainerd is nearing completion with one remaining project at 722 Laurel Street in Brainerd. The building owner had utilized an earlier grant that was structured 1/3-1/3-1/3 with 1/3 being a low-interest loan, 1/3 owner share, and 1/3 deferred loan.

In order to utilize the downtown grant, the owner was required to repay the remaining portion of the deferred loan and the low-interest loan. When HRA staff requested the payoff amounts, only the amount for the low-interest loan was provided. The loan closing took place and the owner paid their 20% of the project costs along with the balance of the low-interest loan. They signed the required loan documentation and contracts with the contractors and started work.

At the end of the month, it was realized that the deferred loan balance in the amount of \$5,776.65 was missed and needs to be repaid. Being at the end of the grant, there are no funds available to cover the shortfall, so we have been asked to provide the \$5,776.65 in the form of a five-year deferred loan from our program income. We do have funds to cover this in addition to the commitments we currently have coming from program income. It meets all of the requirements of utilizing program income and falls in an area with a current environmental review.

**Moved and seconded by Commissioners Goble and Magnan to approve using program income for a deferred loan in the amount of \$5,776.65 to cover the shortfall for the SCDP project at 722 Laurel St., Brainerd, MN. All commissioners voted in favor of the motion and none were opposed. The motion was approved.**



**7. REPORTS:**

**a. Executive Director:**

**Budget Committee Meeting**

The Crow Wing County Board Budget Committee meeting was held on September 6<sup>th</sup>. Bergman provided a presentation regarding the HRA request for the 2020 levy and budget as adopted by the CWC HRA Board in August. Staff did not receive clear direction. A resolution setting the preliminary levy will go before the Crow Wing County Board on Sept. 24.

**Workforce Housing Study**

The next Workforce Housing Task Force meeting is scheduled for Thursday, September 19<sup>th</sup>. Scott Meitus has completed the data compilation and the survey questions and we continue to review the data. Kristen Fish-Peterson has started conducting interviews with businesses and community partners. The task force will get an update at the September meeting.

**Presentation at National NAHRO**

Bergman was asked to present at a session at the National NAHRO conference in San Antonio, TX, on the Revival of Tax Forfeit Properties. She will be presenting on the Brainerd Oaks/Serene Pines/Dal Mar Estates project.

**b. Brainerd HRA/Rehab Programs:** Schommer reviewed his update/report.

**c. BLAEDC:** Glynn reported that the program BLAEDC funded, Junior Achievement's Sports for Life at the YMCA, was a success. The BLAEDC Unified Fund (BUF) recently approved two more loans. These are for two large projects that he is hopeful will come to fruition by the end of the year.

**d. Crow Wing County:** Nothing to report.

**8. NEXT MEETING:** SCDP leverage for the City of Pequot Lakes; HTF (contingent upon levy request).

**9. ADJOURNMENT:**

Commissioner Goble moved to adjourn with a second by Commissioner Morford. All commissioners were in favor and none were opposed. The motion was approved and meeting was adjourned at 6:20 p.m.

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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Karen Young, Finance Director  
Date: October 2, 2019  
Re: Review & Accept Financial Statements

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Please find attached the financial information for September 2019.

**Payments**

Reflected in the September financial statements is the payment of \$5,776.65 to the City of Brainerd. At the September meeting, the Board approved the use of Local Income to provide a deferred loan for a shortfall with the Brainerd downtown SCDP grant closeout.

**Action Requested: Accept the September financial statements as submitted.**

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Date/Time roberta  
10/2/2019 12:35:33 PM

**Crow Wing County**  
**CWC HRA Combined Balance Sheet**  
**September, 2019**

	Cumulative
<b>ASSETS</b>	
550-000-1129.210 Cash Gen Fund	181,165.88
550-001-1129.210 Cash CWC SCDP	21,979.59
551-002-1129.210 Cash RLF TIF	291,357.16
556-000-1129.210 Cash Development Fund	-191.75
557-000-1129.210 Cash Tax Forf Property	-1,668.96
551-002-1141.000 Loans Rec RLF TIF	68,714.11
551-002-1143.000 Loan Rec Grand Oaks	48,000.00
551-002-1151.000 Accrued Loan Interest	223.70
551-002-1153.000 Accrued Int Grand Oaks	7,200.00
550-000-1211.000 Prepaid Insurance	345.47
556-000-1450.000 Land Held for Resale	586,096.82
557-000-1450.000 Land Held for Resale TF	8,000.00
<b>TOTAL ASSETS</b>	<b><u>1,211,222.02</u></b>
<b>LIABILITIES</b>	
557-000-2115.000 Escrow Account TFP	-1,000.00
550-000-2600.000 Def Inflow of Resources	-7,200.00
556-000-2600.000 Def Inflow of Res - Dev	-586,096.82
557-000-2600.000 Defd Inflow of Res TFP	-8,000.00
<b>TOTAL LIABILITIES</b>	<b><u>-602,296.82</u></b>
<b>SURPLUS</b>	
550-000-2700-000 Net Income	61,978.47
550-000-2806.000 Retained Earnings	-670,903.67
<b>TOTAL SURPLUS</b>	<b><u>-608,925.20</u></b>
<b>TOTAL LIABILITIES &amp; SURPLUS</b>	<b><u>-1,211,222.02</u></b>
Proof	0.00

Date: 10/2/2019  
Time: 12:35:37 PM  
roberta

**Crow Wing County**  
**CWC HRA Combined Operating Stmt**  
**September, 2019**

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	Current Period	Current Year	Year To Date Budget	Variance
<b>INCOME</b>				
550-000-3690.000 Other Revenue	0.00	0.00	-20,250.00	20,250.00
550-000-3691.000 Property Tax Revenue	0.00	-55,513.13	-60,000.00	4,486.87
551-002-3610.000 RLF TIF Interest Rev	-355.88	-2,414.11	0.00	-2,414.11
556-000-3696.000 Development Revenue	0.00	-62,746.51	-143,399.97	80,653.46
557-000-3696.000 TFP Revenue	0.00	-500.00	-15,000.03	14,500.03
<b>TOTAL INCOME</b>	<b>-355.88</b>	<b>-121,173.75</b>	<b>-238,650.00</b>	<b>117,476.25</b>
<b>EXPENSE</b>				
550-000-4110.000 Administrative Salaries	375.00	3,300.00	3,375.00	-75.00
550-000-4130.000 Legal	0.00	0.00	3,750.03	-3,750.03
550-000-4140.000 Staff Training	0.00	0.00	1,125.00	-1,125.00
550-000-4150.000 Travel	0.00	27.26	150.03	-122.77
550-000-4171.000 Auditing Fees	0.00	6,650.00	6,650.00	0.00
550-000-4172.000 Management Fees	5,000.00	45,000.00	45,000.00	0.00
550-000-4190.000 Other Administrative	0.00	0.00	150.03	-150.03
550-000-4500.000 TIF Expense	43.80	73.80	450.00	-376.20
550-000-4510.000 Insurance	115.17	1,036.53	1,575.00	-538.47
550-000-4540.000 Employer FICA	28.68	252.46	262.53	-10.07
550-000-4590.000 Other General Expense	0.00	28,542.27	45,749.97	-17,207.70
550-001-4600.000 CWC SCDP Expense	5,822.65	31,822.65	20,250.00	11,572.65
556-000-4600.000 Development Expense	0.00	62,919.87	143,399.97	-80,480.10
557-000-4600.000 TFP Expense	0.00	3,527.38	7,537.50	-4,010.12
<b>TOTAL EXPENSE</b>	<b>11,385.30</b>	<b>183,152.22</b>	<b>279,425.06</b>	<b>-96,272.84</b>
<b>NET INCOME(-) OR LOSS</b>	<b>11,029.42</b>	<b>61,978.47</b>	<b>40,775.06</b>	<b>21,203.41</b>



**Crow Wing County HRA  
September 2019 Payments**

Payment Number	Payment Date	Vendor	Description	Check Amount
22836	9/12/2019	City of Brainerd	CWC Program Income	\$ 5,776.65
22867	9/26/2019	Crow Wing Cty Recorder's Office	CWC Program Income	\$ 46.00
22871	9/26/2019	Forum Communications Company	MB TIF Disclosure Stmt	\$ 43.80
Total				\$ 5,866.45



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## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: Jennifer Bergman, Executive Director  
Date: October 3, 2019  
Re: Ratify the Assignment and Assumption of the Master PDA

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At the September board meeting, the Board made a motion to approve the transfer and assignment of the Master Purchase and Development Agreement to Level Contracting, contingent upon providing financial reports to the HRA for its qualified review. Staff reviewed Level Contracting's financial reports. Based on the information they provided, we feel confident that they have the financial capability to take on this project. They are currently carrying minimal debt, which would indicate that they are stable and have the financial wherewithal to take on this project.

Attorney Martha Ingram drafted the Assignment and Assumption of the Master Purchase and Redevelopment Contract (see Attachment 3a). Although the Board did make a motion to authorize the transfer, Martha thought we should ratify the agreement signed by Paxmar-Brainerd LLC and Level Contracting LLC.

**Recommendation: Ratify the Assignment and Assumption of the Master Purchase and Redevelopment Contract.**

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**ASSIGNMENT AND ASSUMPTION OF MASTER PURCHASE AND  
REDEVELOPMENT CONTRACT**

**THIS ASSIGNMENT AND ASSUMPTION OF MASTER PURCHASE AND REDEVELOPMENT CONTRACT** (this "Assignment"), made as of this 30<sup>th</sup> day of Sept., 2019, by and between Paxmar-Brainerd, LLC, a Minnesota limited liability company ("Assignor"), and Level Contracting, LLC, a Minnesota limited liability company ("Assignee").

**WITNESSETH:**

- A. The Housing and Redevelopment Authority in and for the County of Crow Wing ("HRA") and Assignor entered into that certain Master Purchase and Redevelopment Contract dated as of September 13, 2016, and recorded in the office of the Crow Wing County Recorder on March 17, 2017 as Document No. A-886215, as amended by an Amendment thereto dated as of November 16, 2016 and a Second Amendment thereto dated as of March 14, 2017 (as so amended, the "Contract") providing, among other things, for the sale of certain property legally described on Exhibit A hereto (the "Redevelopment Property") by the HRA to the Assignor, and the construction by the Assignor of certain single-family homes on the Redevelopment Property (the "Minimum Improvements")
- B. The defined terms in the Contract shall have the same meaning hereunder.
- C. Assignor now wishes to assign its rights and obligations under the Contract to Assignee, and Assignee wishes to assume such rights and obligations under the Contract.
- D. Pursuant to the Contract, the Assignor may not assign its rights under the Contract without the consent of the Authority.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- 1. Assignor does hereby grant, transfer, and assign to Assignee all of its rights and interests in, to and under the Contract.

2. Assignee hereby accepts this Assignment and assumes and agrees to faithfully abide by, perform, and discharge each and every term, covenant, and condition of the Contract and the exhibits thereto applicable to the "Redeveloper" first arising from and after the date of this Assignment and to be fully bound by all of the foregoing. Assignee hereby agrees to indemnify and hold Assignor harmless from and against any and all claims, expenses, costs, obligations, or other liabilities with respect to the Contract, arising or incurred from and after the date hereof.
3. Assignor hereby warrants and represents to Assignee as follows:
  - a. The Contract has not been modified or amended except as herein described and is full force and effect as of the date hereof; and
  - b. To Assignor's knowledge, there is no Event of Default in existence under the Contract, nor is there in existence any state of facts or circumstances which, with the giving of notice or lapse of time or both, would constitute an Event of Default under the Contract.
4. Assignor and Assignee agree that this Assignment shall not be amended or changed in any way without prior written approval of the Authority.
5. This Assignment and Assumption shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto and shall further be for the benefit and reliance of the Authority.
6. This Assignment shall be governed by and construed in accordance with the laws of the State of Minnesota.
7. This Assignment may be executed in counterparts, which counterparts when considered together shall constitute a single, binding, valid and enforceable agreement.



IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption Agreement as of the date first indicated above.

ASSIGNOR:

PAXMAR-BRAINERD, LLC

By:  
Its:

[Signature]  
Chief manager

STATE OF MINNESOTA )  
 ) SS.  
COUNTY OF Anoka )

The foregoing instrument was acknowledged before me this 30 day of sept, 2019, by Kurt Koesler, the Chief manager of Paxmar-Brainerd, LLC, a Minnesota limited liability company, on behalf of the limited liability company.



[Signature]  
Notary Public

ASSIGNEE:

LEVEL CONTRACTING, LLC

By: [Signature]  
Its: Plant Manager

STATE OF MINNESOTA    )  
  ) SS.  
COUNTY OF Anoka        )

The foregoing instrument was acknowledged before me this 30 day of Sept., 2019, by Montgomery Kerk the Plant Manager of Level Contracting, LLC, a Minnesota limited liability company, on behalf of the company.



Jennifer M Gottschalk  
Notary Public

This document was drafted by:  
KENNEDY & GRAVEN, Chartered (MNI)  
470 U.S. Bank Plaza  
Minneapolis, Minnesota 55402  
Telephone: (612) 337-9300

## EXHIBIT A

### REDEVELOPMENT PROPERTY

~~Lot 2, Block 2, Brainerd Oaks~~

~~Lot 3, Block 2, Brainerd Oaks~~

~~Lot 4, Block 2, Brainerd Oaks~~

Lot 5, Block 2, Brainerd Oaks

Lot 6, Block 2, Brainerd Oaks

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Lot 1, Block 1, Dalmar Estates  
Lot 2, Block 1, Dalmar Estates  
Lot 3, Block 1, Dalmar Estates  
Lot 4, Block 1, Dalmar Estates  
Lot 5, Block 1, Dalmar Estates  
Lot 6, Block 1, Dalmar Estates  
Lot 7, Block 1, Dalmar Estates  
Lot 1, Block 1, Serene Pines

Lot 2, Block 1, Serene Pines  
Lot 3, Block 1, Serene Pines  
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Lot 9, Block 3, Serene Pines  
Lot 1, Block 4, Serene Pines  
Lot 2, Block 4, Serene Pines  
Lot 3, Block 4, Serene Pines

All in the County of Crow Wing, Minnesota.

CONSENT OF HRA

The HRA hereby consents to the foregoing Assignment and Assumption of Master Purchase and Redevelopment Contract and acknowledges and agrees that Assignor is hereby released from all covenants and obligations under the Contract accruing after the date hereof.

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

By \_\_\_\_\_  
Its Chair

By \_\_\_\_\_  
Its Executive Director

STATE OF MINNESOTA     )  
  ) SS.  
COUNTY OF CROW WING )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2019, by \_\_\_\_\_ and \_\_\_\_\_, the Chair and Executive Director of the Housing and Redevelopment Authority in and for the County of Crow Wing, a public body corporate and politic and political subdivision of the State of Minnesota, on behalf of the public body.

\_\_\_\_\_  
Notary Public

(Signature page of HRA Consent)

612050v10P105.12



## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
From: John Schommer, Rehabilitation Coordinator  
Date: October 3, 2019  
Re: Approve Using Local Income for Pequot Lakes SCDP

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Nancy Malecha, city administrator for Pequot Lakes, contacted us regarding their interest in the Small Cities Development Program (SCDP). Since they are ranked as second in our Housing Conditions Survey, Jennifer and I met with her and then presented information to the city council at their July meeting. The council approved submitting a preliminary proposal for SCDP funding from DEED for owner-occupied and commercial rehab.

In the past, we have supported rehab initiatives with leverage dollars from our local income that we receive each year from the repayment of previous rehab loans. The City of Pequot Lakes has set aside \$10,000 for leverage and asked the Crow Wing County HRA to provide help with \$10,000 from Local Income. Our current available fund balance is about \$12,000 and we anticipate receiving approximately \$26,000 in the next month from the County for last year's repayments.

**Action Requested: Approve allocating \$10,000 from SCDP Local Income to the City of Pequot Lakes for leverage if the grant is received.**



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## Housing & Redevelopment Authority

To: CWC HRA Board Members  
 From: Jennifer Bergman, Executive Director  
 Date: October 3, 2019  
 Re: Executive Director Report

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### **CWC HRA Levy and Housing Trust Fund**

The County Board adopted the resolution setting the preliminary levy, which includes the CWC HRA's levy of \$729,500. We are working on an ordinance for the Housing Trust Fund, which we anticipate presenting at the November CWC HRA Board meeting and then to the County Board in December. We have also requested BLAEDC draft a Contract for Services between BLAEDC and the CWC HRA. We hope to have a draft to you in November.

### **Workforce Housing Study**

The Workforce Housing Task Force met on September 15<sup>th</sup> and discussed the survey and the interviews Kristen Fish-Peterson conducted with businesses and community partners. The next meeting for the Workforce Housing Task Force will be on October 14<sup>th</sup> and Ms. Fish-Peterson will be attending in person.

### **Presentation to the Crosslake EDA**

The Crosslake EDA held a Regional Workshop on October 2<sup>nd</sup> and I was asked to present along with BLAEDC, WSN, and Crosslake Communications (see Attachment 5a). The regional EDA's wanted to hear about infrastructure, housing, branding, and communications/broadband. I shared with the group information about our Workforce Housing Study and the upcoming Housing Trust Fund. The group has asked us to come back after the study is done to present the results.

### **Presentation at NAHRO on Reviving a Failed Subdivision**

Every year, National NAHRO selects three Awards of Excellence winners to present at their conference. I have been asked to give a presentation on Brainerd Oaks, Serene Pines, and Dal Mar Estates at their conference next week. LeAnn did an excellent presentation (see Attachment 5b) and I'm looking forward to discussing this project with my colleagues from across the U.S.

**No Action Requested; Discussion Item**



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Greetings,

Crosslake Economic Development invites you to the 2<sup>nd</sup> 2019 Regional Workshop, **October 2<sup>nd</sup>**, from **8:30 A.M. to 10:00 A.M.** at the **Crosslake city hall.**

The first workshop was a robust conversation around the challenges and opportunities that we all share in one way or another.

Out of this meeting came four priorities that most communities share:

- 1. Infrastructure (old or lack thereof)**
- 2. Funding sources for city improvements**
- 3. Housing**
- 4. Community Branding (or telling your story)**

So, for this meeting we have a group of experts who will lead their respective topics:

- 1. Infrastructure and Funding Sources - Sheila Haverkamp, BLAEDC Executive Director**
- 2. Housing – Jennifer Bergman, CWC Housing and Redevelopment Authority Exec Director**
- 3. Community Branding – Brady Bussler, WSN Digital Marketing Manager**
- 4. Communications/Broadband – Josh Netland, General Manager Emily/Crosslake Communications (ECTC)**

This is your opportunity to share your concerns/ideas, and the progress in your community  
And if you want to stick around after the program and have additional conversations, that will be great too.

**Please share this information with your Mayors, councilmen, and commission members and anyone else who you think should be part of the discussion.**

We look forward to hosting another workshop that will lead to more great dialogue and opportunities that will benefit us individually and regionally.

Thank You.  
Patty Norgaard  
Crosslake EDA  
218 692 5370



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## Reviving a Failed Subdivision

Crow Wing County HRA/Brainerd HRA  
Jennifer Bergman  
Executive Director

October 10, 2019



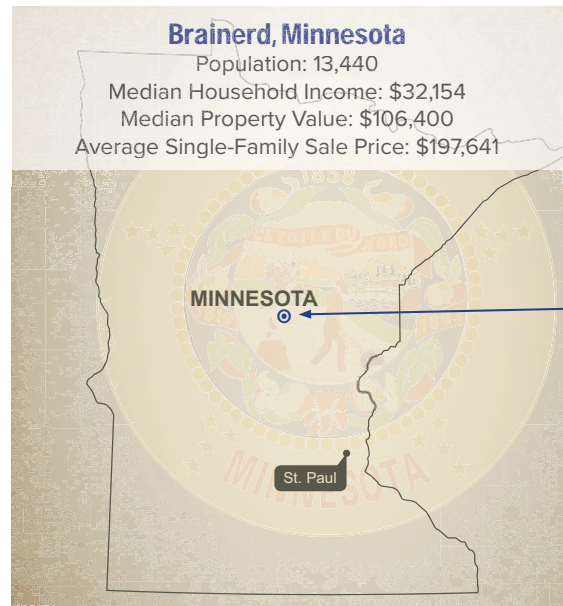
## Crow Wing County HRA

*“Our mission is to support the creation of affordable housing, economic development, and redevelopment projects toward a more vibrant Crow Wing County.”*





## Background Information



**We are here.**



## Project Background

- 2003—Brainerd HRA purchased a 47-acre site in SE Brainerd for \$3.3 million using housing revenue bonds.
- Brainerd Oaks—platted subdivision with 96 residential lots and two commercial lots.
- City put in infrastructure (streets, curb, gutters, sewer, water) and assessments for half the cost were placed on each parcel.





## Project Background

- A TIF district for 20 residential homes was approved by the Brainerd City Council with price reductions of approximately \$8,000 per lot.
- Lots weren't selling
- 2005–2006—Brainerd HRA issued \$2.2 million in housing revenue bonds to construct nine model single-family homes.
- 4 lots were sold and homes constructed
- Housing price points \$230,000–\$330,000
- 13 homes total



## Brainerd Oaks





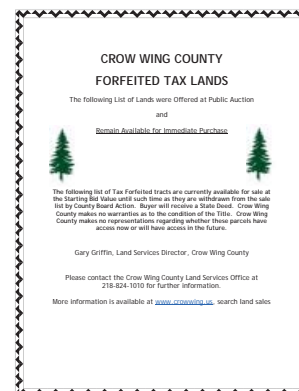
## 2008 Market Crash

- The houses didn't sell and ultimately were foreclosed.
- The lots didn't sell and were ultimately tax forfeited and held in trust by Crow Wing County.
  - » 83 of the remaining lots left vacant
  - » Each with outstanding assessments between \$15,000 and \$20,000



## Unsuccessful Attempts

- County attempted to sell the lots, but MN Statute required them to be sold for EMV plus outstanding assessments.
- “Over-the-counter” sales price was more than two times the EMV.

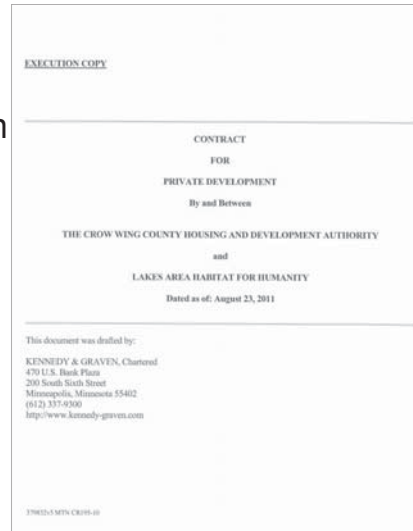






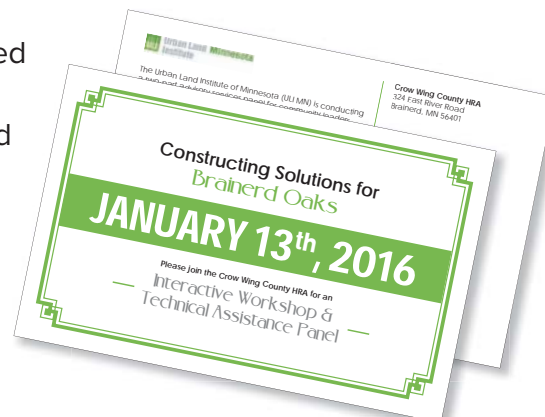
## Unsuccessful Attempts

- 2010—County asked for Crow Wing County (CWC) HRA's help in getting Brainerd Oaks back on the tax rolls.
- HRA created a plan to sell 20 lots to Habitat for Humanity and sold an existing home to them.
- Because of the assessments, costs were higher than anticipated and they were no longer interested.



## Bring in the Experts

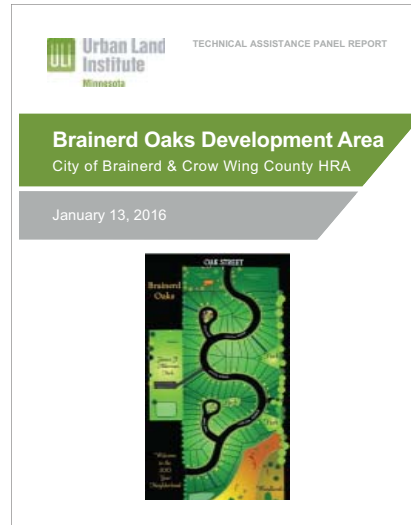
- 2016—CWC HRA enlisted the assistance of Urban Land Institute (ULI) Minnesota to explore options.
- ULI Interactive Workshop & Technical Assistance Panel
  - » Community leaders invited to participate
  - » Team of experts gathered to assist us





## Bring in the Experts

- ULI Interactive Workshop & Technical Assistance Panel
  - » Determined that assessments against the properties by the City of Brainerd were a major impediment to resale & development
  - » Sale to a developer would be unlikely, unless the City waived the special assessments



## A Potential Solution

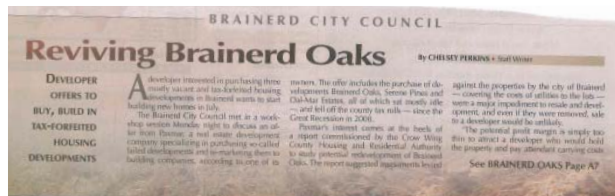
- April 2016 - Developer (Paxmar) interested in purchasing Brainerd Oaks along with two other tax-forfeited subdivisions—Serene Pines and Dalmar Estates—113 lots





## A Potential Solution

- Paxmar submitted LOI with an offer price of \$637,000, including reduction of assessments, SAC/WAC, and elimination of Park Dedication Fees.
- May 2016—Brainerd City Council held work session to consider the terms of the LOI
- June 2016—Brainerd City Council voted they would be willing to write down special assessments but wanted payment of full SAC/WAC and Park Dedication Fees.



## A Potential Solution

- After considerable negotiation, CWC HRA accepted an offer of \$912,300 for all three subdivisions.
- Offer was contingent on a number of things that needed to happen:
  - » County conveying land to HRA
  - » City forgiving assessments
  - » Reduction of SAC/WAC and Park Dedication Fees
  - » Elimination of existing CIC at Brainerd Oaks
  - » Developer purchases at least 10 lots per year with a ratio of two homes built in Brainerd Oaks to one built in Serene Pines or Dalmar
  - » Developer maintains \$1.5 million in construction at all times
  - » Subdivisions would be built out in 3–9 years





## A Complex Process

- **Conveyance of the Land**
  - » Although counties must sell tax forfeited land for the EMV, plus outstanding assessments, by law they are allowed to convey it to another government entity for less.
  - » Since HRAs have the authority to acquire blight areas for redevelopment, the HRA met with the County Board to see if they would convey the lots.
  - » HRA's attorney determined the properties met the definition of blight.
  - » July 2016—County Board passed a resolution authorizing the conveyance of the land to the CWC HRA for \$1.00.



## A Complex Process

- **Assessments**
  - » August 2016—City of Brainerd passed a resolution agreeing not to recertify the special assessments in lieu of receiving the proceeds of the sale minus the actual costs to the HRA and receiving full SAC/WAC and Park Dedication Fees.





## A Complex Process

- Purchase & Redevelopment Agreement
  - » September 2016—Paxmar and CWC HRA entered into an agreement
  - » Developer must purchase at least 10 lots annually & develop owner-occupied, single-family homes.
  - » Must maintain a ratio of two homes built in Brainerd Oaks to one built in Serene Pines or Dalmar Estates
  - » Must maintain \$1.5 million in construction at all times
  - » All 113 lots must be purchased & homes constructed within 3–9 years.



## A Complex Process

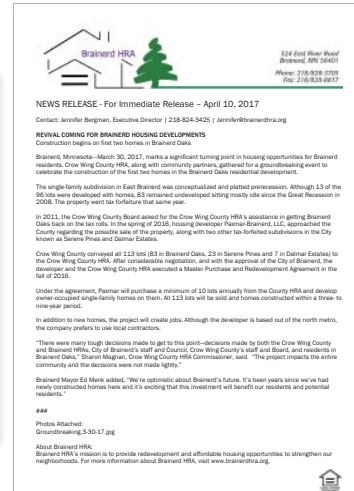
- Elimination of the CIC
  - » MN State Law requires at least 80% of property owners and 80% of mortgage holders have to agree in writing to the elimination.
  - » HRA negotiated with 13 property owners and 8 lenders.
  - » All property owners agreed in writing.
  - » Mortgage lenders agreed verbally, but it was difficult to get written approval,
  - » CWC HRA's attorney recommended getting a mortgage on the property and then give written approval to the elimination.
  - » July 2017—Brainerd HRA agreed to provide a mortgage to CWC HRA making the elimination of the CIC possible.





## The Start of the Revival

- March 2017—First 12 lots purchased (8 in Brainerd Oaks; 4 in Serene Pines)



## Revival Continues

- To date, 43 lots have been purchased.
- Brainerd Oaks
  - » 32 lots purchased
  - » 25 homes sold to end buyer
  - » 4 homes in construction
  - » Price: \$164,000–\$215,000







## Revival Continues

### Brainerd Oaks



## Revival Continues

### Brainerd Oaks





## Revival Continues

- Serene Pines
  - » 11 lots purchased
  - » 8 homes sold to end buyer
  - » Price: \$206,000–\$279,000



## Revival Continues

### Serene Pines

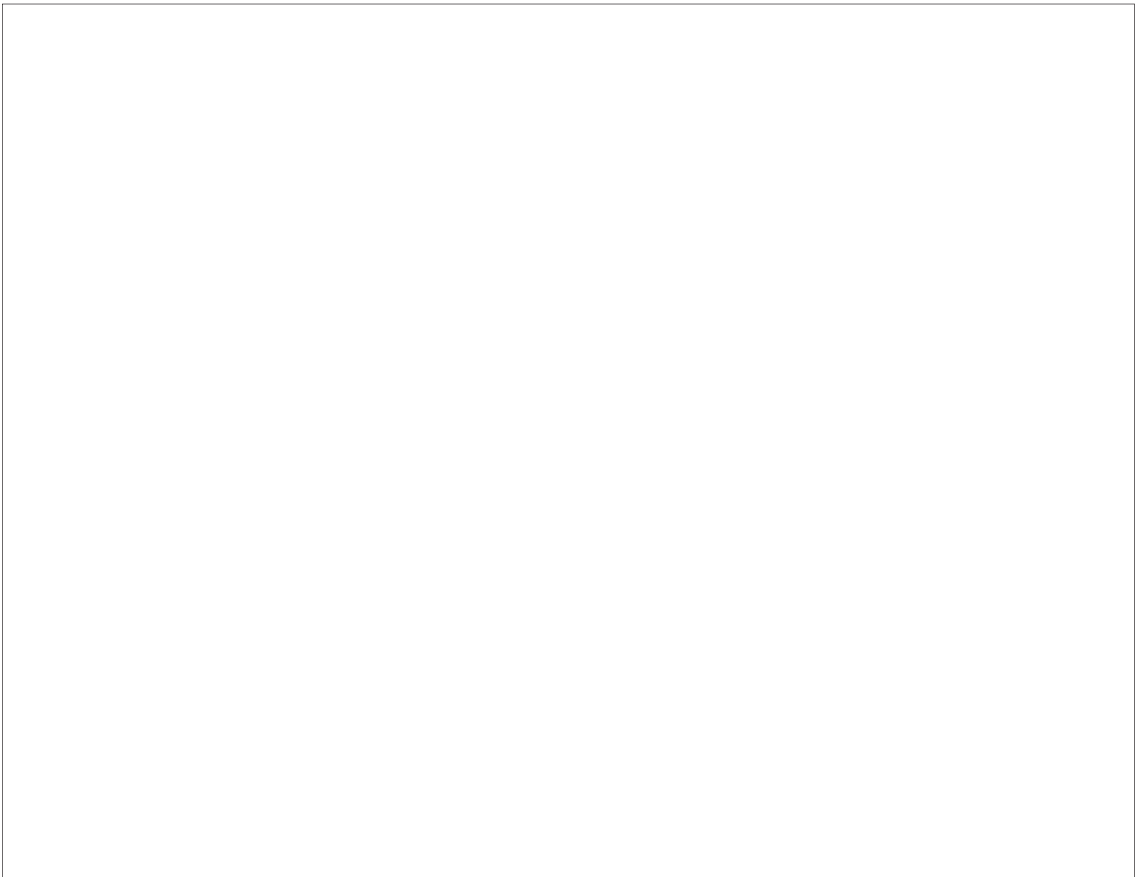






*Thank you!*







## Housing &amp; Redevelopment Authority

To: CWC HRA Board Members  
 From: John Schommer, Rehab Coordinator  
 Date: October 2, 2019  
 Re: Brainerd HRA/Rehab Programs Report

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**BRAINERD OAKS/SERENE PINES**

Development	Total	# Sold to Developer	# Sold to End Buyer	For Sale	In Construction
Brainerd Oaks	81*	32	25	1	4
Serene Pines	23	11	8	0	0
Dalmar Estates	7	0	0	0	0

\*Originally 83 lots, two have been merged/combined into a single parcel.

**MHFA**

- » 2 projects are in construction
- » 4 projects are in construction
- » 3 projects are bidding
- » 2 projects are in work write-up

**Emily SCDP**

- » 2 Owner-occupied units are bidding
- » 2 owner-occupied units are in construction

**NE Brainerd SCDP**

- » 1 Commercial project is in construction
- » 9 Mixed-use units are bidding
- » 2 Owner-occupied projects are in construction

**FHLB AHP Application**

Application for six units of rehab was submitted on May 31<sup>st</sup>. We will find out in December if we were funded.

**Brainerd Revolving Loan Program**

We are waiting on one interested property owner. We had 2 inquires last week.



(Continues on opposite side)

**DOWNTOWN BRAINERD SCDP**

Address	Business	Commercial	Rental Units	Status
214 & 216 S. 8th St.	Last Turn	1	11	Complete
216 S. 7th St.	Bridge of Harmony	1		Complete
217 S. 7th St.	Downtown Mall	1	14	Complete
602 Laurel St.	Olde Open Window	1	6	Complete
605 Laurel St.	Northwind Grill	1	11	Complete
606 Laurel St.	Sage on Laurel	1	2	Complete
711-717 Laurel St.	LAMF, Cross Arts Alliance, Vaenn Har	1		Complete
719 Laurel St.	Purple Fern	1		Complete
704 Front St.	Iron Hill's Gun, Pawn & Antiques	1		Complete
724 Laurel St.	Bob & Fran's Factory Direct	1		In Construction
<b>Total</b>		<b>10</b>	<b>44</b>	

