



Housing & Redevelopment Authority

Crow Wing County HRA Board Meeting Agenda
5:00pm Tuesday December 12th, 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=ma5d8dbd532c2f38a7d676f58bfb1f3c1>

Join by phone: 415-655-0001

Meeting number (access code): 2551 356 0133

Meeting password: eyHfcsqy792

"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, October 10th, 2023 Meeting Minutes (*Attachment 1*) Pg. 3
- b.** Approval of the Tuesday November 14th, 2023 Joint CWC/CWC HRA Meeting Minutes (*Attachment 2*) Pg. 7

5. REVIEW & ACCEPT FINANCIAL STATEMENTS (*Attachment 3*) Pg. 9

- a.** CWC HRA Combined Balance Sheet October/November 2023
- b.** CWC HRA Combined Operating Statement October/November 2023
- c.** CWC HRA October/November 2023 Payments

6. UNFINISHED BUSINESS

7. NEW BUSINESS

- a.** Review & Discuss Fund Balance (*Attachment 4*) Pg. 23
- b.** Authorize Participation in the Minnesota City Participation Program (MCP) (*Attachment 5*) Pg. 25
 - i.** 2023 MCP Usage Report
 - ii.** 2024 MN City Participation Program (MCP) Application
 - iii.** MHFA MCP Program Application Commitment Agreement

8. REPORTS/UPDATES:

- a.** Executive Director (*Attachment 6*) Pg. 35
- b.** Housing Trust Fund (*Attachment 7*) Pg. 117
- c.** Brainerd HRA/Rehab Programs (*Attachment 8*) Pg. 121
- d.** BLAEDC/CREDI (*Attachment 9*) Pg. 125
- e.** CWC

9. COMMISSIONER COMMENTS

10.NEXT MEETING Tuesday January 9th, 2024

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)
Vacant, 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.

Guests: Lynn Kateenberger & Pat Dullum

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.

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

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, Morford, Aulie, Nathan, 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.

**CROW WING COUNTY BOARD OF COMMISSIONERS AND
CROW WING COUNTY HOUSING AND REDEVELOPMENT AUTHORITY BOARD
JOINT MEETING MINUTES**

Land Services Building
Brainerd, Minnesota

11/14/2023

1. Call to Order and Pledge of Allegiance

Chair Franzen called the meeting to order at 5:00 PM and called for participation in reciting the Pledge of Allegiance followed by a moment of silence.

2. Roll Call

Present: Crow Wing County Board: Paul Koering, Jon Lubke, Steve Barrows,
Rosemary Franzen, Doug Houge

Crow Wing County HRA Board: Richard (George) Burton, Michael
Morford, Zach Tabatt, Jennifer Bergman, Michael Aulie

Others Present: Crow Wing County: County Administrator Timothy Houle, Administrative
Services Director Deborah Erickson

HRA: Executive Director Eric Charpentier, Finance Director Karen
Young, Rehab Administrative Specialist Kristin Miller

3. Review and Approval of Agenda

Moved by Commissioner Barrows seconded by Commissioner Koering to approve the agenda of the November 14, 2023 Joint Crow Wing County and Crow Wing County HRA Board Meeting.
Motion Passed [Unanimous]

4. Presentation - Association of Minnesota Counties - Matt Hilgart

Matt Hilgart gave a presentation on housing authorities and county governance.

5. Discussion of Housing Goals

Eric Charpentier gave a presentation on uses of the Crow Wing County Housing Trust Fund.

6. CWC Housing Trust Fund

There was discussion on levy authority across taxing districts where HRA's are currently operating and the need for municipal consent for levy requests in those jurisdictions. There was also discussion regarding Housing Trust Fund programs and lending terms.

Moved by Commissioner Barrows seconded by Commissioner Lubke to authorize Crow Wing County staff to contact the cities of Brainerd, Crosby and Pequot Lakes to ask for municipal consent to spread the Housing Trust Fund levy countywide. On roll call vote, Commissioner Houge voted aye, Commissioner Koering voted aye, Commissioner Lubke voted aye, Commissioner Barrows voted aye, and Commissioner Franzen voted nay. Motion Passed [4 to 1]

7. **CWC HRA Operational Appropriation Request**

Moved by Commissioner Barrows seconded by Commissioner Lubke to appropriate an additional \$29,650 to the County HRA operations. On roll call vote, Commissioner Barrows voted aye, Commissioner Lubke voted aye, Commissioner Houge voted aye, Commissioner Koering voted nay, and Commissioner Franzen voted nay. Motion Passed [3 to 2]

8. **Open Forum**

The following spoke about housing needs in the community:

Bekah Kent-Ehlebracht, Brainerd HRA
Mike Duval, Brainerd HRA
Kim Sipey, Breezy Point resident
Mark Ronnei
Bill Brekken
Tyler Glynn, BLAEDC
Mark Olson
Allie Verchota, Brainerd HRA
Gabe Johnson, Brainerd City Council/Brainerd HRA
Brad Chapulis, Baxter City Administrator
Kevin Pelkey, Habitat for Humanity

9. **Adjournment**

The Chair adjourned the meeting at 7:08 PM.


Rosemary Franzen, Chair
Board of County Commissioners


Timothy J. Houle
County Administrator

Prepared by Therese Norwood



Housing & Redevelopment Authority

To: CWC HRA Board Members

From: Karen Young, Finance Director

Date: December 5, 2023

Re: Review and Accept Financial Statements

Level Contracting Closing

Reflected in the October financial statements is the closing that took place for the purchase of the six lots in Brainerd Oaks for a total of \$27,919.98 as approved at the September meeting. Of this, \$13,800 went to the City for SAC/WAC/Park Fees, \$12,497.59 went to the City in lieu of assessments, and \$975 were for closing costs. We were reimbursed for direct costs of \$647.39. With this closing, 87% of the total lots have been purchased by the developer.

Tax Forfeit Property (TFP) Closing

Reflected in the October financial statements is the closing that took place for the sale of the five tax forfeited properties in Baxter to Lakes Area Habitat for Humanity for a total of \$2,001.56 as approved at the May meeting.

CWC SCDP Local Income

Reflected in the October financial statements is the receipt of \$8,880.96 in SCDP Local Income from Crow Wing County. The balance in this account is currently \$96,684.91. These funds are used as leverage dollars for SCDP grant applications to help municipalities throughout CWC.

Housing Trust Fund (HTF)

In October we processed a check to fund the \$1,000,000 loan to Lofts of Novotny.

Attached is an HTF projection through the end of the year. State Statute allows not more than 10% of the balance of the fund to be spent on administrative expenses. This projection reflects 5% set aside for administrative expenses – versus the 10% that had been projected. Cumulative administrative expenses charged to the HTF total \$21,465.32. This leaves \$68,534.68 remaining in the Fund for future administrative costs.

Action Requested: Accept the October and November financial statements as submitted.

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Housing Trust Fund Projection Through 12/31/2023

Levy Approved Total \$ 1,800,000.00

Interest Earned To Date \$ 14,796.00

Loans Awarded

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

5% Admin \$ 90,000.00

Remaining Balance \$ 360,205.00

Approved - Not Awarded

DPA	\$	-
Rehab	\$	-
Total	\$	-

Available Balance \$ 360,205.00

Applications

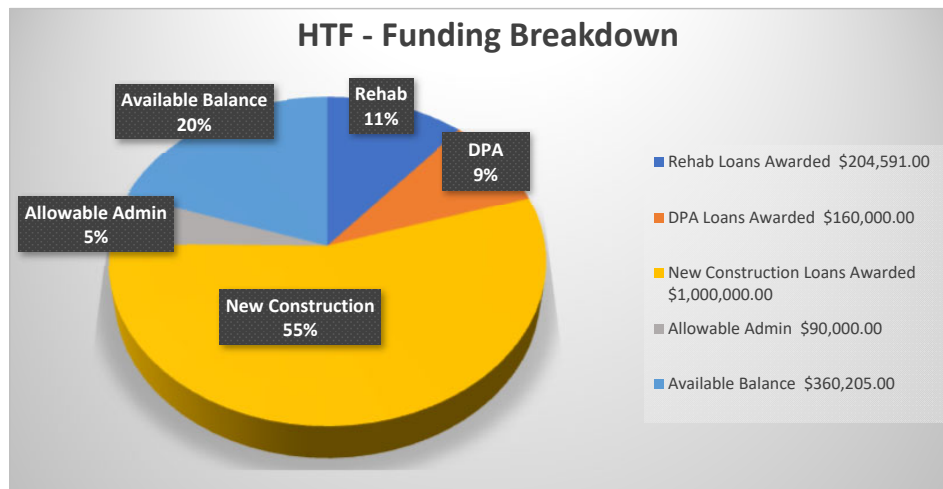
DWJones - New Development	\$	1,300,000.00
Peuringer - Rental Rehab	\$	460,000.00
Hansen - Owner Rehab	\$	25,000.00
Collins - Owner Rehab	\$	25,000.00
Total	\$	1,810,000.00

Surplus/(Deficit) \$ (1,449,795.00)

Other Source of Funds

TIF - RLF	\$	422,000.00
Non-TIF RLF	\$	119,245.00
CWC Funding	\$	157,000.00
MH Funding	\$	150,000.00
Total	\$	848,245.00

Surplus/(Deficit) \$ (601,550.00)



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Housing & Redevelopment Authority

October 2023 Financial Statements

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Date/Time joe
12/7/2023

8:50:49 AM

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

	Cumulative
ASSETS	
550-000-1129.210 Cash Gen Fund	281,160.98
550-001-1129.210 Cash CWC SCDP	96,684.91
551-002-1129.210 Cash RLF TIF	420,201.37
556-000-1129.210 Cash Development Fund	629.69
557-000-1129.210 Cash Tax Forf Property	-2,109.67
558-000-1129.210 Cash HTF	157,717.50
551-002-1141.000 Loan Rec RLF TIF	7,459.52
558-000-1141.000 Loan Rec HTF	1,340,207.00
556-000-1450.000 Land Held for Resale	145,516.68
TOTAL ASSETS	<u>2,447,467.98</u>
LIABILITIES	
558-000-2115.000 HTF Escrow	-16,738.00
556-000-2600.000 Def Inflow of Res - Dev	-145,516.68
TOTAL LIABILITIES	<u>-162,254.68</u>
SURPLUS	
550-000-2700-000 Net Income	-251,964.82
550-000-2806.000 Retained Earnings	-2,033,248.48
TOTAL SURPLUS	<u>-2,285,213.30</u>
TOTAL LIABILITIES & SURPLUS	<u>-2,447,467.98</u>
Proof	0.00

Crow Wing County
CWC HRA Combined Operating Stmt
October, 2023

	Current Period	Current Year	Year To Date Budget	Variance
INCOME				
550-000-3610.000 Investment Earnings	-2,208.07	-15,103.83	0.00	-15,103.83
550-000-3690.000 Other Revenue	-8,880.96	-10,617.39	-20,000.00	9,382.61
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	-643.88	-4,877.06	-683.30	-4,193.76
556-000-3696.000 Development Revenue	-27,919.98	-81,359.61	-159,333.30	77,973.69
557-000-3696.000 TFP Revenue	-2,001.56	-2,001.56	-8,333.30	6,331.74
TOTAL INCOME	-41,654.45	-550,464.02	-631,669.90	81,205.88
EXPENSE				
550-000-4110.000 Administrative Salaries	150.00	2,400.00	3,750.00	-1,350.00
550-000-4130.000 Legal	0.00	0.00	8,333.30	-8,333.30
550-000-4140.000 Staff Training	0.00	355.00	1,250.00	-895.00
550-000-4150.000 Travel	0.00	167.60	208.30	-40.70
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	135,641.60	135,641.60	0.00
550-000-4190.000 Other Administrative	0.00	80.93	166.70	-85.77
550-000-4500.000 TIF Expense	0.00	36.50	500.00	-463.50
550-000-4510.000 Insurance	0.00	2,748.00	2,900.00	-152.00
550-000-4540.000 Employer FICA	11.48	183.74	291.70	-107.96
550-000-4590.000 Other General Expense	0.00	57,686.68	79,343.00	-21,656.32
550-001-4600.000 CWC SCDP Expense	0.00	0.00	16,666.70	-16,666.70
556-000-4600.000 Development Expense	27,276.52	81,394.12	159,333.30	-77,939.18
557-000-4600.000 TFP Expense	5.90	1,355.34	8,333.30	-6,977.96
558-000-4600.000 HTF Expense	202.21	7,443.92	33,333.40	-25,889.48
TOTAL EXPENSE	41,210.27	298,499.20	458,031.30	-159,532.10
NET INCOME(-) OR LOSS	-444.18	-251,964.82	-173,638.60	-78,326.22



Housing & Redevelopment Authority

November 2023 Financial Statements

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Date/Time joe
12/7/2023

8:50:19 AM

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

	Cumulative
ASSETS	
550-000-1129.210 Cash Gen Fund	268,094.14
550-001-1129.210 Cash CWC SCDP	96,684.91
551-002-1129.210 Cash RLF TIF	422,568.67
556-000-1129.210 Cash Development Fund	-22.60
557-000-1129.210 Cash Tax Forf Property	-2,109.67
558-000-1129.210 Cash HTF	156,113.80
551-002-1141.000 Loan Rec RLF TIF	6,047.65
558-000-1141.000 Loan Rec HTF	1,340,207.00
556-000-1450.000 Land Held for Resale	145,516.68
TOTAL ASSETS	<u>2,433,100.58</u>
LIABILITIES	
558-000-2115.000 HTF Escrow	-16,738.00
556-000-2600.000 Def Inflow of Res - Dev	-145,516.68
TOTAL LIABILITIES	<u>-162,254.68</u>
SURPLUS	
550-000-2700-000 Net Income	-237,597.42
550-000-2806.000 Retained Earnings	-2,033,248.48
TOTAL SURPLUS	<u>-2,270,845.90</u>
TOTAL LIABILITIES & SURPLUS	<u>-2,433,100.58</u>
Proof	0.00

Date: 12/7/2023
Time: 8:50:26 AM
joe

Crow Wing County
CWC HRA Combined Operating Stmt
November, 2023

Page: 1
Rpt File: F:\HMS\REP

	Current Period	Current Year	Year To Date Budget	Variance
INCOME				
550-000-3610.000 Investment Earnings	-1,165.90	-16,269.73	0.00	-16,269.73
550-000-3690.000 Other Revenue	0.00	-10,617.39	-20,000.00	9,382.61
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	-955.43	-5,832.49	-751.63	-5,080.86
556-000-3696.000 Development Revenue	0.00	-81,359.61	-175,266.63	93,907.02
557-000-3696.000 TFP Revenue	0.00	-2,001.56	-9,166.63	7,165.07
TOTAL INCOME	-2,121.33	-552,585.35	-648,504.89	95,919.54
EXPENSE				
550-000-4110.000 Administrative Salaries	300.00	2,700.00	4,125.00	-1,425.00
550-000-4130.000 Legal	0.00	0.00	9,166.63	-9,166.63
550-000-4140.000 Staff Training	0.00	355.00	1,375.00	-1,020.00
550-000-4150.000 Travel	1.32	168.92	229.13	-60.21
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	149,205.76	149,205.76	0.00
550-000-4190.000 Other Administrative	0.00	80.93	183.37	-102.44
550-000-4500.000 TIF Expense	0.00	36.50	550.00	-513.50
550-000-4510.000 Insurance	0.00	2,748.00	2,900.00	-152.00
550-000-4540.000 Employer FICA	22.96	206.70	320.87	-114.17
550-000-4590.000 Other General Expense	0.00	57,686.68	81,510.00	-23,823.32
550-001-4600.000 CWC SCDP Expense	0.00	0.00	18,333.37	-18,333.37
556-000-4600.000 Development Expense	652.29	82,046.41	175,266.63	-93,220.22
557-000-4600.000 TFP Expense	0.00	1,355.34	9,166.63	-7,811.29
558-000-4600.000 HTF Expense	1,948.00	9,391.92	36,666.74	-27,274.82
TOTAL EXPENSE	16,488.73	314,987.93	496,979.13	-181,991.20
NET INCOME(-) OR LOSS	14,367.40	-237,597.42	-151,525.76	-86,071.66

**Crow Wing County HRA
October-November 2023
Payments**

Payment Number	Payment Date	Vendor	Description	Check Amount
1018	10/5/2023	John Schommer	Mileage	\$ 18.34
2224	10/19/2023	Lofts of Novotny LLC	HTF-New Construction Loan	\$ 1,000,000.00
25764	10/5/2023	Kennedy & Graven, Chartered	HTF -Legal	\$ 176.00
25765	10/5/2023	Kristin Miller	Mileage	\$ 17.70
25774	10/5/2023	Quick Construction, Inc	HTF-OORL	\$ 4,362.39
25829	11/2/2023	Crow Wing Cty Recorder's Office	HTF-Recording Fee	\$ 46.00
25837	11/2/2023	Kennedy & Graven, Chartered	HTF & Brainerd Oaks Legal	\$ 2,312.50
25838	11/2/2023	Kristin Miller	Mileage	\$ 13.11
25857	11/16/2023	Crow Wing Cty Recorder's Office	HTF-Recording Fee	\$ 184.00
25858	11/16/2023	Crow Wing Cty Recorder's Office	HTF-Recording Fee	\$ 46.00
Total				\$ 1,007,176.04

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Housing & Redevelopment Authority

To: CWC HRA Board Members

From: Karen Young, Finance Director

Date: December 6, 2023

Re: Review and Discuss Fund Balance

The Fund Balance Policy sets the recommended unassigned fund balance to be maintained at 8 to 12 months of General Fund operating expenses for the year. The following classifications are established for governmental funds and define the constraints placed on the current fund balance.

1. **Nonspendable** - fund balance not expected to be converted to cash such as inventory or prepaid expenses.
2. **Restricted** - fund balance with constraints from an external source such as the Housing Trust Fund, TIF Revolving Loan Funds and CWC Local Income (SCDP).
3. **Committed** – fund balance constrained for a specific purpose by the HRA board prior to yearend.
4. **Assigned** – fund balance that is intended for a specific purpose by the board or Executive Director/Finance Director. These funds are neither restricted nor committed.
5. **Unassigned** – General Fund balance that is available for any purpose.

It is a GASB 54 requirement that any Board commitments be established prior to yearend with an amount to be set after yearend when the calculation can be finalized. The estimated fund balance at yearend should be just under 9 months which is within the 8 to 12 months set by policy. As a result, it is not recommended that the Board take action to commit funds at this time.

Action Requested: No commitment of funds is recommended for 2023 yearend.

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Housing & Redevelopment Authority

To: CWC HRA Board Members
 From: Eric Charpentier, Executive Director
 Date: December 12th, 2023
 Re: Authorize Participation in the Minnesota City Participation Program

Minnesota Housing sells mortgage revenue bonds on behalf of cities to meet locally identified housing needs. The proceeds of these bonds provide below-market interest rate home mortgage loans for low-and moderate-income first-time homebuyers. The Minnesota City Participation Program (MCP) provides cities throughout the state with a unique opportunity to easily access housing resources to meet the needs of their citizens without having the administrative burden of running their own bond program. The first-time homebuyers access the program through their local lenders and have access to downpayment and closing cost assistance if needed.

Funds are available to local participating lenders to offer low interest loans to eligible home buyers. The funds are initially available to the specific community. For 2023, \$1,211,349 was allocated for Crow Wing County and as of 11/30/23, \$5,128,664 in loans have been committed (see Attachment). This equates to a usage rate of 423%, which will allow us to participate in this program in 2024 (there is a minimum usage requirement of 50% of the allocation in order to participate the following year.) Statewide, the program helped 1,827 first time homebuyers with incomes below 80% of the Area Median Income with home mortgage loans and a total of 3,062 total homeowners received loans through this program.

In order to participate in the MCP, we need to submit the application by Friday, January 12th, 2024 (see Attachment).

This program provides another mortgage option for potential home buyers in Crow Wing County.

Action Requested: Authorize Executive Director to submit the 2024 Minnesota Cities Participation Program application to Minnesota Housing.

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2023 MCPP Usage Report 1.16.2023 - 11.30.2023 (Applies to Start Up Program Loans Only)

For Informational Purposes Only

Applicant Name	Allocation Amount	Committed Loans	Committed Amount	*Usage Test	% of Usage	**Additional Start Up Loans		Step Up Loans		Total Loan Activity		Downpayment and Closing Cost Loans	
						Committed Loans	Committed Amount	Committed Loans	Committed Amount	Committed Loans	Committed Amount	% of First Mortgage Loans	Total Amount of Downpayment Loans
Alexandria	\$ 262,123	6	\$1,191,767	MET	455%	0	\$ -	1	\$ 169,500	7	\$1,361,267	100%	\$ 102,050
Anoka	\$ 6,546,608	213	\$54,440,484	MET	832%	70	\$ 21,528,289	94	\$ 30,432,504	377	\$106,401,277	96%	\$ 5,766,853
Becker	\$ 630,004	12	\$1,893,496	MET	301%	1	\$ 222,227	5	\$ 997,399	18	\$3,113,122	100%	\$ 199,963
Blue Earth - City of	\$ 100,000	1	\$72,250	MET	72%	0	\$ -	1	\$ 243,016	2	\$315,266	250%	\$ 72,800
Blue Earth - County of	\$ 1,235,777	19	\$3,699,625	MET	299%	6	\$ 1,189,316	3	\$ 725,937	28	\$5,614,878	68%	\$ 290,890
Bluff Country HRA	\$ 717,973	19	\$2,642,104	MET	368%	3	\$ 542,170	5	\$ 714,902	27	\$3,899,176	7%	\$ 28,615
Breckenridge	\$ 100,000	4	\$571,505	MET	572%	1	\$ 145,220	0	\$ -	5	\$716,725	560%	\$ 439,706
Carver	\$ 1,943,009	21	\$4,959,702	MET	255%	7	\$ 2,288,084	18	\$ 5,395,501	46	\$12,643,287	59%	\$ 362,350
Chippewa	\$ 223,009	4	\$682,133	MET	306%	1	\$ 134,850	1	\$ 117,826	6	\$934,809	83%	\$ 45,985
Chisago	\$ 1,022,278	32	\$8,231,370	MET	805%	11	\$ 3,143,327	12	\$ 3,547,837	55	\$14,922,534	76%	\$ 662,997
Clay	\$ 1,168,971	29	\$5,242,919	MET	449%	12	\$ 2,403,815	4	\$ 993,227	45	\$8,639,961	116%	\$ 822,297
Cloquet	\$ 226,882	14	\$2,515,993	MET	1109%	2	\$ 258,950	3	\$ 792,770	19	\$3,567,713	232%	\$ 583,312
Crow Wing	\$ 1,211,349	30	\$5,128,664	MET	423%	8	\$ 1,777,065	10	\$ 2,277,145	48	\$9,182,874	98%	\$ 710,180
Fergus Falls & Perham HRAs	\$ 314,369	3	\$402,573	MET	128%	1	\$ 157,838	1	\$ 169,062	5	\$729,473	100%	\$ 64,325
Freeborn County (Albert Lea adminstrates)	\$ 546,853	25	\$3,195,061	MET	584%	5	\$ 698,538	4	\$ 775,055	34	\$4,668,654	100%	\$ 467,560
Grant	\$ 109,774	5	\$677,801	MET	617%	0	\$ -	2	\$ 443,550	7	\$1,121,351	86%	\$ 90,900
Headwaters Regional Dev. Commission	\$ 1,536,603	21	\$3,403,254	MET	221%	4	\$ 856,307	2	\$ 500,562	27	\$4,760,123	96%	\$ 363,460
Hennepin	\$ 15,261,625	351	\$85,552,820	MET	561%	107	\$ 31,014,878	149	\$ 47,146,293	607	\$163,713,991	94%	\$ 9,066,165
Isanti	\$ 747,255	40	\$9,663,526	MET	1293%	12	\$ 3,703,700	23	\$ 6,647,688	75	\$20,014,914	97%	\$ 1,130,730
Kandiyohi	\$ 781,711	29	\$4,688,032	MET	600%	7	\$ 1,542,254	13	\$ 3,059,603	49	\$9,289,889	88%	\$ 651,410
McLeod	\$ 659,464	22	\$4,186,590	MET	635%	9	\$ 2,028,431	6	\$ 1,292,333	37	\$7,512,354	100%	\$ 551,786
Mower	\$ 720,097	61	\$8,847,818	MET	1229%	13	\$ 2,126,273	9	\$ 1,700,611	83	\$12,674,702	99%	\$ 1,124,722
New Prague	\$ 146,692	2	\$470,140	MET	320%	1	\$ 294,566	0	\$ -	3	\$764,706	100%	\$ 51,000
New Ulm	\$ 251,060	2	\$265,800	MET	106%	1	\$ 188,005	2	\$ 420,615	5	\$874,420	100%	\$ 72,900
North Mankato	\$ 258,036	2	\$310,853	MET	120%	1	\$ 245,370	0	\$ -	3	\$556,223	100%	\$ 43,000
NW MN Multi-Co. HRA	\$ 1,487,426	16	\$2,446,203	MET	164%	8	\$ 1,406,115	7	\$ 1,570,514	31	\$5,422,832	90%	\$ 345,759
Oakdale	\$ 502,030	18	\$4,766,201	MET	949%	5	\$ 1,488,464	7	\$ 2,305,659	30	\$8,560,324	97%	\$ 440,900
Olmsted	\$ 2,929,850	83	\$17,426,838	MET	595%	28	\$ 7,097,015	24	\$ 6,568,082	135	\$31,091,935	98%	\$ 2,007,630
Osakis	\$ 100,000	1	\$175,655	MET	176%	0	\$ -	0	\$ -	1	\$175,655	100%	\$ 13,000
Otter Tail	\$ 759,710	5	\$679,641	MET	89%	4	\$ 718,817	1	\$ 338,530	10	\$1,736,988	100%	\$ 149,890
Owatonna/Steele County	\$ 670,188	26	\$4,817,660	MET	719%	11	\$ 2,608,441	11	\$ 2,396,636	48	\$9,822,737	321%	\$ 2,287,831
Pine County HRA	\$ 479,636	21	\$3,940,484	MET	822%	5	\$ 1,151,151	4	\$ 1,206,593	30	\$6,298,228	157%	\$ 703,200
Ramsey	\$ 4,303,683	115	\$27,685,553	MET	643%	30	\$ 8,395,243	36	\$ 11,212,054	181	\$47,292,850	15%	\$ 401,800
Red Wing	\$ 295,990	5	\$1,141,941	MET	386%	1	\$ 246,453	3	\$ 626,177	9	\$2,014,571	1900%	\$ 2,756,294
Rice	\$ 1,194,880	23	\$4,725,050	MET	395%	13	\$ 3,673,318	13	\$ 3,459,393	49	\$11,857,761	18%	\$ 143,465
Sandstone	\$ 100,000	2	\$196,725	MET	197%	3	\$ 548,869	0	\$ -	5	\$745,594	940%	\$ 715,072
Sartell	\$ 348,343	5	\$1,150,478	MET	330%	3	\$ 830,237	4	\$ 1,178,743	12	\$3,159,458	33%	\$ 48,400
Scott	\$ 2,649,794	45	\$11,788,173	MET	445%	15	\$ 4,475,801	27	\$ 8,995,780	87	\$25,259,754	14%	\$ 186,900
SE MN Multi-Co. HRA	\$ 1,364,822	37	\$7,468,189	MET	547%	14	\$ 3,207,798	9	\$ 2,202,785	60	\$12,878,772	138%	\$ 1,295,530
Sherburne	\$ 1,652,675	40	\$10,308,129	MET	624%	21	\$ 5,833,285	22	\$ 7,185,313	83	\$23,326,727	72%	\$ 873,866
St Cloud	\$ 1,226,677	95	\$16,701,933	MET	1362%	21	\$ 4,689,388	18	\$ 4,263,991	134	\$25,655,312	61%	\$ 1,308,121
St James	\$ 100,000	2	\$302,576	MET	303%	0	\$ -	2	\$ 353,995	4	\$656,571	3350%	\$ 2,058,242
St Joseph	\$ 127,600	1	\$206,500	MET	162%	3	\$ 737,900	0	\$ -	4	\$944,400	100%	\$ 55,988
St Louis	\$ 3,543,010	118	\$16,661,702	MET	470%	13	\$ 2,695,633	26	\$ 5,262,615	157	\$24,619,950	2%	\$ 48,300
Stevens County HRA	\$ 166,927	1	\$189,613	MET	114%	0	\$ -	1	\$ 176,739	2	\$366,352	100%	\$ 30,620
SW Regional Dev. Commission	\$ 2,086,400	37	\$4,838,513	MET	232%	5	\$ 681,007	13	\$ 2,184,022	55	\$7,703,542	96%	\$ 698,858
Swift	\$ 177,937	4	\$388,592	MET	218%	1	\$ 204,250	1	\$ 184,300	6	\$777,142	83%	\$ 69,400
Washington	\$ 4,330,110	58	\$14,922,932	MET	345%	26	\$ 7,973,854	40	\$ 12,567,975	124	\$35,464,761	95%	\$ 1,855,768
Winona - City of	\$ 453,317	24	\$3,799,563	MET	838%	1	\$ 150,964	1	\$ 164,900	26	\$4,115,427	100%	\$ 384,739
Wright	\$ 2,586,396	78	\$20,357,069	MET	787%	41	\$ 12,554,070	42	\$ 14,390,275	161	\$47,301,414	96%	\$ 2,364,597
Totals	\$ 70,358,924	1,827	\$390,022,193		554%	555	\$ 147,857,546	680	\$ 197,363,007	3,062	\$735,242,746	96%	\$ 45,010,126

*Participants must use at least 50% of their allocation by the end of the program year in order to participate next year.

**Not MCPP Eligible. Borrower income is above 80% of Area Median Income.

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Minnesota Housing 2024 Minnesota City Participation Program (MCP) Application

Minnesota Housing must receive your application by email between January 2-15, 2024 at 5:00

Please provide all the information below.

Agency Contact Information

Agency Name: _____

Contact Person: _____

Mailing Address: _____ Physical Address: _____

City: _____ State: _____ Zip: _____ Website: _____

Phone #: _____ E-Mail: _____

Administrative Information

1. Check agency type: ☐ City ☐ City HRA/CDA/EDA ☐ County HRA/ Port Authority
Multi-County HRA: Receive single allocation for all counties within your jurisdiction
☐ Consortium of local government units applying jointly by agreement (please submit evidence of agreement with this application, even if you provided one in previous years).

2. List the legal name(s) of all cities and counties where the funds will be utilized. For county and multicounty applications, only list the counties.

3. Check the box below to confirm this statement:

MCP helps the community meet an identified housing need and the program is economically viable.

4. Does your City (or County) offer a down payment program or other homeownership assistance?

☐ Yes ☐ No

If yes, list program names (For informational purposes only; does not impact your application status):

Signature

Provide authorized signature(s) from the organization submitting this application, including printed or typewritten name, title and phone number. Scan original and email application to mn.housing@state.mn.us (Original not needed).

Signature _____

Name (Print) _____ Title _____

Phone number or check here if same as above. _____ E-mail or check here if same as above. _____

Program and Contact Information

Minnesota Statute sets Borrower Income Limits and House Purchase Price Limits. Minnesota Housing makes final determinations of the total amount of program funds available and individual allotments (in compliance with a per capita distribution method specified in statute).

Questions about MCP or this application? Contact Greg Krenz at (651)297-3623 or greg.krenz@state.mn.us

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**MINNESOTA HOUSING FINANCE AGENCY
MINNESOTA CITY PARTICIPATION PROGRAM**

**PROGRAM APPLICATION
COMMITMENT AGREEMENT**

THIS APPLICATION AND AGREEMENT (this “Agreement”) is between Crow Wing County Housing and Redevelopment Authority with its office at 324 East River Road, Brainerd, MN 56401 and Minnesota Housing Finance Agency ("Minnesota Housing"), with its office at 400 Wabasha Street North, Suite 400, St. Paul, MN 55102.

RECITALS:

A. Minnesota Housing, under the provisions of Minn. Stat. §474A.061, Subd. 2a is authorized to issue qualified mortgage bonds, as that term is used in the Internal Revenue Code of 1986, as amended (the “Code”), on behalf of the City, and it will issue bonds for that purpose (the “Bonds”).

B. The City applying to participate is a Minnesota city, county, city or county housing and redevelopment authority, economic development authority, port authority or a consortium of local government units, as defined by Minnesota Statutes §474A.061, Subd. 2a(c).

C. Minnesota Housing has implemented Minnesota Housing Finance Agency Minnesota City Participation Program (the "Program") and will use the proceeds from the issuance of the Bonds to fund the Program.

D. The City has requested and received a set-aside of funds from the Program.

E. The City wishes to obtain a commitment by Minnesota Housing to direct Minnesota Housing’s designated Master Servicer (the “Master Servicer”) to purchase mortgage notes ("Mortgages") that will be originated by a lender or lenders that meet Minnesota Housing requirements for participation in programs funded by qualified mortgage bonds (collectively, the "Lender").

F. Mortgages that the Master Servicer purchases pursuant to the commitment requested by the City must only be for residences located within a geographic area to be established and designated by the City.

G. Minnesota Housing is willing to issue a commitment agreeing to purchase Mortgage-Backed Securities backed by Mortgages that are (i) originated by the Lender; (ii) purchased by the Master Servicer; (iii) in accordance with the terms and conditions of this Agreement, the Program, and the Start Up Procedural Manual to be supplied by Minnesota Housing (the "Procedural Manual"), the provisions of which are hereby incorporated by reference into this Agreement as if set forth in full herein; and (iv) made to borrowers with adjusted incomes not exceeding the greater of 80 percent of statewide or area median income as calculated by Minnesota Housing.

NOW, THEREFORE, in consideration of the covenants contained in this Agreement, Minnesota Housing and the City agree as follows:

1. **City Requirements.** All Mortgages submitted to Minnesota Housing for purchase under the Program must comply with all of the requirements of the Program, the Start Up Procedural Manual and this Agreement.

2. **Commitment and Commitment Amount.** The City, which applied in January 2024 for a commitment, hereby requests that Minnesota Housing cause its Master Servicer to purchase Mortgages that have been originated by the Lender and meet the requirements of, and are made in accordance with the provisions of, this Agreement, the Program, and the Procedural Manual. Minnesota Housing, by accepting this Agreement, commits to the purchase of those Mortgages in the aggregate principal amount (the "Commitment Amount") to be determined and allocated

by Minnesota Housing in accordance with Minnesota Statutes §474A.061, Subd. 2a(d), and provided to the City.

The Master Servicer will only purchase Mortgages pursuant to this Agreement securing property that, and borrowers who, satisfy the requirements and provisions of this Agreement, the Program, and the Procedural Manual. The City acknowledges that the commitment is effective upon the approval thereof by Minnesota Housing and the delivery of a copy of this Agreement by Minnesota Housing to the City.

3. **Lender Qualifications.** Lenders must meet Minnesota Housing requirements for participation in programs funded by qualified mortgage bonds.

4. **Commitment Term.** The term of this Agreement and the City's participation in the Program (the "Commitment Term") will commence on January 16, 2024 and shall continue through November 30, 2024. This Agreement, and the City's participation in the Program, will automatically terminate, without the need for any action by either party hereto, at the end of the Commitment Term.

5. **Set-Aside Term.** The Commitment Amount will be set-aside and held by Minnesota Housing for the sole use by the City for a period of time to be established by Minnesota Housing, in its sole option and discretion, provided, however, that time period will not be less than six months (the "Set-Aside Term") commencing on a date to be selected and specified by Minnesota Housing. Minnesota Housing will notify the City in writing of the date on which the Set-Aside Term commences.

Any portion of the Commitment Amount not reserved for the purchase of qualifying Mortgages as of the end of the Set-Aside Term shall be canceled and returned to Minnesota Housing for redistribution under the Program. In addition, any portion of the Commitment Amount reserved for Mortgages that are not delivered to the Master Servicer for purchase within the time period delineated in the Procedural Manual for that purchase, will be canceled and Minnesota Housing will redistribute that amount under the Program. Minnesota Housing may make any funds available to the Program at the end of the Commitment Term for mortgage loans that are eligible to be financed with proceeds of the Bonds.

6. **Commitment Fees.** There is no commitment fee payable by the City for the commitment by Minnesota Housing to the purchase by the Master Servicer of qualifying Mortgages.

7. **Purchase Price.** The purchase price of each Mortgage to be purchased by the Master Servicer pursuant to this Agreement will be as set forth in the requirements of the Procedural Manual and posted on Minnesota Housing's website.

8. **Mortgage Terms.** The terms and conditions for all Mortgages, including but not limited to the interest rate, will be set from time to time by Minnesota Housing, at its sole option and discretion, and communicated to the Lender in accordance with the procedures set forth in the Procedural Manual.

9. **Area Limitation.** Minnesota Housing, pursuant to this Agreement, is required to purchase only those Mortgages that are for residences located within a geographic area to be established and designated by the City.

10. **Servicing.** The servicing of Mortgages shall be the sole responsibility of the Master Servicer or one or more other entities that Minnesota Housing may designate in its sole discretion.

11. **Contract Documents.** The purchase by the Master Servicer of each Mortgage pursuant to Minnesota Housing's commitment is a contract consisting of this Agreement and the provisions and requirements contained in the Procedural Manual, with all amendments and supplements thereto in effect as of the date of Minnesota Housing's acceptance of this Agreement.

12. **Paragraph Captions and Program Headings.** The captions and headings of the paragraphs of this Agreement are for convenience only and will not be used to interpret or define the provisions thereof.

13. **Applicable Law.** This Agreement is made and entered into in the State of Minnesota, and all questions relating to the validity, construction, performance and enforcement hereof will be governed by the laws of the State of Minnesota.

14. **Agreement Conditional Upon Minnesota Housing Approval.** This Agreement will be a binding obligation of Minnesota Housing upon its execution by Minnesota Housing and delivery of a copy of the same to the City; provided, however, Minnesota Housing may, in its sole option and discretion, any time on or after January 16, 2024 revoke such obligation and terminate this Agreement if the City has not fully executed and returned a fully executed original hereof to Minnesota Housing. That revocation and termination will be accomplished and evidenced by Minnesota Housing notifying the City thereof by way of a “Certified Letter - Return Receipt Requested” addressed and delivered to the City. Upon revocation and termination this Agreement will be null and void and of no force or effect.

15. **Issuance of Bonds.** The City hereby authorizes Minnesota Housing to issue, on behalf of the City, qualified mortgage bonds, as that term is used in the Code, in an amount equal to the Commitment Amount, and Minnesota Housing agrees to issue those bonds if and when federal law authorizes and Minnesota Housing deems it is economically feasible to do so.

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IN WITNESS WHEREOF, the City has executed this Agreement this _____ day of
(Day)

_____, _____
(Month) (Year)

**Crow Wing County Housing and
Redevelopment Authority**

By: _____
(Signature of Authorized Officer)

(Name of Authorized Officer)

Minnesota Housing APPROVAL

Minnesota Housing hereby accepts the above Program Application-Commitment Agreement and approves and grants participation in the program.

MINNESOTA HOUSING FINANCE AGENCY

By: _____
Kayla Schuchman

Its: Assistant Commissioner, Single-Family Division

Signed this _____ day of _____, 2024.



Housing & Redevelopment Authority

To: CWC HRA Board Members
 From: Eric Charpentier, Executive Director
 Date: December 12th, 2023
 Re: Executive Director Report

Riverwood Bank Lunch & Learn

Jamie Rowlette from Riverwood Bank has asked that I do a presentation on the Housing Trust Fund, primarily for the down payment assistance program for their January lunch and learn. This is an information session that the bank puts on for their customers and clients as a service to the community. They are hoping to bring in a group of real estate professionals for this lunch and learn session to learn more about our trust fund and how we can help their clients with our down payment assistance. I will be giving a broad overview of all our programs as well. This session is scheduled for January 9th at the Brainerd Lakes Chamber training room. We appreciate the partnership with our local lenders to help us get more visibility for our programs.

Counselors of Real Estate Report & Follow Up

The Counselors of Real Estate report was sent to stakeholders in late October. Dolly Matten with GLAR and myself are working on follow up with the two communities of Brainerd and Pequot Lakes to engage with City leadership to ensure that the recommendations in the report are reviewed and a plan is set to work on implementation of the strongest recommendations for each City. The report is attached to this memo and will be available on our website at www.brainerdhra.org

Shared Services Agreement between Brainerd HRA and the Crow Wing County HRA

Staff will be presenting the proposed and updated shared services agreement for 2024 at the January meeting. Crow Wing County will be setting the final 2024 tax levy for their general budget and for the HRA in December and staff would like to have that funding confirmed before presenting the services agreement.

Action Requested: No action requested, for informational purposes only

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Increasing Housing Supply to Meet Local Needs

**RECOMMENDATIONS BY THE
CRE® CONSULTING CORPS**
BRAINERD, PEQUOT LAKES,
CROW WING COUNTY

OCTOBER 2023



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Executive Summary

The Counselors of Real Estate Consulting Corps was asked to assist the Cities of Brainerd and Pequot Lakes by identifying opportunities and outlining action steps that could lead to increased housing production to meet local needs. Not only do local markets indicate demand for increased housing options, but employers report housing as a key barrier to recruitment to fill open positions. That is, housing is impeding economic growth.

The Consulting Corps team reviewed existing plans and studies; examined demographics and market data; assessed market conditions and development costs for housing; and reviewed legal constraints and other barriers. In addition, the team met with more than 30 stakeholders.

Examining development costs and market rent levels and sales prices, the team determined that the market can deliver rental units for a monthly rent of approximately \$1,700, which requires a household income of \$69,500 or a single worker earning \$35 per hour. The market will deliver for-sale homes at \$445,000. A household income of \$120,000 would be required to purchase a home at this price. These market prices exceed the capacity of most local residents. The team's analysis identifies factors contributing to the cost of housing development, and the report points to the places where public entities can exert influence on cost and utilize incentives and tools to enhance feasibility and bring down home prices.

The team toured a number of sites and heard about several others – which present housing development opportunities. The report summarizes these by product type and income level. Across the following development sites, the team estimates approximately 535 homes can come to market:

1. Heart of the Good Life in Pequot Lakes
2. Trailside Park Site in Brainerd
3. Trailside Estates in Pequot Lakes
4. Treehouse Site in Pequot Lakes
5. County Road 11 Site in Pequot Lakes
6. Fire Tower Site in Pequot Lakes
7. Thrifty White Drug Site in Brainerd

For the community to maximize this opportunity, the team presents the following recommendations:

- Establish an ombudsman to assist the developer and facilitate public-private partnerships. This position could reside within the Brainerd Lakes Area Economic Development Corp. (BLAEDC), which should play a larger role in housing, tied to their economic development strategy.
- Learn from Perham, MN, where the community is using incentives, including tax increment financing, effectively, to generate housing production that meets the needs of local working families.

- Preserve and enhance the existing housing stock through a rehabilitation program for legacy homes.
- Reduce regulatory barriers and streamline the development process to make it easier and more cost-effective for developers to build more homes. Consider waiving fees and assisting with infrastructure costs to create affordable homes.
- Utilize housing innovations, such as Accessory Dwelling Units, Modular/Prefabricated Construction, Passive House/NetZero, and 3D Printing. Co-housing and Tiny Homes/smaller homes are also strategies to bring down cost/prices,
- Keep the focus on a limited number of priority developments, and ensure that these projects come to fruition with strategic, deliberate, proactive planning and follow-through. For instance, retain the focus on Thrifty White, ensuring needed resources fill the gaps. This successful downtown development will demonstrate that additional housing can be successful downtown. Likewise, continue targeted focus on Pequot Lake pipeline so that proposals become successful developments.
- Keep Brainerd cool. Recent efforts have been successful in improving downtown Brainerd. Keep the momentum going.

By focusing on these priority opportunities, proactively engaging partners, experimenting with innovative tools and products, and leveraging resources, Brainerd and Pequot Lakes can set the stage for private developers or public-private partnerships to lead increased housing to maximum public benefit.

Prologue

The Counselors of Real Estate® (CRE) Consulting Corps was engaged by the Greater Lakes Association of Realtors® (GLAR) to examine regional and local real estate market conditions and provide recommendations for the development of housing products in the Cities of Brainerd and Pequot Lakes to meet the identified needs. The residential focus is on the range of needed homes for the Brainerd and Pequot Lakes workforce, including ownership and rental housing options.

The scope of the CRE analysis included site visits by the CRE Consulting Corps Team to the Brainerd Lakes Area and tours of potential residential development locations in Brainerd and Pequot Lakes. The CRE Consulting Corps Team completed extensive interviews with many stakeholders including Brainerd City Council and Planning Commission members, Pequot Lakes City Council members, Crow Wing County Commissioners, city staff of Brainerd and Pequot Lakes, the mayors of Brainerd and Pequot Lakes, staff of the Brainerd Lakes Chamber of Commerce, staff of Brainerd Lakes Area Economic Development Corporation (BLAEDC), local Realtors and real estate sales agents and brokers, GLAR administration, local housing developers, the Brainerd-Crow Wing County HRA, the Perham EDA, staff/Board member of Central Lakes College, banking and financing professionals, in addition to input from other key individuals and companies.

The report contains primary and secondary research. Primary research includes field research and data gathered through extensive on-site interviews. The report also utilizes some secondary published data, which is primarily housing statistics provided by GLAR, demographic data published by ESRI Inc., a national demographics data provider, the MN State Demographer, the U.S. Census Bureau and Minnesota Department of Employment and Economic Development (MN DEED). Secondary research is used as a basis for analysis and is carefully reviewed considering other factors that may impact projections.

Summary of the Consulting Corps Process

The assignment was to provide advice that may assist the Cities of Brainerd and Pequot Lakes, Minnesota, in increasing the supply of workforce housing. The Consulting Corps visited Brainerd and Pequot Lakes in July and August of 2023, and we have made recommendations that take into account the objectives and interests of the community, including Greater Lakes Association of REALTORS®, the City of Brainerd, City of Pequot Lakes, Crow Wing County, Brainerd Lakes Area Economic Development and other local stakeholders, as well as market realities and opportunities.

Within this document, we have provided recommendations for reasonable and appropriate development scenarios and options; made recommendations for action steps that will encourage economic development and housing production; suggested resources and best practices related to regulatory and process changes; prioritized incentives, investments, and financial programs that may encourage development and redevelopment; proposed criteria to guide an effective review in order to evaluate and prioritize promising opportunities, as well as eliminate impractical options; and provided short- and long-term actions to implement these recommendations.

In advance of the on-site mission, the team reviewed existing data, plans, and background information to provide a solid foundation for on-site due diligence. Additional materials were requested, provided, and gathered during the on-site visit to enhance our analysis and recommendations. The team was on site in Crow Wing County between August 6 and 11 and were provided with a thorough guided tour of the region and specific sites within the community. The team interviewed more than 30 local and regional stakeholders in order to develop a broad understanding of the diverse and dynamic perspectives within the region. Finally, we researched, analyzed, discussed, and developed the recommendations presented at the community presentation on August 11, 2023, and included within this report.



What We Heard

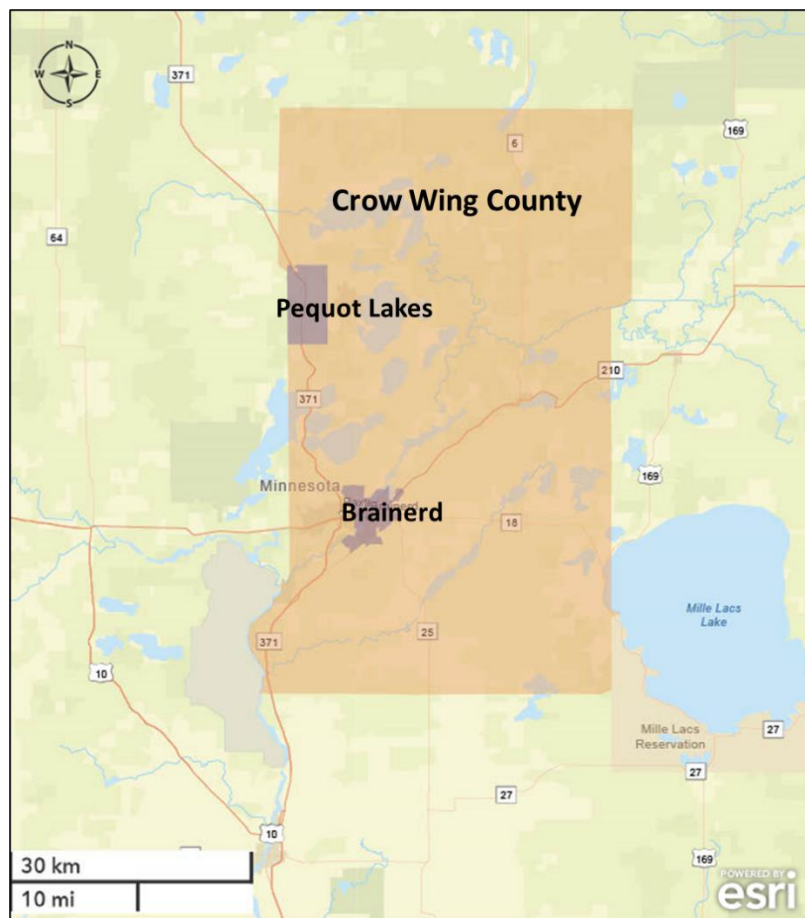
More than 30 individuals were interviewed including public officials, community members, industry professionals, institutions, and developers. This stakeholder input was essential in understanding local perceptions and developing a clear understanding of the challenges and opportunities within Crow Wing County and in the Cities of Brainerd and Pequot Lakes. We heard clear messages that were consistent across the stakeholder interviews: There is a need for more housing, particularly homes that are attainable on local salaries; there is an income-housing cost disconnect preventing new development from meeting that need. Housing development is economic development, and there are opportunities to create additional economic value while addressing the housing crisis. Local banking institutions are willing to get creative to help solve problems in the housing value chain. Additionally, we heard that government fees, requirements, and permitting processes were barriers to housing development. In a phrase, too much expensive red tape. Alternatively, we also heard that those developers who had a good relationship and entree to government were successful, and those public-private partnerships were essential in getting the deals done. While housing was the focus, it needs to be said that affordable childcare is much needed in the region and without it, families' housing struggles are exacerbated. A final takeaway from our stakeholder interviews is that outside interest in the Brainerd area has not translated to growth within the City of Brainerd.

Geographic Focus and Analysis Area

The assignment focuses on the Cities of Brainerd and Pequot Lakes in the Greater Lakes Area of Crow Wing County in north central Minnesota. The Greater Lakes Area has, for more than a century, been a significant recreation destination, and tourism is a substantial part of the region's economy. The area is home to Minnesota's first mountain biking trail as well as nearly half of the 100-mile Paul Bunyan Trail. Recreation opportunities in the area abound year-round including fishing, boating, kayaking, swimming, waterskiing, canoeing, jet-skiing, kite surfing, scuba diving, golfing, hiking, biking, snowmobiling, cross-country skiing, hunting, camping, horseback riding, and many other outdoor activities. The Whitefish Chain of Lakes, a reservoir in the region, spans 14,272 acres and is the center of recreation.

In addition, the region is home to a significant manufacturing sector, which has the potential to grow and expand if additional workforce housing is developed.

Considering these factors, we provide population and household growth and demographic characteristics for the Cities of Brainerd and Pequot Lakes and the remainder of Crow Wing County. The following map highlights Brainerd, Pequot Lakes and Crow Wing County.

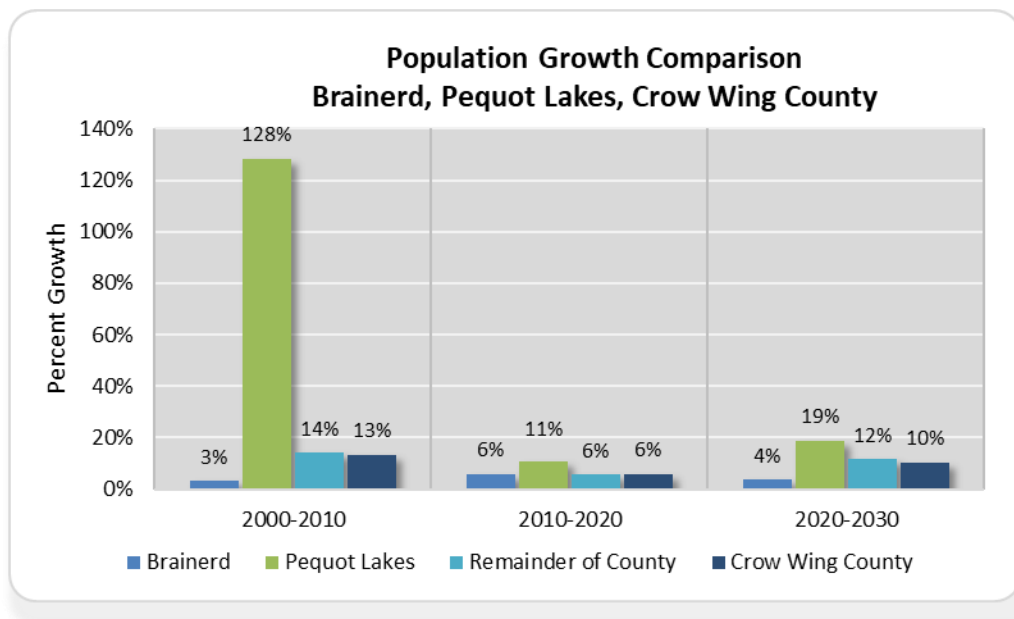


Population and Household Growth Trends

Table 1 presents population and household growth trends from 2000 to 2030. The 2000, 2010, and 2020 figures are from the U.S. Census while 2023 estimates and 2028 projections are provided by ESRI, Inc. (a nationally recognized demographics firm). The 2030 projections were estimated by the CRE Consulting Corps based on the projected growth rates between 2023 and 2028, with consideration given to population forecasts published by the MN State Demographer.

TABLE 1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS BRAINERD, PEQUOT LAKES, CROW WING COUNTY 2000 to 2030							
Population							
	Brainerd		Pequot Lakes		Remainder of Cty.		Crow Wing County
2000 Census	13,178		947		40,974		55,099
2010 Census	13,590		2,162		46,748		62,500
2020 Census	14,395		2,395		49,333		66,123
2023 Estimate	14,582		2,612		52,082		69,276
2028 Forecast	14,668		2,815		55,017		72,500
2030 Forecast	14,925		2,885		55,390		73,200
Change	No.	Pct.	No.	Pct.	No.	Pct.	No. Pct.
2010 - 2020	805	5.9%	233	10.8%	2,585	5.5%	3,623 5.8%
2020 - 2030	530	3.7%	490	20.5%	6,057	12.3%	7,077 10.7%
2023 - 2028	86	0.6%	203	7.8%	2,935	5.6%	3,224 4.7%
2028 - 2030	257	1.8%	70	2.5%	373	0.7%	700 1.0%
Households							
	Brainerd		Pequot Lakes		Remainder of Cty.		Crow Wing County
2000 Census	5,623		479		16,148		22,250
2010 Census	5,851		955		19,227		26,033
2020 Census	6,086		1,039		20,747		27,872
2023 Estimate	6,246		1,140		21,552		28,938
2028 Forecast	6,269		1,243		21,796		29,308
2030 Forecast	6,400		1,335		22,000		29,735
Change	No.	Pct.	No.	Pct.	No.	Pct.	No. Pct.
2010 - 2020	235	4.0%	84	8.8%	1,520	7.9%	1,839 7.1%
2020 - 2030	314	5.2%	296	28.5%	1,253	6.0%	1,863 6.7%
2023 - 2028	23	0.4%	103	9.0%	244	1.1%	370 1.3%
2028 - 2030	131	2.1%	92	7.4%	204	0.9%	427 1.5%
Note: In June 2002, the entire township of Sibley was annexed to the City of Pequot Lakes							
Sources: US Census; ESRI, Inc.; MN State Demographer; CRE Consulting Corps							

- As shown in the following chart, between 2010 and 2020, Brainerd experienced modest population growth of 6%. Pequot Lakes' population grew by 10.8%, and the County's population increased 5.8%.
- As of the 2020 Census, Brainerd had 14,395 people, Pequot Lakes had 2,395 people, and the County had 66,123 people. Growth was somewhat stronger than had been anticipated earlier in the decade and the pandemic supported an increase in people relocating to the area both for the short-term and the long-term.
- The pace of household growth was high relative to population growth in Brainerd and Pequot Lakes, indicating a trend toward smaller household sizes. This trend reflects a general shift in demographic factors that favor smaller households, such as growth in single-person households, as well as an aging household base. This trend is not, however, demonstrated in the remainder of the County.



- The pace of population growth is anticipated to remain stable in Brainerd and increase in Pequot Lakes and the Remainder of the County. This is due to more households electing to relocate to the Lakes area because of the lifestyle and living environment.
 - Household growth is anticipated to accelerate modestly in Brainerd and Pequot Lakes as they add new housing units but decrease modestly in the Remainder of the County between 2020 and 2030.
- Achieving the projected household growth will depend on the availability of suitable housing options. Population and household growth rely on the addition of new housing units across the Region catering to a variety of household types and age groups.

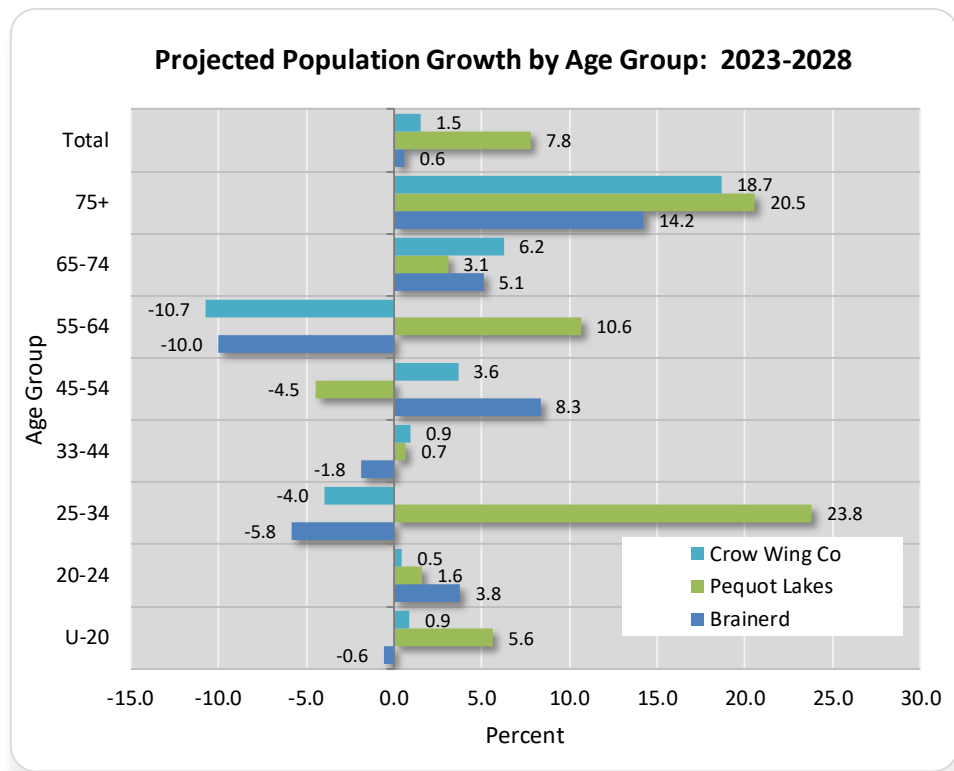
Age Distribution

The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table 2 presents a summary of the age distribution in Brainerd, Pequot Lakes and the County 2010 to 2028. Information from 2010 and 2020 is sourced from the U.S. Census, while the 2023 estimates and 2028 projections were provided by ESRI Inc.

- The largest adult cohort in Brainerd and Pequot Lakes is the 25 to 34 age group. In Crow Wing County, the largest adult age cohort is people ages 55 to 64 followed by people ages 65 to 74.

TABLE 2 POPULATION AGE DISTRIBUTION BRAINERD, PEQUOT LAKES AND CROW WING COUNTY 2010-2028							
Age	Census	Estimate	Projection	Change			
	2010	2023	2028	2010-2023		2023-2028	
				No.	Pct.	No.	Pct.
City of Brainerd							
Under-20	3,686	3,819	3,797	133	3.6	-22	-0.6
20 to 24	1,113	1,060	1,100	-53	-4.8	40	3.8
25 to 34	2,193	2,063	1,943	-130	-5.9	-120	-5.8
35 to 44	1,450	1,951	1,915	501	34.6	-36	-1.8
45 to 54	1,607	1,500	1,625	-107	-6.7	125	8.3
55 to 64	1,365	1,561	1,405	196	14.4	-156	-10.0
65 to 74	826	1,298	1,364	472	57.1	66	5.1
75+	1,279	1,330	1,519	51	4.0	189	14.2
Total	13,519	14,582	14,668	1,063	7.9	86	0.6
City of Pequot Lakes							
Under-20	571	638	674	67	11.7	36	5.6
20 to 24	116	189	192	73	62.9	3	1.6
25 to 34	251	307	380	56	22.3	73	23.8
35 to 44	230	293	295	63	27.4	2	0.7
45 to 54	319	291	278	-28	-8.8	-13	-4.5
55 to 64	237	310	343	73	30.8	33	10.6
65 to 74	220	292	301	72	32.7	9	3.1
75+	170	292	352	122	71.8	60	20.5
Total	2,114	2,612	2,815	498	23.6	203	7.8
Crow Wing County							
Under-20	15,896	15,393	15,531	-503	-3.2	138	0.9
20 to 24	3,187	3,247	3,262	60	1.9	15	0.5
25 to 34	7,151	7,357	7,065	206	2.9	-292	-4.0
35 to 44	6,972	7,923	7,998	951	13.6	75	0.9
45 to 54	9,177	7,550	7,825	-1,627	-17.7	275	3.6
55 to 64	8,553	9,777	8,730	1,224	14.3	-1,047	-10.7
65 to 74	6,376	9,464	10,055	3,088	48.4	591	6.2
75+	5,188	6,804	8,073	1,616	31.1	1,269	18.7
Total	62,500	67,515	68,539	5,015	8.0	1,024	1.5
Sources: U.S. Census Bureau; ESRI; CRE Consulting Corps							

- The greatest proportion growth over the next five years is anticipated to be people age 75+ in Brainerd, Pequot Lakes, and County. Also, growth of 23.8% is projected for the 25-34 age cohort in Pequot Lakes.

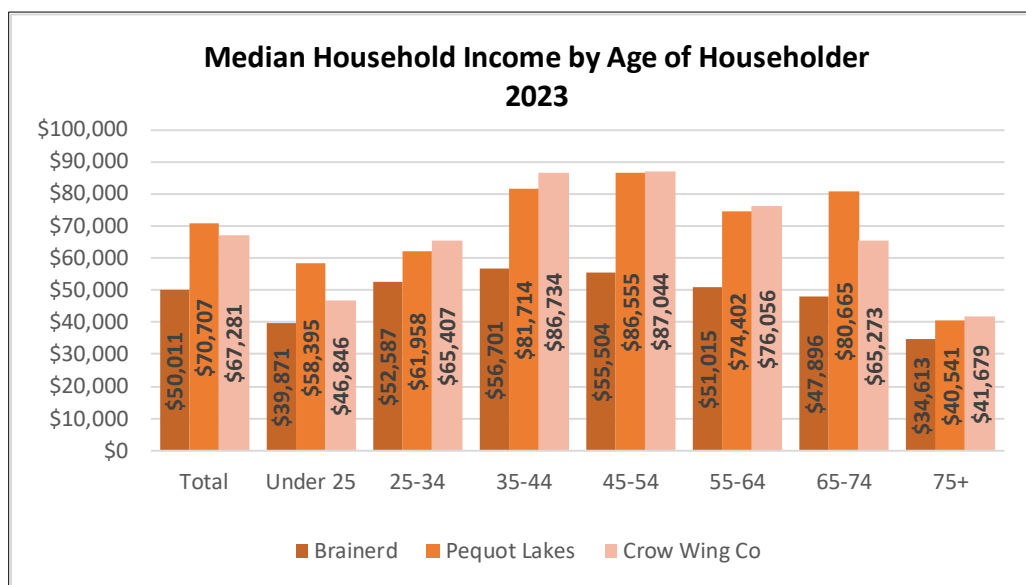


- Although younger age groups have traditionally been drawn to rental housing, many younger households are also finding it difficult to purchase due to rising housing costs, high student debt and a less certain upward career mobility. Creating more opportunities to place younger households in an affordable ownership situation can position them to move up over time as their incomes rise.
- While a higher proportion of empty nesters own their homes, there has been an increase in the proportion of these households that are choosing to leave homeownership in their late 50s and move into the rental market. There is also a growing group of empty nesters who are opting to live more modestly in retirement.

Household Income

Household income data is important when considering the ability of households to pay for housing. In general, housing costs of up to 30% of income are considered affordable by the U.S. Department of Housing and Urban Development (HUD). Table 3 presents data on the estimated household income distribution by age of householder for Brainerd, Pequot Lakes and Crow Wing County in 2023 and 2028. The data is estimated by ESRI Inc. with adjustments made by the CRE Consulting Corps based on recent household estimates.

- In 2023, the median household income is estimated to be \$67,281 in Crow Wing County.
- As households age through the lifecycle, household incomes tend to peak in their 40s and early 50s. This trend is evident in Crow Wing County as the age 45 to 54 cohort had the highest estimated income at \$87,044, followed by the 35 to 44 age group (\$86,734).



- By 2028, median household incomes for Brainerd, Pequot Lakes and Crow Wing County are expected to increase by 3.3%, 4.5% and 10.1%, respectively. The average annual increases of 0.65%, 0.89% and 1.94% will not exceed the historical annual inflation rate of 2.0% over the past ten years and within today's current inflation rate environment of 4% to 5% (higher for mortgage rates).

- Based on the 2023 median household income in Crow Wing County of \$67,281, a household could afford an apartment unit renting for \$1,682 per month. The following figure illustrates affordable monthly housing cost by age group (based on 30% of median household income).

Housing Affordability by Age Group Based on Median Household Income		
Age Group	Crow Wing Co.	
	Med. HH Inc.	Aff. Mo. Hsg Cost
Total	\$67,281	\$1,682
Under 25	\$46,846	\$1,171
25-34	\$65,407	\$1,635
35-44	\$86,734	\$2,168
45-54	\$87,044	\$2,176
55-64	\$76,056	\$1,901
65-74	\$65,273	\$1,632
75+	\$41,679	\$1,042

- Based on the average market rent of \$1,250 for a two-bedroom, one bath home that is rented in Brainerd, a household will need an annual income of \$50,000 or greater to not exceed 30% of its monthly income on housing costs.
 - In 2023, 39.8% of households in Brainerd, 57.9% of households in Pequot Lakes and 47.0% of households in Crow Wing County are estimated to have incomes of at least \$50,000.
- Households under age 35 are most likely to rent their housing, although there is a growing group of households over age 35 that are choosing to rent for lifestyle or economic reasons (i.e. a limited supply of reasonably priced homes for sale). Younger households may want to purchase housing, but a scarcity of affordable homes and new homes with less maintenance has caused a portion of these potential buyers to remain in the rental market longer.

TABLE 3
PROPORTION OF HOUSEHOLDS AND MEDIAN INCOMES BY AGE OF HOUSEHOLDER
BRAINERD, PEQUOT LAKES AND CROW WING COUNTY
2023 AND 2028

2023								
Brainerd	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
Under \$25,000	28.5	21.6	18.5	21.7	28.4	28.7	38.3	25.8
\$25,000 to \$49,999	34.4	24.2	21.9	20.5	20.3	22.8	31.0	24.1
\$50,000 to \$99,999	32.2	36.3	38.2	36.2	30.4	27.6	20.9	32.2
\$100,000 and above	4.8	17.9	21.5	21.6	20.9	20.9	9.7	17.9
Median HH Income	\$39,871	\$52,287	\$56,701	\$55,504	\$51,015	\$47,896	\$34,613	\$50,011
Pequot Lakes								
Under \$25,000	13.2	10.8	9.3	8.8	15.6	12.8	27.5	16.6
\$25,000 to \$49,999	29.0	21.2	11.6	10.5	14.6	16.9	31.1	19
\$50,000 to \$99,999	50.0	41.8	38.4	34.9	33.0	31.7	23.0	33.9
\$100,000 and above	7.9	26.1	40.7	45.9	36.8	38.7	18.4	30.5
Median HH Income	\$58,395	\$61,958	\$81,714	\$86,555	\$74,402	\$80,665	\$40,541	\$70,707
Crow Wing County								
Under \$25,000	24.0	14.3	10.3	11.1	15.1	15.4	27.1	15.9
\$25,000 to \$49,999	29.1	18.5	12.5	11.8	13.6	18.0	31.8	18.0
\$50,000 to \$99,999	38.5	39.0	34.2	33.9	35.4	39.2	26.3	34.9
\$100,000 and above	8.5	28.3	43.1	43.2	35.9	27.3	14.8	31.1
Median HH Income	\$46,846	\$65,407	\$86,734	\$87,044	\$76,056	\$65,273	\$41,679	\$67,281
2028								
Brainerd	Under 25	25-34	35-44	45-54	55-64	65-74	75+	Total
Under \$25,000	28.0	19.8	17.6	19.7	25.4	25.0	36.0	24.1
\$25,000 to \$49,999	32.1	23.1	20.6	19.9	20.0	22.4	31.0	23.5
\$50,000 to \$99,999	34.5	38.6	39.9	36.0	32.8	29.8	23.7	33.7
\$100,000 and above	5.3	18.6	21.9	24.4	21.9	22.7	9.3	18.7
Median HH Income	\$41,004	\$54,253	\$58,032	\$57,724	\$53,518	\$52,386	\$35,992	\$51,653
Pequot Lakes								
Under \$25,000	13.2	10.8	9.3	8.8	15.6	12.8	27.5	14.8
\$25,000 to \$49,999	29.0	21.2	11.6	10.5	14.6	16.9	31.1	18.7
\$50,000 to \$99,999	50.0	41.8	38.4	34.9	33.0	31.7	23.0	33.8
\$100,000 and above	7.9	26.1	40.7	45.9	36.8	38.7	18.4	32.7
Median HH Income	\$57,028	\$65,497	\$86,974	\$93,702	\$78,357	\$82,573	\$42,402	\$73,924
Crow Wing County								
Under \$25,000	22.7	12.1	8.8	9.4	12.0	12.6	23.8	13.8
\$25,000 to \$49,999	27.7	16.9	11.4	10.1	11.2	14.7	29.1	16.2
\$50,000 to \$99,999	39.9	39.3	33.3	32.4	35.1	40.4	28.5	35.0
\$100,000 and above	9.8	31.8	46.5	48.2	41.7	32.3	18.6	35.0
Median HH Income	\$49,548	\$70,737	\$96,046	\$84,709	\$73,545	\$73,545	\$46,847	\$74,063

Source: ESRI, Inc.

Household Tenure by Age

Table 4 shows household tenure by age of householder for Crow Wing County in 2010 and 2023. Data for 2010 is obtained from the Decennial Census, while the 2023 data is based on the 2016-2020 American Community Survey and adjusted by the CRE Consulting Corps to reflect current year household estimates. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

Household tenure information is important in understanding households' preferences to rent or own their housing. In addition to preferences, contributing factors include mortgage interest rates, household age, and lifestyle considerations, among others.

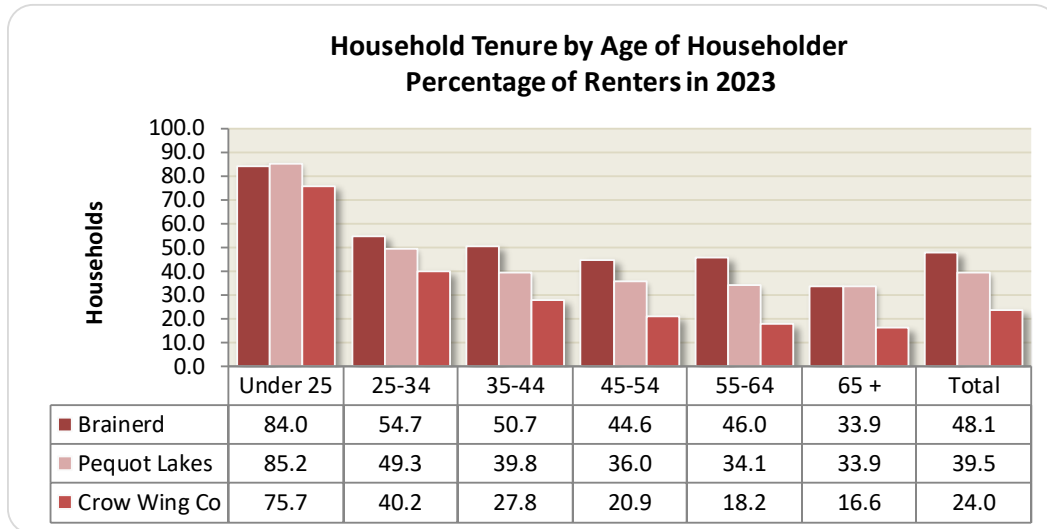
Age		Brainerd				Pequot Lakes				Crow Wing County			
		2010		2023		2010		2023		2010		2023	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	85	14.3	73	16.0	8	15.7	8	14.8	270	24.2	233	24.3
	Rent	509	85.7	383	84.0	43	84.3	46	85.2	845	75.8	726	75.7
	Total	594	100.0	456	100.0	51	100.0	54	100.0	1,115	100.0	959	100.0
25-34	Own	557	44.5	534	45.3	55	43.7	69	50.7	2,087	60.0	2,063	59.8
	Rent	695	55.5	645	54.7	71	56.3	67	49.3	1,389	40.0	1,386	40.2
	Total	1,252	100.0	1,179	100.0	126	100.0	136	100.0	3,476	100.0	3,449	100.0
35-44	Own	446	51.7	561	49.3	80	61.5	103	60.2	2,862	75.7	3,086	72.2
	Rent	417	48.3	577	50.7	50	38.5	68	39.8	918	24.3	1,186	27.8
	Total	863	100.0	1,138	100.0	130	100.0	171	100.0	3,780	100.0	4,272	100.0
45-54	Own	553	57.6	488	55.4	137	66.2	103	64.0	4,234	81.5	3,309	79.1
	Rent	407	42.4	393	44.6	70	33.8	58	36.0	964	18.5	876	20.9
	Total	960	100.0	881	100.0	207	100.0	161	100.0	5,198	100.0	4,185	100.0
55-64	Own	540	65.2	578	54.0	116	74.4	141	65.9	4,352	86.5	4,986	81.8
	Rent	288	34.8	493	46.0	40	25.6	73	34.1	677	13.5	1,111	18.2
	Total	828	100.0	1,071	100.0	156	100.0	214	100.0	5,029	100.0	6,097	100.0
65 +	Own	829	61.2	1,005	66.1	196	68.8	254	66.1	6,030	82.2	8,318	83.4
	Rent	525	38.8	516	33.9	89	31.2	130	33.9	1,305	17.8	1,658	16.6
	Total	1,354	100.0	1,521	100.0	285	100.0	384	100.0	7,335	100.0	9,976	100.0
TOTAL	Own	3,010	51.4	3,239	51.9	592	62.0	678	60.5	19,835	76.5	21,995	76.0
	Rent	2,841	48.6	3,007	48.1	363	38.0	442	39.5	6,098	23.5	6,943	24.0
	Total	5,851	100.0	6,246	100.0	955	100.0	1,120	100.0	25,933	100.0	28,938	100.0

Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC

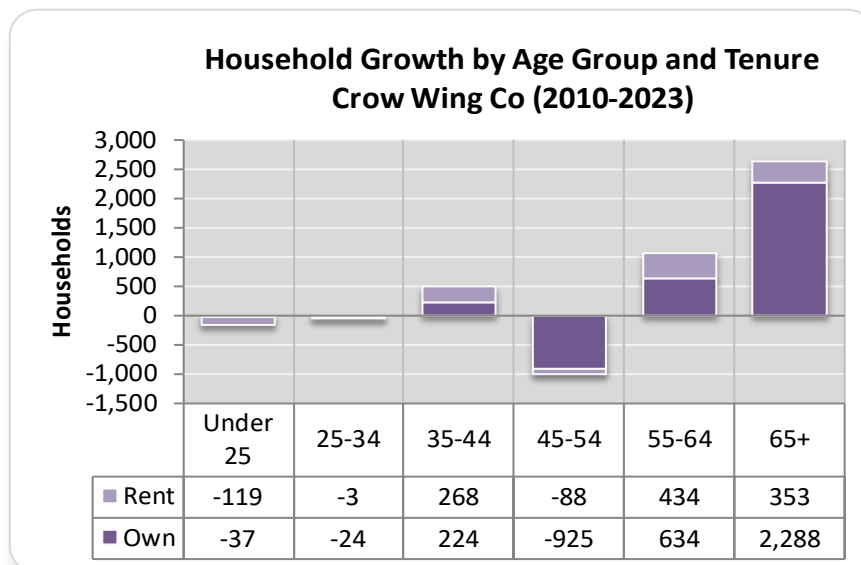
Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC

- In Crow Wing County, an estimated 24% of all households rent in 2023, resulting in a rental rate that is lower than the individual rates for Brainerd at 48% and Pequot Lakes, which is 39.5%. The higher proportion of renters in the two cities reflects much higher housing density compared to the County.

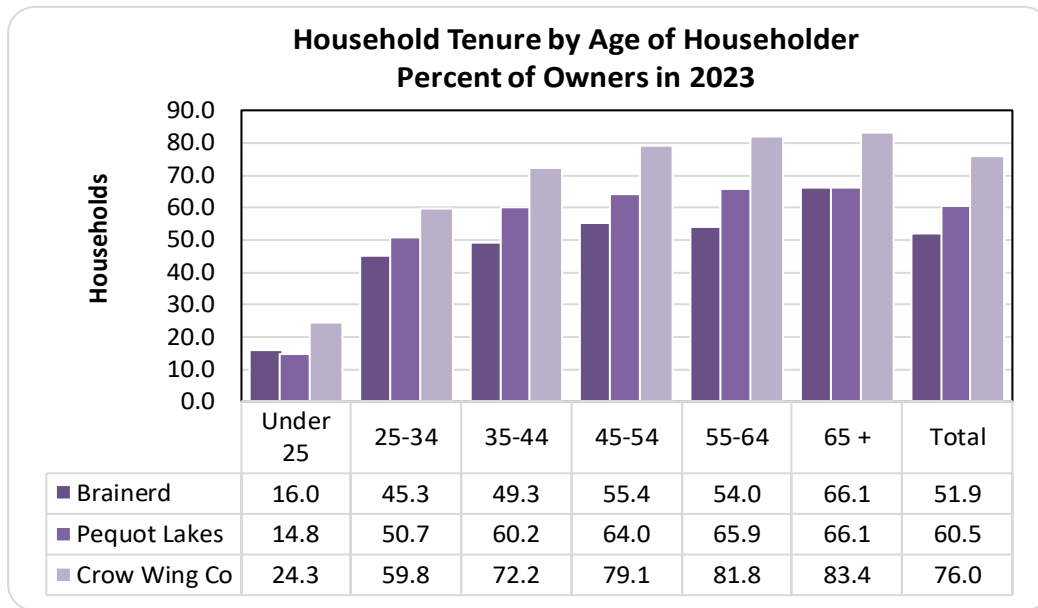
- An estimated 84% of Brainerd households under age 25 rent, and 55% of households age 25 to 34 rent. In Pequot Lakes, 85.2% of households under age 25, and 49.5% of age 25 to 34 households rent their homes. By comparison, 75.7% and 40.2% of households, respectively, rent in Crow Wing County.



- The number of renter households in Crow Wing County remained stable in the under 25 and 25 to 34 age groups and increased in the 34 to 44 age group, primarily due to demographic shifts. As noted, those in the older age cohorts increased substantially as the Lakes Area has been and continues to be a retirement destination.
- The number of owner-occupied households expanded 11% in Crow Wing County, adding 2,160 households while renter households expanded by nearly 14%.



- The largest overall increase occurred in the 65 and older ownership age group, as 2,288 households were added and an increase 353 renter households in that same age group.
- A large increase in renter households also occurred among households in the age cohort 55 to 64, adding 634 owner households and 434 households.
- There was also strong growth among the age 35 to 44, an increase in renter households of 268 households and an increase in owner households of 224 households.



Employment Trends

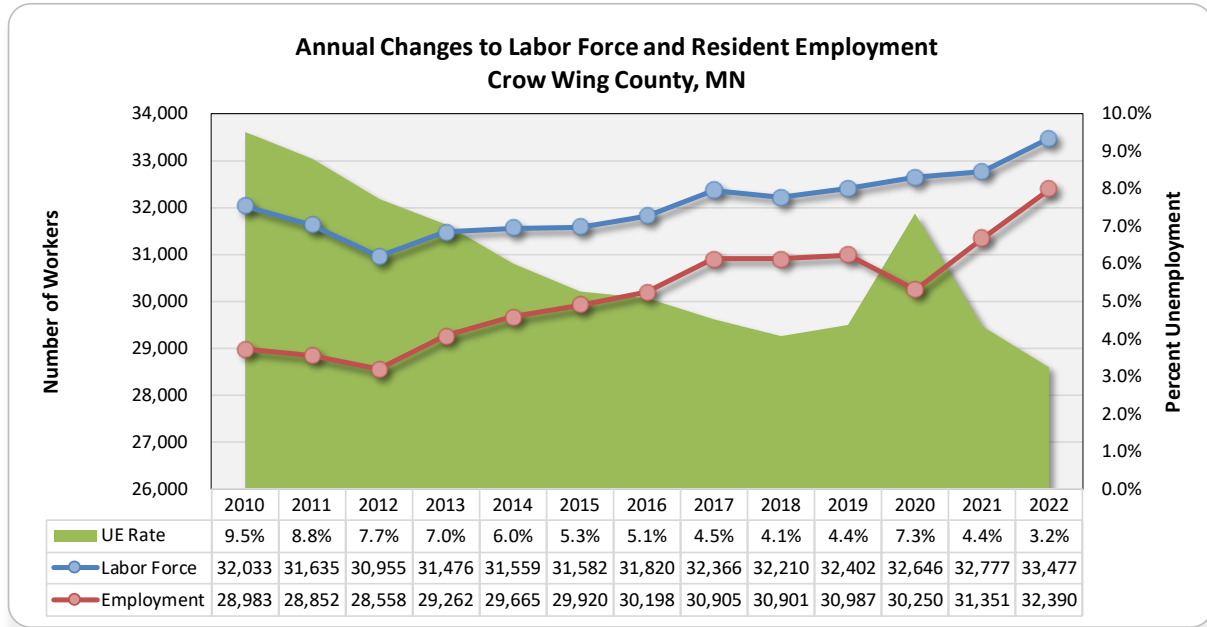
Employment characteristics are pertinent when evaluating housing needs in any given market area. These trends warrant consideration since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. This preference is particularly true among renters. Young adults entering the workforce, a primary target market for rental housing, often place great value on living near employment, as well as education, shopping, and entertainment.

The following information is sourced from the Minnesota Department of Employment and Economic Development (MN DEED).

Resident Employment

The following chart illustrates annual labor force and resident employment trends in Crow Wing County from 2010 through 2022. Resident employment data reveals the workforce and number of employed people living in the area, although not all these individuals necessarily work in the area.

- The labor force in Crow Wing County did not contract during the pandemic, which was dissimilar to what occurred in other areas of the State. Employment, however, decreased by 737 workers between 2019 and 2020 (-2.4%).
- Increased hiring drove the unemployment rate down in Crow Wing County from 2010 through 2019 as growth in the number of employed residents significantly outpaced labor force growth which declined during the period.
- Resident employment, however, declined sharply in the County in 2020 due to the COVID-19 pandemic and subsequent economic recession, causing the unemployment rate to spike sharply to 7.3%.
- Unemployment rates have decreased from a high of 7.3% in 2020 to 3.2% in 2022.



- The number of employed workers dropped between 2019 and 2020, primarily due to COVID-19. The unemployment rate rose significantly to 7.3%, from 4.4% in 2019. However, employment rebounded, and employment has increased more rapidly than the labor force, causing the unemployment rate to decrease to 4.4% in 2021 and 3.2% in 2022.
- The decline was driven by several factors, primarily workers forced out of the labor market as a result of industry shutdowns, parents needing to supervise children attending school from home and others.

Employment Growth Trends

Table 5 on the following page shows employment growth trends and projections from 2000 to 2030 for Brainerd, Pequot Lakes, Crow Wing County and Minnesota. Data from 2000 through 2022 represents the annual average employment for that year and is sourced from the Quarterly Census of Employment and Wages (QCEW). All establishments covered under the Unemployment Insurance Program are required to report wage and employment statistics quarterly. Federal government establishments are also covered by the QCEW program. Workers and jobs excluded from these statistics include the self-employed, family farm workers and those who work on commission only.

Employment projections for 2030 are based on 2020-2030 industry projections for Minnesota, the most recent forecast available from MN DEED. We applied the projected annual rate of growth to 2022 employment data to arrive at the forecast for the State and then projected employment for Brainerd, Pequot

Lakes and Crow Wing County based on a review of changes to the proportion of Minnesota's growth that occurred in the area between 2010 and 2022.

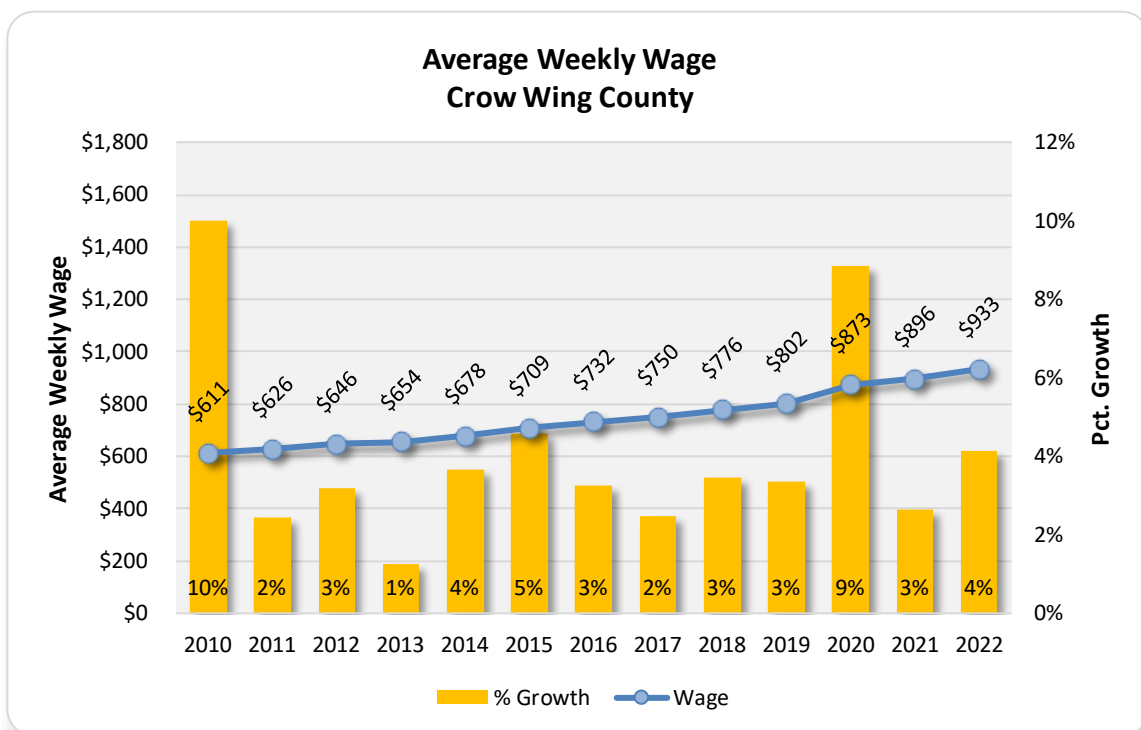
TABLE 5 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS BRAINERD, PEQUOT LAKES AND CROW WING COUNTY 2000 to 2030								
Annual Employment	Brainerd		Pequot Lakes		Crow Wing Co		Minnesota	
2000	13,581		1,170		25,739		2,608,844	
2010	10,636		1,228		27,141		2,563,391	
2019	11,111		1,225		29,773		2,901,632	
2020	10,204		1,108		27,629		2,704,197	
2022	10,305		1,177		30,025		2,759,918	
2030 Forecast	11,026		1,295		32,427		2,919,557	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2000 - 2010	-2,945	-21.7%	58	5.0%	1,402	5.4%	-45,453	-1.7%
2010 - 2019	475	4.5%	-3	-0.2%	2,632	9.7%	338,241	13.2%
2019 - 2020	-907	-8.2%	-117	-9.6%	-2,144	-7.2%	-197,435	-6.8%
2020 - 2022	101	1.0%	69	6.2%	2,396	8.7%	55,721	2.1%
2022 - 2030	721	7.0%	118	10.0%	4,798	17.4%	159,639	5.8%
Sources: MN DEED; Maxfield Research & Consulting, LLC								

- Data from the Quarterly Census of Employment and Wages indicates that Crow Wing County gained 2,632 jobs (9.7%) between 2010 and 2019, while employment in Brainerd expanded 4.5% (475 jobs) and employment decreased in Pequot Lakes by 3 workers (-0.2%). These figures compare to 13.2% growth in Minnesota.
- Due to the COVID-19 pandemic and subsequent economic recession during the second quarter of 2020, Crow Wing County employment declined by 2,144 jobs (-7.2%) between 2019 and 2020. Employment decreased by 907 jobs (-8.2%) in Brainerd and by 117 jobs (-9.6%) in Pequot Lakes.
- Data for 2022 demonstrates that jobs are recovering in the County, although more rapidly in the County (8.7%) than in Brainerd (1.0%) or Pequot Lakes (6.2%). Minnesota experienced 2% job growth between 2020 and 2022.
- Employment growth is anticipated in the cities and the Region to 2030. Based on projections from MN DEED, employment in Minnesota is projected to expand 6% between 2022 and 2030.
- Employment in Brainerd, Pequot Lakes and Crow Wing County is projected to increase by 7.0% in Brainerd, 10.0% in Pequot Lakes and 17.4% in Crow Wing County to 2030. Job growth in the Region may slow somewhat over time due to potential labor shortages and an increase in retirements.

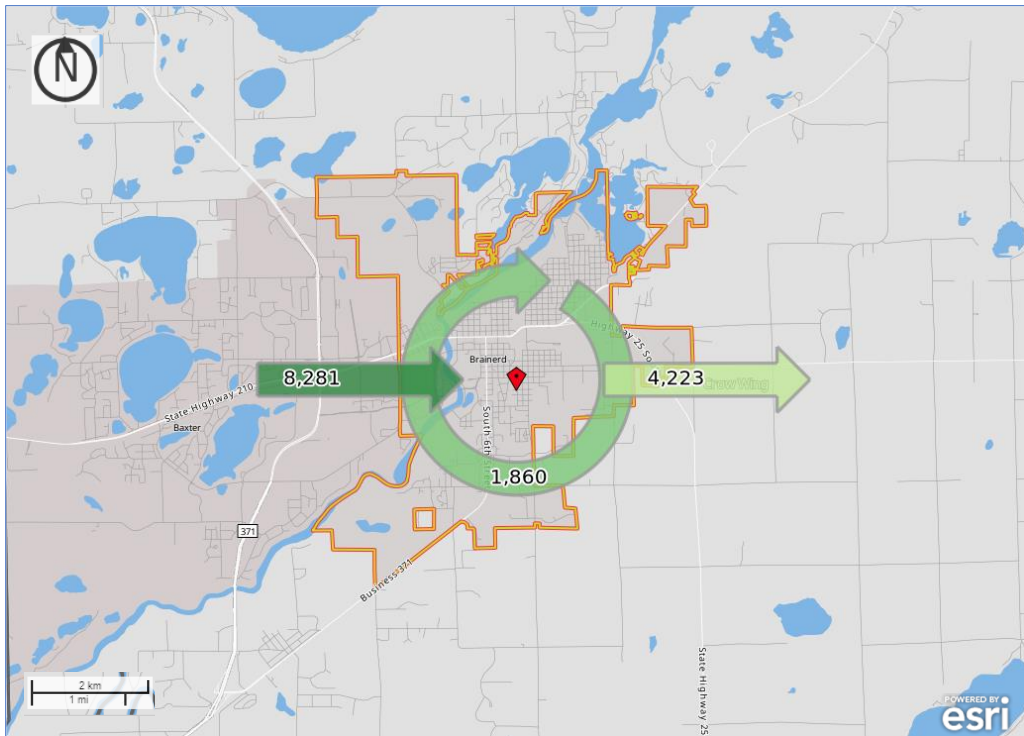
Wage Trends

The following figure displays the average weekly wage in the Crow Wing County from 2010 through 2022. Data is sourced from the QCEW.

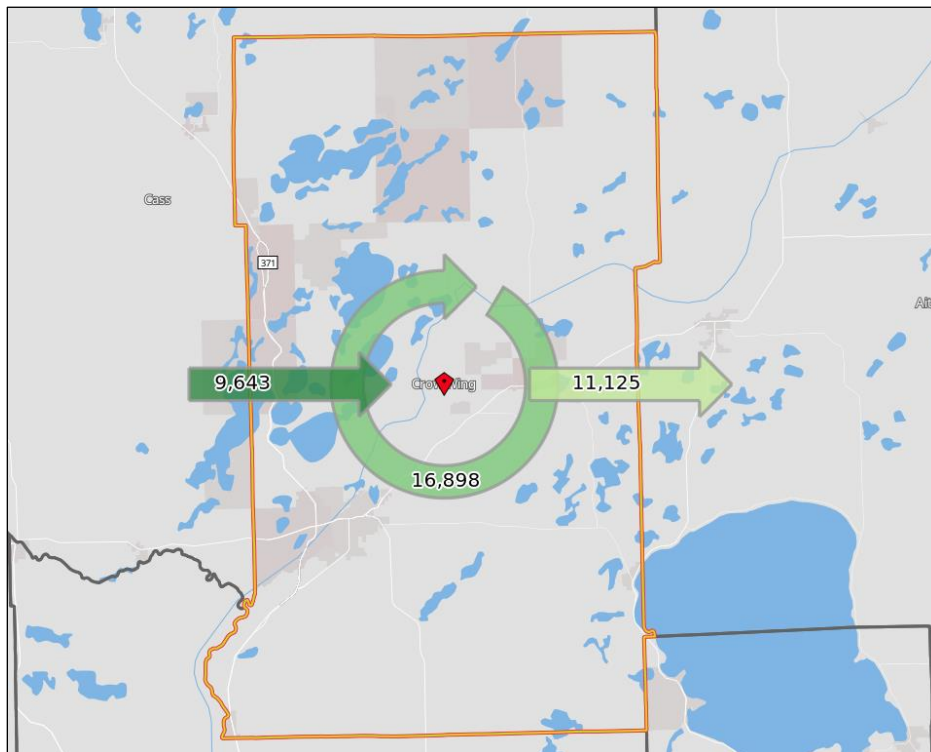
- At \$933 in 2022, the average weekly wage in Crow Wing County has increased 47% since 2010 (\$611).
- Average weekly wages have increased at an average annual rate of 4.1% since 2010, outpacing the historical average annual rate of inflation (2.0%) over the past ten years.
- A household earning the average weekly wage in Crow Wing County (\$933) would be able to afford a monthly housing payment of \$1,213 per month to not exceed 30% of its monthly income on housing costs. This is estimated to be on par or modestly higher than the average market rent for a new one-bedroom apartment, but much higher than the overall average rents in the Brainerd and Pequot Lakes communities.



Commuting Trends: City of Brainerd – Commuting Inflow/Outflow



Commuting Trends: Crow Wing County – Commuting Inflow/Outflow



Income Limits

Table 6 shows income limits, maximum monthly rents and Fair Market Rents for Crow Wing County by household size and income threshold as of 2023. This information is compiled annually by MN Housing, the State's Housing Finance Agency. Similar income thresholds for owned housing are shown in Table 7.

TABLE 6 2023 INCOME LIMITS CROW WING COUNTY Effective Date: 05/15/2023								
-----Income Limits by Household Size-----								
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
20% AMI	\$12,360	\$14,120	\$15,880	\$17,640	\$19,060	\$20,480	\$21,880	\$23,300
30% AMI	\$18,540	\$21,180	\$23,820	\$26,460	\$28,590	\$30,720	\$32,820	\$34,950
40% AMI	\$24,720	\$28,240	\$31,760	\$35,280	\$38,120	\$40,960	\$43,760	\$46,600
50% AMI	\$30,900	\$35,300	\$39,700	\$44,100	\$47,650	\$51,200	\$54,700	\$58,250
60% AMI	\$37,080	\$42,360	\$47,640	\$52,920	\$57,180	\$61,440	\$65,640	\$69,900
70% AMI	\$43,260	\$49,420	\$55,580	\$61,740	\$66,710	\$71,680	\$76,580	\$81,550
80% AMI	\$49,440	\$56,480	\$63,520	\$70,560	\$76,240	\$81,920	\$87,520	\$93,200
-----Maximum Gross Rents by Bedroom Size-----								
	0-BR	1-BR	2-BR	3-BR	4-BR			
20% AMI	\$309	\$331	\$397	\$458	\$512			
30% AMI	\$463	\$496	\$595	\$688	\$768			
40% AMI	\$618	\$662	\$794	\$917	\$1,024			
50% AMI	\$772	\$827	\$992	\$1,146	\$1,280			
60% AMI	\$927	\$993	\$1,191	\$1,376	\$1,536			
70% AMI	\$1,081	\$1,158	\$1,389	\$1,605	\$1,792			
80% AMI	\$1,236	\$1,324	\$1,588	\$1,835	\$2,048			
-----Fair Market Rent by Bedroom Size-----								
	0-BR	1-BR	2-BR	3-BR	4-BR			
Fair Market Rent	\$665	\$755	\$994	\$1,280	\$1,397			
Sources: MN Housing; CRE Consulting Corps								

TABLE 7 REQUIREMENTS FOR MN HOUSING HOMEBUYER ASSISTANCE GREATER MINNESOTA - 2023			
	Max. Income	Max. Purchase Price	Dwnpymt/ Closing Costs
First-Time Homebuyer or Start-Up Program	\$128,400 (for 3+Person HH)		
	\$90,000 (3-person HH deferred payment program)	\$472,030	Up to \$18,000 available
Repeat or Step-Up Homebuyer	Max. Income	Max. Purchase Price	Dwnpymt/ Closing Costs
	\$167,000	\$472,030	Up to \$18,000 available
Source: MN Housing Finance Agency			

Economic Analysis Models

In assessing the economics of housing production, we have prepared a simple economic analysis of hypothetical development scenarios with a variety of housing types to understand the feasibility of delivering housing at a variety of income levels. Below we outline the basic assumptions of the modeling approach and present the discrete findings from the analysis.

The approach taken in this analysis was to build simplified operating and development pro-formas for a variety of housing types in order to determine where there might be opportunities for the market to recognize value in developing housing and delivering units. We looked at single-family, twin-homes, condominium, townhomes, and multifamily residential housing typologies and researched construction costs for both stick built and factory-built, current yields, capital inputs, and rent and sales price levels to develop a model for discussion. The majority of the work focuses on multifamily residential products because that is the property type that provides for a significant majority of Affordable Housing delivery, and that is the property type that has access to the most funding to build and operate. However, the economics are very similar between property types and this approach allows us to look at the gap between what units cost to build and what units can generate in an implied value based on the restricted rent or sales price. This first analysis shows feasibility based on current economic conditions, capital markets, construction costs, and operations, on a typical basis, for both rental and for-sale multifamily units. This allows us to see what impact various inputs have on the ultimate feasibility of each scenario.

In assessing the economics of housing production in Brainerd and the region, certain data and information are necessary to baseline before overlaying development assumptions. Each of the following questions has been analyzed and considered on both a quantitative and qualitative basis. To evaluate the potential for market-rate housing delivery, we evaluated the level of market rents and sales prices required to support the cost of a new construction building program. For this analysis, a project that costs approximately \$214,000 per unit to build, on average, needs to generate at least an average monthly unit rent of \$1,700+ in order to justify the cost to develop the unit, as indicated below.

MARKET BREAK-EVEN RENT - FEASIBILITY RENT – MULTIFAMILY

Development Proforma		Per Unit	
Cost to Develop			
Land		\$6,136	
Hard Construction Cost		\$166,761	
Soft Costs, Profit & Incentive		\$40,597	
Total Development Cost (Implied Value)		\$213,494	
Capitalization Rate (CAP Rate/Yield)		6.00%	
Required NOI to Support Value		\$12,810	
Operating Proforma		\$/Unit/Year	\$/Unit/Month
Income			
Rental Income		\$20,853	\$1,738
Vacancy Allowance	5.00%	(\$1,043)	
Expenses			
Operating Expenses		(\$7,000)	
Net Operating Income (NOI)		\$12,810	

For context, that market rent would require a household income of just under \$70,000 per year, which represents nearly 140% of the median income of Brainerd households. The majority of households in Brainerd and the region would find those rents to be unaffordable. A single full-time wage earner would need to make \$35 per hour to afford those rents, and a household with two full-time wage earners would each need to make at least \$17 per hour in order to afford the market feasibility rent. Observations within the market indicate that an average two-bedroom unit rent of \$1,700+ per month is generally unachievable in the market, further compounding the lack of additions to supply.

Market Feasibility Conclusions	
Required Household Income	\$69,509
% of Brainerd, MN Median Income	139%
Hourly Wage - One Full-Time Worker/HH	\$35
Hourly Wage - Two Full-Time Workers/HH	\$17

Market rents, in theory, are a function of a combination of costs: the cost to operate the project, the cost to construct the project, and the cost of land. The market will increase or decrease rents in line with the price of land to the very point at which the market is supported. If there is additional rent capacity in a community, typically the price of land will increase to reflect that additional value. Because land prices so quickly recognize and rise to reflect increasing rents, in many communities, it is often hard to capture additional rent capacity as a cross-subsidy.

Based on typical development costs and current market rents, there is a feasibility gap for the construction of market rate rental housing. A reduction in hard or soft construction cost inputs, land and site costs, or an increase in rents, to an average unit rent of \$1,700+- would have a direct impact on project feasibility. Additionally, current capital markets have had a significant impact on feasibility.

Similarly, for-sale unit prices are a function of a combination of costs: the cost to construct the project, the cost of land, and the cost to market and sell the units. The market will increase or decrease pricing in line with the price of land to the very point at which the market is supported. If there is additional capacity in a community, typically the price of land will increase to reflect that additional value. Because land prices so quickly recognize and rise to reflect increasing pricing, in many communities, it is often hard to capture additional profit capacity as a cross-subsidy. An estimate of for-sale housing prices based on a modest new construction project have been made in order to start to analyze feasibility.

Based on typical development costs and current sales pricing, there is a feasibility gap for each unit at each income level. A reduction in hard or soft construction cost inputs, land and site costs, or an offsetting capital subsidy would have a direct impact on project feasibility. There is a feasibility gap at almost all levels of for-sale units at all income levels, except the highest income levels. For this analysis, a project that costs approximately \$445,000 per unit to build, on average, would require a household income of just under \$120,000 per year, which represents nearly 240% of the median income of Brainerd households. The vast majority of households in Brainerd and the region would find those home prices to be unaffordable. A single full-time wage earner would need to make \$60 per hour in order to afford a mortgage payment under current terms rents and a household with two full-time wage earners would each need to make at least \$30 per hour in order to afford the single-family house that the market is producing.

MARKET BREAKEVEN PRICE - FEASIBILITY PRICE - SINGLE FAMILY

Development Proforma		Per Unit	
Cost to Develop			
	Land and Site Costs	\$30,000	
	Construction Costs (Hard and Soft)	\$300,000	
	Contingencies, Marketing, Etc.	\$67,200	
	Developer's Profit and Incentive	\$48,000	
Total Development Cost (Implied Value)		\$445,200	
Required HH Income to Support			\$120,033
	% of Brainerd, MN Median Income		240%
	Hourly Wage - One Full-Time Worker/HH		\$60
	Hourly Wage - Two Full-Time Workers/HH		\$30

Underwriting Assumptions	
LTV	80%
Interest Rate	7.00%
Term (years)	30

3-BED	MARKET
Total	\$3,000.81
Debt Service	\$2,369.54
Taxes	\$422.94
Insurance	\$208.33

Therefore, it is reasonable to conclude that a purely market-driven solution to housing supply and affordability is not possible under current economic conditions. Therefore, alternative interventions must be explored and exercised to provide relief to residents through supply side factors, as described below.

Housing Cost Drivers and Opportunities to Influence Them

The primary opportunities and challenges in the housing market in and surrounding Brainerd, MN, are on the supply side, rather than on the demand side; however, income and economic capacity certainly influence the supply of housing. Understanding what challenges exist paves the way to develop strategies to address those challenges, which present opportunities for public and private sector leadership in housing policy and creation. Currently, the public and private financial markets do not supply sufficient resources to meet existing and future housing needs.

There are seven primary levers that directly impact the cost and availability of housing. Each can be manipulated to influence the cost of housing and therefore the level of affordability in its development and delivery. It is generally acknowledged that the cost of housing –both rental and for-sale - is made up of three main parts: the cost of the land, the cost of construction, and the cost to operate the property once built. Within those three parts are some subgroups worth expanding on, and each participant in the housing value chain has an opportunity to influence one or more of these subgroups. It is helpful to begin with the following task list to think about ways local leaders can have an impact:

1. **QUESTIONS:** What questions can be asked?
2. **TOOLS:** What tools are available to address this issue?
3. **EXAMPLES:** Successful examples in practice.

LAND AND INFRASTRUCTURE

Infrastructure is a major cost center and a barrier to development for the private sector. A lower land cost means a lower per-unit development cost, so if it is possible to reduce the cost of land per unit, by increasing the density of the site through density bonuses, value capture subsidies, or subsidized infrastructure costs, housing becomes more affordable to produce. The market has benefited from low- or no-cost land for housing through a variety of government actions, including tax sales and donated land. Strategies such as these are extremely effective in reducing the overall housing cost to the homeowner.

REGULATION AND ENTITLEMENTS

Entitlements include the many permits and legal and regulatory hurdles that need to be met in order to build housing. Expedited permitting, approvals, and planning review can result in shorter timelines, which reduce risk and ultimately cost. Reducing risk, uncertainty, and time helps to deliver less expensive housing.

HARD CONSTRUCTION COSTS

Hard costs include raw materials, site work, labor, etc. Strategies that can reduce overall development costs include value engineering, lower cost materials, and innovative building technologies. For example, 3D printing, modular construction, factory-built housing and adaptive reuse of existing buildings can bring down costs.

SOFT COSTS

Soft costs include engineering, architecture, permitting, design, and legal, financing, and insurance costs. These costs have an impact on overall cost and affordability, as well. These costs are more marginal to an overall project budget, but every bit counts. Cost savings can include repeatable models, simplified designs, and replicable, simple products.

DEVELOPER'S PROFIT

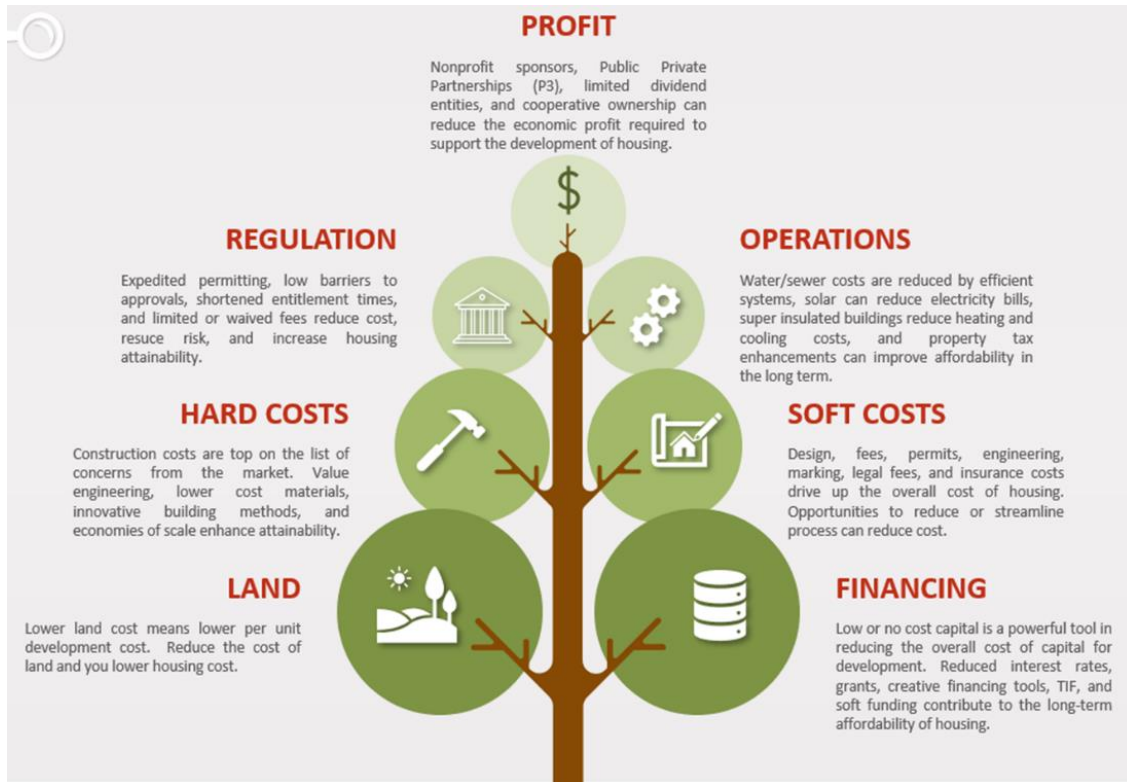
Limiting the profit a developer can generate from a project is another strategy that can help accommodate affordable housing, workforce housing, or other community benefits. Nonprofit project sponsors are good partners in developing lower cost housing because, by nature of their business, they limit overhead and profit. Additionally, limited dividend policies for developers who utilize public financing or other taxpayer funding will reduce the total development cost of a housing unit and reduce the future costs through limits on equity cash out.

OPERATIONS (INCOME AND EXPENSES)

Consider the various operating expenses a property will be subject to once built, to identify discrete solutions to reducing each line item. This is true of both for-sale and rental properties. Expenses like sewer and water can be reduced through greywater recycling systems that reuse water, solar arrays and windmills can reduce electricity expenses, Passive House, and similar, construction techniques can reduce heat loss and lower utility bills, arrangements with the city and county can reduce the real estate property taxes, and alternative arrangements to utility and infrastructure connection and maintenance fees can be developed in order to subsidize the creation of new housing for residents who cannot afford market housing.

FINANCING AND CAPITAL SOURCES

Subsidized interest rates and low- or no-cost capital provide significant upside benefit to the construction of rental and for-sale housing. Restrictions on profit, rent growth, or sales prices, coupled with value capture strategies ensure the sustainability and viability of taxpayer capital into the future.



VALUE CAPTURE

Housing is an essential component to economic development activities. Housing development IS economic development. Without adequate housing supply and options, the workforce struggles to grow, and opportunities for investments in the economy are dampened or missed entirely. The economy cannot grow where housing is unavailable. Investment in housing is an investment in economic development.

The community's investment in infrastructure can be anticipated to increase the value of that private property. Land value capture can be a powerful tool to harness that increase in value. It operates on the principle that the community as a whole should benefit from the appreciation of land values that result from public investment. Value capture mechanisms include taxation policies such as land value taxes, special assessments, and tax increment financing (TIF). These tools capture a portion of the added value that infrastructure improvements, transit projects, or rezoning initiatives bring to a particular area. One of the primary advantages is its potential to fund public infrastructure and services without relying solely on taxpayer dollars. By tapping into the unearned increment in land values, governments can generate revenue to reinvest in the community, fostering sustainable and equitable development. Furthermore, this value capture can help to sustain funding for additional housing development in the future.

Housing Affordability Analysis

To better understand some of the economic challenges and opportunities in developing housing within the various neighborhoods, we have developed a simplified housing analysis. We considered Crow Wing County's \$79,400 median household income for a family of three and analyzed affordability for households earning 60%, 80%, 100% and 115% of that figure in order to present recommendations across a variety of income levels. These income levels translate to hourly wages ranging from \$12 to \$23, assuming two adults working full-time. We have assumed that these households can afford to spend no more than 30% of their income on housing in the form of (a) rental payments or (b) mortgage payments, mortgage insurance, real estate tax and homeowners' insurance. Our assumptions for owner-occupied homes are as follows:

Assumptions for Homebuyers	
Down payment:	10% for below-median households; 20% for others
Mortgage Principal & Interest:	6.625%
Private Mortgage Insurance:	1.0% x loan amount for down payments less than 20%
Real Estate Tax:	1.0% x purchase price
Homeowners Insurance:	0.5% x purchase price

This analysis, including the resulting affordable home purchase prices, is summarized below. The household earning \$47,640 is assumed to rent, rather than buy, a home.

CROW WING COUNTY AFFORDABILITY ANALYSIS						
% of Median HH Income		60%	80%	100%	115%	
HH Income for Family of 3	\$79,400	\$47,640	\$63,520	\$79,400	\$91,310	
Hourly Wage x 2 Adults	20	12	16	20	23	
Affordable Annual Pmts @	30%	14,292	19,056	23,820	27,393	
Homeowners Insurance	0.5%		1,023	1,558	1,791	
Real Estate Tax	1.0%		2,046	3,115	3,582	
Private Mortgage Insurance	1.0%		1,841			
Mortgage Principal & Interest			14,146	19,148	22,020	
Total Payments per Year		14,292	19,056	23,820	27,393	
Total Payment per Month		1,191	1,588	1,985	2,283	
Loan Amount	6.625%		184,103	249,195	286,580	
Downpayment			20,456	62,299	71,645	
Purchase Price			204,559	311,494	358,224	
LTV			90%	80%	80%	

Next, we have surveyed and identified potential sites for developing homes in Brainerd and Pequot Lakes and corresponding capital sources (debt/equity/subsidy) suitable for each of these income levels. Note that many of these scenarios include soft subsidy in the form of free or reduced cost land, Tax Increment Financing (TIF), or other sources that assist in the creation of homes, at below market prices. These findings are summarized in the following table.

HOUSING DEVELOPMENT SITES BY TYPE AND HOUSEHOLD INCOME LEVEL

% County Median Income For Family of 3	Annual Income / Hourly Wage x2 Adults	Home Type	Indicative Monthly Payment / Purchase Price	Capital Sources	Site Suggestions	# of Homes
115%	\$91,310	Owned Single Family	\$2,283	Free Land	Brainerd:	
	\$23		\$358,224	Reconveyance Fee	Trailside Park	32
					Pequot Lakes:	
					Treehouse	TBD
					County Rd 11	9
					Heart of the Good Life	TBD
100%	\$79,400	Owned Single Family	\$1,985	Free Land		
	\$20	Owned Twin Homes	\$311,494	TIF	Brainerd:	
		Owned Town Homes			Trailside Park	64
		Owned Factory Built			Pequot Lakes:	
					Heart of the Good Life	TBD
					Trailside Estates	19
80%	\$63,520	Owned Factory Built	\$1,588	Free Land	Brainerd:	
	\$16	Rental Apartment	\$204,559	TIF	Trailside Park	192
				Speed to Market	Pequot Lakes:	
					Heart of the Good Life	60
					Fire Tower	48
60%	\$47,640	Rental Apartment	\$1,191	Free Land	Brainerd:	
	\$12			TIF	Thrifty White Drug	78
				Other Gov't Sources		
					Pequot Lakes:	
					Heart of the Good Life	25
< 60%	Less than \$47,640	In-Fill New Construction		Habitat for Humanity		8
		Existing Rental Homes		Hearts & Hammers		
		Legacy Housing Stock		Home Improvement Handbook		
Total New Homes						535

Each of the income cohorts is described in detail below.

115% of Median Household Income

This segment earns \$91,310 per year (two adults working full time at \$23 per hour) and could reasonably afford to purchase a home for approximately \$358,000. Assuming the developer is granted free land, this pricing would support construction of traditional single-family houses on the following sites:

- **Trailside Park:** Approximately 120 acres (of which approximately 80 acres are developable) owned by the City of Brainerd which we believe would be a suitable site for a mixture of home styles including 32 traditional single-family houses on 0.50-acre lots.
- **Treehouse Site:** Approximately 25 acres that recently sold. The buyer's development plans are unknown at this point, but we believe this would be a suitable site for a mixture of home styles including traditional single-family homes.
- **County Road 11 Site:** Owned by the City of Pequot Lakes, this, we believe, would be a suitable site for 9 traditional single-family houses.
- **The Heart of the Good Life:** Approximately 85 acres owned by the City of Pequot Lakes which we believe would be a suitable site for a mixture of home styles including traditional single-family homes.

100% of Median Household Income

This segment earns \$79,400 per year (two adults working full time at \$20 per hour) and could reasonably afford to purchase a home for approximately \$311,000. Assuming the developer is granted free land, this pricing would support construction of traditional single-family houses, twin homes, townhomes, and factory-built homes on the following sites:

- **Trailside Park:** Approximately 120 acres (of which approximately 80 acres are developable) owned by the City of Brainerd which we believe would be a suitable site for a mixture of home styles including 64 traditional single-family houses on 0.25-acre lots.
- **The Heart of the Good Life:** Approximately 85 acres owned by the City of Pequot Lakes which we believe would be a suitable site for a mixture of home styles including traditional single-family homes, twin homes, and townhomes.
- **Trailside Estates:** 19 residential lots owned by the City of Pequot Lakes, ready for traditional single-family house development.

80% of Median Household Income

This segment earns \$63,520 per year (two adults working full time at \$16 per hour) and could reasonably afford to purchase a home for approximately \$205,000 or rent a home for \$1,588 per month. Assuming the developer is granted free land, this pricing would support construction of factory-built homes and rental apartments on the following sites:

- **Trailside Park:** Approximately 120 acres (of which approximately 80 acres are developable) owned by the City of Brainerd which we believe would be a suitable site for a mixture of home styles including 192 factory-built homes on 0.20-acre lots.
- **The Heart of the Good Life:** Approximately 85 acres owned by the City of Pequot Lakes which we believe would be a suitable site for a mixture of home styles including 85 rental apartments which are currently planned for the site.
- **Fire Tower:** Owned by a developer planning two 24-unit apartment buildings.

60% of Median Household Income

This segment earns \$47,640 per year (two adults working full time at \$12 per hour) and could reasonably afford to rent a home for \$1,191 per month. Assuming the developer is granted free land, this pricing would support construction of rental apartments on the following sites:

- **Thrifty White Drug:** Former pharmacy site in downtown Brainerd being developed with 78 rental apartments.
- **The Heart of the Good Life:** Approximately 85 acres owned by the city of Pequot Lakes which we believe would be a suitable site for a mixture of home styles including 85 rental apartments which are currently planned for the site.

Less Than 60% of Median Household Income

Housing for this sector could be provided in the form of legacy housing stock, existing rental apartments, and new single-family houses in infill locations being delivered by Habitat for Humanity. Resources for this sector include programs such as Hearts & Hammers, and Home Improvement Handbooks for care and maintenance of older homes.

Sites

As described above, the team toured and heard about a number of sites which are suitable for housing development. All told, these sites present the opportunity for approximately 535 homes in Brainerd and Pequot Lakes. The Appendix includes information provided to the team by local stakeholders about these sites in Brainerd and Pequot Lakes which seem to have development underway and are included in the chart above. Below we share our analysis and recommendations pertaining to two sites – Heart of the Good Life and Trailside Park – which present significant and meaningful opportunities for new homes. Additionally, the strategies and tools described below for these two specific sites can be adapted and applied to current pipeline projects as well as sites and projects not considered for this analysis. These tools are dynamic and adaptable and should be considered universally applicable principles for future strategic planning.

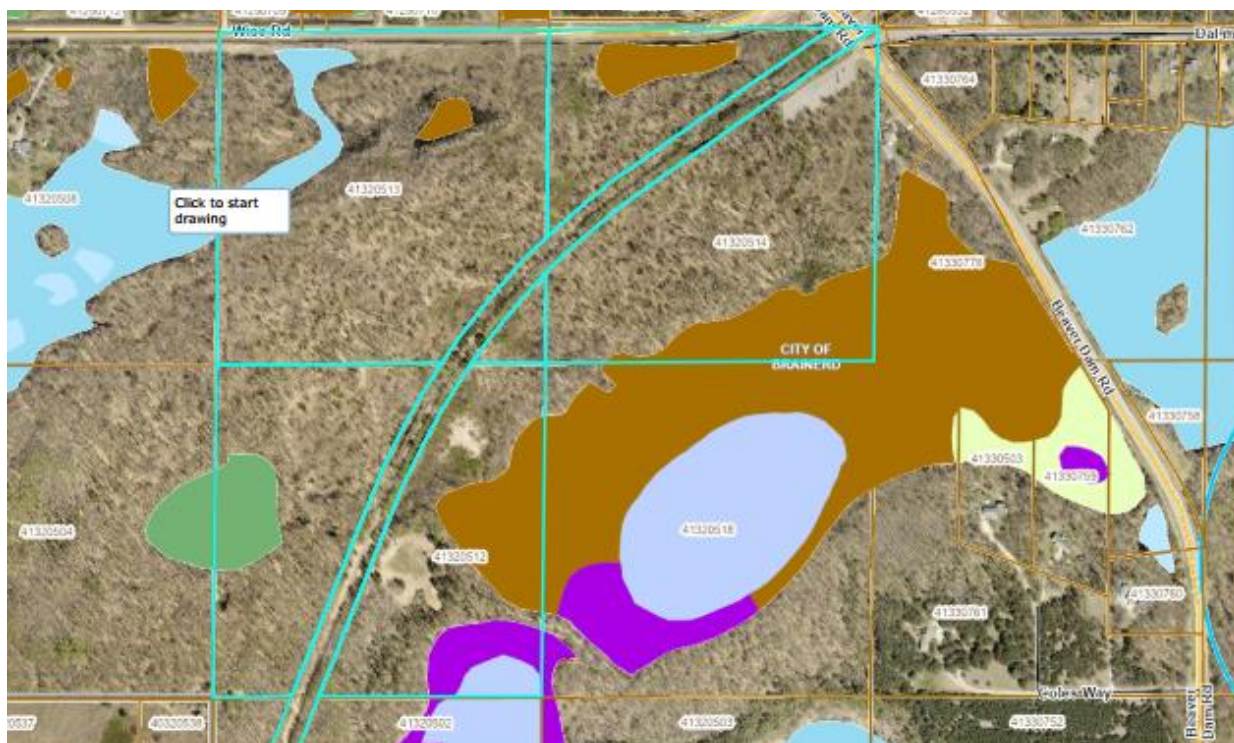
Heart of the Good Life

Pequot Lakes has an established industrial park that has not provided the commercial economic activity and development that was envisioned when the park was created. To date the park only has two commercial tenants, and little to no commercial or industrial interest exists. If there were an industrial user, it would most likely be represented by a commercial real estate agent or broker. This broker would identify all suitable land or property in the Brainerd Lakes region. A request for proposals would be sent to the qualified candidates, and responses would be analyzed both qualitatively and quantitatively. The best acceptable property owners would be counter offered and essentially played against each other until a deal is made or not made. If not made, the industrial user would have its agent repeat the process in other locales. Given the size of the park and typical user size in the area, it would take many users to fill the park, which would likely take a significant amount of time.

Conversion of the park to residential uses (apartments, single family detached homes and/or other housing types) would transform the land to a taxable status and provide both housing development and economic development for the City of Pequot Lakes. A hotel was also discussed by one developer, which could provide a buffer from the bypass highway. The Heart of the Good Life site represents a low-barrier opportunity to convert underutilized land to housing that is needed to support the local and regional economies. Efforts to program and develop the land for residential and mixed-use must be maintained and enhanced to ensure the projects are compatible, expedited, and realized in order to support the local economy and generate tax revenue.

Trailside Park

The City of Brainerd Park District owns 120 acres in the southwest quadrant of Beaver Dam Road and Wise Road. Current improvements include a paved parking lot and the Paul Bunyan trail bisecting the site from the southwest to the northeast. The site is heavily wooded and approximately one-third is considered wetlands. Beaver Dam Road is improved with water, sewer and electricity. Gas and fiber are in the area



We believe this is an ideal location for new housing. Some of the attractive qualities of this site for housing include a beautiful setting with mature trees and wetland overlooks, no need to mix new housing with old, and the project can be master planned and developed with consistency. Considering the opportunity for affordable, factory-built homes, there are few if any neighbors to oppose the development. It is suitable for one or more parks and/or playgrounds, and the Paul Bunyan trail connects to the Washington Avenue commercial corridor and to Crosby-Ironton in the foreseeable future. Sidewalks and trails can connect the proposed neighborhoods. Finally, the property is not currently on the tax roll and can become tax producing, providing additional municipal and county revenue into the future.

We think it is reasonable to redevelop this stalled park project with the approximately 80 upland acres being developed into two or three separate neighborhoods. Each neighborhood could have its own entrance off of either Wise Road or Beaver Dam Road. Wetlands, woodlands, parks, playgrounds and bike paths would act as separators and connectors.



Wetland on the south and east sides of the 120 acres.



Trailside land as seen from Wise Road. Trees include aspen, birch, maple and oak.

Affordable Homes

Approximately half or more of the area could be a neighborhood of single-family detached affordable homes. This is the priority for this site. The density should be at least six homes per acre after netting out about 20% of the acres for roads and sidewalks (80 acres less 20% for roads/sidewalks equals 64 acres, times 50% for this product type equals 32 acres, times 6 homes per acre equals 192 homes). To achieve the objective, manufactured, or factory-built, homes with efficient space utilization is strongly recommended. These manufactured homes are built in a factory, meet building codes and are affixed to a permanent, poured concrete foundation. If a homeowner wants a basement, a home can be placed on basement walls. Homeowners obtain conventional financing for these homes and, per Brainerd zoning code, they would have at least a one-car garage. The region does not have homebuilders to build at scale, and this approach overcomes this major obstacle. Builders with capacity want to build large custom homes on the lakes or executive level housing, as these segments have greater profit margins, leaving more affordable housing types underrepresented in the market.



3BR/2BA, 1,404sf home with a two-car garage from Clayton Homes.

The Brainerd HRA would establish a land trust to own the land and lease the pads to the homeowners. The HRA will issue bonds to pay for the infrastructure costs. Pad rent increases over time would be to cover increased operating expenses only. This maintains affordability. The second affordability tool would be a mechanism to limit the annual appreciation of the homes or establish a land value capture model that shares in the potential future upside upon sale, in order to retain affordability for second- and third-generation homeowners of the development. This can be accomplished by limiting appreciation to a number, such as a set percentage per year or a profit split with the HRA recouping initial investments and redeploying that capital into more affordable housing initiatives. In effect, this creates a revolving fund to enhance the long-term sustainability of the business model.

The neighborhood could be managed by the HRA/Land Trust or a third party. There would be rules and regulations as to exterior home maintenance, for example, no outside storage of campers, watercraft, etc. The City and management company must enforce such regulations to ensure aesthetics, maintenance, and upkeep. In this neighborhood there would be one or two lawn service companies and a firm that plows all of the sidewalks at once, similar to single family condominium associations. This approach results in the community being a desirable place to live and fosters resident longevity.

We also recommend that the homes use a pit-set foundation, eliminating or minimizing the number of steps into the home. Typically, there are five courses of block the house sits on raising the elevation by above grade by 30-36". The crawl space is enclosed with decorative block. By excavating a bit below grade for the foundation, the house can be at grade (also known as "zero grade"). This is a cleaner look and favored by seniors and residents with limited mobility. It is also nice to be able to walk into the house from the garage with groceries in hand and not have to worry about steps.

Locally in Brainerd, Iseman Homes represents five different home manufacturers - Adventure, Clayton, Highland, Northstar and Redmond. These companies offer incentives programs for bulk home orders exceeding 10 or more homes.



Interior finish sample for the home shown in the previous photo.

We recommend seeding the development with a few different size/style homes to provide the market with the feel of what is to come. Include a typical 3BR/2BA home with a two-car garage and an 1BR/BA home with a single-car garage. The HRA could also own some homes and rent them out or engage the private sector to buy homes and rent them out. We would recommend a restriction on the number of homes that

can be rented to 10%-15% of the existing inventory. Rentals are another way of providing affordability. We recommend a prohibition on the most basic/low-cost homes, which have the appearance of mobile homes of the past and could sink the development. Architectural standards requiring homes to have design elements on the front façade providing a suburban site-built home look is recommended. The goal is to create an attractive neighborhood of diverse homes where people will want to live.

The typical factory-built home price includes delivery and installation. Air conditioning is included; however, washers and dryers are not. The homebuyer is responsible for constructing the driveway and house pad and bringing utilities to the pad. The seller provides engineered specifications for the pad. According to our market research, the typical site costs range is \$18,000 – \$30,000 depending on the size of the home. The City of Brainerd can either waive the SAC and WAC fees or be paid from the bonds. Homebuyers would have to provide their own garages, if buying from Iseman. Home delivery time is 10-12 weeks from ordering, which is a distinct advantage over site-built houses: speed to market. There are many options and upgrades available to buyers.



Traditional, ranch style factory-built home with the broad side facing the street.

In determining that factory-built homes are a logical and valuable solution to the region's housing needs, we have undertaken a feasibility analysis that examines a number of scenarios. First, we examine what the one- and three-bedroom home acquisition and carrying costs are on mid-priced homes.

HOME PURCHASE PRICE AND MONTHLY PAYMENT

Unit Type	1BR/1BA	3BR/2BA
Base Cost-Nice Unit	115,000	155,000
Tax @ 3.75%	4,313	5,813
Garage: Single/Double	15,000	30,000
Driveway & Slab: Single/Double	23,000	35,000
Washer/Dryer & Upgrades	<u>3,000</u>	<u>6,000</u>
Cost to Homebuyer	160,313	231,813
Downpayment @ 5%	<u>8,016</u>	<u>11,591</u>
Loan Amount	160,299	220,222
Monthly Cost		
D/S @ 6.625% 30 year	1,026	1,410
PMI @ 1% of loan amount	134	184
Prop Tax@1% Cost + 20k /30k lot	150	218
Insurance @ .008/1000/12mo	107	155
Pad Rent (tbd)	<u>175</u>	<u>225</u>
Total Monthly Owner Cost	1,592	2,191

This calculation assumes a down payment of 5%. However, if the homebuyer has a 20% downpayment achieved through savings, downpayment assistance (e.g. first time homebuyer program) and/or family help, the monthly cost is 21% lower. Total monthly owner costs are reduced to \$1,253 for the one-bedroom buyer and \$1,726 for the three-bedroom buyer. Another source of downpayment assistance could be from the HRA in the form of a non-interest-bearing deferred payment loan that is paid upon a sale or refinance. The mortgage insurance requirement goes away with a down payment of 20% or more.

Starter/Move-Up Homes

The balance of the land would be developed into one or two neighborhoods. One neighborhood would create approximately 64 homes on quarter-acre lots with starter homes, move-up homes and retirement living. This model would include patio homes, twin homes, townhouses or larger/higher-end factory-built homes. Home prices would be expected in the \$300,000 - \$400,000 range. These lots would be sold to homebuilders to build custom and spec homes. The buyers will be paying for the lots (say \$40,000 average) and SAC/WAC fees.



This Kingsbrook by Highland is a generously sized 3BR/2BA of 2,160 square feet with 9' ceilings. A garage can be attached to the left-hand side with a direct connection into the mud room. It is priced at \$309,000 before taxes (includes installation but not driveway/foundation/utility runs from the street, nor a garage). Highland Homes, in Worthington, MN, offers 47 different floor plans from which to choose.

We cannot emphasize enough the value of going to meet with Iseman representatives in person or going to Worthington, MN to meet the Highland people and learn what they may be willing to do to assist the city in building this new community. The same goes for the other manufacturers Iseman represents. "Trips equal Deals!"

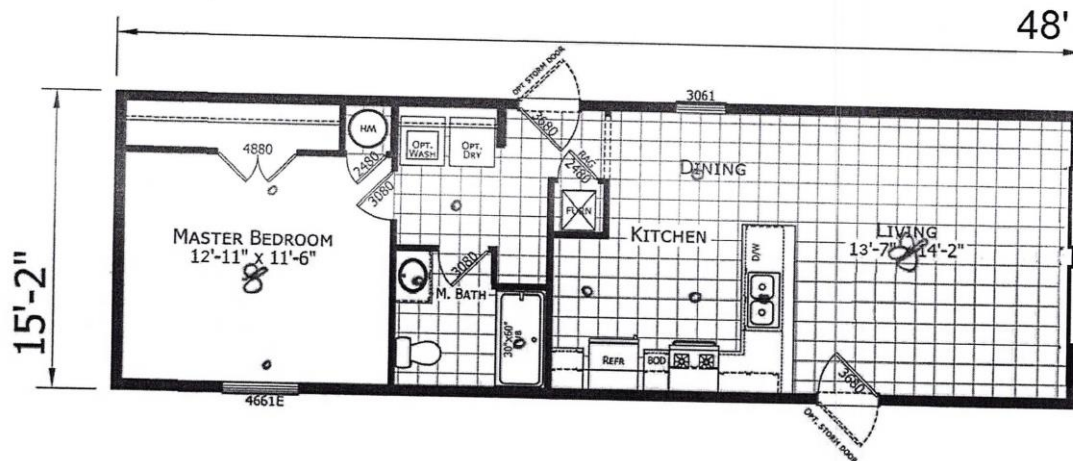


The great room and kitchen of the Highland Kingsbrook shown above.



The master bathroom of the Highland Kingsman.

Highland builds a one-bedroom home with 8' ceilings for \$90,000 before extras. The front door can be on the long end of the living room and the side door by the laundry can lead into an attached garage.



3BR/2BA 2,040sf with double garage with an upgraded front exterior from Redmond Homes.

Executive Homes

The potential third neighborhood would be 32 market-rate executive homes on half-acre lots. We recommend a market study to determine demand for homes in the \$500,000+ price range to properly size this neighborhood. One of the housing shortages we heard about is the lack of available homes for doctors being recruited to work in Baxter and Crosby. They do not want to build their own homes but rather buy an existing home. These lots would also be sold to homebuilders at the market. An inducement the city could provide to spec builders is to defer the land purchase payment and SAC/WAC fees until the title is transferred to the buyer through a priority lien mechanism. The city could also consider charging a fee for doing this, payable at the time of ultimate sale, represented as a reconveyance fee. Do not allow the combination of lots – deed restriction. We want every lot to have a home on it. If there is a homebuilder

incentive, such as a deferred lot payment, home construction must commence within a set period of time, or recapture is triggered. Developers cannot sit on the lots.

The Development Approach

The hard costs include excavation, erosion control, storm water drainage and retention/filtration, public street improvements, driveways, sidewalk/curb/gutter, lighting, utility lines for water, sanitary sewer, gas, electricity and fiber. Soft costs include planning/engineering, platting, permit fees, staffing and overhead costs. Since the city owns the land and is the developer, there are no property taxes, land development loan fees and interest, nor a developer's profit.

Infrastructure is a major cost center and a barrier to development for the private sector. A lower land cost means a lower per-unit development cost, so if it is possible to reduce the cost of land per unit, by increasing the density of the site through density bonuses, value capture subsidies, or subsidized infrastructure costs, housing becomes more affordable to produce. There are two approaches to land development under this strategy.

1. The city can develop the project by hiring a land planning/civil engineering firm to plan it out and engage contractors to build the infrastructure. Existing staff could lead the effort, or the city could hire a developer on a fee basis.
2. Alternatively, the city has a developer take the economic risks of the land development with a pay structure that includes an incentive for lot rentals and sales. This approach will change the economics, result in conflicting motivations and probably not have as good or as fast a result as the city wants.

PHASED DEVELOPMENT AND FUNDING SOURCES

The land development could be done all at once or phased over time. Doing it all at once seemingly is the most cost effective and terribly risky. Breaking the project down into multiple phases would better match up with absorption of lots. From a perception standpoint, developing and filling a phase and then the next phase and so on provides the perception of success. If all the roads were put in at once, the pace of absorption may connote failure. To mitigate that, a masking tactic could be employed to temporarily landscape over the road to block traffic and views until the next phase is ready to be opened up.

A rough estimate of the infrastructure cost for 288 lots is \$25,000 - \$35,000 per lot or \$7,200,000 - \$10,800,000, based on our conversations, research, and experience. The key to this is the speed at which the lots can be put on the tax rolls. A market study to determine absorption would be helpful in this regard. Lot sales from the top priced subdivisions will not only generate tax revenues, but they also generate cash to be used to retire a portion of the bond debt.

The table below shows an approximate property tax potential of developing the land as suggested. Once fully developed, it could generate \$897,000 in annual property taxes to repay the bonds. If one were to

amortize \$10,800,000 @ 3.75% over 20 years, the annual payment is \$777,191. The bond cost would be more than \$10.8 million as there would be bond issuance costs and interest carry to add on.

We suggest breaking the project down into phases and issuing a bond for the cost of each phase. The bond would be structured with interest carry to cover the land development and initial sales period. As more sales occur (read more property taxes generated), the property taxes will cover the interest expense of the bonds for a period, and then upon sell-out or close to, the taxes can cover both interest expense and principal amortization of the bonds, say over a 20+ year term. Presumably, the property tax rate will rise over time and, with a fixed interest rate on the bonds, a positive spread will occur. Depending on the timing of future phases, the bond interest rate could be lower or higher for a particular phase. The plan for the Starter/Move-up and Executive subdivisions is to sell the lots, generating more up-front revenues for faster bond repayment.

A structuring feature to reduce risk would be to allow a phase that is generating surplus revenues to cover a phase that may not be generating enough taxes to cover its debt service. Also, if a phase is paid off while others are still making payments, use the free and clear tax revenues to accelerate the payments on the outstanding bonds, if possible.

Value Capture - Tax Increment Trailside Park Homes

Factory Built Subdivision	<u>Home Cost</u>	<u>Lot Value</u>	<u>Totals</u>	<u># Lots</u>	<u>Total Values</u>	<u>Tax Rate</u>	<u>Prop. Tax</u>
Smaller - One Bedroom Lots	\$160,000	\$25,000	\$185,000	48	\$8,880,000	1.00%	\$88,800
Larger - Three+ Bedroom Lots	\$220,000	\$35,000	\$255,000	144	\$36,720,000	1.00%	\$367,200
Starter/Move-up Home Lots	\$375,000	\$40,000	\$415,000	64	\$26,560,000	1.00%	\$265,600
Executive Home Lots	\$500,000	\$50,000	\$550,000	32	\$17,600,000	1.00%	\$176,000
Totals				288	\$89,760,000		\$897,600

Potential funding sources are:

- Bond Financing. Brainerd's AA bond rating translates into a 3.75% +/- interest rate today. Use the proceeds to fund an Up-Front TIF.
- TIF to capture the property taxes generated to repay the bonds.
- Use of some of the new half cent sales tax that is to go for infrastructure purposes.
- The U.S. Department of Transportation Surface Transportation Block Grant Program allocated money to the states and then from the states to its cities. This is a possible funding source for the new neighborhood streets.
- The sale of the lots over time will generate proceeds toward bond repayment.
- The pad rent could include an amount to go toward bond interest.
- The Crow Wing County Housing Trust Fund, upon fund replenishment, could contribute to the upfront project costs, buy some homes to rent out, or provide down payment assistance for buyers.

Management of the Affordable Neighborhood and Lot Sales

Once the land is developed, we recommend a private company be hired to manage and lease the lots in the affordable neighborhood. The city needs a buffer between it and the residents when it comes to enforcing rules and regulations and rent collections. The management company fee ought to be the greater of a minimum monthly fee or a percentage of collected rents. Collect rents via ACH on the first of the month without exception. Also pay the management company a leasing commission for each lot rented. Monthly reporting is required for both the management and leasing components of the assignment. Failure to execute on either one or both portions of the assignment results in termination. Accountability is not negotiable.

We also recommend an RFP process to select the brokerage firms for the lot sale listings of the Move-up and Executive Home neighborhoods. Encourage candidate firms to present above and beyond the typical marketing tactics, and an incentive for a certain number of sales within the first year. For example, the sales team would go to a factory and watch homes being built and know the product intimately and learn how to sell them. Require weekly or every other week written reports and meetings (live or virtual) with the sales team and a point person from the city or HRA. This person has to think broadly, creatively and be persistent for results. Focus and accountability are key to sales success. "Do Not Confuse Effort with Results!" This has to be a very proactive sales and marketing approach.

Recommendations

Ombudsman

A significant takeaway from the Consulting Corps team's work in Crow Wing County has been that a public-private partnership is necessary. Those projects that have access to public sector support are successful, while those without such access struggle. We recommend the establishment of an ombudsman to hold a developer's hand, facilitate this public-private partnership, and move the process along. While some sophisticated developers have spent years and effort learning how to access incentives, many are not inclined to attempt to work "with" government because they deem the experience too complicated, or simply do not know where to start. In addition, many public sector stakeholders have expertise and insight that may be under-utilized due to the public sector tendency to "stay in your lane."

We believe that a county-level ombudsman position can add value to the development process. Potential development hurdles can be clarified and resolved with the assistance of this Ombudsman. We believe that the **HRA, City of Brainerd, City of Pequot Lakes, Crow Wing County and the State of Minnesota** can all play important roles toward a successful development. Combined effort amongst the public sector entities will have a better chance of success with a coordinated development effort centered around one or more specific parcels. Coordination would be mandatory among the public agencies. The idea is to identify potential hurdles and address them early. The ombudsman can also coordinate the various incentives from multiple public agencies and draft the RFP to incorporate specific funding sources and incentivize more developers from both within the region and beyond to consider the development of parcels, both privately and publicly owned.

We believe that Brainerd Lakes Area Economic Development Corp. (BLAEDC) should be empowered to have a larger involvement in housing, which will be tied to their economic development strategy, outreach to the development community and to existing and potential stakeholders. This outreach should extend beyond the local area, building on the out of state and out of town developers already doing business locally with a deliberate effort to tie together the housing and economic development priorities.

Creating a one-stop-shop for all economic development activities will be a powerful step to reduce the impression of expensive red tape and to speed up the process for delivery of housing.

Learn from Perham

We highly recommend a visit to Perham, MN, to meet with the economic development team and tour the recent housing developments. Perham is on their 45th tax increment district, and their successful model that can be a source of inspiration. There is much to learn on how to put together a TIF district and what attorney or consultant does it for them. There is no need to reinvent the wheel. Perham's economic development staff told the CRE team that the cost to establish a TIF district is about \$10,000. There are developers building in Perham that could be candidates to do the same in Brainerd or Pequot Lakes. For

example, a developer out of Little Falls is building twin home rentals and charging \$1,100/month including utilities for a two-bedroom and \$1,200 for a three-bedroom unit.

All of the projects getting done are using TIF. The buyers/renters must meet the income qualifications and do, as most Perham wages are \$17-20/hour. Arvig Communications, the hospital and food manufacturer are the three principal employers in town. There is a gap in the housing ladder rungs between affordable rental and affordable ownership. The quad homes and twin homes shown in the photos below are the least expensive types of for sale housing in Perham. Perham has a \$10,000 down payment assistance loan program with no interest; this loan is repaid upon the sale or refinance of the property. Perham's HRA has about \$300,000 loaned out at present.



Simple quad home. Many seniors were seen walking in this neighborhood. Notice that there are no steps.



Twin home. Now imagine this in the wood setting of Trailside Park.



This is the backside and backyard of the home shown above.

Rehabilitation Program for Legacy Homes

Brainerd and the surrounding communities are home to a large stock of pre- and post-war historic homes. This legacy housing stock represents a significant portion of the existing homes within discrete neighborhoods and was observed in a variety of conditions during our tours. Preservation of housing is almost always more cost effective and time efficient than new construction. We suggest that a resource document, coupled with a rehabilitation program, be developed to encourage and assist existing and prospective homeowners to undertake renovations, improvements, and better utilize this housing stock. Much of this stock has been converted to rental housing since the Great Recession, and there may be opportunities to enhance the attractiveness and sustainability of these legacy homes for new homeowners.

We suggest undertaking a process to develop and publish a Legacy Home Rehabilitation Guide that provides resources, education, and opportunities for property owners to enhance and improve their homes. This guide would detail some of the challenges and opportunities that legacy homeowners commonly face as well as the solutions and maintenance to prevent more costly future issues. This guide, coupled with access to resources and programs, would increase the sustainability, longevity, and attractiveness of this significant housing resource. Low-cost loans, technical assistance programs, and regulatory relief all contribute to reducing barriers to homeownership and will uplift these legacy homes.

Additional resource links are included in the Appendix.

Housing Innovation

Housing is expensive for a number of reasons. Lack of supply coupled with increasing demand pushes up prices; regulatory requirements, construction materials and labor, inflation, rising interest rates, and other factors all contribute to cost. Two main strategies to reduce costs and increase availability include technological innovation and capital strategies. New technologies such as modular construction, factory-built methods, tiny homes, Passive House, 3D-printed homes, and other tools can reduce the cost to build homes. The other strategy is to deploy capital through equity and debt investments that offset those development or operating costs, such as the Low-Income Housing Tax Credit (LIHTC) program, tenant- or project-based rental vouchers (such as HUD Sec. 8 Housing Choice Vouchers), or lower-cost capital to subsidize housing creation and produce homes that are affordable.

Increasing feasibility for affordable housing programs lives at federal, state, and local levels by increasing subsidies, providing tax incentives to encourage the development of affordable housing and increasing funding for housing vouchers and other rental assistance programs. At the local level, reducing regulatory barriers and streamlining the development process will help alleviate the crisis significantly. Many local zoning laws and building codes make it difficult and expensive to build, which reduces supply and increases pricing. By reducing these barriers, it can become easier and more cost-effective for developers to build more housing, which enhances communities, economies, and most importantly the lives of residents.

Innovative housing options have emerged in recent years to address various challenges in the housing market, including affordability, sustainability, and adaptability. Advances in materials science, manufacturing methods, and loosening of regulatory burdens have created opportunities to innovate in housing. Below are strategies worth considering to boost housing production and affordability.

TINY HOMES/SMALLER HOMES

Tiny homes are compact dwellings that maximize space efficiency. They offer an affordable housing solution and are popular among minimalists and those seeking a more sustainable lifestyle. When the majority of new U.S. home construction occurred, in the 1950s, the average single-family home was approximately 1,000 square feet, while today, the average U.S. home is closer to 2,500 square feet. The encouragement of smaller homes and increased density offers economies of both size and scale. Smaller homes cost less to build and often fill a very important gap in housing type and tenure.



Conversations with local developers, property managers, and investors active in Crow Wing County have indicated strong demand and market response to smaller units, diverse unit types, including studio units and one- and two-bedroom detached homes. Smaller units and smaller detached homes should be considered as a strategy for providing lower cost housing within the market. Below is an example of a high-quality small home in Duluth.



CO-HOUSING

Co-housing communities consist of private homes clustered around shared spaces, encouraging social interaction and resource sharing. This model fosters a sense of community and reduces individual living costs. There are examples of successful co-housing communities throughout the U.S. that provide lower cost housing alternatives.

The photo below shows the Mosaic Commons co-housing community in Berlin, Massachusetts, which provides affordable for-sale and rental homes, including 34 townhouses and flats, ranging from 1 to 4 bedrooms.



MODULAR AND PREFABRICATED HOUSING

Modular and prefabricated homes are constructed off-site and assembled on location. This method reduces construction time and waste, making it a cost-effective and sustainable choice and because these structures are built off-site in controlled factory environments, they are built to precise specifications and are of very high quality. Once completed, modules, panels, or whole homes are transported to the building site and assembled, significantly reducing construction time and costs. Modular and prefabricated homes are known for their efficiency, sustainability, and customization options. They minimize waste, enhance energy efficiency, and often incorporate eco-friendly materials.

Below is an example of a high-quality factory-built home offering three bedrooms, two bathrooms, and an attached two-car garage on a private lot. This model is manufactured by Clayton Homes.

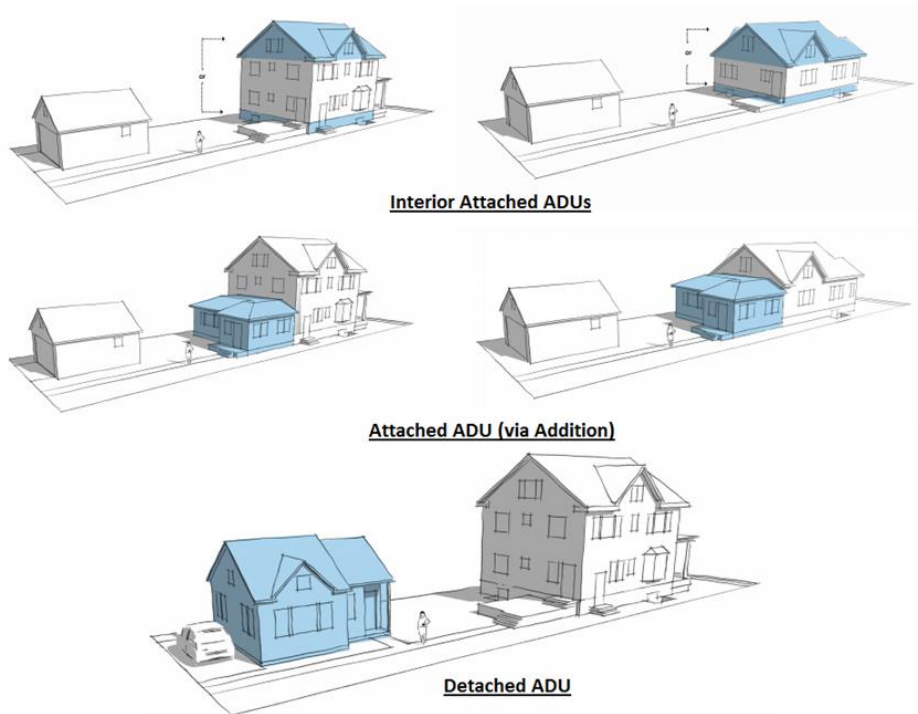


ACCESSORY DWELLING UNITS

Accessory Dwelling Units (ADUs) are small, self-contained residential units built on the same property as a primary home. These compact living spaces, also known as in-law apartments or backyard cottages, have gained popularity as a solution to housing shortages, particularly in existing neighborhoods. ADUs offer multiple benefits, including additional rental income for homeowners, affordable housing options for renters, and the ability to accommodate extended family members while maintaining privacy. They promote sustainable land use by utilizing existing infrastructure and reducing the need for new construction. ADUs play a crucial role in addressing housing affordability and fostering flexible, community-oriented living arrangements in many urban and suburban areas.

The graphic below shows the variety of ADUs contemplated by the City of Saint Paul in their Accessory Dwelling Unit ordinance that was recently modified in 2022 to allow additional ADU options and to reduce barriers for property owners to add ADUs.

<https://www.stpaul.gov/departments/safety-inspections/building-and-construction/construction-permits-and-inspections/building-permits-inspections/accessory-dwelling-units>



3D-PRINTED HOMES

3D-printed homes are at the forefront of innovative housing solutions. These dwellings are constructed layer by layer using advanced 3D-printing technology, typically with sustainable materials such as concrete, recycled plastics, or wood byproducts. This approach offers numerous advantages, including rapid construction, cost-effectiveness, and reduced material waste. 3D-printed homes can be customized to meet various architectural styles and are highly energy-efficient. While still emerging, 3D-printed homes represent a promising avenue for sustainable, affordable, and scalable housing solutions, and provide accessible housing options.

The photo below shows BioHome3D, an example of a 3D-printed home developed by the University of Maine Advanced Structures and Composites Center. The 600-square-foot prototype features 3D-printed floors, walls and roof of wood fibers and bio-resins. The house is fully recyclable and highly insulated

with 100% wood insulation and customizable R-values. Construction waste was nearly eliminated due to the precision of the printing process.



ADAPTIVE REUSE

Adaptive reuse involves repurposing existing structures like warehouses, factories, or churches into residential spaces. This approach preserves historical elements while providing unique living spaces. This method not only preserves architectural heritage but also addresses the growing need for urban housing in a resource-efficient way. Adaptive reuse projects often incorporate unique and charming features, offering residents a blend of history and modern living. They contribute to urban revitalization, reduce demolition waste, and can be cost-effective compared to new construction. Adaptive reuse for housing embodies sustainability, creativity, and a sense of community, breathing new life into neglected urban spaces while meeting the demands of contemporary living. Adaptive reuse allows the efficient reuse of existing structures, serviced by existing infrastructure, which reduces the need for additional investments in infrastructure.

PASSIVE HOUSE/NET ZERO

Passive House is an energy efficiency building standard that creates efficient building design and construction methods. It focuses on minimizing a building's energy consumption for heating and cooling, ensuring exceptional indoor air quality and comfort. Passive House buildings are highly insulated, airtight, and equipped with energy-recovery ventilation systems. These features significantly reduce energy bills and environmental impact, which reduces overall ownership cost. The standard has gained global recognition for its ability to create sustainable, comfortable, and healthy living spaces. By emphasizing energy conservation and renewable energy sources, Passive House promotes a greener and more sustainable future for the construction industry and residents. Coupled with Net Zero and other renewable energy methods, overall cost can be brought down through lower operating costs.

These innovative housing options reflect a growing emphasis on sustainability, affordability, and adaptability in the housing industry, addressing diverse needs and preferences in today's housing market. They represent some of the strategies that could be employed within Crow Wing County to address housing shortages, increasing housing costs, and energy efficiency and sustainability.

Conclusion

Brainerd and Pequot Lakes have undeniable natural beauty, access to amenities, and strong demand for housing. Increased demand coupled with limited supply creates a significant real estate challenge and opportunity for the region. Economic growth cannot occur without adequate housing options across income spectrums and housing types. Addressing the housing challenges while maintaining community and enhancing mutual benefit is the common thread throughout this exercise.

Without adequate and cost-effective infrastructure, planning efforts will not materialize into actionable and transformative strategies, which is why it is critically important that water and sewer connectivity, roadway infrastructure, and transit capacity be enhanced in order to drive community and economic growth. Our recommendations for addressing these challenges include the establishment of an ombudsman to assist developers and facilitate public-private partnerships. This will streamline the process and ensure a constant line of communication and problem solving so that projects get done. Local leaders should take lessons from nearby Perham, MN, where the community is using tax incentives effectively to generate housing production that meets the needs of local working families. There is a need to preserve and enhance the essential existing legacy housing stock through a rehabilitation program so that good, high quality, affordable housing continues to be naturally occurring in the community. Utilize housing innovations, such as Accessory Dwelling Units, Tiny Homes, Modular construction, Passive House/NetZero, and 3D Printing, and encourage development partners and the community to innovate in housing production and delivery.

By focusing on the priority opportunities, proactively engaging partners, experimenting with innovative tools and products, and leveraging resources, Brainerd and Pequot Lakes can set the stage for private developers or public-private partnerships to lead increased housing to maximum public benefit. Throughout this report, problems have been identified and analyzed, recommendations have been made, and strategies have been outlined to address many of the issues faced and to spur creative solutions to the unique problems faced in each community and neighborhood. It is essential to begin immediately addressing these issues and maintain focus and follow-through. By focusing on a limited number of high priority, attainable projects and ensuring that the current pipeline of existing projects gets executed and sustained, the communities will develop the momentum necessary to continue making progress. It is essential that all efforts and resources be allocated to ensure that projects like Thrifty White, and others, are realized in the quickest possible timeframe. The Consulting Corps team is optimistic that significant progress can be made with strong leadership and a focus on what is necessary and achievable within the communities.

Appendix

Appendix I – Acknowledgements

We thank the National Association of REALTORS® for their support of the CRE Consulting Corps through the Transforming Neighborhoods program. Our sincere appreciation to Dolly Matten and leadership of the Greater Lakes Association of REALTORS® for the warm welcome. The CRE Consulting Corps team was privileged to talk to a wide variety of stakeholders while onsite in the Brainerd Lakes region. Some of those people are listed below, and we thank them for their time.

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 Steve Barrows, Crow Wing County Commissioner
 Jennifer Bergman, Brainerd City Administrator
 Kelly Bevans, Brainerd City Council
 Theresa Bilben, GLAR®
 Bill Brekken, Former CWC Commissioner/Local Assoc GA Committee
 Bradley Chapulis, City of Baxter
 Eric Charpentier, Brainerd/Crow Wing County HRA
 Jessie Dehn, City of Brainerd
 Mary Devine-Johnson, Brainerd Restoration
 Ron "Skip" Duchesneau, DW Jones
 Mike Duval, Brainerd HRA
 Joe Enge, Edina Realty - Tom Dehn
 Rick Fargo, Progressive Property Management
 Mayor Tyler Gardner, Pequot Lakes
 Tyler Glenn, BLAEDC
 Nate Grotzke, Close-Converse Commercial Real Estate
 Deanna Hemmesch, Central Minnesota Housing Partnership
 Mike Higgins
 Sheila Holley, Pequot Lakes EDA Commission
 Monty Jensen, Level Contracting
 Councilman Gabe Johnson, City of Brainerd
 Mark Jurchen, Pequot Lakes Economic Development Commission
 James Kramvik, City of Brainerd
 Commissioner Jon Lubke, Crow Wing County
 Nick Murdock, City of Perham
 Tim Nelson, GLAR Board of Directors
 John Ohlin, Deerwood Bank
 Kevin Pelkey, Lakes Area Habitat for Humanity
 Mandy Peterson, GLAR Board of Directors

Richard Spiczka, City of Pequot Lakes
Joel Staehling, First Western Bank
Zach Tabbatt, Initiative Foundation, Baxter City Council
Todd Wicklund, City of Brainerd Public Utilities
Kevin Yeager, Brainerd HRA
Billy Zeits, Corner Lot Development

Appendix II – The Counselors

The Counselors of Real Estate® is an international organization of commercial property professionals from leading real estate, financial, law, valuation, and business advisory firms, as well as real property experts in academia and government. Membership is selective and extended by invitation; commercial real estate practitioners with 10 years of proven experience may apply. Counselors have created and endowed the MIT Center for Real Estate; resolved the dispute between the developer of the World Trade Center and its insurers post Sept. 11, 2001; led the privatization of U.S. Army Housing; developed a multi-billion-dollar, 10-year master plan for Philadelphia Public Schools; and valued both the Grand Canyon and Yale University. Counselors practice in 22 countries and U.S. territories, with only 1,000 professionals holding the CRE® credential worldwide. Thought Leadership is a core competency of the CRE organization as exemplified by the peer reviewed journal, Real Estate Issues, and presentation of major real estate symposia in partnership with Harvard and Stanford Universities.

CRE Members:

- Recognized records of accomplishment
- Commitment to excellence
- Uncompromising adherence to high standards of professional conduct
- Visionary, yet practical approaches, to real estate issues

CRE Consulting Corps

The CRE Consulting Corps, a public service program of the The Counselors of Real Estate, provides real estate analysis and action plans for municipalities, not-for-profit organizations, educational institutions, and government agencies that address their clients' real estate dilemmas and often enhance the performance of a property or a portfolio. Each Consulting Corps project is conducted by a small group of volunteer members selected for experience and skillsets to address the specific needs of the client. The extensive talent base available within the CRE community ensures that teams can provide expertise on virtually any real estate issue.

- Feasible, achievable solutions from experienced professionals
- Non-partisan, objective advice
- Extremely cost-effective
- Advice and recommendations provided quickly on site

Finding the Right CRE

Credentialed members of The Counselors of Real Estate are available to assist with your real estate challenge. Visit the CRE website to find the right CRE at <https://cre.org/find-a-cre-search/> or contact CRE staff for assistance in identifying Counselors with the right skill sets to address your needs.

Appendix III – The Team

The Counselors of Real Estate Consulting Corps team assisting Brainerd and Pequot Lakes:



Brett Pelletier, CRE
Chief Operating Officer
Kirk & Company: Real Estate Counselors
Boston, Massachusetts
bpelletier@kirkco.com



Brett Pelletier, CRE, is a finance and land economics professional specializing in commercial real estate problem solving and affordable housing finance, advisory, and policy matters. A faculty member at the Cummings School of Architecture at Roger Williams University, he teaches courses in real estate. Professional and academic interests include: Land Economics, Real Estate Finance, Land Use Planning, Healthy Housing, Housing and Economic Equality, Community Development and High-Performance Building Standards.

He is a recognized expert in affordable housing finance and analysis and has specialized experience advising governments, non-profit developers, and private entities on adaptive reuse of historic buildings, affordable housing planning and analysis, and strategic decision-making functions. He received a BS in Finance from Bentley College, an MBA from Bryant University Graduate School of Business, and a Master of Liberal Arts in Finance from Harvard University Extension School. He is on the Board of Directors of Preserve Rhode Island and contributing writer for the New England Real Estate Journal, among other involvements.



Mary Bujold, CRE
President
Maxfield Research & Consulting
Roseville, MN
mbujold@maxfieldresearch.com

Mary Bujold, CRE, has more than 35 years of experience in real estate research and consulting and is considered a market expert in the field of residential real estate and in market analysis for financial institutions. She regularly testifies as an expert witness for eminent domain, tax appeal and other types of real estate litigation.

As President of Maxfield Research & Consulting, she heads projects for large-scale land use and redevelopment studies including downtown revitalization for private developers and municipalities as well as private developers and universities on their student housing needs. Her experience includes work

related to master-planned communities; rental, condominium, senior, and student housing; comprehensive housing needs assessment; industrial analyses; and fiscal impact analyses. Mary frequently gives presentations at seminars and workshop sessions on current real estate market topics.

She earned a Bachelor of Arts in Business Administration at Marquette University and an MBA from the University of Minnesota. Professional designations and involvements include Housing Development Committee-Project for Pride in Living, National Historic Trust – Main Street Center, Sensible Land Use Coalition, and Lambda Alpha International.



Neil Madsen, CRE
Principal
Madsen Advisors, LLC
New York, NY
nmadsen@madsenadvisors.com

Neil Madsen, CRE, is an entrepreneurial real assets professional with a history of building programs from the ground up, and more than 30 years of experience with all property types and strategies, in all 4 quadrants on 5 continents in numerous roles including valuation, consulting, advisory, due diligence, acquisitions, portfolio management, fund management, investment committee service and board directorship. Since 2013, as Principal of Madsen Advisors, LLC, he has provided real estate consulting & asset/portfolio management to family office and institutional investors.

As Board Director, he provides strategic input to Australian asset management firm Fife Capital's CEO and senior management team and serves on the investment committee. Prior roles include heading Capital Markets and Private Equity at AEGON USA Realty Advisors and AEGON USA Investment Management; building the valuation and consulting business for Landauer Grant Samuel Property Limited in Australia; Assistant Vice President at Landauer Associates; and valuation services at Madsen Appraisal Associates.

He teaches and speaks at conferences and graduate school programs. Education includes Master's in Real Estate Valuation & Analysis from NYU, certificate in Applied Finance and Bachelor of Music.



Mark Reiling, CRE
 President
 Towle Properties, Inc.
 Minneapolis, MN
mreiling@towle.com

Mark Reiling, CRE, SIOR has acquired, renovated and developed more than \$300 million of land, office, industrial, retail, parking and condominium properties. At Towle Properties, Inc., he oversees his own property portfolio, and provides third party asset management and consulting services.

Prior roles include President, SR Realty Trust, Inc., where he doubled the REIT's size and led expansion into industrial properties and the Kansas City market. As Executive Vice President – Chief Investment Officer at Investors Real Estate Trust (NYSE: IRET, now CSR), he oversaw a \$2 billion diversified real estate portfolio with 258 properties in 12 states. At Cassidy Turley and predecessor companies Colliers Turley Martin Tucker and Colliers Towle Real Estate Company, he was President/managing principal from 1987 – 2004 and Owner from 1994–2003.

Board/advisory service includes The Goodman Group, University of Montana Wildlife Biology Leadership Council, Catholic Charities (Real Estate Committee), and Hennepin County, MN Condemnation Commissioner.

Mark was awarded the SIOR Robert Boblett Award (2020), NAIOP Minnesota Chapter President's Award (2013), Montana Wildlife Federation, Special Landowner Award (2011) and City Business 40 under 40 Award (1996). He earned a BBA-Finance from the University of Notre Dame.

Appendix IV – Additional Sites

TREEHOUSE SITE IN PEQUOT LAKES

Also known as the “Treehouse Property,” this approximately 25-acre site recently sold. It is located on Patriot Avenue, with lake shore access. The buyer’s development plans are unknown at the time of the team’s visit, but we believe this would be a suitable site for a mixture of home styles including traditional single-family homes, anticipated to fall into the 115% AMI band.



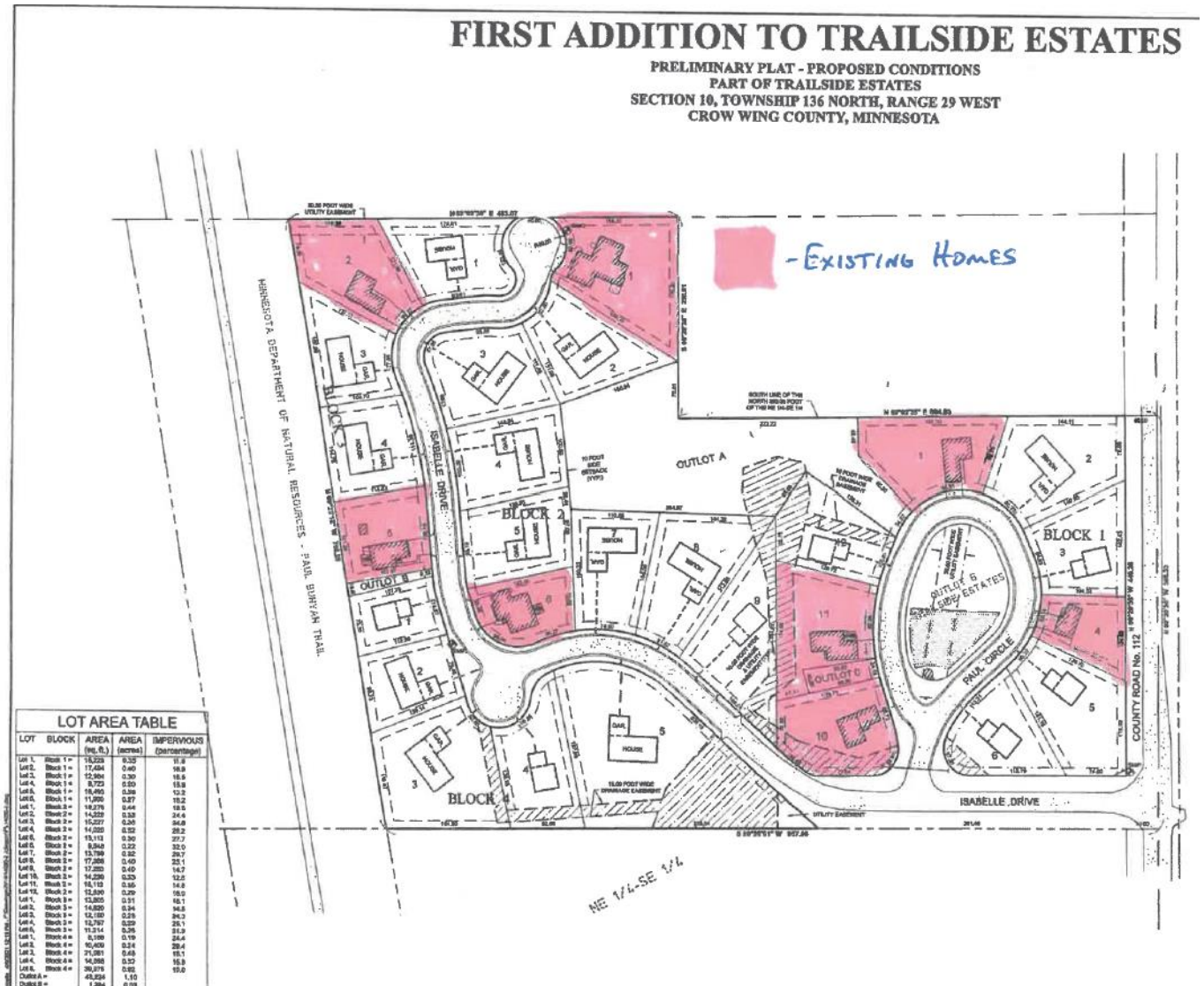
Highlighting shows parcels owned by the same person understood as the “Treehouse Property.”

FIRE TOWER SITE

The team heard about a development referred to as the Fire Tower Site. Narvissen owns the land and plans to develop two 24s across from the fire tower on the east side of 371. The location is too far to access existing infrastructure, and has not been through planning and zoning, but is expected to yield an estimated 48 units of 1- and 2-bedroom apartments.

TRAILSIDE ESTATES SITE IN PEQUOT LAKES

The City of Pequot Lakes owns the residential lots. We were told that the City anticipates approximately 19 new single family homes.



THRIFTY WHITE SITE IN BRAINERD

DW Jones is working on a redevelopment for the Thrifty White Drug site in downtown Brainerd. This presents a good opportunity to provide more downtown housing options, which will further support downtown commercial activity. The plan calls for 78 apartments and 5 commercial (office/retail) spaces, as well as underground parking. Apartments will be studios, one- and two-bedroom units, with some apartments renting at market rates and some restricted per the funding source. Sources include grants and TIF, some of which are still in process or under application. Ensuring those gap fillers come through and this project comes to fruition is critical and requires ongoing attention and focused effort.



Appendix V - Case Studies

Fairmount Cottages. Duluth HRA is spearheading a “cottage home” affordable concept on small lots. Zoning was changed to accommodate the cluster development which will have a central open space with homes facing the greenspace. More information at <https://www.fairmountcottages.com/> or <https://www.mprnews.org/story/2023/08/23/duluth-cottage-village-provides-mixed-income-housing>.

Perham. As discussed in this report, Perham presents a model for the Brainerd Lakes Area, using TIF and other forms of assistance to create homes affordable for local workers. More information at: <https://progressiveperham.com/live-here/housing/perham-hra/> or <https://progressiveperham.com/wp-content/uploads/2022/12/Housing-Resources-2022.pdf>

Greenbelt Homes in Minneapolis’ Hawthorne neighborhood provides small single-family houses. <https://ulidigitalmarketing.blob.core.windows.net/ulidcnc/sites/51/2021/07/ULIMNM2.pdf>

Grand Rapids addressing workforce housing in partnership with Blandin Foundation, Grand Rapids Economic Development Authority, Greater Minnesota Housing Fund, and other partners. [Finding solutions to Greater Minnesota’s housing crisis | Finance & Commerce \(finance-commerce.com\)](#)

Oakdale Senior Housing. MWF Properties has closed on the land to build a 168-unit affordable senior apartment building in Oakdale. <https://finance-commerce.com/2023/05/developer-pays-1-2m-for-site-of-168-unit-oakdale-senior-project/>

Gladstone Village in Maplewood. 65-unit development by JB Vang Partners. <https://finance-commerce.com/2023/06/family-friendly-affordable-housing-advances-in-maplewood/>

Washington County, Wisconsin. Next Generation Development. [Pilot Developments - Washington County, WI \(washcowisco.gov\)](#)

Appendix VI - Resources and Tools

Land Donation to Reduce Housing Costs. Bayfield County in Northern Wisconsin is donating land for affordable housing development. <https://www.wpr.org/were-not-only-people-struggling-bayfield-county-moves-forward-efforts-address-housing-shortage>

Minneapolis Housing Resources

- <https://www2.minneapolismn.gov/government/programs-initiatives/housing-development-assistance/home-ownership/minneapolis-homes/>
- <https://minneapolis2040.com/implementation/the-missing-middle/>

Passive House - <https://www.gologic.us/passive-house>

Home Preservation and Maintenance Guide - [2023-05 Fall-River-Design-Guidelines Reduced.pdf](https://fallriverma.org/2023-05-Fall-River-Design-Guidelines-Reduced.pdf) (fallriverma.org)

Land Bank. A land bank is a tool to hold properties for future development. This interview with Tom Streitz, who was the housing director for the City of Minneapolis during the height of the foreclosure crisis, provides an overview of the Minneapolis land bank. <https://finance-commerce.com/2023/06/qa-how-the-twin-cities-land-bank-works/>

Land Trusts are another tool to create affordability. <https://finance-commerce.com/2023/06/land-trusts-offer-innovative-way-to-help-the-middle-class-afford-homes/>

Deed Restriction is a tool to maintain affordability. Two examples from Colorado¹:

- Yampa Valley Housing authority – [Deed-restricted homeownership](#). Income qualification for the buyer. Value of the property is indexed to growth in wages rather than to the overall housing market. The program limits the appreciation in home value that is obtained through sale when the transfer occurs, maintaining long term affordability.
- [Middle Income Down Payment Assistance Pilot Program](#) – Boulder, Colorado, homeownership program that maintains affordability through a deed restriction. A “Permanently Affordable Covenant” limits appreciation of the property and restricts future resale price.

¹ [NYT article about Housing in Colorado ski towns](#) – *Can Affluence and Affordable Housing Coexist in Colorado’s Rockies?* (New York Times. Aug. 17, 2023. By Talmon Joseph Smith)

Improving the Legacy Housing Stock

These are programs that Brainerd could copy to engage volunteers and business sponsors and make improvements to owner-occupied homes in need of rehabilitation. These initiatives yield benefits for the homes and also function as a good community booster.

[Block Build MKE](#) is an event organized by [Revitalize Milwaukee](#), a 501c3 nonprofit that provides free home repairs to homeowners in the Milwaukee region in order to address social, economic, and environmental disparities.

- The program relies on sponsors and volunteers.
- More than 600 volunteers repaired homes for families in Milwaukee's Muskego Way neighborhood as part of the 2023 Block Build MKE event.
- Eighteen homes were selected for 2023's revitalization project.
- The initiative has touched the lives of 48 community members.
- <https://mynews13.com/fl/orlando/news/2023/08/19/block-build-mke-muskego-way-neighborhood>

[Hearts & Hammers](#) has provided home rehab to assist low-income homeowners with exterior repairs, restoring more than 8,500 homes in Dallas and the Twin Cities since 1986. This program provides exterior painting, minor carpentry repairs and landscaping for senior citizens, people with disabilities, and veterans.

- Corporate sponsorship benefits the company as a community-building event, in addition to engaging its employees in community service. A member of the Consulting Corps team reported his company restored 10 homes over 10 years.
- Brainerd (city, HRA, chamber of commerce) could jumpstart an operation with initial funding for a trailer, ladders, scrapers, brushes, rollers, buckets, garden tools and turn it over to a new non-profit (e.g., Hearts and Hammers – Brainerd). A staff director would solicit in-kind and monetary donations, recruit companies, announce the program, select eligible homeowners, and launch an event.

New Federal Resources²

- The **Inflation Reduction Act** provides new resources to encourage investment in low-carbon, climate-resilient infrastructure.
- HUD's [Pathways to Removing Obstacles to Housing \(PRO Housing\)](#) - \$85 million federal program will provide communities with funding to identify and remove barriers to affordable housing production and preservation. HUD will award grants of up to \$10 million to jurisdictions that have an acute demand for affordable housing and are working to identify, address, or remove barriers to housing production and preservation. Funding can be used for planning and policy activities to allow for higher-density zoning and rezoning for multifamily and mixed-use housing, streamlining affordable housing development, and reducing requirements related to parking and other land use restrictions. Funding can also be used for infrastructure activities necessary for the development or preservation of housing.
- U.S. Environmental Protection Agency (EPA) announced a \$27 billion Greenhouse Gas Reduction Fund. The fund provides new financing for affordable, energy efficient, climate resilient housing and clean energy investments, including retrofits of existing homes and buildings, construction of zero emissions buildings,
- HUD's Green and Resilient Retrofit Program authorizes \$830 million in grants and loans, for loan commitments up to \$4 billion, to modernize existing HUD-assisted affordable homes.
- The U.S. Department of Energy released \$90 million to advances efficiency and resilience through building codes.

Green Banks to solve America's affordable housing crisis – and climate change at the same time.

<https://theconversation.com/using-green-banks-to-solve-americas-affordable-housing-crisis-and-climate-change-at-the-same-time-208098#:~:text=Green%20banks%20could%20also%20fund,those%20at%20risk%20of%20flooding.>

EV. Right-to-charge laws expand EV use to apartments, condos and rentals.

<https://theconversation.com/right-to-charge-laws-bring-the-promise-of-evs-to-apartments-condos-and-rentals-206721>

² [Biden-Harris Administration Announces Actions to Lower Housing Costs and Boost Supply | The White House](#)

National Housing Shortage Necessitates Non-Traditional Residential Options; Leased Community Lots Gain Popularity

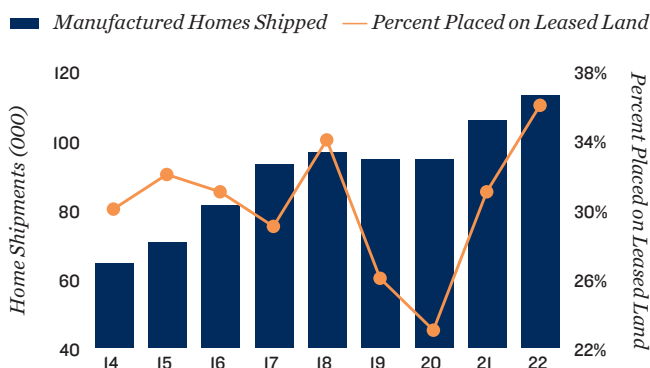
Manufactured home shipments to communities on the rise. In the first seven months of 2023, roughly 50,000 new manufactured homes were shipped. While this count was down year-over-year, strict zoning laws and other land-use preferences mean that fewer new manufactured home communities are being established, leaving these home buyers with limited rentable lot options outside of existing communities. In 2022, roughly 59 percent of all new manufactured homes were placed in a community or subdivision, a figure that increased by 80 basis points year-over-year. Around 36 percent of these new homes were put in a manufactured home community, where lots are leased, demonstrating a growing demand for rentable lot space. Nearly 112,900 manufactured homes were shipped in 2022, translating to over 40,600 homes placed on leased land. The increasing competition will keep the national lot vacancy rate low.

Population growth drives up single-family home costs. Metros with rapidly growing populations have noted compressing lot vacancy rates in manufactured home communities. The South and Mountain West regions are home to the five metros expected to grow the fastest in 2023. Dallas-Fort Worth, Houston, Phoenix, Atlanta and Austin each expect over 50,000 new residents this year. In the first half of 2023, all five markets noted lot vacancy below their trailing 10-year mean, and four were at least 200 basis points below that mark. This coincided with the median home price in each metro nearly doubling over the last decade. While manufactured homes have had similar upward pricing momentum, the absolute cost, at an average of just \$127,000 in 2022, is still well-below that of the typical stick-built home.

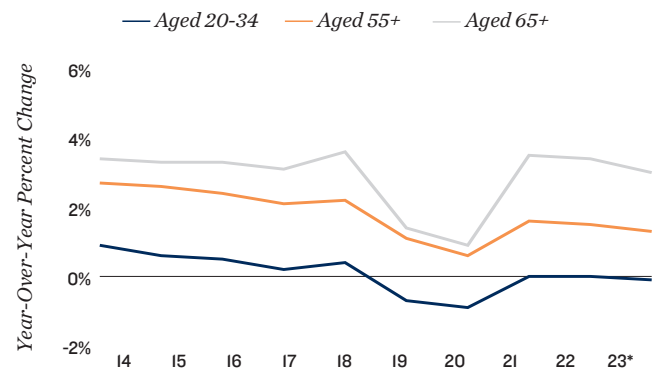
Housing shortage spotlights manufactured home options. Freddie Mac estimates that the U.S. faces a housing shortage of roughly 3.8 million housing units, causing a re-evaluation of housing options beyond single- and multifamily homes. Manufactured homes have stood out for their lower production costs and quick assembly and, in 2022, they made up 10 percent of all housing starts. In June 2023, a new federal division, Office of Manufactured Housing Programs, was created to address inventory issues, recognizing the important role manufactured housing plays in the housing market. Updating housing regulations is a step in the direction of reducing current policy complications that come with zoning and production. This comes on top of Freddie Mac's risk management assessment to potentially enter the personal property market and purchase those loan types. If this occurs, it would add liquidity to the personal property loan market, which includes the majority of manufactured homes.

Age-restricted communities well-located for strong demand. As the baby boomer generation ages, demand for space in age-restricted communities has risen. Persistently high inflation over the last two years has eaten away at retirement savings faster than expected. In some cases, this has led to retirees rejoining the workforce or seeking out more affordable housing options. Age-restricted communities account for roughly one-third of the total U.S. inventory of community lots. The Southeast, Mountain and Pacific subregions are home to nearly all of these communities and account for 20 percent of the aged 55-plus cohort. Readily available affordable housing options could further inflate this segment of the population regionally.

Number of Homes Shipped to Communities Rises



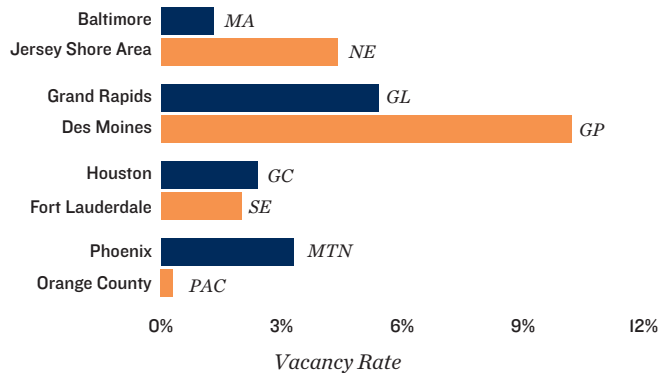
Aged 65+ Cohort Records Fastest Growth



Vacancy

Manufactured home affordability keeps lot vacancy low. The national lot vacancy rate held below 6 percent through the end of 2022. Entering the second half of 2023, the majority of metros outside of the Midwest are on track to maintain this trend. In addition to manufactured homes being costly to move, it is estimated that only 43 communities have been constructed since 2010 due to zoning or other land-use preferences, shielding existing localities from major lot vacancy swings. The mean monthly mortgage payment on a single-family home has also crested 7 percent, due to the Federal Reserve's series of interest rate hikes, and the heightened cost of homeownership further underpins demand for more affordable options.

Market-Leading Vacancy by Subregion



Regions:

East: Mid-Atlantic Northeast Midwest: Great Lakes Great Plains South: Gulf Coast Southeast West: Mountain Pacific

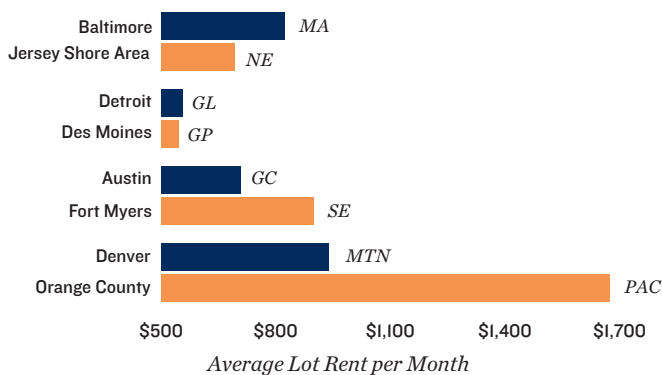
Highlights

- At the end of 2022, the Midwest was the only region that recorded lot vacancy over 6 percent as both the Great Lakes and Great Plains subregions had rates surpassing 10 percent. Among metros surveyed in the first half of the year, available space in many Michigan markets has remained elevated.
- The Pacific subregion recorded the lowest lot vacancy rate in the nation at the end of 2022. Tight rates logged in California markets were the primary contributors. Of the California metros surveyed in 2023 that were home to more than 8,000 homesites, Riverside-San Bernardino had the highest lot vacancy rate at just 3.2 percent.
- Among metros with more than 8,000 homesites surveyed through September, Flint, Detroit, Atlanta and Sussex had the highest lot vacancy rates. The top 10 lowest rates outside of California were located in Arizona, Colorado, Florida, Texas and Maryland.

Rent

Rent caps could be on the horizon in some states. Constrained supply additions, paired with rising demand, have facilitated record rent growth in recent years. At the end of 2022, the average lot rent was \$646 per month. Several states have, however, taken action to cap rents in manufactured home communities. In June, the Delaware House of Representatives approved a proposal that would prohibit manufactured home community owners from increasing rent by more than 5 percent each year. This would replace a similar plan approved in the state last year that ties manufactured home rents to the consumer price index. Washington, Connecticut, Nevada and others have similar bills under review.

Market-Leading Rent by Subregion



Regions:

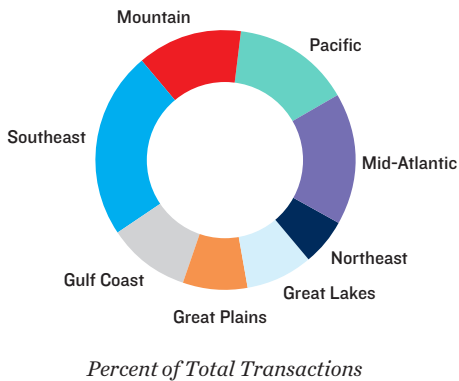
East: Mid-Atlantic Northeast Midwest: Great Lakes Great Plains South: Gulf Coast Southeast West: Mountain Pacific

Highlights

- Due to tight vacancy rates in the Pacific, the subregion has consistently retained the highest average lot rent in the country. At \$1,116 per month by the end of 2022, lots in this area were nearly twice the monthly average found in the Mountain West.
- Nearly all metros surveyed in the first half of 2023 logged rent increases. Out of all major U.S. markets, six of the top 10 greatest rent increases were located in Florida, highlighting the state's growing demand for lower-cost housing. The Jersey Shore Area had the only double-digit rent gain outside of the South and West.
- Atlanta was the only market in the Southeast that logged a decreasing annual rent in 2023. Florida metros aided the subregion's metric as rents rose on average across the state.

Deal flow hindered by first half interest rate hikes. In the first two quarters of 2023, the transaction velocity of manufactured home communities slowed relative to the same period in the last four years. The Federal Reserve's series of interest rate hikes hindered lending markets and encouraged many buyers to take a wait-and-see stance. The end of the year could see renewed deal flow, however, as the Fed begins to take a more data-driven approach when considering additional rate hikes. The Federal Open Market Committee opted to hold the rate steady in September as parts of the economy show signs of softening, keeping the federal funds rate between 5.25 and 5.5 percent. This is still the highest level seen in 22 years.

IH 2023 Transactions By Subregion



Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

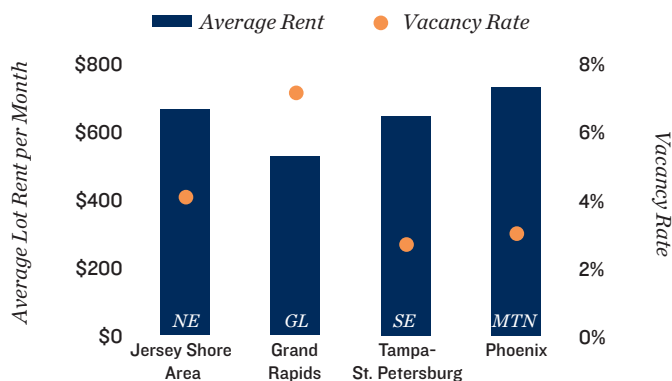
Highlights

- In the first two quarters, trades that took place were largely in lower price brackets, resulting in a lower average price per unit in the first half of 2023. The Mountain, Southeast and Great Plains subregions were the only areas to log mean price increases year-over-year. The national average price per unit did, however, stay above \$70,000.
- The mean cap rate for manufactured home communities ticked up above 7 percent in the first months of 2023, following a lower rate in 2022. This metric is now back in line with historical measures. The East and West regions were the only areas below this mark.
- Transactions were most prevalent in the South and West. The Southeast witnessed the greatest number of trades, driven by manufactured home communities trading in Florida. The state's growing population will likely aid sector fundamentals long-term.

Age-Restricted Communities

Growing older population fuels demand. During the last decade, the aged 55-plus cohort has grown by nearly 17 percent, compared to a 5 percent increase in total population. In 2022, the age bracket surpassed 100 million and is on-track to add 5.5 million residents through 2028. An aging cohort and subsequent demand for affordable seniors housing will allow lot vacancy in age-restricted manufactured home communities to be tight long-term. The five metros that expect the largest aged 55-plus population increases are all located in the Mountain West, the Gulf Coast and the Southeast. The Gulf Coast has one of the highest vacancy rates in these communities, which could be aided by the growing population in the long-run.

2023 Age-Restricted Vacancy and Rent*

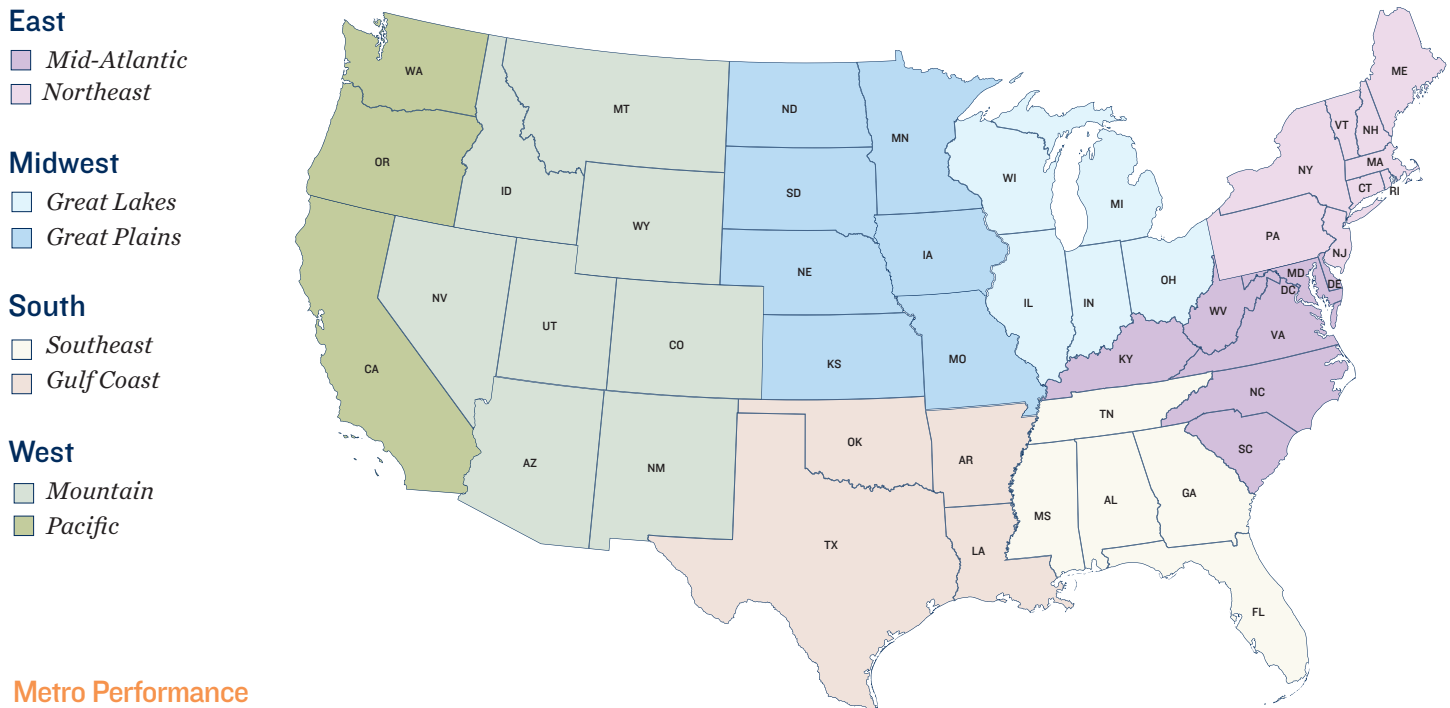


* As of July 2023

Highlights

- The Pacific subregion — home to the second-largest inventory of age-restricted manufactured housing — recorded the lowest lot vacancy rate in the U.S. at the end of last year. This corresponded to the highest average lot rent in the nation.
- The Northeast logged the second-lowest lot vacancy rate in the country. At the end of 2022, the subregion had a mean lot rent below the national average. Meanwhile, major Southeast metros, such as Orlando and Tampa-St. Petersburg, exhibited double-digit year-over-year rent growth in the first half of 2023.
- Areas with a generally lower cost-of-living, such as Midwest markets, typically have fewer age-restricted communities, higher-than-average lot vacancy rates and lower mean lot rents.

Manufactured Housing Communities: Regions and Subregions



Metro Performance

Metro	2023 Lot Vacancy	Y-O-Y Basis Point Change	2023 Average Lot Rent	Y-O-Y Change
San Jose	0.2%	0	\$1,275	-15.1%
Los Angeles	0.6%	-10	\$1,247	2.5%
Denver	0.6%	-10	\$938	9.1%
San Diego	0.7%	0	\$1,187	7.4%
Baltimore	1.3%	30	\$822	6.6%
Myrtle Beach	1.6%	-40	\$438	9.5%
Southern New Hampshire	2.0%	-20	\$426	3.6%
Fort Worth	2.2%	-230	\$660	9.6%
Virginia Beach	2.8%	50	\$540	11.1%
Sarasota	3.3%	40	\$787	12.6%
Albuquerque	3.4%	40	\$552	6.2%
West Palm Beach	4.0%	220	\$835	9.7%
Orlando	4.2%	30	\$652	9.0%
San Antonio	4.7%	-110	\$563	8.7%
Grand Rapids	5.4%	-100	\$491	3.6%
Ames	5.5%	10	\$373	10.0%
Ann Arbor	7.0%	30	\$586	3.2%
Buffalo-Niagara Falls	7.5%	40	\$541	2.7%
Omaha	10.5%	-10	\$478	8.1%
Flint	26.8%	-50	\$450	4.4%

Manufactured Housing Communities

Michael Glass

Senior Vice President, Director

Tel: (216) 264-2000 | michael.glass@marcusmillichap.com

Prepared and Edited by:

Jessica Henn

Research Analyst | Research Services

For information on national manufactured housing communities trends, contact:

John Chang

Senior Vice President, National Director | Research & Advisory Services

Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Price: \$500

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Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; Datacomp-JLT; CoStar Group, Inc.; Institute for Building Technology and Safety; Manufactured Housing Institute; U.S. Census Bureau; White House





Housing & Redevelopment Authority

To: CWC HRA Board Members
 From: Eric Charpentier, Executive Director
 Date: December 12th, 2023
 Re: Housing Trust Fund Report

The final levy will be set by the County at the truth in taxation meeting on December 12th which will run concurrently with our board meeting. We do not expect any changes to the projected levy amount of \$748,320 which represents our levy figure from 2023. The CWC Commissioners did authorize the allocation of an additional \$29,650 for operational funds at our joint meeting on November 14th. These additional funds that were allocated by the County will then represent the additional operational funding that was requested at our budget meeting in September.

It seems appropriate to bring back the question of interest rates after having our joint meeting with the County. It seems that our down payment assistance program and our rehab program could continue with offering a noninterest loan product and there was general support for those programs. The development loan program is the one that continues to garner attention with respect to charging an interest rate for them. It is still staff's recommendation to continue offering a zero percent interest rate to incentivize development of workforce housing units. We are modeling this program after other state grant and deferred loan programs such as the workforce housing development program that offers a 3-year grant or 3-year deferred loan that is forgivable as well as interest free. Our program does not offer a forgivable option and it is deferred to a lump sum balloon payment at maturity. We are attempting to remove barriers to accessing these funds to promote development of workforce housing units that we still desperately need in the County. Our mission is to support the creation and preservation of affordable housing, economic development, and redevelopment projects within the County. We believe we are being good stewards of these funds by promoting housing creation which will lead to a growing tax base for the County, it will also lead to further spending on goods and services to our businesses in the community from those inhabiting these housing units while also providing housing for the workers needed for our business community.

As we look forward to 2024 and our funding that will be available versus the loan applications that have already been submitted, we know that we have already received requests that would eclipse our funding. In looking to maximize the trust fund's impact staff has looked at our administrative fees that we have held in the fund since inception and are recommending lowering the percentage amount held for our outside administrative fees down to 5% from what is allowable per statute. That would allow for an additional \$90,000 of funding to be used for program loans and staff feel that this is reasonable and would be impactful.

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

FORGIVEABLE DEFERRED LOANS/ GRANT FUNDS

Workforce Housing Development Program

Program Overview

The Workforce Housing Development Program is a competitive funding program that targets small to mid-size cities in Greater Minnesota with rental workforce housing needs. Grant funds or deferred loans are available to build market rate residential rental properties in communities with proven job growth and demand for workforce rental housing.

Application Process

Applications are accepted on an annual basis through a competitive Request for Proposals (RFP).

Application Requirements

Eligible Applicants:	<p>An eligible applicant is an eligible project area that is generally a small to mid-sized city in Greater Minnesota. Specifically, an eligible project area is either:</p> <ul style="list-style-type: none">• A home rule charter or statutory city located outside of the metropolitan area with a population exceeding 500• A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the metropolitan area• An area served by a joint county-city economic development authority <p>Preference will be given to projects located in an eligible project area with 30,000 or fewer residents. Developers cannot apply for program funds directly; they must work with an eligible applicant.</p>
Eligible Properties:	<p>Market rate or mixed income residential rental properties. Per the statute, preference will be given to projects with the highest percentage of market rate units.</p>
Eligible Activities:	<p>New construction or adaptive reuse. Rehabilitation of occupied rental housing is not an eligible activity under this program.</p>
Letter of Support:	<p>Letter of support from a local business or businesses that employ a minimum of 20 full-time employees in aggregate.</p>
Matching Requirement:	<p>Applicants must match the funds requested, at a minimum, of one dollar for every two dollars. A local government resolution stating the amount of committed matching funds from the local government, a nonprofit organization, a business, or a combination, is required. The match can come from sources such as tax increment financing (TIF), tax abatement, cash funds, grants, land donations and in-kind donations.</p> <p>Matching funds cannot come from the developer or an entity affiliated with the developer unless otherwise approved in writing by Minnesota Housing.</p>
Qualified Expenditures:	<p>Funds can only be used for qualified expenditures. Qualified expenditures include acquisition of property; construction of improvements; and provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure and related financing costs.</p>

Vacancy Rate: Vacancy rate in the community must be at or below five percent for the prior two-year period.

Funding Terms

Funding Options: Applicants choose to request funds in the form of a grant or a deferred loan.

Grant Terms:

- Three year grant contract
- Construction must begin within 12 months of contract execution
- Construction must be complete within 24 months of construction start

Deferred Loan Terms:

- Three year unsecured loan
- Zero percent interest
- Forgivable
- Construction must begin within 12 months of contract execution
- Construction must be complete within 24 months of construction start

Disbursement Schedule Supporting documentation for the disbursement of funds is required.

- An initial disbursement of up to one-third of the award upon execution of contracts.
- An additional disbursement of up to one-third of the award mid-construction.
- A final disbursement upon construction completion.

Maximum Funding Amount: The amount of funds requested cannot exceed 25 percent of total development costs (TDC).

Reporting and Monitoring: Recipients will be subject to annual reporting and monitoring during the term of the grant or loan.

Questions

Sara Bunn, Program Manager: 651.296.9827 or sara.bunn@state.mn.us.



Housing & Redevelopment Authority

To: Crow Wing County HRA Board Members
 From: John Schommer, Rehab & Maintenance Director
 Date: December 6, 2023
 Re: Rehab Programs Report

Brainerd Oaks/Serene Pines/Dalmar Estates

Development	Total	# Sold to Developer	# Sold to End Buyer	For Sale	In Construction
Brainerd Oaks	81*	72	66	0	4
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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December 5th, 2023

1. CURRENT PROJECTS IN PROCESS

	HTF	MHFA	SCDP	Total
County of Crow Wing	2	4	3	9

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.								1	1
OOR.									2

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.	1			2				1	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	8	4	5	17
Total				25

*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- November

Attachment 9



Date Range: 11/1/2023 - 11/30/2023

Project	Task	Date	Comment	Hours	Amount
Crow Wing County HRA					
CWC HRA-Redev	Redevelopment Projects				
E-mail	E-mail Correspondence			15.50	\$2,325.00
				15.50	\$2,325.00
		11/1/2023	email correspondence with national developer regarding Crow Wing County and available land for development with a focus on blighted properties. Staff time to identify property for development.	1.50	\$225.00
		11/6/2023	Follow up correspondence with national developer regarding local properties for development. Provided multiple locations and photos of blighted properties that the developer could take down to bring new business to Brainerd.	1.50	\$225.00
		11/7/2023	email with Pequot Lakes multi-family housing development to gather information for city staff about project. Also held a virtual meeting with development staff to discuss city involvement.	2.00	\$300.00
		11/9/2023	email correspondence with national developer regarding Crow Wing County and available land for development with a focus on blighted properties. Staff time to identify property for development. New properties were made available upon request.	1.50	\$225.00
		11/13/2023	email correspondence to potential developer regarding funding sources in Crosby that would assist development of multi-family housing, housing trust fund, IRRRB and city assistance.	1.50	\$225.00
		11/15/2023	BLAEDC staff provided marketing updates on housing property for local business leaders that are researching available housing opportunities within CWC. Conversations are starting regarding public and private partnership to address housing problem.	1.50	\$225.00
		11/17/2023	email correspondence with regional developer who is looking for land and opportunities to build in Crosslake, Pequot Lakes and Breezy Point. Provided demographic information for each city which was requested by developer.	2.00	\$300.00
		11/20/2023	email correspondence with national developer regarding Pequot Lakes available land for development with a focus on blighted properties. Staff time to identify property for development.	1.50	\$225.00
		11/21/2023	phone conference call with Crosby developers to discuss funding opportunities for new development.	1.00	\$150.00
		11/27/2023	video conference call with national developers to discuss additional blighted properties in the area as this developer is looking to impact multiple communities in CWC.	1.50	\$225.00
Mtgs	Meetings			49.50	\$7,425.00

		49.50	\$7,425.00
11/1/2023	BLAEDC staff attending and presenting to Central Lakes College regarding housing and resources available to assist with housing concerns in Crow Wing County. Staff presented to board opportunities within the area to discuss funding sources which include the housing trust fund and state funding.	2.50	\$375.00
11/2/2023	Commercial development meeting to discuss locations for new business ventures in Brainerd. Meeting involved city staff and BLAEDC staff. Discussion centered around opportunities for removal of blighted properties for new development or redevelopment opportunities. View property options and provided informational reports regarding population and workforce.	3.50	\$525.00
11/3/2023	Meeting w/HRA director and former commissioner to discuss joint board meeting discussion Housing Trust Fund.	2.00	\$300.00
11/6/2023	Meetings with city of Brainerd staff regarding development opportunity and identifying multiple locations that would address blight in the community and providing information to developer to contact property owners for possible sale.	2.00	\$300.00
11/8/2023	meetings in Crosby to discuss development and housing opportunities with the community of Crosby and Ironton. This meeting was staff by BLAEDC with information provided to audience regarding CWC housing study and opportunities that exist in both communities for single family and multi-family housing.	3.50	\$525.00
11/9/2023	tour of new housing development in Nisswa. Project will bring single family homes to the Nisswa city for purchase. The homes will start around \$450,000, so they will not be in the affordable arena, but this will bring additional new housing stock to the county. BLAEDC will work with the developer to market properties.	2.50	\$375.00
11/10/2023	Development updates to community leaders and board regarding housing trust fund meeting and staff involvement with HRA and county commissioners.	2.50	\$375.00
11/13/2023	Housing development meeting with SBDC staff, BLAEDC staff and developers. Discussion centered around multi-family housing opportunities in Crosby. Developers would like to build a 64 unit multi-family housing apartment in Crosby and would like to understand and possibly access funding from the housing trust fund. Further development meetings will occur, provided information regarding fund to developers.	3.00	\$450.00
11/14/2023	Crow Wing County Board/Crow Wing County commissioners 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 and participation by staff and BLAEDC board members.	4.50	\$675.00

11/16/2023	BLAEDC staff toured multiple housing projects located in Crow Wing County with a single development company. Properties were located in Nissa, Brainerd and Baxter. Staff will be working with development company to market properties for sale and land for development through 2024. Homes will range from single family to possible multi-family housing in CWC.	5.00	\$750.00
11/20/2023	BLAEDC staff meeting with city of Crosslake staff, council members and EDA staff to discuss housing updates and concerns. Provided update to group regarding housing trust fund funding for 2024.	3.00	\$450.00
11/21/2023	Pequot Lakes EDC meeting to discuss housing development that staff toured that will provide single family homes for the city. Also provided update on multi-family housing project with city staff and EDC members. Received update on new housing permits and possible development area. Staff also had a meeting regarding a commercial redevelopment in Baxter. Concept will bring new business to Baxter if building can be redeveloped to fit needs.	4.00	\$600.00
11/22/2023	Multiple BLAEDC staff attending a redevelopment meeting with Baxter city staff and local officials. Discussions are preliminary at this point, but BLAEDC will be obtaining a grant to access the redevelopment opportunities that involve the city of Baxter.	5.00	\$750.00
11/28/2023	BLAEDC staff meeting with local company who is looking to expand operation and looking for vacant property or buildings for redevelopment that fit their growth needs. Reviewed multiple listings to determine path forward. Expansion plans are in the next 6 months, so there is a sense of urgency.	3.00	\$450.00
11/30/2023	Meeting with local developers and city officials to discuss local venue that needs to be redeveloped. Plans for redevelopment surround the idea of public use of this facility.	3.50	\$525.00
		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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