



Housing & Redevelopment Authority

Crow Wing County HRA Board Meeting Agenda

5:00pm Tuesday October 10th, 2023

**Crow Wing County Land Services Building Pine/Maple Meeting Room
322 Laurel St. Brainerd, MN 56401**

Join from browser:

<https://brainerdhra.my.webex.com.brainerdhra.my/j.php?MTID=m7ea3d989da5601e409d4e520dda1ba06>

Join by phone: 415-655-0001

Meeting number (access code): 2553 148 3140

Meeting password: EHxMtpcq622

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

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF AGENDA

4. APPROVE MINUTES

- a.** Approval of the Tuesday, September 12th, 2023 Meeting Minutes (*Attachment 1*) Pg. 3

5. REVIEW & ACCEPT FINANCIAL STATEMENTS (*Attachment 2*) Pg. 7

- a.** CWC HRA Combined Balance Sheet September 2023
- b.** CWC HRA Combined Operating Statement September 2023
- c.** CWC HRA September 2023 Payments

6. UNFINISHED BUSINESS (*Attachment 3*) Pg. 15

- a.** Resolution 2023-06 to execute Housing Trust Fund development loan between the Crow Wing County HRA and Lofts of Novotny, LLC

7. NEW BUSINESS

8. REPORTS/UPDATES:

- a.** Executive Director (*Attachment 4*) Pg. 59
- b.** Housing Trust Fund (*Attachment 5*) Pg. 61
- c.** Brainerd HRA/Rehab Programs (*Attachment 6*) Pg. 63
- d.** BLAEDC/CREDI (*Attachment 7*) Pg. 67
- e.** CWC

9. COMMISSIONER COMMENTS

10. NEXT MEETING Tuesday November 14th, 2023

11. ADJOURNMENT

CWC HRA Commissioners

Zach Tabatt, Chair - District 3 (12-31-24)
Richard (George) Burton, Vice Chair - District 1 (12-31-27)
Michael Morford, Secretary/Treasurer - District 2 (12-31-23)
Michael Aulie, Commissioner - District 5 (12-31-26)
Jennifer Bergman, Commissioner - District 4 (12-31-25)



Housing & Redevelopment Authority

**Crow Wing County HRA
BOARD MEETING MINUTES
09/12/2023**

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 the Crow Wing County Land Services Building, Pine/Maple Meeting Room and via Webex video/teleconference at 5:00 p.m., Tuesday, September 12th, 2023.

1. **CALL TO ORDER:** Chair Zachary Tabatt called the meeting to order at 5:08 p.m.
2. **ROLL CALL:** Present: Commissioners, Richard (George) Burton, Zach Tabatt, & Michael Aulie. Absent: Jennifer Bergman & Michael Morford
Others present: Executive Director Eric Charpentier, Finance Director Karen Young & BLAEDC Tyler Glynn (Virtual) Absent: Rehab Director John Schommer, & Rehab Administrative Specialist Kristin Miller.
3. **APPROVE AGENDA:**
Moved and seconded by Commissioners Aulie and Burton to approve the agenda as presented for the September 12th, 2023, board meeting. Through a vote, all commissioners were in favor and none were opposed. The motion passed.
4. **APPROVE MINUTES:**
Moved and seconded by Commissioners Burton and Aulie to approve the minutes from the August 8th, 2023, board meetings. Through a vote, all commissioners were in favor and none were opposed. The minutes were approved.
5. **FINANCIAL:**
 - a. **REVIEW and ACCEPT FINANCIAL STATEMENTS:**
The financial information for August 2023 was presented by Karen Young.

Commissioner Aulie moved to approve the August financial statements as submitted, followed by a second from Commissioner Burton Upon a vote, all commissioners were in favor and none were opposed. The motion carried.

Payment to CREDI

Reflected in the August financial statements is the first half payment to Cuyuna Range Economic Development Inc. (CREDI) in the amount of \$12,875 per the Agreement for Professional Services.

Housing Trust Fund (HTF)

Through August, there have been 17 HTF loans awarded for a total of \$1,339,591. Of this amount, \$288,347 has been expended out of the Fund towards these loans - as reflected in the August financials. One additional Owner-Occupied Rehab loan has also been approved for \$25,000.

6. UNFINISHED BUSINESS:

a. Strategic Goals Review

Presented by Eric Charpienter.

As has been discussed previously, the strategic goals worksheet is attached for the board to review. We have updated the status of the goals that we have been working on in the past few months. We will continue to get this in front of the board on a regular basis so that as we work through these goals the board can continue to give staff feedback and/or guidance on what goals they would like staff to focus on. Some of these goals will be ongoing throughout the two-year cycle.

7. NEW BUSINESS:

a. Purchase & Redevelopment Agreement Between CWC HRA & Level Contracting

Presented by Eric Charpienter.

On Tuesday, July 25th, 2023, Level Contracting LLC requested to purchase six lots in Brainerd Oaks with a total purchase price of \$27,919.99, they would like to close on or before September 29th, 2023. Kennedy & Graven has drafted the Purchase and Redevelopment Agreement and corresponding resolution.

Moved by Commissioner Aulie and seconded by Commissioner Burton to approve resolution No. 2023-05, and the Purchase and Development Agreement between the CWC HRA and Level Contracting for the sale of these parcels. Upon roll call vote, (Burton, Aulie, Tabatt), all commissioners were in favor and none were opposed. The motion passed.

8. REPORTS:

a. Executive Director:

Presented by Eric Charpentier.

Counselors of Real Estate Recommendations:

The Counselors of Real Estate gave a short presentation to a group of stakeholders on August 10th in which they put forward some recommendations on ways our communities could have an impact in getting additional housing built. This group will give a more formalized report to us in late October or early November which we will disseminate to this board and discuss the recommendations further.

Pequot Lakes Levy Update:

The preliminary levy for the Pequot Lakes HRA was approved by the City in their preliminary levy discussion on September 5th. There were no changes to the request from what was in front of this board in August and we do not anticipate any changes in the final levy in December. This levy will help support the Westgrove townhomes that we are a partner in with the Pequot HRA.

Formal Request to Crow Wing County for the 2024 Levy:

Attached to this memo is the letter that was sent to the County with our formal levy request for 2024 along with the budget that was approved by this board. Staff did make our presentation to the County Commissioners on August 10th and we anticipate the County to set their preliminary levy at the regular meeting on September 26th.

b. Housing Trust Fund:

Presented by Eric Charpentier.

We have received applications for rental rehab and new development projects that staff will be bringing forward at our October meeting for review. We are waiting to present these projects to the board until we have a better understanding of what our 2024 levy will be so that we can make recommendations for funding on these projects.

Staff is also working on getting our loan documentation prepared for funding the development loan that was previously approved for the project in Baxter. We anticipate that funding to be completed in the next few weeks as that project continues to move forward.

Finally, attached is a letter of support from the Greater Lakes Association of Realtors for our levy request that was sent to the County on September 7th. We are appreciative of the support from the area realtors group not only from this letter, but from our partnership on the housing study and with bringing the Counselors group in to provide insight into our housing needs.

Discussion:

- The interest rate of 0% on loans should be revisited in the future.
- Discussion in the future about possible allocations to specific HTF programs.

- c. **Brainerd HRA/Rehab Programs:**
Presented by John Schommer.

SE Brainerd SCDP Preliminary Proposal

We found out on Friday, September 1st that our application for 8 units of owner-occupied rehab and 12 units of single-family rental rehab in SE Brainerd was funded. We have implementation training scheduled for Thursday, September 7th and will start moving forward as soon as we can.

- d. **BLAEDC/CREDI:**

Staff time billing reports were presented in the packet for August 2023.

Tyler gave a brief overview of what is happening within BLAEDC & CREDI.

- e. **CWC:**

9. CWC HRA COMMISSIONER COMMENTS:

10. NEXT MEETING: Tuesday, October 10th, 2023

11. ADJOURNMENT:

Commissioner Burton made a motion to adjourn the meeting. Commissioner Aulie seconded the motion. All commissioners voted in favor of the motion, and none were opposed. The motion was approved, and the meeting was adjourned at 6:05 p.m.



Housing & Redevelopment Authority

To: CWC HRA Board Members
From: Karen Young, Finance Director
Date: October 5, 2023
Re: Review and Accept Financial Statements

Housing Trust Fund (HTF)

Through September, there have been 18 HTF loans awarded for a total of \$1,364,591. Of this amount, \$335,844.61 has been expended out of the Fund towards these loans - as reflected in the September financials.

We have included a Housing Trust Fund Projection for the board to have a visual snapshot reflecting approved funding and loans.

Action Requested: Accept the September financial statements as submitted.

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Housing Trust Fund Projection

Levy Approved Total \$ 1,800,000.00

Interest Earned To Date \$ 12,386.00

Loans Awarded

Rehabilitation	\$ 204,591.00
Down Payment Assistance	\$ 160,000.00
New Construction	\$ 1,000,000.00
Total	\$ 1,364,591.00

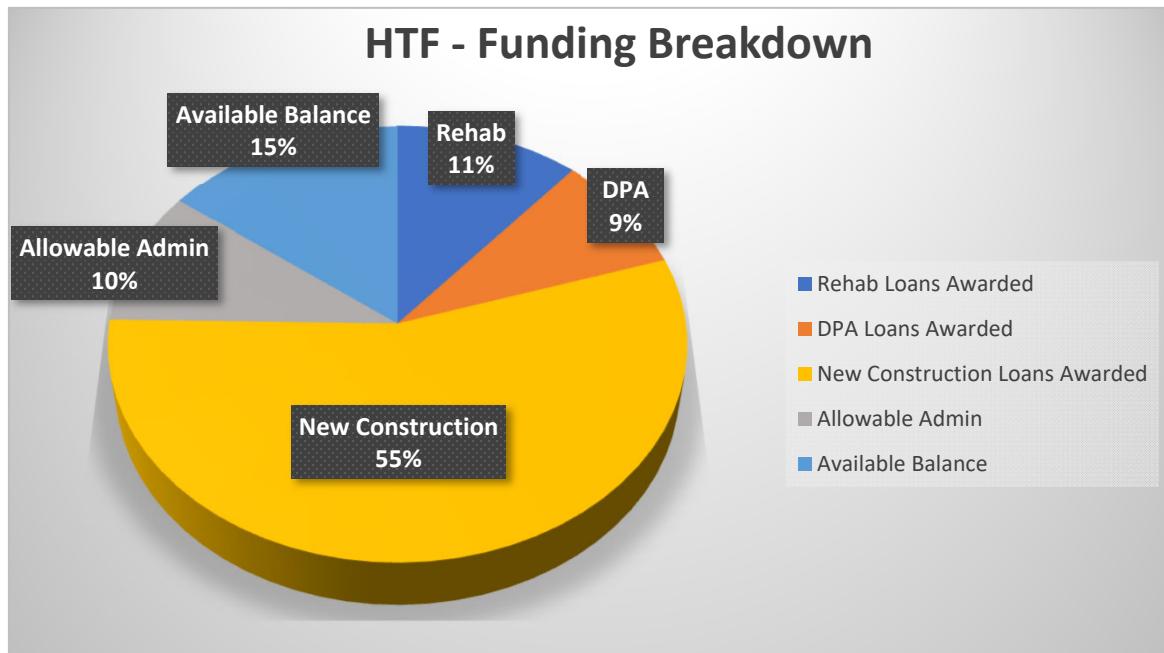
10% Allowable Admin \$ 180,000.00

Remaining Balance \$ 267,795.00

Loans Approved

Total	\$ -
	\$ -

Available Balance \$ 267,795.00



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Date/Time joe
10/5/2023 10:01:54 AM

**Crow Wing County
CWC HRA Combined Balance Sheet
September, 2023**

	Cumulative
ASSETS	
550-000-1129.210 Cash Gen Fund	294,344.12
550-001-1129.210 Cash CWC SCDP	87,803.95
551-002-1129.210 Cash RLF TIF	418,151.29
556-000-1129.210 Cash Development Fund	-13.77
557-000-1129.210 Cash Tax Forf Property	-4,105.33
558-000-1129.210 Cash HTF	1,160,616.53
551-002-1141.000 Loan Rec RLF TIF	8,865.72
558-000-1141.000 Loan Rec HTF	335,844.61
556-000-1450.000 Land Held for Resale	173,436.66
TOTAL ASSETS	<u>2,474,943.78</u>
LIABILITIES	
558-000-2115.000 HTF Escrow	-16,738.00
556-000-2600.000 Def Inflow of Res - Dev	<u>-173,436.66</u>
TOTAL LIABILITIES	<u>-190,174.66</u>
SURPLUS	
550-000-2700-000 Net Income	-251,520.64
550-000-2806.000 Retained Earnings	<u>-2,033,248.48</u>
TOTAL SURPLUS	<u>-2,284,769.12</u>
TOTAL LIABILITIES & SURPLUS	<u>-2,474,943.78</u>
Proof	0.00

Date: 10/5/2023
 Time: 10:02:21 AM
 joe

Crow Wing County
CWC HRA Combined Operating Stmt
September, 2023

Page: 1
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	Current Period	Current Year	Year To Date Budget	Variance
INCOME				
550-000-3610.000 Investment Earnings	-2,287.44	-12,895.76	0.00	-12,895.76
550-000-3690.000 Other Revenue	0.00	-1,736.43	0.00	-1,736.43
550-000-3691.000 Property Tax Revenue	0.00	-436,504.57	-443,320.00	6,815.43
551-002-3610.000 RLF TIF Interest Rev	-654.67	-4,233.18	-614.97	-3,618.21
556-000-3696.000 Development Revenue	0.00	-53,439.63	-143,399.97	89,960.34
557-000-3696.000 TFP Revenue	0.00	0.00	-7,499.97	7,499.97
TOTAL INCOME	-2,942.11	-508,809.57	-594,834.91	86,025.34
EXPENSE				
550-000-4110.000 Administrative Salaries	150.00	2,250.00	3,375.00	-1,125.00
550-000-4130.000 Legal	0.00	0.00	7,499.97	-7,499.97
550-000-4140.000 Staff Training	0.00	355.00	1,125.00	-770.00
550-000-4150.000 Travel	9.70	167.60	187.47	-19.87
550-000-4171.000 Auditing Fees	0.00	9,005.77	7,980.00	1,025.77
550-000-4172.000 Management Fees	13,564.16	122,077.44	122,077.44	0.00
550-000-4190.000 Other Administrative	0.00	80.93	150.03	-69.10
550-000-4500.000 TIF Expense	0.00	36.50	450.00	-413.50
550-000-4510.000 Insurance	0.00	2,748.00	2,900.00	-152.00
550-000-4540.000 Employer FICA	11.49	172.26	262.53	-90.27
550-000-4590.000 Other General Expense	0.00	57,686.68	77,176.00	-19,489.32
550-001-4600.000 CWC SCDP Expense	0.00	0.00	15,000.03	-15,000.03
556-000-4600.000 Development Expense	0.00	54,117.60	143,399.97	-89,282.37
557-000-4600.000 TFP Expense	0.00	1,349.44	7,499.97	-6,150.53
558-000-4600.000 HTF Expense	-528.08	7,241.71	30,000.06	-22,758.35
TOTAL EXPENSE	13,207.27	257,288.93	419,083.47	-161,794.54
NET INCOME(-) OR LOSS	10,265.16	-251,520.64	-175,751.44	-75,769.20

Crow Wing County HRA
September 2023
Payments

Payment Number	Payment Date	Vendor	Description	Check Amount
1012	9/8/2023	Eric Charpentier	Mileage	\$ 9.70
1013	9/8/2023	John Schommer	Mileage	\$ 41.92
25692	9/7/2023	Crow Wing Cty Recorder's Office	HTF-OOR	\$ 46.00
25705	9/7/2023	Master Trade Service Inc.	HTF-OOR	\$ 19,633.00
25707	9/7/2023	Miller Testing & Consulting LLC	HTF-OOR	\$ 380.00
25710	9/7/2023	Quick Construction, Inc	HTF-OOR	\$ 16,707.61
25735	9/21/2023	Jen-Tor Construction LLC	HTF-OOR	\$ 10,161.00
Total				\$ 46,979.23

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Housing & Redevelopment Authority

To: CWC HRA Board Members

From: Eric Charpentier, Executive Director

Date: October 10th, 2023

Re: Resolution Authorizing the Execution of documents for the loan between the CWC HRA and the Lofts of Novotny LLC

Staff and our legal counsel have drafted the documentation for the execution of a loan from the Housing Trust Fund between the CWC HRA and the Lofts of Novotny, LLC for the funding of a gap loan for the creation of 64 units of multi-family housing. The board took action to approve this loan at their June 13th, 2023 meeting with the condition that the primary financing was approved and funded. That condition was met, and we are requesting board authorization to proceed with the execution of the loan documents and funding of this loan. Attached are the loan documents that we are asking to execute. We are currently having the resolution drafted by Kennedy and Graven and at the time of publication we were still waiting for the resolution document. We will have the resolution prepared by the time of the board meeting.

Action Requested: Discuss Approving Resolution No. 2023-06, Approving the loan documents between the Housing and Redevelopment Authority in and for the County of Crow Wing and Lofts of Novotny, LLC.

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CROW WING COUNTY HOUSING TRUST FUND PROGRAM
NEW CONSTRUCTION/DEVELOPMENT FINANCING PROGRAM

LOAN AGREEMENT
(Rental Housing Development)

THIS LOAN AGREEMENT (Rental Housing Development) ("Agreement" or "Loan Agreement") is made this 11th day of October, 2023, between the Crow Wing County Housing and Redevelopment Authority, a public body corporate and politic under the laws of Minnesota (the "HRA"), and Lofts of Novotny, LLC, a Florida limited liability company (the "Borrower").

RECITALS

WHEREAS, Crow Wing County, Minnesota (the "County") has established the Crow Wing County Housing Trust Fund Program which is managed and administered by the HRA and funds four different types of programs to encourage and assist in financing the production, preservation and stabilization of affordable and mixed-income housing in the County including the New Construction/Development Program (the "Program"); and

WHEREAS, the HRA has approved the Housing Trust Fund Guidelines (the "Program Guidelines"), attached hereto as **EXHIBIT A**, which are fully incorporated by reference into this Agreement and contain, in part, a summary and background of the Program, Program eligibility requirements, Program terms, a list of Program-eligible activities, Program occupancy requirements, Program rent restrictions, and other Program-specific policies and procedures; and

WHEREAS, the Borrower has proposed to acquire, construct, and equip a housing development that includes approximately 64 apartment units and facilities functionally related and subordinate thereto, located at 15521 Edgewood Drive, in the City of Baxter, Crow Wing County, Minnesota 56425 and legally described in **EXHIBIT B** attached hereto (the "Property"), for occupancy by individuals and families of low and moderate income (the "Project"); and

WHEREAS, pursuant to the Program Guidelines, the Borrower has provided an application to the HRA to participate in the Program and the HRA has determined that the Borrower is eligible to participate; and

WHEREAS, the HRA has agreed to lend to the Borrower, upon execution of this Agreement a loan in the principal amount of \$1,000,000.00 (the "Loan") to perform Program-eligible activities in connection with the Project in order to make the Project more economically feasible and to create affordable housing in the County; and

WHEREAS, the Borrower will agree to impose certain affordability requirements for the Project pursuant to a Declaration of Restrictive Covenants (Rental Housing Development) of even date herewith (the "Declaration") between the HRA and the Borrower; and

WHEREAS, to evidence and secure the Borrower's repayment obligations with respect to the Loan, the Borrower will execute and deliver to the HRA a Promissory Note (Rental Housing Development) of even date herewith (the "Note") and a Combination Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement (Rental Housing Development) of even date herewith (the "Mortgage"); and

WHEREAS, the HRA has reviewed this Agreement and finds that execution of this Agreement

by the HRA and performance of the HRA's obligations hereunder are in the best interests of the HRA, the County, and its residents; and

WHEREAS, on June 13, 2023 the HRA Board of Commissioners approved the disbursement from the Trust Fund Account for the Loan.

NOW, THEREFORE, to induce the HRA to make the Loan to Borrower, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions

“Agreement” means this Loan Agreement (Rental Housing Development), which provides for the Loan as the same may be from time to time modified, amended, or supplemented.

“City” means the City of Baxter, Minnesota.

“County” means the County of Crow Wing, Minnesota.

“Declaration” means the Declaration of Restrictive Covenants (Rental Housing Development) between the Borrower and the Authority in substantially the form attached hereto as **EXHIBIT C**.

“Borrower” means Lofts of Novotny, LLC, a Florida limited liability company.

“HRA” means the Crow Wing County Housing and Redevelopment Authority.

“HRA Representative” means the Executive Director of the HRA, or any person designated by the Executive Director to act as the HRA representative for purposes of this Agreement.

“Loan” means the loan of \$1,000,000.00 made by the HRA to the Borrower for the Project from the Housing Trust Fund under the New Construction/Development Financing Program described in the Program Guidelines.

“Loan Documents” means, collectively, this Loan Agreement, the Declaration, the Mortgage, and the Note.

“Mortgage” means the Combination Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement executed by Borrower in favor of the HRA in connection with the Loan in substantially the form as set forth in **EXHIBIT D** attached hereto.

“Program Guidelines” means the Crow Wing County HRA Housing Trust Fund Guidelines, a copy of which is attached hereto as **EXHIBIT A**.

“Project” has the meaning set forth in the Recitals of this Agreement.

“Promissory Note” or “Note” means the Promissory Note executed by Borrower in favor of the HRA in connection with the Loan in substantially the same form as set forth in **EXHIBIT E** attached hereto.

“Property” means the real property described in **EXHIBIT B** attached hereto.

ARTICLE II

Loan

2.1 **The Loan Amount**. Subject to and upon the terms and conditions of this Agreement, the HRA agrees to make the Loan to the Borrower in the amount of One Million and 00/100ths Dollars (\$1,000,000.00), or so much thereof as is disbursed to Borrower in accordance with this Agreement. The Loan shall be evidenced by the Note, which Note shall be secured by the Mortgage.

2.2 **Repayment of Loan**. The Loan shall be repaid as follows:

(a) No interest shall accrue on the Loan.

(b) The entire unpaid balance of principal of the Loan shall be due and payable in full on September 21, 2043 (the "Maturity Date").

(c) The Borrower shall have the right to prepay the Note in full or in part at any time without premium or penalty. Any partial prepayment shall be applied first to any unpaid, accrued interest with the balance, if any, applied to principal.

(d) All proceeds from the Loan must be utilized for the Project.

2.3 **Disbursement of Loan Proceeds**.

(a) The Loan proceeds shall be paid to the Borrower on the date hereof or such other date as the parties hereto agree (the "Loan Closing Date").

(b) The following events shall be conditions precedent to the payment of the Loan proceeds to the Borrower on the Loan Closing Date:

- (i) the Borrower having executed and delivered, or having caused to be executed and delivered, to the HRA on or prior to the Loan Closing Date, without expense to the HRA, executed copies of the Loan Documents;
- (ii) the Borrower having provided evidence that the Declaration and the Mortgage have been recorded in the property records of Crow Wing County;
- (iii) the Borrower having delivered to the HRA (1) copies of the organizational documents of the Borrower; (2) a certificate of good standing for the Borrower issued by the Minnesota Secretary of State; (3) certified resolutions of Borrower approving the Loan Documents;
- (iv) the Borrower having provided proof that all permits and other approvals for the Project have been issued by the City, and all required City fees in connection therewith have been paid in full; and
- (v) the Borrower having paid all attorneys' fees, costs, and expenses incurred by the HRA in connection with the Loan Documents.

ARTICLE III
Borrower Representations, Warranties, Obligations

3.1 Representations and Warranties by the Borrower. The Borrower represents and warrants that:

(a) The Borrower is a limited liability company, duly organized and in good standing under the laws of the State of Florida, is authorized to transact business within the State of Minnesota, has power to enter into this Agreement and has duly authorized the execution, delivery, and performance of this Agreement and the other Loan Documents by proper action of its governing body.

(b) The Borrower will acquire, construct, equip, operate and maintain the Project in accordance with the terms of this Agreement, the other Loan Documents, and all local, state and federal laws and regulations (including, but not limited to, environmental, zoning, building code, labor and public health laws and regulations).

(d) The Borrower has received no written notice or other written communication from any local, state or federal official that the activities of the Borrower or the HRA on the Property or related to the Project may be or will be in violation of any environmental law or regulation (other than those notices or communications of which the HRA is aware). The Borrower is aware of no facts the existence of which would cause it to be in violation of or give any person a valid claim under any local, state or federal environmental law, regulation or review procedure.

(e) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement is prevented, limited by or conflicts with or results in a breach of, the terms, conditions or provisions of any partnership or company restriction or any evidences of indebtedness, agreement or instrument of whatever nature to which the Borrower is now a party or by which it is bound, or constitutes a default under any of the foregoing.

(f) The Borrower warrants that it shall keep and maintain books, records, and other documents relating directly to the receipt and disbursements of proceeds of the Loan and that any duly authorized representative of the HRA shall, at all reasonable times, have access to and the right to inspect, copy, audit, and examine all such books, records, and other documents of the Borrower respecting the Loan until the completion of all closeout procedures and the final settlement and conclusion of all issues arising out of the Loan.

(g) The Borrower understands that the HRA may subsidize or encourage the development of other developments in the County, including properties that compete with the Project, and that such subsidies may be more favorable than the terms of this Agreement, and that neither the HRA nor the County has represented that development of the Property will be favored over the development of other properties.

3.2 Annual Financial and Tax Statements of Borrower. So long as the Note is outstanding, the Borrower shall provide the HRA annually on or before April 1 with the annual financial statements of the Borrower. Such annual financial statements shall include the thirty (30) year operating pro forma of the Borrower. In addition, within 10 days of filing with the United States Internal Revenue Service, the annual federal income tax returns of the Borrower. If any tax return due date is extended, the Borrower shall provide the HRA with a copy of the application for extension that has been filed with the United States Internal Revenue Service not later than 10 days after the Borrower's tax return was initially due.

3.3 Business Subsidy. The Borrower warrants and represents that the Loan will be applied to the costs of developing the Project, and therefore the Loan is a form of financial assistance for housing pursuant to Minnesota Statutes section 116J.993, subd. 3(7) and does not constitute a business subsidy within the meaning of Minnesota Statutes, sections 116J.993 to 116J.995, as amended (the “Business Subsidy Act”). The Borrower releases and waives any claim against the HRA and its governing body members, officers, agents, servants and employees thereof arising from application of the Business Subsidy Act to this Agreement, including without limitation any claim that the HRA failed to comply with the Business Subsidy Act with respect to this Agreement.

ARTICLE IV **Events of default**

4.1. Event of Default by Borrower. The following shall be “Events of Default” under this Agreement:

- (a) the Borrower’s failure to comply with the HRA’s required affordability restrictions set forth in the Declaration;
- (b) the Borrower’s failure to pay principal of and interest on the Loan when due; and
- (c) the Borrower’s failure to provide the HRA with the Borrower’s annual financial statements required by Section 3.2 hereof.

4.2. HRA’s Remedies upon Borrower’s Default. Upon an Event of Default by the Borrower and after receipt of written notice from the HRA, provided the default is not cured within thirty (30) days of written notice by the HRA, the HRA shall, subject to the terms of the Note, have the right to exercise any or all of the following remedies (and any other rights and remedies available to it):

- (a) in the event of a default caused by the Borrower’s failure to comply with the HRA’s required affordability restrictions set forth in the Declaration, declare the principal amount of the Loan and any accrued interest thereon to be immediately due and payable upon providing written notice to Borrower;
- (b) suspend its performance under this Agreement;
- (c) take any action provided for at law to enforce compliance by the Borrower with the terms of this Agreement or the Mortgage; and
- (d) in the event of a default caused by the Borrower’s failure to pay principal of and interest on the Loan when payment is due pursuant to the terms hereof, declare the principal amount of the Loan and any accrued interest thereon to be immediately due and payable upon providing written notice to Borrower.
- (e) HRA’s Costs of Enforcement. If an Event of Default has occurred as provided herein, then upon demand by the HRA, the Borrower will pay or reimburse the HRA for all expenses, including all reasonable fees and disbursements of legal counsel, incurred by the HRA in connection with the enforcement of this Agreement and the other Loan Documents, or in connection with the protection or enforcement of the interests of the HRA in any litigation or bankruptcy or insolvency proceeding or in any action or proceeding relating in any way to the transactions contemplated by this Agreement.

4.3. Cure Rights. (a) Borrower Cure Rights. The Borrower will have ten (10) days after receipt of written notice from the HRA of an Event of Default to cure a monetary default under the Loan Documents and thirty (30) days after receipt of such notice to cure any non-monetary defaults under the Loan Documents, or, as to non-monetary defaults, such longer period as is reasonably necessary under the circumstances as determined by the HRA, provided that cure is commenced within the above cure period and diligently prosecuted by the Borrower.

(b) Member Cure Rights. Any member of the Borrower shall have the right, but not the obligation, to cure any Event of Default by the Borrower under this Agreement or any default under the Note or the related Loan Documents, and the HRA may accept performance by the member of the Borrower of any obligation of the Borrower thereunder as though tendered by the Borrower itself, provided such performance by the member of the Borrower has occurred during the applicable cure period, if any, provided to the Borrower thereunder with respect to such default or Event of Default. The HRA agrees to give the Investor Member written notice of any and all defaults by the Borrower under the Loan Documents, and an opportunity, at the Investor Member's option, to cause the cure of such default within the cure periods set forth below, prior to exercising any remedies under the Loan Documents. The HRA agrees that the Investor Member will have ten (10) days after the Investor Member's receipt of notice of such default to cure, or cause the cure of a monetary default under the Loan Documents, and thirty (30) days (or such longer period as is set forth in the Loan Documents) after the Investor Member's receipt of such notice to cure any non-monetary defaults under the Loan Documents, or, as to non-monetary defaults, such longer period as is reasonably necessary for the Investor Member to cause cure, provided that cure is commenced within the above cure period and diligently prosecuted as determined by the HRA, including without limitation such time period as is necessary to remove the Borrower's managing member, if necessary in order to effect a cure.

ARTICLE V Miscellaneous

5.1 Waiver. The performance or observance of any promise or condition set forth in this Agreement may be waived only in writing. No delay in the exercise of any power, right or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right or remedy.

5.2 Assignment. This Agreement shall be binding upon the Borrower and its successors and assigns and shall inure to the benefit of the HRA and its successors and assigns. All rights and powers specifically conferred upon the HRA may be transferred or delegated by the HRA to any of its successors and assigns. The Borrower's rights and obligations under this Agreement may be assigned only when such assignment is approved in writing by the HRA, which approval shall not be unreasonably withheld, conditioned, or delayed. Subject to prior consent of the HRA, nothing in this Agreement shall limit or restrict the ability of the Borrower's investor member, Fort Caroline Investments, LLC, a Florida limited liability company (the "Investor Member"), to transfer, sell, or assign its ownership interest in the Borrower, from time to time, provided that said Investor Member remains liable for payment of any then unpaid capital contributions to the Borrower, as and when payable, as set forth in the Borrower's operating agreement, notwithstanding any such transfer, sale, or assignment. In particular, the HRA agrees that any transfer, sales, or assignments of investor membership interests in the Borrower to any affiliate of the Investor Member or any entity in which the Investor Member, or an affiliate, is the manager or managing member shall not constitute defaults under this Agreement. The HRA shall have the right to consent to amendments to the Borrower's operating agreement entered into in order to effect transfers or assignments of the Investor Member's interest pursuant to this section; provided that such consent shall not be unreasonably withheld.

5.3 Law Governing; Other Matters. This Agreement shall be governed by the substantive laws of the State of Minnesota. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement or in any other Loan Document or other agreement between the Borrower and the HRA shall survive the execution, delivery and performance of this Agreement and the creation and payment of any indebtedness to the HRA. The Borrower waives notice of the acceptance of this Agreement by the HRA.

5.4 Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the following addresses (or such other addresses as either party may notify the other):

To the HRA: Crow Wing County Housing and Redevelopment Authority
324 East River Road
Brainerd, MN 56401
Attention: Executive Director

To the Owner: Lofts of Novotny, LLC
1819 Goodwin St.
Jacksonville, FL 32204
Attention: Justin Higgins

5.5 Indemnification. The Borrower shall and does hereby agree to protect, defend, indemnify and hold the HRA and the County, including their officers, agents, and employees, harmless of and from and against any and all liability, loss, or damage that it may incur under or by reason of this Agreement, and of and from any and all claims and demands whatsoever that may be asserted against the HRA or the County by reason of any alleged obligations or undertakings on the part of the HRA to perform or discharge any of the terms, covenants, or Agreements contained in this Agreement. This indemnification and hold harmless provision shall survive the execution, delivery, and performance of this Agreement and the payment or repayment of the Loan. The Borrower waives notice of the acceptance of this Agreement by the HRA. Nothing in this Agreement shall constitute a waiver or limitation of the HRA's or the County's immunities or limitations on liability as set forth in Minnesota Statutes, Chapter 466 or otherwise.

5.6 [Reserved]

5.7 Amendments. This Agreement may be modified solely through written amendments hereto executed by Borrower and the HRA.

5.8 Non-Recourse. The indebtedness evidenced by the Note is nonrecourse except as follows. Notwithstanding the provisions of the Note or any other document, the Borrower and its members shall not be personally liable for payment of the indebtedness evidenced by the Note, and the HRA's sole recourse for payment of such indebtedness upon the occurrence of an Event of Default shall be to pursue the security provided by the Mortgage and other instruments securing payment of the Note. Nothing in this Section shall affect, limit or impair (a) the security provided by the Mortgage or any other document; (b) the right to seek monetary judgment against the Borrower or any owner of the mortgaged property to the extent necessary to permit foreclosure of the Mortgage by action (except that the Borrower shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by the Note and no deficiency judgment will be sought or

obtained against the Borrower for payment of the indebtedness evidenced by the Note); (c) subject to the terms of the Note, the enforcement by the HRA of any other legal or equitable rights or remedies or any other provision of any instrument by which the Note is secured; (d) the right to assert the Borrower's personal liability for payment of the indebtedness which the Note evidences as a counterclaim in any action which the Borrower commences against the HRA, to the extent the Borrower is awarded damages against the HRA; or (e) the right to hold any successors or assigns of the Borrower personally liable for payment of the indebtedness evidenced by the Note in the event the Borrower assigns its rights and obligations under this Agreement, the Note, or the Mortgage in violation of the provisions in this Agreement, the Note, or the Mortgage.

5.9 Fees. All attorneys' fees and other fees due and payable in connection with the Loan, including but not limited to the fees associated with the recording of the Mortgage, shall be paid by the Borrower and shall not be included in the principal amount of the Loan.

5.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Agreement, and, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the undersigned officers of the HRA and the Borrower have executed this Loan Agreement (Housing Trust Fund) as of the date and year first written above.

**CROW WING COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY**

By _____
Its Chair

By _____
Its Executive Director

Execution page of Borrower to the Loan Agreement (Housing Trust Fund), dated as of the date and year first written above.

LOFTS OF NOVOTNY, LLC

By:

Christian "Andy" Allen

Its:

EXHIBIT A

Program Guidelines

EXHIBIT B

Property Legal Description

Lots 1 and 1A, Block 1, The Lofts at Novotny.

Crow Wing County, Minnesota.
Abstract and Torrens

EXHIBIT C
Form of Declaration

EXHIBIT D

Form of Mortgage

EXHIBIT E
Form of Promissory Note

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CROW WING COUNTY HOUSING TRUST FUND PROGRAM
NEW CONSTRUCTION/DEVELOPMENT FINANCING PROGRAM

PROMISSORY NOTE
(Rental Housing Development)

\$1,000,000.00

October 11, 2023

LOFTS OF NOVOTNY, LLC, a Florida limited liability company (the “Borrower”), for value received, hereby promises to pay to the CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY, MINNESOTA, a public body corporate and politic of the State of Minnesota (the “Lender”), or its assigns (the Lender and any assigns are hereinafter referred to as the “Holder”), at its designated principal office or such other place as the Holder may designate in writing, the principal sum of One Million 00/100ths Dollars (\$1,000,000.00), or so much thereof as may be advanced under this Promissory Note (Rental Housing Development) (the “Note”), with interest as hereinafter provided, in any coin or currency which at the time or times of payment is legal tender for the payment of private debts in the United States of America. All terms capitalized used herein and not defined have the definitions given such terms in the Loan Agreement (Rental Housing Development) of even date herewith (the “Loan Agreement”) between the Borrower and the Lender.

1. No interest shall accrue on the Loan.

2. The entire unpaid balance of principal of the Loan shall be due and payable in full on September 21, 2043 (the “Maturity Date”).

3. The Borrower shall have the right to fully or partially prepay this Note at any time without premium or penalty. Any partial prepayment shall be applied first to any unpaid, accrued interest with the balance, if any, applied to principal.

4. This Note is given pursuant to the Loan Agreement, as the same may be amended from time to time, and is secured by a Combination Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement (Rental Housing Development) of even date herewith (the “Mortgage”) by the Borrower in favor of the Lender, covering certain real property located in the City of Baxter, Crow Wing County, Minnesota and legally described in the Mortgage (the “Property”). All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement and the Mortgage are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note.

5. If an Event of Default occurs under the Loan Agreement or the Declaration with respect to the Borrower’s failure to comply with the Lender’s required affordability restrictions under the Loan Agreement or the Declaration, and the default is not cured within the time specified for such default in Sections 4.2 and 4.3 of the Loan Agreement, then the Holder of this Note may, at its right and option, declare immediately due and payable the principal balance of this Note and interest accrued thereon, upon providing written notice to the Borrower. The remedies of the Holder, as provided herein and in the Loan Agreement, the Declaration and the Mortgage, shall be cumulative and concurrent, may be pursued singly, successively, or together, and, at the sole discretion of the Holder of this Note, may be exercised as often as occasion therefor shall occur.

6. The Holder of this Note shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder of this Note and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. This Note may not be amended, modified, or changed except only by an instrument in writing signed by the party against whom enforcement of any such amendment, modifications, or change is sought.

7. If any Event of Default occurs, and if the Holder engages legal counsel or others in connection with advice to the Holder or the Holder's rights and remedies under the Loan Agreement or this Note, the Borrower shall pay all reasonable expenses incurred by the Holder for such persons, irrespective of whether any suit or other proceeding has been or is filed or commenced. Any such expenses, costs and charges shall constitute additional principal, payable upon demand, and subject to this Note, the Loan Agreement, and the Mortgage.

8. Except as otherwise provided in this Note, the Loan Agreement, the Declaration, or the Mortgage, the Borrower hereby (a) waives demand, presentment for payment, notice of nonpayment, protest, notice of protest, and all other notice; (b) agrees to any substitution, exchange, addition, or release of any party or person primarily or secondarily liable hereon; and (c) agrees that the Holder shall not be required first to institute any suit or to exhaust its remedies against the Borrower or any other person or party in order to enforce payment of this Note.

9. If any term of this Note, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

10. It is intended that this Note is made with reference to and shall be construed as a Minnesota contract and governed by the laws thereof.

12. The indebtedness evidenced by this Note is nonrecourse except as follows. Notwithstanding the provisions of this Note or any other document, the Borrower and its members shall not be personally liable for payment of the indebtedness evidenced by this Note, and the Holder's sole recourse for payment of such indebtedness upon the occurrence of an Event of Default shall be to pursue the security provided by the Mortgage and other instruments securing payment of this Note. Nothing in this Section shall affect, limit or impair (a) the security provided by the Mortgage or any other document; (b) the right to seek monetary judgment against the Borrower or any owner of the mortgaged property to the extent necessary to permit foreclosure of the Mortgage by action (except that the Borrower shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by this Note and no deficiency judgment will be sought or obtained against the Borrower for payment of the indebtedness evidenced by this Note); (c) subject to the terms of this Note, the enforcement by the Holder of any other legal or equitable rights or remedies or any other provision of any instrument by which this Note is secured; (d) the right to assert the Borrower's personal liability for payment of the indebtedness which this Note evidences as a counterclaim in any action which the Borrower commences against the Holder, to the extent the Borrower is awarded damages against the Holder; or (e) the right to hold any successors or assigns of the Borrower personally liable for payment of the indebtedness evidenced by this Note in the event the Borrower assigns its rights and obligations under the Loan Agreement, this Note, or the Mortgage in violation of the provisions in the Loan Agreement, the Note, or the Mortgage.

13. IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts, and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened, and have been performed in regular and due form as required by law.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Borrower has caused this Promissory Note (Rental Housing Development) to be duly executed as of the date and year first written above.

LOFTS OF NOVOTNY, LLC

By:

Christian "Andy" Allen

Its:

THIS MORTGAGE IS EXEMPT FROM REGISTRATION TAX PURSUANT TO MINNESOTA STATUTES, SECTION 287.04(6).

CROW WING COUNTY HOUSING TRUST FUND PROGRAM
NEW CONSTRUCTION/DEVELOPMENT FINANCING PROGRAM

**COMBINATION MORTGAGE, SECURITY AGREEMENT,
ASSIGNMENTS OF LEASES AND RENTS, AND
FIXTURE FINANCING STATEMENT**
(Rental Housing Development)

THIS COMBINATION MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FINANCING STATEMENT (Rental Housing Development) is made this 11th day of October, 2023 (the "Mortgage"), by LOFTS OF NOVOTNY, LLC, a Florida limited liability company, with a registered office address of 1819 Goodwin St. Jacksonville, FL 32204 (the "Mortgagor"), in favor of the CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY, a public body corporate and politic of the State of Minnesota, with an address of 324 East River Road, Brainerd, MN 56401 (the "Mortgagee").

WITNESSETH:

That the Mortgagor, in consideration of the sum of One Million and 00/100ths Dollars (\$1,000,000.00) and other good, valuable and sufficient consideration, the receipt whereof is hereby acknowledged, does hereby grant, bargain, sell, and convey unto the Mortgagee, its successors and assigns, forever, all the tract or parcel of land lying and being in the County of Crow Wing and State of Minnesota located at 15521 Edgewood Drive, Baxter, Minnesota 56425 and legally described in **EXHIBIT A** attached hereto (the "Land"); together with all equipment, fixtures, improvements, building supplies and materials, and personal property now or hereafter attached to, located, in, or necessary to the use of the Land (but excluding personal property of Mortgagor's tenants); and including all rents, leases, profits and issues now due or which may hereafter become due under or by virtue of any lease, license, sublease, or agreement, whether written or verbal, for the use or occupancy of the Land or any part thereof.

To have and to hold the same, together with the hereditaments and appurtenances thereto belonging to the Mortgagor, its successors and assigns, forever; and the Mortgagor, for itself, and its successors and assigns, does covenant with the Mortgagee, its successors and assigns, as follows: That it is lawfully seized of said premises and has good right to sell and convey the same; that the same are free

from all encumbrances, save and except reservations, restrictions and easements set forth on **EXHIBIT B** attached hereto; that the Mortgagee, its successors and assigns, shall quietly enjoy and possess the same; and that the Mortgagor will warrant and defend the title to the same against all lawful claims not hereinbefore specifically excepted; and

Provided, nevertheless, that if the Mortgagor, its successors and assigns, shall keep and perform each and every one of its obligations under and pursuant to that certain Promissory Note (Rental Housing Development) of even date herewith (the "Note"), given by the Mortgagor in favor of the Mortgagee, and shall keep and perform all the covenants and agreements herein contained, then this Mortgage shall be null and void, and to be released at the Mortgagor's expense.

This Mortgage secures a principal debt in the amount of One Million and 00/100ths Dollars (\$1,000,000.00) payable by the Mortgagor to the Mortgagee (the "Loan") under the terms of the Note and the Loan Agreement (Rental Housing Development) of even date herewith (the "Loan Agreement") between the Mortgagor and the Mortgagee, which Note matures on September 21, 2043. This Mortgage matures no later than September 21, 2043.

Notwithstanding the provisions of this Mortgage or any other document, the Mortgagor and its members or partners shall not be personally liable for payment of the indebtedness evidenced by the Note, and the Mortgagee's sole recourse for payment of such indebtedness upon the occurrence of an Event of Default (hereinafter defined) shall be to pursue the security provided by this Mortgage and other instruments securing payment of the Note. Nothing in this Section shall affect, limit or impair (i) the security provided by this Mortgage or any other document; (ii) the right to seek monetary judgment against the Mortgagor or any owner of the mortgaged property to the extent necessary to permit foreclosure of this Mortgage by action (except that the Mortgagor shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by the Note and no deficiency judgment will be sought or obtained against the Mortgagor for payment of the indebtedness evidenced by the Note); (iii) subject to the terms of the Note, the enforcement by the Mortgagee of any other legal or equitable rights or remedies or any other provision of any instrument by which the Note is secured; (iv) the right to assert the Mortgagor's personal liability for payment of the indebtedness which the Note evidences as a counterclaim in any action which the Mortgagor commences against the Mortgagee, to the extent the Mortgagor is awarded damages against the Mortgagee; or (v) the right to hold any successors or assigns of the Mortgagor personally liable for payment of the indebtedness evidenced by the Note in the event the Mortgagor assigns its rights and obligations under the Loan Agreement, the Note, or this Mortgage in violation of the provisions of the Loan Agreement, the Note, or this Mortgage.

1. The Mortgagor, for itself, and its successors and assigns, does hereby covenant and agree with the Mortgagee, its successors and assigns, to perform its obligations as above specified, to pay all taxes and assessments now due or that may hereafter become liens against said premises at least ten (10) days before penalty attaches thereto; to pay, when due, both principal and interest of all prior liens or encumbrances, if any, above mentioned and to keep said premises free and clear of all other prior liens or encumbrances; to commit or permit no waste on said premises and to keep them in good repair; to complete any improvements which may hereafter be under course of construction thereon, and to pay any other expenses and attorneys' fees incurred by the Mortgagee, its successors or assigns, by reason of litigation with any third party for the protection of the lien of this Mortgage.

2. The Mortgagor does further covenant and agree that if any lien for labor, skill or material shall be filed for record during the life of this Mortgage, upon or against the premises hereby mortgaged, the Mortgagor will, within thirty (30) days after the date of its filing for record, either pay off the lien and secure its satisfaction of record, or will protect the Mortgagee against any loss or damage growing out of

its enforcement, by furnishing a bond for the same amount in the form and with the sureties to be approved by the Mortgagee or a cash escrow in an amount acceptable to the Mortgagee.

3. In case of failure to pay said taxes and assessments, prior liens or encumbrances, expenses and attorneys' fees as above specified, or to insure said buildings and deliver the policies as aforesaid, the Mortgagee, its successors or assigns, may pay such taxes, assessments, prior liens, expenses and attorneys' fees and interest thereon, or effect such insurance, and the sums so paid shall bear interest at the rate of four percent (4%) per annum or, if less, the highest rate permitted by law from the date of such payment, shall be impressed as an additional lien upon said premises, and be immediately due and payable from the Mortgagor, its successors or assigns, to the Mortgagee, its successors or assigns, and this Mortgage shall from date thereof secure the repayment of such advance with interest.

4. Upon the occurrence of an event of default under the Loan Agreement (an "Event of Default"), subject to the remedies and rights to cure such Event of Default provided herein and in the Loan Agreement, the Mortgagor confers upon the Mortgagee the option, of declaring a default and hereby authorizes and empowers the Mortgagee, its successors and assigns, to foreclose this Mortgage by judicial proceedings or to sell said premises at public auction and convey the same to the purchaser in fee simple in accordance with the statute, and out of the money arising from such sale to retain all sums secured hereby, with interest and all legal costs and charges of such foreclosure and the maximum attorneys' fee permitted by law, which costs, charges and fees the Mortgagor herein agrees to pay.

5. The Mortgagor will have ten (10) days after receipt of written notice from the Mortgagee of an Event of Default to cure a monetary default under the Loan Documents, and thirty (30) days after receipt of such notice to cure any non-monetary defaults under the Loan Documents, or, as to non-monetary defaults, such longer period as is reasonably necessary under the circumstances, provided that cure is commenced within the above cure period and diligently prosecuted by the Mortgagor.

6. Any member of the Mortgagor shall have the right, but not the obligation, to cure any Event of Default by the Mortgagor under this Mortgage, the Note, or the Loan Agreement, and the Mortgagee may accept performance by the member of the Mortgagor of any obligation of the Mortgagor thereunder as though tendered by the Mortgagor itself, provided such performance by the member of the Mortgagor has occurred during the applicable cure period, if any, provided to the Mortgagor thereunder with respect to such default or Event of Default.

7. Capitalized terms used herein that are otherwise not defined shall have the meanings provided in the Loan Agreement.

8. This Mortgage is exempt from mortgage registration tax imposed by Minnesota Statutes, Section 287.035, pursuant to Minnesota Statutes, Section 287.04(6), because the principal amount of the loan referred to herein is made under a low- and moderate-income or other affordable housing program and the Mortgagee is the Housing and Redevelopment Authority in and for Crow Wing County, Minnesota, which is a public body corporate and politic of the State of Minnesota.

9. The Mortgagee agrees that this Mortgage shall be subordinate to any mortgages provided by the Mortgagor to the senior lender described below in connection with the Project, including the following:

Mortgage, dated July 14, 2023, between Lofts of Novotny, LLC and First National Bank North, recorded in the Office of the County Recorder of Crow Wing County Minnesota on July 20, 2023 as Document No. 986544 (Abstract) and as Document No. 273448 (Torrens)

IN WITNESS WHEREOF, the Mortgagor has executed this Combination Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement (Rental Housing Development) as of the date and year first written above.

LOFTS OF NOVOTNY, LLC

By: _____

Christian "Andy" Allen

Its: _____

STATE OF _____)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of October, 2023, by Christian "Andy" Allen, the _____ of Lofts of Novotny, LLC, a Florida limited liability company, on behalf of the Mortgagor.

WITNESS my hand and official seal.

Notary Public
My commission expires _____

This instrument drafted by:

Kennedy & Graven, Chartered (SEL)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402-1299
612-337-9300

EXHIBIT A
DESCRIPTION OF LAND

Lots 1 and 1A, Block 1, The Lofts at Novotny.

Crow Wing County, Minnesota.
Abstract and Torrens

EXHIBIT B

PERMITTED ENCUMBRANCES

Easements, restrictions, encumbrances and other matters described in the ALTA Commitment for Title Insurance, Commitment Number: 22327-23-0080 delivered to First National Bank North.

CROW WING COUNTY HOUSING TRUST FUND
NEW CONSTRUCITON/DEVELOPMENT FINANCING PROGRAM

DECLARATION OF RESTRICTIVE COVENANTS
(Rental Housing Development)

THIS DECLARATION OF RESTRICTIVE COVENANTS (Rental Housing Development) is made this 11th day of October, 2023 (the “Declaration”), by LOFTS OF NOVOTNY, LLC, a Florida limited liability company (the “Owner”), for the benefit of the CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY, a public body corporate and politic of the State of Minnesota (the “HRA”).

RECITALS

WHEREAS, Crow Wing County, Minnesota (the “County”) has established the Crow Wing County Housing Trust Fund (the “Housing Trust Fund”) which is managed and administered by the HRA and funds four different types of programs to encourage and assist in financing the production, preservation and stabilization of affordable and mixed-income housing in the County including the New Construction/Development Financing Program (the “Program”); and

WHEREAS, the HRA has approved the Housing Trust Fund Guidelines, which are fully incorporated by reference into this Declaration and contain, in part, a summary and background of the Program, Program eligibility requirements, Program terms, a list of Program-eligible activities, Program occupancy requirements, Program rent restrictions, and other Program-specific policies and procedures; and

WHEREAS, the Owner has proposed to acquire, construct, and equip a housing development that includes approximately 64 apartment units and facilities functionally related and subordinate thereto, located at 15521 Edgewood Drive, in the City of Baxter, Crow Wing County, Minnesota 56425 and legally described in **EXHIBIT A** attached hereto (the “Development Property” or “Property”), for occupancy by individuals and families of low and moderate income (the “Project”); and

WHEREAS, the HRA has proposed to make a loan to the Owner in the principal amount of \$1,000,000.00 (the “Loan”) from the Housing Trust Fund in order to make the Project more economically feasible and to create affordable housing in the County; and

WHEREAS, the Owner intends, declares, and covenants that the restrictive covenants set forth herein shall be and are covenants running with the Property for the Qualified Project Period, as hereinafter described; and

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owner agrees as follows:

1. Term of Restrictions.

(a) Rent and Occupancy Restrictions. The term of the rent and occupancy restrictions set forth in Section 3 hereof (the “Rent and Occupancy Restrictions”) shall commence on the date the Owner receives a certificate of occupancy from the City for all rental units on the Property (the “Rental Housing Units”). The period from the commencement of the term of the Rent and Occupancy Restrictions to termination thereof, as set forth in Section 1(b) below, is the “Qualified Project Period.”

(b) Termination of Declaration. This Declaration shall terminate upon the date that is twenty (20) years after the commencement of the Qualified Project Period. Notwithstanding the foregoing, this Declaration shall terminate upon the date that the Loan is repaid in full.

(c) Obligation to Repay. In the event that Development Property is sold or transferred prior to the end of the Qualified Project Period, or where a Rental Housing Unit is no longer occupied or held vacant for occupancy by a Qualified Tenant, as defined herein, the Owner shall be obligated to repay the Loan in full. In such event, this Declaration will terminate upon such repayment.

(d) Removal from Real Estate Records. Upon termination of this Declaration, the HRA shall, upon request by the Owner or its assigns, file any document appropriate to remove this Declaration from the real estate records of Crow Wing County, Minnesota.

2. Project Restrictions.

(a) The Owner represents, warrants, and covenants that:

(i) All leases of units to Qualifying Tenants (as defined in Section 3(a)(i) hereof) shall contain clauses, among others, wherein each individual lessee:

(1) Certifies the accuracy of the statements made in its application and Eligibility Certification (as defined in Section 3(a)(ii) hereof); and

(2) Agrees that the family income at the time the lease is executed shall be deemed substantial and material obligation of the lessee’s tenancy, that the lessee will comply promptly with all requests for income and other information relevant to determining low or moderate income status from the Owner or the HRA, and that the lessee’s failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee’s tenancy.

(ii) The Owner shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of the HRA or the County to inspect the books and records of the Owner pertaining to the income of Qualifying Tenants residing in the Project.

3. Rent and Occupancy Restrictions.

(a) Affordability Provisions. The Owner represents, warrants, and covenants that:

(i) Qualifying Tenants. From the commencement of the Qualified Project Period, not less than 60% of the Rental Housing Units (i.e., not less than 39 units of the total 64 units) (the “Affordable Units”) shall have rents that are affordable to and shall be occupied by Qualifying Tenants of Moderate Income; provided that at least 20% of the Affordable Units (i.e., not less than 8 units of the 39 Affordable Units) shall have rents that are affordable to and shall be occupied by Qualifying Tenants of Low Income. The remaining 40% of the Rental Housing Units (i.e., not more than 25 units of the total 64 units) may have rents set at market rate. “Qualifying Tenants of Moderate Income” shall mean one or more occupants of a unit who are determined from time to time by the Owner to have a combined gross income which does not exceed one hundred fifteen percent (115%) of area median income as estimated by the United States Department of Housing and Urban Development (the “Area Median Income”) for the applicable calendar year, adjusted for household size. “Qualifying Tenants of Low Income” shall mean one or more occupants of a unit who are determined from time to time by the Owner to have a combined gross income which does not exceed eighty percent (80%) of Area Median Income for the applicable calendar year, adjusted for household size. Qualifying Tenants of Moderate Income and Qualifying Tenants of Low Income shall hereinafter also be referred to as “Qualifying Tenants.” Rent is affordable if a housing payment, inclusive of a reasonable allowance for heating, allows Qualifying Tenants to rent a unit while paying no more than thirty percent (30%) of their gross household income. The determination of whether an individual or family is a Qualifying Tenant shall be made at the time the tenancy commences and on an ongoing basis thereafter, determined at least annually.

(ii) Certification of Tenant Eligibility. As a condition to initial and continuing occupancy, each person who is intended to be a Qualifying Tenant shall be required annually to sign and deliver to the Owner a Certification of Tenant Eligibility substantially in the form attached as **EXHIBIT B** hereto, or in such other form as may be approved by the HRA (the “Eligibility Certification”), provided that such approval shall not be reasonably withheld, conditioned, or delayed, in which the prospective Qualifying Tenant certifies as to qualifying as a Qualifying Tenant of Moderate or Low Income. In addition, such person shall be required to provide whatever other information, documents, or certifications are reasonably deemed necessary by the HRA to substantiate the Eligibility Certification, on an ongoing annual basis, and to verify that such tenant continues to be a Qualifying Tenant within the meaning of Section 3(a)(i) hereof. Eligibility Certifications will be maintained on file by the Owner with respect to each Qualifying Tenant who resides in a Rental Housing Unit or resided therein during the immediately preceding calendar year.

(iii) Lease. The form of lease to be utilized by the Owner in renting any Rental Housing Unit to any person who is intended to be a Qualifying Tenant shall provide for termination of the lease and consent by such person to immediate eviction for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by such person with respect to the Eligibility Certification.

(iv) Annual Report. The Owner covenants and agrees that during the term of this Declaration, it will prepare and submit to the HRA on or before April 1 of each year, a certificate substantially in the form of **EXHIBIT C** attached hereto, executed by the Owner, (1) identifying the tenancies and the dates of occupancy (or vacancy) for all Qualifying Tenants, including the percentage of the Rental Housing Units which were occupied by Qualifying Tenants (or held vacant and available for occupancy by Qualifying Tenants) at all times during the year preceding the date of such certificate; (2) describing all transfers or other changes in ownership of the Project or any interest therein; and (3) stating that, to the best knowledge of the person executing such certificate after due inquiry, all such units were rented or available for rental on a continuous basis during such year to members of the general public and that the Owner was not otherwise in default under this Declaration during such year.

(v) Notice of Non-Compliance. The Owner will promptly notify the HRA if at any time during the term of this Declaration the Rental Housing Units are not occupied or available for occupancy as required by the terms of this Declaration.

(b) Section 8 Housing. During the term of this Declaration, the Owner shall not adopt any policies that prohibit or in any way exclude rental to tenants holding certificates/vouchers under Section 8 of the United States Housing Act of 1937, as amended, codified as 42 U.S.C. Sections 1401 et seq., or its successor (the “Housing Act”), because of such prospective tenant’s status as such a certificate/voucher holder. Additionally, the Owner shall not adopt policies that have the effect of making it difficult for tenants holding certificates/vouchers under Section 8 of the Housing Act to rent units within the Project (for example, policies that require income of more than two times the rent to be paid for a unit). The HRA acknowledges that, under Section 8 of the Housing Act, the Owner may not have the right to evict tenants that do not meet the requirements of Section 3(a) hereof and agrees that any noncompliance with Section 3 hereof resulting from the Owner’s compliance with Section 8 of the Housing Act will not be an event of default hereunder.

4. Transfer Restrictions. The Owner covenants and agrees that the Owner will cause or require as a condition precedent to any transfer that the transferee of the Project pursuant to the transfer assume in writing, in a form acceptable to the HRA, all duties and obligations of the Owner under this Declaration, including this Section 4, in the event of a subsequent transfer by the transferee prior to expiration of the Rent and Occupancy Restrictions provided herein (the “Assumption Agreement”). The Owner shall deliver the Assumption Agreement to the HRA prior to the transfer. Subject to prior consent of the HRA, nothing in this Declaration shall limit or restrict the ability of the Owner’s investor member, Fort Caroline Investments, LLC, a Florida limited liability company (the “Investor Member”), to transfer, sell, or assign its ownership interest in the Owner, from time to time, provided that said Investor Member remains liable for payment of any then unpaid capital contributions to the Owner, as and when payable, as set forth in the Owner’s operating agreement, notwithstanding any such transfer, sale, or assignment. In particular, the HRA agrees that any transfer, sales, or assignments of investor membership interests in the Owner to any affiliate of the Investor Member or any entity in which the Investor Member, or an affiliate, is the manager or managing member shall not constitute defaults under this Declaration. The HRA shall have the right to consent to amendments to the Owner’s operating agreement entered into in order to effect transfers or assignments of the Investor Member’s interest pursuant to this section; provided that such consent shall not be unreasonably withheld.

5. Notice of Sale. The Owner agrees to provide the HRA with at least ninety (90) days’ notice of any sale of the Project.

6. Enforcement.

(a) The Owner shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of the HRA to inspect any books and records of the Owner regarding the Project with respect to the incomes of Qualifying Tenants.

(b) The Owner shall submit any other information, documents or certifications requested by the HRA which the HRA deems reasonably necessary to substantial continuing compliance with the provisions specified in this Declaration.

(c) The Owner understands and acknowledges that, in addition to any remedy set forth herein for failure to comply with the restrictions set forth in this Declaration, the HRA may exercise any remedy available to it under law.

7. **Indemnification.** The Owner hereby indemnifies, and agrees to defend and hold harmless, the HRA and the County, including their officers, agents, and employees, harmless of and from and against any and all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses), causes of action, suits, allegations, claims, demands, and judgments of any nature arising from the consequences of a legal or administrative proceeding or action brought against them, or any of them, on account of any failure by the Owner to comply with the terms of this Declaration, or on account of any representation or warranty of the Owner contained herein being untrue.

8. Agent of the HRA. The HRA shall have the right to appoint an agent to carry out any of its duties and obligations hereunder, and shall inform the Owner of any such agency appointment by written notice.

9. **Severability.** The invalidity of any clause, part or provision of this Declaration shall not affect the validity of the remaining portions thereof.

10. Notices. All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing. The Owner and the HRA may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent. The initial addresses for notices and other communications are as follows:

To the HRA: Crow Wing County Housing and Redevelopment Authority
324 East River Road
Brainerd, MN 56401
Attention: Executive Director

To the Owner: Lofts of Novotny, LLC
1819 Goodwin St.
Jacksonville, FL 32204
Attention: Justin Higgins

11. Governing Law. This Declaration shall be governed by the laws of the State of Minnesota and, where applicable, the laws of the United States of America.

12. Attorneys' Fees. In case any action at law or in equity, including an action for declaratory relief, is brought against the Owner to enforce the provisions of this Declaration, the Owner agrees to pay the reasonable attorneys' fees and other reasonable expenses paid or incurred by the HRA in connection with such action.

13. Counterparts. This Declaration may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Declaration, and, in making proof of this Declaration, it shall not be necessary to produce or account for more than one such counterpart.

14. Recording and Filing. The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto to be recorded and filed in the real property records of the County, the State, and in such other places as the HRA may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

15. Declaration Binding. This Declaration and the covenants contained herein shall run with the Property and shall bind the Owner and its successors and assigns and all subsequent owners of the Property or any interest therein, and the benefits shall inure to the HRA and its successors and assigns for the term of this Declaration as provided in Section 1(b) hereof.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Owner has caused this Declaration of Restrictive Covenants (Rental Housing Development) to be signed by its respective duly authorized representatives, as of the date and year first written above.

LOFTS OF NOVOTNY, LLC

By: _____

Christian "Andy" Allen

Its: _____

STATE OF _____)
) SS.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of October, 2023, by Christian "Andy" Allen, the _____ of Lofts of Novotny, LLC, a Florida limited liability company on behalf of the Owner.

WITNESS my hand and official seal.

Notary Public
My commission expires _____

This instrument drafted by:

Kennedy & Graven, Chartered (SEL)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402-1299
612-337-9300

This Declaration of Restrictive Covenants (Rental Housing Development) is acknowledged and consented to by:

**CROW WING COUNTY HOUSING AND
REDEVELOPMENT AUTHORITY**

By: _____
Chair

By: _____
Executive Director

STATE OF MINNESOTA)
) ss
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this _____ day of October, 2023, by Zach Tabatt, the Chair of the Crow Wing County Housing and Redevelopment Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the authority.

Notary Public

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

The foregoing instrument was acknowledged before me this _____ day of October, 2023, by Eric Charpentier, the Executive Director of the Crow Wing County Housing and Redevelopment Authority, a public body corporate and politic under the laws of Minnesota, on behalf of the authority.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION

Lots 1 and 1A, Block 1, The Lofts at Novotny.

Crow Wing County, Minnesota.
Abstract and Torrens

EXHIBIT B

CERTIFICATION OF TENANT ELIGIBILITY

Project: 15521 Edgewood Drive, Baxter, Crow Wing County, Minnesota 56425

Owner: Lofts of Novotny, LLC

Unit Type: Studio 1 BR 2 BR

1. I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons (including minors) who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

Name of Members of the Household	Relationship To Head of Household	Age	Place of Employment
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Income Computation

2. The anticipated income of all the above persons during the 12-month period beginning this date,

(a) including all wages and salaries, overtime pay, commissions, fees, tips and bonuses before payroll deductions; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); interest and dividends; the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; but

(b) excluding casual, sporadic or irregular gifts; amounts which are specifically for or in reimbursement of medical expenses; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title II of the

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs, is as follows: \$_____.

3. If any of the persons described above (or whose income or contributions was included in item 2) has any savings, bonds, equity in real property or other form of capital investment, provide:

- (a) the total value of all such assets owned by all such persons: \$_____;
- (b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____; and
- (c) the amount of such income which is included in income listed in item 2: \$_____.

4. (a) Will all of the persons listed in item 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

(b) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

THE UNDERSIGNED HEREBY CERTIFY THAT THE INFORMATION SET FORTH ABOVE IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGE THAT THE LEASE FOR THE UNIT TO BE OCCUPIED BY THE UNDERSIGNED WILL BE CANCELLED UPON 10 DAYS WRITTEN NOTICE IF ANY OF THE INFORMATION ABOVE IS NOT TRUE AND CORRECT.

Head of Household

Spouse

**FOR COMPLETION BY OWNER
(OR ITS PROPERTY MANAGER) ONLY**

1. Calculation of Eligible Tenant Income:

(a) Enter amount entered for entire household in 2 above: \$ _____

(b) If the amount entered in 3(a) above is greater than \$5,000, enter the greater of (i) the amount entered in 3(b) less the amount entered in 3(c) or (ii) 10% of the amount entered in 3(a): \$ _____

(c) TOTAL ELIGIBLE INCOME (Line 1(a) plus Line 1(b)): \$ _____

2. The amount entered in 1(c) is less than or equal to 115% OR 80% of Area Median Income for the area in which the Project is located, as described in the Declaration. 115% is necessary for status as a "Qualifying Tenant of Moderate Income" under Section 3(a) of the Declaration and 80% is necessary for status as a "Qualifying Tenants of Low Income" under Section 3(a) of the Declaration.

3. Rent:

(a) The rent for the unit is \$ _____.

(b) The amount entered in 3(a) is less than or equal to the maximum rent permitted under the Declaration.

4. Number of apartment unit assigned: _____.

5. This apartment unit was _____ was not _____ last occupied for a period of at least 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit was less than or equal to [check one]:

_____ 115% of Area Median Income, or
_____ 80% of Area Median Income.

6. Check One:

At least 60% of the Rental Housing Units must constitute Affordable Units:

_____ Applicant qualifies as a Qualifying Tenant of Moderate Income (must be at least _____ units),
_____ Applicant qualifies as a Qualifying Tenants of Low Income (must be at least _____ units, which is at least 20% of the Affordable Units), or

Not more than 40% of the Rental Housing Units:

_____ Applicant is not a Qualifying Tenant (no more than _____ units).

THE UNDERSIGNED HEREBY CERTIFIES THAT HE/SHE HAS NO KNOWLEDGE OF ANY FACTS WHICH WOULD CAUSE HIM/HER TO BELIEVE THAT ANY OF THE INFORMATION PROVIDED BY THE TENANT MAY BE UNTRUE OR INCORRECT.

INH PROPERTIES

By _____
Its _____

EXHIBIT C

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Date: _____, _____.

The following information with respect to the project located at 15521 Edgewood Drive, Baxter, Crow Wing County, Minnesota 56425 (the “Project”), is being provided by Lofts of Novotny, LLC, a Florida limited liability company (the “Owner”), to the Crow Wing County Housing and Redevelopment Authority (the “HRA”), pursuant to that certain Declaration of Restrictive Covenants (Rental Housing Development), dated October 11th, 2023 (the “Declaration”), with respect to the Project:

(A) The total number of residential units which are available for occupancy is 64. The total number of such units occupied is _____.

(B) The following residential units (identified by unit number) have been designated for occupancy by “Qualifying Tenants of Moderate Income,” as such term is defined in Section 3(a)(i) of the Declaration (for a total of ____ units):

Studio Units:

1 BR Units:

2 BR Units:

(C) The following residential units (identified by unit number) have been designated for occupancy by “Qualifying Tenant of Low Income,” as such term is defined in Section 3(a)(i) of the Declaration (for a total of ____ units):

Studio Units:

1 BR Units:

2 BR Units:

(D) The following residential units which are included in (B) above, have been redesignated as units for Qualifying Tenants of Moderate Income since _____, 20____, the date on which the last “Certificate of Continuing Program Compliance” was filed with the HRA by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____
_____	_____	_____

(E) The following residential units which are included in (C) above, have been redesignated as units for Qualifying Tenants of Low Income since _____, 20____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the HRA by the Owner:

Unit Number	Previous Designation of Unit (if any)	Replacing Unit Number
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(F) The following residential units are considered to be occupied by "Qualifying Tenants," as such term is defined in Section 3(a)(i) of the Declaration, based on the information set forth below:

	Unit Number	Name of Tenant	Number of Persons Residing in the Unit	Number of Bedrooms	Total Adjusted Gross Income	80% or 115% of Area Median Income	Date of Initial Occupancy	Rent
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
etc.								

(E) The Owner has obtained a "Certification of Tenant Eligibility," in the form provided as **EXHIBIT B** to the Declaration or such other form as approved by the HRA, from each

Tenant named in (D) above, and each such Certificate is being maintained by the Owner in its records with respect to the Project. Attached hereto is the most recent "Certification of Tenant Eligibility" for each Tenant named in (F) above who signed such a Certification since _____, 20_____, the date on which the last "Certificate of Continuing Program Compliance" was filed with the HRA by the Owner.

(F) In renting the residential units in the Project, the Owner has not given preference to any particular group or class of persons (except for persons who qualify as Qualifying Tenants); and none of the units listed in (F) above have been rented for occupancy entirely by students, no one of which is entitled to file a joint return for federal income tax purposes. All of the residential units in the Project have been rented pursuant to a written lease, and the term of each lease is at least ____ months.

(G) The information provided in this "Certificate of Continuing Program Compliance" is accurate and complete, and no matters have come to the attention of the Owner which would indicate that any of the information provided herein, or in any "Certification of Tenant Eligibility" obtained from the Tenants named herein, is inaccurate or incomplete in any respect.

(H) The Project is in continuing compliance with the Declaration.

(I) The Owner certifies that as of the date hereof all of the residential dwelling units in the Project are occupied or held open for occupancy by Qualifying Tenants, as defined and provided in the Declaration.

(J) The rental levels for each Qualifying Tenant comply with the maximum permitted under the Declaration.

IN WITNESS WHEREOF, I have hereunto affixed my signature, on behalf of the Owner, on _____, 20_____.

LOFTS OF NOVOTNY, LLC

By: _____
Its: _____

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

RESOLUTION NO. 2023-06

RESOLUTION APPROVING A LOAN TO LOFTS OF NOVOTNY, LLC, IN THE PRINCIPAL AMOUNT OF \$1,000,000, FROM THE CROW WING COUNTY HOUSING TRUST FUND AND APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED TO SUCH LOAN

BE IT RESOLVED By the Board of Commissioners (“Board”) of the Housing and Redevelopment Authority in and for the County of Crow Wing (“Authority” or “HRA”) as follows:

Section 1. Recitals.

1.01. By Resolution No. 2020-10 adopted by the Board of Commissioners of Crow Wing County, Minnesota (the “County”) on February 25, 2020 following a duly noticed public hearing, the County established by ordinance (the “Ordinance”) the Crow Wing County Housing Trust Fund (the “Housing Trust Fund”) pursuant to Minnesota Statutes, Section 462C.16. The Housing Trust Fund funds four different types of programs to encourage and assist in financing the production, preservation and stabilization of affordable and mixed-income housing in the County (the “Program”), including the New Construction/Development Program. The Housing Trust Fund is administered by the Executive Director of the HRA pursuant to the Crow Wing County HRA Housing Trust Fund Guidelines (“Program Guidelines”).

1.02. Lofts of Novotny, LLC, a Florida limited liability company (the “Borrower”) has proposed to acquire, construct, and equip a housing development that includes approximately 64 apartment units and facilities functionally related and subordinate thereto, located at 15521 Edgewood Drive, in the City of Baxter, Crow Wing County, Minnesota 56425 (the “Property”), for occupancy by individuals and families of low and moderate income (the “Project”).

1.03. Pursuant to the Program Guidelines, the Borrower has provided an application to the HRA to participate in the Program and the HRA has determined that the Borrower is eligible to participate.

1.04. In order to make the Project more economically feasible and to create affordable housing in the County, the HRA has agreed to make a loan to the Borrower, in the principal amount of \$1,000,000.00 (the “Loan”), pursuant to the terms of a Loan Agreement (Rental Housing Development) (the “Loan Agreement”) between the HRA and the Borrower.

1.05. In consideration for the Loan, the Borrower has agreed to impose certain affordability requirements for the Project pursuant to a Declaration of Restrictive Covenants (Rental Housing Development) (the “Declaration”) between the HRA and the Borrower.

1.06. To evidence and secure the Borrower’s repayment obligations with respect to the Loan, the Borrower has agreed to execute and deliver to the HRA a Promissory Note (Rental Housing Development) (the “Note”) and a Combination Mortgage, Security Agreement, Assignment of Leases and Rents, and Fixture Financing Statement (Rental Housing Development) (the “Mortgage”).

1.07. Forms of documents relating to the Loan, including the Loan Agreement, the Declaration, the Note, and the Mortgage (collectively, the “Loan Documents”), have been prepared and are on file with the HRA.

Section 2. HRA Approval; Further Proceedings.

2.01. The Board has reviewed the Loan Agreement and finds that the Loan and execution of the Loan Agreement by the HRA and performance of the HRA's obligations thereunder are in the best interests of the HRA, the County, and its residents. In satisfaction of Section 4.1 of the Ordinance, the Board hereby approves the Loan.

2.02. The Loan Documents as presented to the Board are hereby in all respects approved, subject to modifications that do not alter the substance of the transaction and that are approved by the Chair and Executive Director, provided that execution of the documents by such officials shall be conclusive evidence of approval.

2.03. The Chair and Executive Director are hereby authorized to execute on behalf of the HRA the Loan Documents and any documents referenced therein requiring execution by the HRA, and to carry out, on behalf of the HRA, its obligations thereunder.

2.04. HRA and HRA staff are authorized and directed to take all actions to implement the Loan.

Approved by the Board of Commissioners of the Housing and Redevelopment Authority in and for the County of Crow Wing this 10th day of October, 2023.

Crow Wing County HRA Chair – Zachary Tabatt

ATTEST:

Crow Wing County HRA Executive Director – Eric Charpentier



Housing & Redevelopment Authority

To: CWC HRA Board Members
From: Eric Charpentier, Executive Director
Date: October 10th, 2023
Re: Executive Director Report

2024 CWC HRA Levy Update

The County board tabled the levy request from the HRA at their September 26th board meeting to have further discussions regarding the Housing Trust Fund levy, specifically regarding how the levy dollars are shared throughout the County for this portion of the HRA levy. The CWC HRA levy shares its tax burdens with the County residents other than those residents living within the boundaries of Brainerd, Pequot Lakes and Crosby because those three Cities have local HRAs that have levy authority within their boundaries. The County would like to examine the Housing Trust Fund portion of the HRA specifically to research if the tax burden for that funding should be and could be shared County wide as the Housing Trust Fund was put in place to help all areas of the County which does include the Cities of Brainerd, Pequot Lakes and Crosby. There were a number of residents that spoke at the board meeting ahead of the commissioners tabling the agenda item. The concerns coming from the citizens surrounded the amount in which the County was going to allow the HRA to levy for the housing trust fund and the direct impact that the funding would have on resident's property taxes. There were also several residents that voiced their concerns for why the County would or if they should be involved with housing.

Crow Wing County Administrator Houle has requested that the County commissioners hold a joint meeting with the HRA board at some time in the near future to discuss the role of the HRA and to do some information sharing on the initiatives of the HRA. I will be working with Administrator Houle to draft an agenda for that joint meeting and we are hoping to have that meeting prior to the end of the year.

Action Requested: No action requested, for informational purposes only

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Housing & Redevelopment Authority

To: CWC HRA Board Members
From: Eric Charpentier, Executive Director
Date: October 10th, 2023
Re: Housing Trust Fund Report

The loan documentation for our new development loan that was approved in June for the Lofts of Novotny has been reviewed by staff and is currently being reviewed by the developer's legal counsel. We anticipate the developer signing the loan documents in the next week and once the documents are returned to us. Once we sign and execute the loan documents, we will get the funds disbursed which should be occurring within the next few days.

With our 2024 levy amount still to be determined staff has decided not to bring any of the pending applications for funding to the board at this time. We are still awaiting our 2nd half levy proceeds for 2023 which will bring the available funds to just over \$267,000 for projects by the end of this year. The County is required to set the final levy for their budgets in December which will then give us a final amount of what our funding level will be for 2024. Staff is also tracking the state funding match for housing trust funds and the RFP has still not been released and we do not have a firm timeline on when those funds might be available. Until we have a better understanding of what we may have available in 2024 for funding we do not think it would be prudent to bring any loan requests to the board as the funding requests currently exceed what we will have available at year end. We will be reaching out to the applicants to let them know that our anticipated review of their projects will occur sometime towards the end of the year due to the uncertainty surrounding our available funds in 2024.

What staff would propose however, is that the board discuss in greater detail what, if any, priorities they would have on fund allocation in the coming year for projects and/or programs that we have available. We'd also like to have a discussion regarding the interest rate that is associated with the HTF loans. We have not charged any interest on loans that have been written to date. The feedback that we have heard from the County commissioners is that they would like this board to reconsider if charging interest is something that we should do going forward.

Action Requested: Discussion of HTF priorities and any general direction the board would like staff to focus on for the upcoming year.



Housing & Redevelopment Authority

To: Crow Wing County HRA Board Members
 From: John Schommer, Rehab & Maintenance Director
 Date: October 5, 2023
 Re: Rehab Programs Report

Level Contracting Lot Sale

The sale of the 6 lots the board approved at the September meeting is scheduled for Friday, October 6th.

Brainerd Oaks/Serene Pines/Dalmar Estates

Development	Total	# Sold to Developer	# Sold to End Buyer	For Sale	In Construction
Brainerd Oaks	81*	66	64	0	2
Serene Pines	24**	21	19	0	2
Dalmar Estates	7	4	3	0	1

* Originally 83 lots, 2 have been merged/combined into a single parcel

**Originally 23 lots, 1 was added

Action Requested: None, discussion items.

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October 5th, 2023

1. CURRENT PROJECTS IN PROCESS

	HTF	MHFA	SCDP	Total
County of Crow Wing	4	5	5	14

2. GARRISON SMALL CITIES – (2 Commercial Rehab / 5 Owner-Occupied)

	App. Request	App. Review	Inspection Scheduled	Work Writeup/ Review	Out for Bid	Prebid Meeting	Closing Loan Scheduled	Under Constr.	Complete
CML.								2	
OOR.								1	1

3. JENKINS SMALL CITIES – (5 Owner Occupied Rehab)

	App. Request	App. Review	Inspection Scheduled	Work Writeup/ Review	Out for Bid	Prebid Meeting	Closing Loan Scheduled	Under Constr.	Complete
OOR.								2	2

4. HOUSING TRUST FUND

	App. Request	App. For Review	Inspection Scheduled	Work Writeup/ Review	Out for Bid	Prebid Meeting	Closing Loan Scheduled	Under Constr.	Complete
DPA.			N/A	N/A	N/A	N/A	N/A	N/A	8
OOR.								1	8
COM							1		

5. MINNESOTA HOUSING IN CROW WING COUNTY

	App. Request	App. Review	Inspection Scheduled	Work Writeup/ Review	Prebid Mtg.	Out for Bid	Closing Loan Scheduled	Under Constr.	Complete
OOR.	2	2		2					3

6. COMPLETED OWNER-OCCUPIED REHAB. PROJECTS IN CROW WING COUNTY

	HTF	MHFA	SCDP	Total
January – December 2022	1	4	3	8
January – December 2023	7	3	3	13
Total				21

*City of Emily SCDP Grant was closed in 2022 w/ 5 Owner-Occupied Projects completed

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2023 CWC HRA BLAEDC/CREDI

STAFF TIME- September



Date Range: 9/1/2023 - 9/30/2023

Project	Task	Date	Comment	Hours	Amount
Crow Wing County HRA					
CWC HRA-Redev	Redevelopment Projects				
E-mail	E-mail Correspondence			17.00	\$2,550.00
9/1/2023	email and phone conversations with building owner who is redeveloping a downtown Brainerd building for additional purposes. Discussions involve financing needs, city permitting, new rental opportunities with additional rental space for new tenants.			17.00	\$2,550.00
9/5/2023	Staff contact and review of Main Street Revitalization projects in the river to rail corridor of Brainerd. Many projects are utilizing grant funds along with personal funds to redevelop properties located in the corridor. BLAEDC administered the grants and have assisted the recipients with the process.			2.00	\$300.00
9/6/2023	BLAEDC staff participated in the online discussion regarding the redevelopment of the Brainerd Y site along with discussions around future sites for capital improvements in Crow Wing County.			2.00	\$300.00
9/11/2023	email and phone conversations with developers looking for additional property in the Baxter area for a future housing development. Reviewed numerous properties with the development team and discussed opportunities for development and area needs.			2.00	\$300.00
9/13/2023	email communication with local landowners to obtain information regarding their property in the Cuyuna Lakes area for development opportunities. BLAEDC will continue to work with the landowner to provide quality developers to this property.			1.50	\$225.00
9/15/2023	email correspondence with grant recipient for main street redevelopment project. This project was not initially funded but now is being funded, therefore discussions around information gathering was required by BLAEDC staff.			1.00	\$150.00
9/19/2023	email communication with real estate developers to understand housing development and have them deliver plans for review prior to in-person meeting. Phone communication with staff to set meetings and determine participants.			2.00	\$300.00
9/21/2023	email communication with Minneapolis based developer who is currently working on single-family development project in Nisswa. Developer is questioning funding opportunities such as the housing trust fund to assist his project. Provided details for the trust fund to developer.			1.50	\$225.00
9/26/2023	email and phone discussions with daycare grant recipient from Jenkins to establish final bills for submission as building is complete now that the last items of redevelopment have been completed.			1.50	\$225.00
9/28/2023	video conference call with development team regarding Baxter tax forfeited property that is available for development. Discussions surrounding duplex housing as well as some additional multi-family housing opportunities. Further housing trust fund discussions were also had.			1.50	\$225.00
Mtgs	Meetings			48.00	\$7,200.00
				48.00	\$7,200.00

9/5/2023	Development meeting to discuss opportunities in Crosby with a local developer. Working to identify viable properties for multi-family housing project in the city of Crosby. Discussed with local land owner regarding 26 acres of land that could be developed with a partnership agreement. Further discussion to be had once land price is identified.	2.50	\$375.00
9/6/2023	BLAEDC staff attended Crosslake EDA meeting to discuss projects, available storefronts that could be ideal for redevelopment. Further discussions were had regarding housing issues still facing the city of Crosslake. Employers in the area are looking for many options for their employees. The city has some incentives they are willing to discuss with developers. Staff presented some business findings with group.	3.00	\$450.00
9/7/2023	Attended and presented at the groundbreaking for the new ymca childcare center. This facility is a complete redevelopment project for this facility that will add over 70 new childcare spots to this location. BLAEDC staff attended this event in support of this project and the work completed by BLAEDC staff to secure funding and write grants for Y.	3.50	\$525.00
9/8/2023	BLAEDC staff touring land in Crosby that is available for development. Land is currently privately owned but the owner is willing to work with a developer to create multi-family housing property that is desperately needed in the Cuyuna Lakes area. The owner will look for assistance from BLAEDC to bring interested developers to the table for discussions.	2.50	\$375.00
9/11/2023	BLAEDC staff in community meeting in Crosslake to assist local EDC with housing and redevelopment opportunities. Crosslake has some open store fronts that they are looking for new tenants to occupy, BLAEDC has created a survey to assist the attraction of new business to vacated properties in Crosslake. Some of the properties would need redevelopment to suit a new renter. Survey results will be shared with EDC staff to work on future plan and how to market property.	3.00	\$450.00
9/12/2023	Crow Wing County Board meeting attendance. Prepared information to address any concerns regarding funding and housing opportunities available in Crow Wing County and how the housing trust fund assists efforts to address housing concern in the county. Attendance at CWC HRA board meeting, reports provided and discussed during meeting.	4.50	\$675.00
9/13/2023	BLAEDC staff tour of redeveloped building in east Brainerd. BLAEDC had input on funding, building had a significant redevelopment.	2.50	\$375.00
9/14/2023	BLAEDC staff toured a newly redeveloped property in Brainerd. BLAEDC assisted this project with Unified Fund dollars. Property was a medical supply building that has not been redeveloped in to lab space as well as new office space for a growing local business.	2.00	\$300.00
9/18/2023	BLAEDC staff touring a newly redeveloped building in Nisswa that will now house a new business. BLAEDC assisted the owner with financing and building location. Staff also assisted the owner with development of business plans and marketing. Building was an older vacant property in Nisswa that has now been redeveloped and open to a new local business.	2.50	\$375.00

9/19/2023

6.00 \$900.00

Multiple BLAEDC staff meetings on this day. Pequot Lakes EDC meeting, staff provided updated reports and business directory to staff to determine best steps forward for vacant store fronts that are in need of redevelopment. 2 major properties located in downtown Pequot are vacant and need redevelopment. BLAEDC will work with city staff to identify plan to market properties. Staff toured the building later in the day with real estate professionals to determine market value, current ownership and determine long range city plan for development and redevelopment.

9/20/2023

3.50 \$525.00

BLAEDC staff met with developers for Crow Wing County real estate project. Current project has over 50 lots for single family homes. BLAEDC will work with developers and real estate professionals to market the property to new home buyers coming to the area. Land is open to all developers and is located at the west end of the county. This project will not bring workforce housing to the region, but it does bring housing opportunities for those individuals that are relocating to the area. Staff will assist in marketing these properties for future housing development.

9/21/2023

3.50 \$525.00

BLAEDC staff attending and presenting at CREDI board meeting. Discussion and information provided to the board consisted of updates regarding housing opportunities in the Cuyuna region. Also provided updates on daycare redevelopment project that is currently under construction in Crosby. Staff updated the group on projects that will impact the area that BLAEDC has been involved in and have redevelopment occurring.

9/25/2023

3.00 \$450.00

BLAEDC staff met and toured new redevelopment project in downtown Nisswa. Property is former gas station located in the center of downtown Nisswa. Property has been sold and is being redeveloped by local buyers. Discussions were had around financing assistance along with city incentives that could be made available to project. This will be a redevelopment project that will be focal point in Nisswa.

9/26/2023

3.50 \$525.00

Multiple meetings involving Main Street redevelopment projects in downtown Brainerd. Follow up for project updates and toured 2 projects that are close to completion. Also attended county board meeting involving future funding of housing trust fund and blaedc through hra levy.

9/27/2023

2.50 \$375.00

Development meeting to discuss local venue in Brainerd that is in desperate need of assistance for redevelopment to maximize rental/leasing opportunities as building and maintenance costs are skyrocketing and property owners need redevelopment to update systems to bring costs down and entice new activity.

65.00	\$9,750.00
65.00	\$9,750.00
65.00	\$9,750.00

Staff time and notes listed above have been reviewed and approved by BLAEDC Executive Director, Tyler Glynn, upon submittal of this report.



Tyler Glynn
BLAEDC Executive Director

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<u>2017 BUF Loan Recipient</u>	<u>Location</u>	<u>Loan Type</u>	<u>Primary Lender</u>	<u>Jobs Created</u>	<u>Jobs Retained</u>	<u>BUF Loans/Current Balance</u>
1.	Brainerd	Equipment	Members Coop	3	5	\$ 24,500 \$0
<u>2018 BUF Loan Recipient</u>						
2.	Emily Area	Business Acquisition	Bank Vista	2	4	\$ 64,020 \$33,984
3.	Baxter	Equipment	Bremer	2	12	\$ 43,000 \$0
4.	Brainerd	Real Estate	Riverwood Bank	6		\$ 67,500 \$58,704
5.	Nisswa	Equipment	BlackRidge Bank	2		\$ 55,000 \$0
6.	Baxter	Equip/Staff	Riverwood Bank	12	9	\$ 50,000 \$6,572
7.	Crosslake	Inventory/Staff	MN Bank & Trust	7	7	\$ 200,000 \$0
Paid in Full						
<u>2019 BUF Loan Recipient</u>						
9.	Crosby	Property Improvements	Bremer	5		\$ 75,000 \$71,992
10.	Brainerd	Bus Acquisition	BlackRidge Bank	5	8	\$ 80,000 \$71,119
11.	Nisswa	Inventory/ Improvements	BlackRidge Bank	3	2	\$ 30,000 \$0
12.	Brainerd	Refinance	Deerwood Bank	1	5	\$ 50,000 \$32,392
13	Baxter	Real Estate	BlackRidge Bank	7	20	\$ 75,000 \$68,923

14.	Brainerd	Real Estate	Randall State Bank	18	24	\$ 30,000	\$28,580
2020 BUF Loan Recipient							
15.	Jenkins	Inventory and Equipment	First National Bank	10		\$ 100,000	\$0
16.	Pequot Lakes	Real Estate	American National Bank	3	2	\$ 49,270	\$44,829
17.	Brainerd	Real Estate	Riverwood Bank	7		\$ 117,600	\$0
2021 BUF Loan Recipient							
18.	Brainerd	Equipment	First Western Bank	2	3	\$ 99,400	\$74,866
19.	Brainerd	Real Estate	First Western Bank	19	3	\$ 125,000	\$117,202
2023 BUF Loan Recipient							
20.	Brainerd	Real Estate	Frandsen Bank	2.5	10	\$142,500	\$142,500
21.	Brainerd	Commercial Real Estate	First Western Bank	9	26	\$200,000	\$200,000
				125.5	140	\$ 1,677,790	\$841,663

** BUF Loan Committee approved 2 more loans in 2021 that were not funded as a partner with the Initiative Foundation, but the Initiative Foundation chose to fund both loans without BUF funding assistance.

** Average Interest Rate of all loans through the Unified Fund – 5.97% (BUF matches the rate of the primary lender)

** HRA Levy Funds committed to BUF - **\$119,245**

** CWC HRA TIF Funds committed to BUF - **\$357,880** (these funds are held by HRA, \$75,000 was lent out of those funds in February of 2019.)