



Red Wing Housing and Redevelopment Authority Equal Opportunity Housing/Equal Opportunity Employment

Our Mission

To provide quality, affordable, sustainable housing and community redevelopment programs utilizing resources that develop public and private partnerships.

Statement of Intent

We gather today in this room as one people to discuss and attend to the matters of Red Wing. Together, as a government body and as community members, we agree to treat everyone with courtesy, dignity, and respect. We will listen to all sides of an issue, encourage participation, support each other, act with honor and accountability, and inspire pride in our community. This we commit as we open this meeting.

Meeting Announcement and Agenda Housing & Redevelopment Authority Board Regular Meeting City Council Chambers, 315 West 4th Street, Red Wing, MN & Virtually Tuesday, May 14, 2024, at 3:30 PM

This meeting will be held in the City Hall Council Chambers and virtually via Webex at the same time. Members of the public can join this meeting either in person at City Hall or virtually. To join this meeting via Webex, [click this link](#). To join via telephone, please dial (415) 655-0001. Enter access code 2559 127 7149 and password 2024 when prompted.

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Roll Call**
4. **Approval of Agenda**
5. **Public Comment**

We now invite anyone to share their thoughts on a topic that is not on the agenda. We welcome all opinions and ideas. We appreciate you stating your name at the lectern, and please remember that personal attacks may be ruled out of order. You will have up to three minutes to comment, and we appreciate your time in coming tonight.

6. **Consent Agenda (Roll Call Required *)**

The Consent Agenda consists of items that often don't require Council discussion. These items are usually routine business, non-controversial, or have been discussed publicly in the past. These items can be approved by the Council all at once unless a Council member or a member of the public acknowledges they would like to comment or have a discussion on any of these items at this meeting. To speak on one of these items, members of the public can fill out the sign-up sheet in the Council Chambers lobby before the meeting or raise their hands in person or virtually at this time. If no one has a concern or comment on any of the consent agenda items, the Council will approve them all at the same time. Approval of the Consent Agenda constitutes approval of the following Consent Agenda items:

- 6.A. Motion to Approve April 9, 2024, Minutes.
- 6.B. Motion to Approve Bills (Warrant #51437-51497, totaling \$253,043.95).
 - a. Public Housing: \$71,258.01
 - b. Housing Choice Voucher: \$3,619.65
 - c. Jordan Tower II: \$78,980.26
 - d. Redevelopment: \$36,103.78
 - e. Small Cities: \$371.00
 - f. TIF: \$211.25
 - g. AHTF: \$62,500.00

7. Motions & General Business

- 7.A. 2023 Annual Audit
- 7.B. Motion for approval for Bid of Concrete Walkway and Drive/Parking Lot Project
- 7.C. Motion for approval of loans for RW Capital Investments LLC
- 7.D. Motion for approval of loans for RW1 Capital Investments LLC

8. Communication Items

- 8.A. Director's Report
- 8.B. Finance Report
- 8.C. Housing Report
- 8.D. Community Redevelopment Report
- 8.E. Resident Council Report
- 8.F. Hope Coalition Liaison Report
- 8.G. City Council Liaison Report
- 8.H. Announcements

The next HRA regular Board Meeting will be Tuesday, June 11, 2024, at 3:30 p.m. in the City Council Chambers.

9. Adjournment

Accommodations for signing interpreter, Braille, large print, etc. can be made. Call City Hall at 385.3600 seven days prior to the need. Hearing assistance devices are available during meetings.

Red Wing Housing and Redevelopment Authority
HRA Board Regular Meeting
Tuesday, April 9, 2024 at 3:30 PM

Board Members Present: Board Chair, Dana Borgschatz; Commissioners: Jason Jech, Abby Villaran, Sara Hoffman, Jackie Luikart, Glen Witham, and Kristi Reuter.

Others Present: Kurt Keena, Executive Director; Jennifer Cook, Housing Director; Corrine Stockwell, Finance Director, Evan Brown, City Council Liaison.

Absent:

A. Call to Order

The meeting was called to order at 3:30 p.m. by Board Chair Dana Borgschatz.

B. Pledge of Allegiance

C. Roll Call

Roll Call was taken with all members present.

D. Approval of Agenda

A motion to approve the agenda was made by Hoffman and seconded by Reuter. Motion carried.

E. Public Comment

There were no public comments.

F. Consent Agenda (Roll Call Required*)

A. Motion to Approve March 2024 Meeting Minutes

B. Motion to Approve Bills (Checks #51357-51436, totaling \$204,500.69)

- a. Public Housing: \$101,098.53
- b. Housing Choice Voucher: \$ 2,978.71
- c. Jordan Tower II: \$ 55,014.50
- d. Redevelopment: \$29,504.45
- e. Small Cities: \$0
- f. TIF: \$0,812.50
- g. AHTF: 15,092

A motion to approve the Consent Agenda was made by Reuter and seconded by Luikart. Roll call was taken and all board members were in favor.

G. Motions and Other Business

A. Approval of the Updated EIV Policy 2024

Keena provided a brief background of EIV system and stated that Cook has updated the policy based on recent Legislation. Cook explained it is used for applicants and residents of our programs. Cook discussed updates. Reuter asked if changes were required. Cook explained yes it's just so you know of the changes and requirements. Keen elaborated and HOTMA was discussed. Jech asked what is HOTMA again. Housing Opportunity Through Modernization Act 2016. Villaran asked if they expect concern from tenants or recipients of services. Keena replied he didn't think so and that the system is operated by staff to ensure someone doesn't have a source of income they have not disclosed. Discussion was held.

A motion to approve the policy was made by Witham and seconded by Jech. Motion carried.

H. Communication Items

A. Executive Director Report

Keena reported that we now have a signed Federal Budget and continue to monitor opportunities at the State level. There are a couple of bills we are watching at the legislature. The workshop report and AHTF Annual report are included if anyone has questions or comments. MHP's 2024 State of the State's Housing Profile included and Keena reported that each community is slightly different but it gives you an overall look that housing remains difficult in Minnesota and rents are still growing faster than income.

B. Finance Report

Stockwell explained the changes in revenues and expenses. Smith and Schafer were in the office last week for Audit. Medical Insurance changes were presented to staff and open enrollment is April 24 with a new provider beginning June 1. Keena commended and thanked Stockwell for doing a great job and a lot of extra work to provide what's best for staff and the HRA. Borgschatz asked if there was any impact cost-wise. Stockwell replied no and explained the changes to premiums, deductibles, and out-of-pocket costs.

C. Housing Report

Cook shared that our waitlist numbers are staying steady. Purge letters have been mailed to clean up the waitlist. She reported that we are still doing well with our properties and occupancy and trying to get more people on Bridges. Villaran asked if sometimes you have more people out looking for housing but that is just the cashed in vouchers. Cook replied yes 9 on the program and always have some out shopping for housing. JI electrical project is substantially completed and thanked everyone for their patience. MN Housing is still working on the Bring It Home voucher program. Discussed concrete project and pre-bid. Red Wing's Rental License Program meetings April 9th and 11th. NSPIRE updates presented. The first inspection under NSPIRE for JII is in May. Reports that other HRAs state it's very different. Keena explained that we aren't expecting as good of results from our inspections under the new program. Villaran asked if they inspect every tenant's space. Cook explained the process and about 30% of the units are picked. Discussion was held. Cook elaborated on HOTMA changes and staff training. Jech asked why they waited since 2016. Keena explained due to changes in the administration.

D. Community Development Report

Keena reported that we have two more applications for Small Cities and two for Affordable Housing Trust Fund and hoping to bring them to you in May. TIF district 8 in final phases. The City Council approved TIF and other public assistance for the developers of the former Associated Bank building which will allow the developer to restart. Goodhue County Habitat for Humanity and HRA will be working together to apply for State funds to assist with the costs of installing infrastructure for their Hope Heights development. GC Habitat has also approached the city about access to the Statewide Affordable Housing Assistance they received.

E. Resident Council Report

Luikart reported they had a quiet Easter. New singer for the tenant events twice a month.

F. Hope Coalition Report

Borgschatz reported that Hope Coalition had a successful silent auction they partnered with Goodhue County Smart. The exam room is now open. One of the two positions opened has been filled with more interviews this week. They are celebrating 5 employee anniversaries. They have the opportunity to appeal to Senators for grant funding. High school students may have the opportunity to serve on their board.

G. City Council Report

Brown followed up on the Goodhue County Habitat meeting being very positive and being able to move the project along with lots of opportunities. He reported several projects are going on downtown. Port Authority recently received a report on how increasing in Market Rate Rental Housing impacts good rental rates and creates more affordability. The council is continuing to look into more affordable housing. Reuter thanked Brown for supporting affordable housing.

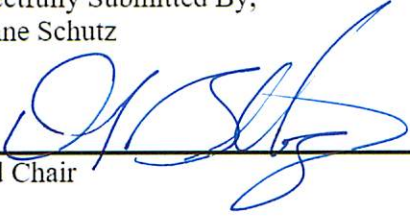
H. Announcements

- a. The next HRA Board Meeting will be on May 14th at 3:30 p.m. in the City Council Chambers.

I. **Adjourn**

The meeting was adjourned at 4:19 p.m. by Board Chair Borgschatz.

Respectfully Submitted By,
RyAnne Schutz



Board Chair

Red Wing Housing & Redevelopment Authority

Checks Written Report

April 1, 2024 - April 30, 2024

Payment Date	Payment Number	Payment Amount	Payee Name
4/4/2024	1378	\$100.00	Dana Borgschatz
4/4/2024	1379	\$283.34	ESI Hosted Services
4/4/2024	1380	\$15.78	Amy Farris
4/4/2024	1381	\$231.00	FileVision USA
4/4/2024	1382	\$936.45	Innovative Office Solutions, LLC
4/4/2024	1383	\$100.00	Jason Jech
4/4/2024	1384	\$330.00	MRI Software LLC
4/4/2024	1385	\$200.00	Barry Preble
4/4/2024	1386	\$100.00	Kristi L. Reuter
4/4/2024	1387	\$46.28	Shred-It USA, LLC
4/4/2024	1388	\$100.00	Abby Villaran
4/4/2024	1389	\$100.00	Glen Witham
4/11/2024	1390	\$193.10	Huebsch Laundry Co
4/11/2024	1391	\$208.34	Innovative Office Solutions, LLC
4/11/2024	1392	\$325.00	MKC Inc.
4/11/2024	1393	\$500.00	Maids in Minnesota
4/18/2024	1394	\$193.10	HUEBSCH LAUNDRY CO
4/18/2024	1395	\$267.36	INNOVATIVE OFFICE SOLUTIONS LLC
4/24/2024	1396	\$108.89	CARAHSOFT TECHNOLOGY CORPORATION
4/24/2024	1397	\$143.94	INNOVATIVE OFFICE SOLUTIONS LLC
4/24/2024	1398	\$18,747.15	MINNESOTA HOUSING FINANCE AGENCY
4/4/2024	51437	\$502.54	Culligan Water Conditioning
4/4/2024	51438	\$62,500.00	Development Service Group
4/4/2024	51439	\$200.00	Candis Fleck
4/4/2024	51440	\$2,826.00	Hawkins, Ash,CPAs, LLP
4/4/2024	51441	\$100.00	Sara Hoffman
4/4/2024	51442	\$211.25	Kennedy & Graven, Chartered
4/4/2024	51443	\$120.00	Landrum Dobbins LLC
4/4/2024	51444	\$100.00	Jackie Luikart
4/4/2024	51445	\$200.00	Deborah Marson
4/4/2024	51446	\$1,863.00	McNamara Designs
4/4/2024	51447	\$865.00	Minnesota NAHRO
4/4/2024	51448	\$360.00	O'Rourke Media Group
4/4/2024	51449	\$29.00	Jasmin Lane
4/4/2024	51450	\$914.47	Shirley Zemke
4/4/2024	51451	\$235.21	Patricia C. Von Bargaen
4/4/2024	51452	\$1.34	Runnings Farm & Fleet
4/4/2024	51453	\$3,000.00	Smith Schafer & Associates
4/4/2024	51454	\$230.00	Startech Computing Inc
4/4/2024	51455	\$25.93	Corrine Stockwell
4/4/2024	51456	\$178.75	Vickis Foot and Nail Care PLLC
4/4/2024	51457	\$200.00	Leslie Wilburn

4/4/2024	51458	\$161.34	Xcel Energy
4/8/2024	51459	\$46.00	Goodhue County Recorder
4/11/2024	51460	\$1,890.00	Chandler Roofing Co.
4/11/2024	51461	\$84.00	City of Red Wing-Other Utils
4/11/2024	51462	\$152.18	Culligan Water Conditioning
4/11/2024	51463	\$270.00	Custom Alarm
4/11/2024	51464	\$500.00	Quadient Finance USA, INC
4/11/2024	51465	\$393.12	Hiawatha Broadband
4/11/2024	51466	\$329.98	HD Supply Facilities Maintenance
4/11/2024	51467	\$1,480.00	Keys Etc Locksmith Service
4/11/2024	51468	\$11,211.00	League of MN Cities Insurance Trust WC
4/11/2024	51469	\$123.35	Menards-Red Wing
4/11/2024	51470	\$473.70	Nardini Fire Equipment Co . Inc.
4/11/2024	51471	\$1,306.88	Schumacher Elevator Company
4/11/2024	51472	\$4,816.00	Startech Computing Inc
4/11/2024	51473	\$306.19	Corrine Stockwell
4/11/2024	51474	\$6,129.26	Visa
4/11/2024	51475	\$707.34	Xcel Energy
4/18/2024	51476	\$450.00	CSC SERVICEWORKS INC
4/18/2024	51477	\$1,820.95	DIRECT TV
4/18/2024	51478	\$97,901.93	GOODHUE COUNTY
4/18/2024	51479	\$520.22	HD SUPPLY FACILITIES MAINTENANCE
4/18/2024	51480	\$220.00	KEYS ETC LOCKSMITH SERVICE
4/18/2024	51481	\$118.57	MENARDS RED WING
4/18/2024	51482	\$2,165.50	MN UNEMPLOYMENT INSURANCE
4/18/2024	51483	\$2,248.00	RED WING PLUMBING & HEATING
4/18/2024	51484	\$136.00	SEMCAC INC
4/18/2024	51485	\$317.00	TEE JAY NORTH INC
4/24/2024	51486	\$575.00	ADVANCED BUSINESS SYSTEMS INC
4/24/2024	51487	\$339.46	CITY OF RED WING OTHER UTILITIES
4/24/2024	51488	\$124.48	HD SUPPLY FACILITIES MAINTENANCE
4/24/2024	51489	\$50.87	MARCO TECHNOLOGIES LLC
4/24/2024	51490	\$1,049.96	MENARDS RED WING
4/24/2024	51491	\$2,995.29	MUTUAL OF OMAHA
4/24/2024	51492	\$658.00	NAN MCKAY & ASSOCIATES INC
4/24/2024	51493	\$15.00	JAILENE C ROCHE-CABAN
4/24/2024	51494	\$165.00	RED WING PLUMBING & HEATING
4/24/2024	51495	\$500.00	STORTZ SATELLITE
4/24/2024	51496	\$80.00	ROBERT WEDRICKAS
4/24/2024	51497	\$12,320.16	XCEL ENERGY

\$253,043.95



Red Wing Housing & Redevelopment Authority

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May 14, 2024

To: Red Wing HRA Board of Commissioners

From: Corrine Stockwell, Finance Director

Subject: 2023 Annual Audit

Background:

It is required of the Red Wing HRA to have an annual audit performed by an independent auditor. We have a contract with Smith Schafer & Associates, LTD of Red Wing, Minnesota to perform our audits.

Analysis:

Smith Schafer & Associates, LTD has conducted an audit of our 2023 financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Recommendation:

Staff and Finance Committee give a favorable recommendation to the Red Wing HRA Board of Commissioners to accept the 2023 Annual Audit.

May 7, 2024

Board of Commissioners
Red Wing Housing and Redevelopment Authority
428 West Fifth Street
Red Wing, Minnesota 55066

We have audited the financial statements of Red Wing Housing and Redevelopment Authority as of and for the year ended December 31, 2023, and have issued our report thereon dated May 7, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit and Single Audit

As stated in our engagement letter dated December 22, 2023, we are responsible for conducting our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of Red Wing Housing and Redevelopment Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested. Our audit procedures also included determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our Responsibility in Relation to the Financial Statement Audit and Single Audit (Continued)

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and other matters noted during our audit in a separate letter to you dated May 7, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the year ended December 31, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Depreciation of Capital Assets

Management's estimate of the useful life of purchased, constructed or contributed capital assets is based on the estimated productive life of these assets. We evaluated key factors and assumptions used to develop the estimated useful lives assigned to capital assets and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Qualitative Aspects of the Entity's Significant Accounting Practices (Continued)

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant Red Wing Housing and Redevelopment Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in our separate letter dated May 7, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Red Wing Housing and Redevelopment Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Red Wing Housing and Redevelopment Authority's auditors.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners, and management of Red Wing Housing and Redevelopment Authority, Red Wing, Minnesota, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Smith, Schaefer and Associates, Ltd.

Red Wing, Minnesota

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY
RED WING, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2023**

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota

Report on the Financial Statements

Opinions

We have audited the financial statements of Red Wing Housing and Redevelopment Authority, which comprise the statement of financial position as of December 31, 2023, and the related notes to the financial statements, which collectively comprise the Red Wing Housing and Redevelopment Authority basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Red Wing Housing and Redevelopment Authority as of December 31, 2023 and the changes in financial position, and, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Red Wing Housing and Redevelopment Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Management's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Red Wing Housing and Redevelopment Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule, Schedule of Capital Funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principals, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and has been derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Red Wing, Minnesota
May 7, 2024

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RED WING HOUSING AND REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Red Wing Housing and Redevelopment Authority, we offer readers of the Red Wing Housing and Redevelopment Authority financial statements this narrative overview and analysis of the financial activities of the Red Wing Housing and Redevelopment Authority for the fiscal year ended December 31, 2023.

FINANCIAL HIGHLIGHTS

- The assets of Red Wing Housing and Redevelopment Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,137,273 (*net position*). Of this amount, \$2,607,866 (*unrestricted net position*) may be used to meet the Organization's ongoing obligations in accordance with the Organization's designations and fiscal policies.
- The Organization's total revenues are \$5,067,713 and total expenses are \$5,382,298 for the current year.
- Red Wing Housing and Redevelopment Authority's total capital assets net of accumulated depreciation for the current year are \$9,154,818.
- Red Wing Housing and Redevelopment Authority's total long-term debt for the current year is \$9,345,834.
- At the end of the current fiscal year, unrestricted net position was \$2,607,866 or 48 percent of total expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Organization maintains one type of proprietary fund which consists of various enterprise funds. Accounting procedures are the same as those for business enterprises. This financial report will include the Management's Discussion and Analysis, Financial Statements with accompanying notes, and the Independent Auditor's Reports.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Organization using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The ***Statement of Net Position*** includes everything that the Organization owns and owes. The difference between the total of the assets and the total of the liabilities and deferred inflows of resources is the net position of the Organization. Net position added to the total liabilities equals the total assets of the Organization. Net position is also equal to the total of all prior years' net income and losses of the Organization including all contributions from HUD.

All of the current year's revenues and expenses are accounted for in the ***Statement of Revenues, Expenses, and Changes in Net Position***. This statement records all revenue (income) and expenses. Revenue is categorized by source. Expenses are categorized by type. The excess of revenue over expense is the income for the year. If expenses are greater than revenue, then there is a loss for the year. Income and expenses are of two types: operating and nonoperating. Operating revenue and expenses are those related to the normal running of the Organization's operations. Nonoperating revenue and expenses include items outside of operations and include such items as interest income, capital grants, and gains and losses on disposition of fixed assets. The income or loss for the year, added to the prior year's net position equals the current year's net position.

The other required financial statement is the ***Statement of Cash Flows***. The primary purpose of this statement is to provide information about the Organization's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

In addition the Organization presents ***Notes to the financial statements***. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 18 - 27 of this report.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

One of the most important questions asked about the Organization's finances is "Is the Organization, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Organization's activities in a way that will help answer this question. These two statements report the net position of the Organization, and changes in them. You can think of the Organization's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Organization's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions and legislative mandates.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 1
Net Position

	2023	2022	Increase (Decrease)
Current and other assets	\$ 6,003,608	\$ 5,585,488	\$ 418,120
Capital assets	9,154,818	9,773,341	(618,523)
Total assets	<u>15,158,426</u>	<u>15,358,829</u>	<u>(200,403)</u>
Current liabilities	1,081,313	455,661	625,652
Long-term liabilities	8,622,518	9,108,935	(486,417)
Total liabilities	<u>9,703,831</u>	<u>9,564,596</u>	<u>139,235</u>
Net investment in capital assets	(191,014)	571,320	(762,334)
Restricted	2,720,421	2,792,823	(72,402)
Unrestricted	2,607,866	2,087,715	520,151
Total net position	<u>\$ 5,137,273</u>	<u>\$ 5,451,858</u>	<u>\$ (314,585)</u>

The Organization's total net position for the current fiscal year is \$5,137,273 of which (\$191,014) is invested in capital assets. The Red Wing Housing and Redevelopment Authority has \$3,625,568 in cash and investments as of December 31, 2023 (including the tenant security deposit account).

The HRA received \$419,962 from tax levy with \$125,000 of that allocated to the Affordable Housing Trust Fund (AHTF).

The AHTF produced one Homebuyers Assistance loan for \$9,000, and one Single Family Owner-Occupied loan for \$24,000 in 2023.

The HRA approved one \$50,000 commercial loan for the Downtown and Old West Main areas in 2023. A total of \$51,625 was paid out for this loan as well as expenses from loans in 2022.

TIF #8-Keller-Baartman Properties completed Phase IV and began work on Phase III in 2023. All Phases are expected to be complete in 2024, which is over a year ahead of schedule. Tax increment paid on the TIF notes was \$295,074.02. The HRA received \$73,768.51, with \$31,195.64 going to the AHTF.

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table 2
Statement of Revenues, Expenses and Changes in Net Position

	2023	2022	Increase (Decrease)
Revenues:			
Federal grants	\$ 2,460,978	\$ 1,917,401	\$ 543,577
State and local revenues	506,799	459,842	46,957
Tenant revenue	1,364,309	1,245,612	118,697
Investment earnings	43,476	4,108	39,368
Other income	692,151	467,902	224,249
Total revenues	5,067,713	4,094,865	972,848
Expenses:			
Administration	1,360,514	1,104,667	255,847
Tenant Services	84,893	76,126	8,767
Utilities	293,240	287,631	5,609
Maintenance and operations	737,406	616,539	120,867
Insurance	181,321	170,659	10,662
General expense	449,698	361,521	88,177
Housing assistance payments	1,091,582	940,008	151,574
Depreciation	1,043,800	1,027,479	16,321
Other expenses	139,844	485,719	(345,875)
Total expenses	5,382,298	5,070,349	311,949
Change in net position	(314,585)	(975,484)	660,899
Net position, beginning of year	5,451,858	6,427,342	(975,484)
Net position, end of year	\$ 5,137,273	\$ 5,451,858	\$ (314,585)

Total revenues for the current year were \$5,067,713 and total expenses were \$5,382,298.

The HRA was awarded a POHP (Publicly Owned Housing Program) grant in 2020 for \$522,286.58. The grant was for work in Jordan Tower I for new electrical panels, main switch gear, and a new back-up generator. Due to supply chain issues, work began in 2023 and completed in 2024.

A grant from HAI Group (HRA insurance company) for \$121,192 was awarded in 2022. Startup work began in 2023 and will be completed in 2024. These funds will be used in our family scattered sites – Deer Run and Featherstone Townhomes to replace concrete walkways, stoops and steps, and driveways/parking lot.

CAPITAL ASSETS

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Organization's investment in capital assets as of December 31, 2023, amounted to \$9,154,818 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Table 3
Capital Assets
(net of accumulated depreciation)

	<u>2023</u>	<u>2022</u>	Increase (Decrease)
Land	\$ 802,961	\$ 819,804	\$ (16,843)
Construction in progress	419,142	167,277 ⁿ	251,865
Buildings and improvements	20,180,938	20,040,112	140,826
Furniture and equipment - dwellings	49,188	49,188	
Furniture and equipment - administration	584,893	573,651	11,242
Less accumulated depreciation	<u>(12,882,304)</u>	<u>(11,876,691)</u>	<u>(1,005,613)</u>
Total	<u>\$ 9,154,818</u>	<u>\$ 9,773,341</u>	<u>\$ (618,523)</u>

**RED WING HOUSING AND REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt. At the end of the fiscal year, the Red Wing Housing and Redevelopment Authority had long-term debt of \$9,136,450.

Table 4
Long-Term Debt

	2023	2022	Increase (Decrease)
Deferred Loans	\$ 6,203,098	\$ 5,993,714	\$ 209,384
MHFA PARIF Mortgage Note	2,813,004	2,878,575	(65,571)
MHFA MURL Promissory Notes	302,217	302,217	
Other	27,515	27,515	
Total	\$ 9,345,834	\$ 9,202,021	\$ 143,813

Additional information on the Organization's long-term debt can be found in the Notes to the Financial Statements on pages 24 - 26.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND FEES

Keller-Baartman received tax increments for Phases I, II, and IV for 2023. The total amount received was \$368,842.53, of which \$295,074.02 was issued to Keller-Baartman for payment on TIF notes. The HRA received \$73,768.51, with \$31,195.64 going to the AHTF.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Red Wing Housing and Redevelopment Authority finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional information contact Corrine Stockwell, Finance Manager at (651) 388-7571, Red Wing Housing and Redevelopment Authority, 428 West Fifth Street, Red Wing, MN 55066.

FINANCIAL STATEMENTS

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
Assets				
Cash and cash equivalents	\$ 1,467,189	\$	\$ 357,918	\$ 387,185
Receivables	5,169		1,871	17,180
Lease receivables	317,322			
Inventories	26,919			30,676
Prepaid expenses	15,827			18,498
Due from other funds				
Capital assets:				
Nondepreciable	350,787			689,299
Depreciable, net	4,624,816			2,715,679
Notes and mortgages receivable			1,528,296	
Total Assets	<u>6,808,029</u>		<u>1,888,085</u>	<u>3,858,517</u>
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities				
Accounts payable	8,139			11,925
Accrued liabilities	13,313			16,370
Compensated absences	29,818			28,084
Accrued interest	10,549			
Deposits payable	39,973			49,218
Unearned revenue	622			1,577
Due to other governments	39,853			46,413
Due to other funds				701
Noncurrent liabilities:				
Due in one year	393,584			
Due in more than one year	6,463,530			1,669,488
Total Liabilities	<u>6,999,381</u>			<u>1,823,776</u>
Deferred Inflows of Resources				
Deferred inflows from leases	317,322			
Total Deferred Inflows of Resources	<u>317,322</u>			
Net Position				
Net investment in capital assets	(1,881,509)			1,735,489
Restricted net position			1,888,085	
Unrestricted net position	1,372,835			299,252
Total Net Position	<u>(508,674)</u>		<u>1,888,085</u>	<u>2,034,741</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,808,029</u>	<u>\$</u>	<u>\$ 1,888,085</u>	<u>\$ 3,858,517</u>

See Notes to the Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Elimination	Total
\$ 5,858	\$	\$ 951,399	\$ 6,404	\$ 65,410	\$ 384,205	\$	\$ 3,625,568
9,532		2,505					36,257
		5,008					317,322
		6,085					62,603
		47,960			31,196	(79,156)	40,410
		182,017					1,222,103
734		591,486					7,932,715
		24,973			368,179		1,921,448
<u>16,124</u>		<u>1,811,433</u>	<u>6,404</u>	<u>65,410</u>	<u>783,580</u>	<u>(79,156)</u>	<u>15,158,426</u>
994		3,865					24,923
4,807		9,739	176				44,405
1,386		16,016					75,304
		1,864					12,413
		13,155					102,346
		503					2,702
		9,638					95,904
6,817			6,228	65,410		(79,156)	
		329,732					723,316
		489,500					8,622,518
<u>14,004</u>		<u>874,012</u>	<u>6,404</u>	<u>65,410</u>		<u>(79,156)</u>	<u>9,703,831</u>
							317,322
							317,322
734		(45,728)					(191,014)
	104,634	24,973			702,729		2,720,421
1,386	(104,634)	958,176			80,851		2,607,866
<u>2,120</u>		<u>937,421</u>			<u>783,580</u>		<u>5,137,273</u>
<u>\$ 16,124</u>	<u>\$</u>	<u>\$ 1,811,433</u>	<u>\$ 6,404</u>	<u>\$ 65,410</u>	<u>\$ 783,580</u>	<u>\$ (79,156)</u>	<u>\$ 15,158,426</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program	Low Rent Public Housing
Operating Revenues				
Tenant rental revenues	\$ 520,754	\$	\$	\$ 662,356
HUD PHA operating grants	556,845	77,258		270,138
Other governmental grants				80,045
Other revenue	50,294		125	10,049
Total Operating Revenues	<u>1,127,893</u>	<u>77,258</u>	<u>125</u>	<u>1,022,588</u>
Operating Expenses				
Administration	238,010		1,105	343,672
Tenant services		77,258		7,635
Utilities	106,067			154,963
Maintenance and operations	259,538		521	391,440
Insurance	71,356			82,562
General expense	51,569		237,690	51,989
Housing assistance payments				
Depreciation	598,780			379,440
Total Operating Expenses	<u>1,325,320</u>	<u>77,258</u>	<u>239,316</u>	<u>1,411,701</u>
Operating Income (Loss)	<u>(197,427)</u>		<u>(239,191)</u>	<u>(389,113)</u>
Nonoperating Revenues (Expenses)				
Investment income	22,865		1,295	5,270
Sale of assets	480			2,100
Interest expense	(138,743)			
Total Nonoperating Revenue (Expenses)	<u>(115,398)</u>		<u>1,295</u>	<u>7,370</u>
Income (Loss) Before Capital Grants and Transfers	(312,825)		(237,896)	(381,743)
Capital grants				
Operating transfers in				361,849
Operating transfers out				
Change in Net Position	<u>(312,825)</u>		<u>(237,896)</u>	<u>(19,894)</u>
Net Position - Beginning of Year	<u>(195,849)</u>		<u>2,125,981</u>	<u>2,054,635</u>
Net Position - End of Year	<u>\$ (508,674)</u>	<u>\$</u>	<u>\$ 1,888,085</u>	<u>\$ 2,034,741</u>

See Notes to the Financial Statements

Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Elimination	Total
\$	\$	\$ 181,199	\$	\$	\$	\$	\$ 1,364,309
1,114,843	163,008						2,182,092
		419,962	86,837				586,844
612		127,362		315,223	93,696		597,361
<u>1,115,455</u>	<u>163,008</u>	<u>728,523</u>	<u>86,837</u>	<u>315,223</u>	<u>93,696</u>		<u>4,730,606</u>
173,490		269,739	19,275	315,223			1,360,514
							84,893
		32,210					293,240
6,915		78,992					737,406
		27,403					181,321
7,245		81,452			19,753		449,698
1,013,469			78,113				1,091,582
1,079		64,501					1,043,800
<u>1,202,198</u>		<u>554,297</u>	<u>97,388</u>	<u>315,223</u>	<u>19,753</u>		<u>5,242,454</u>
(86,743)	163,008	174,226	(10,551)		73,943		(511,848)
212		6,926			6,908		43,476
		92,210					94,790
		(1,101)					(139,844)
212		98,035			6,908		(1,578)
(86,531)	163,008	272,261	(10,551)		80,851		(513,426)
	198,841						198,841
72,603			10,551			(445,003)	
	(361,849)	(83,154)				445,003	
(13,928)		189,107			80,851		(314,585)
16,048		748,314			702,729		5,451,858
<u>\$ 2,120</u>	<u>\$</u>	<u>\$ 937,421</u>	<u>\$</u>	<u>\$</u>	<u>\$ 783,580</u>	<u>\$</u>	<u>\$ 5,137,273</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants , Small Cities Program
Cash Flows From Operating Activities			
Cash received from tenants	\$ 521,074	\$	\$
Cash received from intergovernmental	556,266	77,258	(1,096)
Other cash received	50,294		29,745
Cash paid to employees	(234,191)	(43,308)	
Cash paid to suppliers	(481,681)	(33,950)	(1,626)
Net Cash Provided By (Used In) Operating Activities	<u>411,762</u>		<u>27,023</u>
Cash Flows From Investing Activities			
Interest income received	<u>22,865</u>		<u>1,295</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(10,711)		
Proceeds from capital grants			
Interfund borrowings	30,491		
Operating transfers			
Other long-term liabilities			
Interest paid on long-term debt	(138,743)		
Proceeds from (principal paid) on long-term debt	(65,571)		
Net Cash Provided By (Used In) Capital and	<u>(184,534)</u>		
Net Increase (Decrease) in Cash and Cash Equivalents	250,093		28,318
Cash and Cash Equivalents - Beginning of Year	<u>1,217,096</u>		<u>329,600</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,467,189</u>	<u>\$</u>	<u>\$ 357,918</u>

See Notes to the Financial Statements

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$ 661,750	\$	\$	\$ 182,572	\$	\$	\$	\$ 1,365,396
341,012	1,110,678	163,008	419,962	87,213			2,754,301
10,049	612		136,429		337,648	93,696	658,473
(335,724)	(99,877)		(164,939)	(12,797)	(315,223)		(1,206,059)
(692,775)	(1,101,711)		(322,295)	(84,854)	(13,994)	(18,324)	(2,751,210)
<u>(15,688)</u>	<u>(90,298)</u>	<u>163,008</u>	<u>251,729</u>	<u>(10,438)</u>	<u>8,431</u>	<u>75,372</u>	<u>820,901</u>
<u>5,270</u>	<u>212</u>		<u>6,926</u>			<u>6,908</u>	<u>43,476</u>
(417,027)			97,251				(330,487)
		198,841					198,841
(8,111)	6,212		(7,561)	(3,013)	13,178	(31,196)	
361,849	72,603	(361,849)	(83,154)	10,551			(14,342)
	(14,342)						(139,844)
			(1,101)				(143,813)
<u>209,384</u>							<u>143,813</u>
<u>146,095</u>	<u>64,473</u>	<u>(163,008)</u>	<u>5,435</u>	<u>7,538</u>	<u>13,178</u>	<u>(31,196)</u>	<u>(142,019)</u>
135,677	(25,613)		264,090	(2,900)	21,609	51,084	722,358
<u>251,508</u>	<u>31,471</u>		<u>687,309</u>	<u>9,304</u>	<u>43,801</u>	<u>333,121</u>	<u>2,903,210</u>
<u>\$ 387,185</u>	<u>\$ 5,858</u>	<u>\$</u>	<u>\$ 951,399</u>	<u>\$ 6,404</u>	<u>\$ 65,410</u>	<u>\$ 384,205</u>	<u>\$ 3,625,568</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

RECONCILIATION OF OPERATING

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Operating Income (Loss)	\$ (197,427)	\$	\$ (239,191)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	598,780		
Loans forgiven			237,690
(Increase) Decrease In:			
Accounts receivable	(579)		(1,096)
Inventories	(2,711)		
Prepaid expenses	(278)		
Notes and mortgages receivable			29,620
Increase (Decrease) In:			
Accounts payable	(6,374)		
Other accrued liabilities	16,058		
Compensated absences	3,973		
Unearned revenue	320		
Net Cash Provided By (Used In) Operating Activities	<u>\$ 411,762</u>	<u>\$</u>	<u>\$ 27,023</u>

See Notes to the Financial Statements

INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>State / Local</u>	<u>Bridges</u>	<u>TIF #8</u>	<u>AHTF</u>	<u>Total</u>
\$ (389,113)	\$ (86,743)	\$163,008	\$174,226	\$(10,551)	\$	\$ 73,943	\$ (511,848)
379,440	1,079		64,501 3,081 [□]			19,753	1,043,800 260,524
(9,171)	(4,165)		1,100	376	22,425		8,890
(3,090)			(504)				(6,305)
(286)			(642)				(1,206)
			5,986			(18,324)	17,282
(6,644)	821		(1,357)		(13,994)		(27,548)
11,094	(1,319)		1,538	(263)			27,108
2,688	29		3,527				10,217
(606)			273				(13)
<u>\$ (15,688)</u>	<u>\$ (90,298)</u>	<u>\$163,008</u>	<u>\$251,729</u>	<u>\$(10,438)</u>	<u>\$ 8,431</u>	<u>\$ 75,372</u>	<u>\$ 820,901</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

Red Wing Housing and Redevelopment Authority operates as a local government unit for the purpose of providing housing redevelopment services to the local area. The governing body consists of a seven member board appointed by the City Council.

In accordance with GASB Statement No. 14 of the Organization's financial statements include the primary government and the component units of the Red Wing Housing and Redevelopment Authority, defined as follows:

Primary Government - Includes all funds, organizations, institutions, agencies, departments, or offices which are not legally separate from the Red Wing Housing and Redevelopment Authority.

Component Units - Component units are legally separate organizations for which the elected officials of the Red Wing Housing and Redevelopment Authority are financially accountable or for which the nature or significance of their relationship with the Red Wing Housing and Redevelopment Authority would cause the financial statements to be misleading or incomplete. Based on these criteria, there are no component units of the Red Wing Housing and Redevelopment Authority.

Basis of Presentation

Organizations which meet certain criteria established by the American Institute of Certified Public Accountants are required to use reporting standards set forth for that industry. Under this criteria, Red Wing Housing and Redevelopment Authority is considered a governmental entity for financial reporting purposes because the Board of Directors is nominated or appointed by governmental entities. This guidance includes applying all GASB pronouncements issued after Statement 1, with certain exclusions and all required note disclosures for governmental entities.

Measurement Focus, Basis of accounting and Financial Statement Presentation

Measurement focus is the term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the "economic resources measurement focus" and the "accrual basis of accounting." Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund accounting

To ensure observance of limitations and restrictions placed on the use of funds available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

The Organization reports the following major proprietary funds:

The *N/C S/R Section 8 Programs* fund accounts for housing assistance in the form of rent subsidy for an apartment building owned by the Organization.

The *Multifamily Housing Service Coordinators* fund accounts for low income rent for multifamily housing.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Fund accounting (continued)

The *Community Development Block Grants/Small Cities Program* fund accounts for low interest or no interest loans and grants for various qualifying community improvement projects.

The *Low Rent Public Housing* fund accounts for the rental and other income, operating subsidies and the expenses related to the operation and maintenance of low income housing units owned by the Organization.

The *Housing Choice Vouchers* fund records the receipt of HUD grants and the subsequent payment to landlords of Housing Assistance Payments along with the other related expenses.

The *Public Housing Capital Fund Program* fund records the receipt and subsequent disbursement of Capital Grants from HUD. As projects are completed, assets are transferred to the Low Income Public Housing Fund.

The *State/Local* fund accounts for County tax levies and rents on homes owned by the Organization to be used for various Organization goals.

The *Bridges* fund accounts for rental subsidy for individuals with serious mental illness.

The *TIF #8* fund accounts for the Keller-Baartman Properties LLC tax increment funding (TIF) project for which the HRA may receive up to 20% to be applied to administrative expenses and payments into the Affordable Housing Trust Fund.

The *Affordable Housing Trust Fund (AHTF)* accounts for homebuyer assistance loans, owner/occupied rehab, and new small site affordable housing units funded by tax levy funds.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

Cash and cash equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash equivalents.

Capital assets

Capital assets are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings and improvements	5 - 50
Furniture and equipment - dwelling units	3 - 10
Furniture and equipment - administration	3 - 10

Compensated absences

It is the Organization's policy to permit employees to accumulate a limited amount of earned but unused vacation which is paid to the employees upon separation. Vacation pay is accrued when incurred.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Deposits payable

Deposits payable represent tenant deposits held for damages and/or unpaid rent.

Revenue recognition

Depending on the terms of a grant, grant revenues are recognized in the period of entitlement or as the related expenditures are incurred. Revenues not earned are reported as unearned revenue.

Concentration of Credit Risk

The Organization places its deposits and temporary cash investments with financial institutions insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, such deposits and investments may be in excess of the FDIC insurance limit.

Risk management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The Organization carries commercial insurances for the risks of loss. Claims have not exceeded coverage in any of the last three years.

Leases

For leases with a term exceeding 12 months, the Organization recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Implementation of New Accounting Principles

During the year, the Organization implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on accounting and financial reporting for subscription-based information technology. Under this Statement, government organizations are required to recognize a subscription liability and a right-of-use capitalized asset. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. This Statement establishes uniform accounting and financial reporting requirements for Subscription-Based Information Technology Arrangements; improves the comparability of government financial statements; and enhances the relevance, understandability, reliability, and consistency of information regarding these arrangements. The Statement has been implemented.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

Summary of Cash and Deposits

As of December 31, 2023 the Organization's cash and deposits consisted entirely of deposits held at a local financial institution.

<u>Cash and Deposits</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash	None	\$ 3,311,568
Certificates of deposit	April 2024	53,785
Certificates of deposit	May 2024	53,711
Certificates of deposit	July 2024	44,573
Certificates of deposit	September 2024	97,898
Certificates of deposit	February 2025	10,394
Certificates of deposit	July 2026	53,639
		<u>\$ 3,625,568</u>

Investment Policy

The Organization's policy is to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the organization and comply with all state statutes governing the investment of public funds.

Investments Authorized by Minnesota Statute

The Organization is authorized to invest idle funds according to Minnesota Statute.

Custodial Credit Risk

The Organization's deposits are entirely covered by federal depository insurance.

Interest Rate Risk

The Organization's investment policy does not limit its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Organization's investment policy does not limit its investment choices beyond those restricted by Minnesota Statute.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

3. Leases

In August 2005, the Organization entered into a lease with a telephone and internet provider. Under the lease, the provider pays the City \$645.33 per month for 8 years including renewal options in exchange for the right to use real property located at 440 West 5th Street. The equipment placed in this location will provide internet services to the HRA residents with antennas on top of one of the HRA's buildings. The lease receivable is measured as the present value of the future rent payments expected to be received during the lease term. The total amount of deferred inflows of leases recognized was \$6,343 for the year ending December 31, 2023.

In April 2008, the Organization entered into a lease with a telephone and internet provider. Under the lease, the provider pays the HRA \$1,952.77 per month for 12 years including renewal options in exchange for the right to use real property located at 440 West 5th Street. The equipment placed in this location will provide internet services to the HRA residents with antennas on top of one of the HRA's buildings. The lease receivable is measured as the present value of the future rent payments expected to be received during the lease term. The total amount of deferred inflows of leases recognized was \$18,710 for the year ending December 31, 2023.

4. Loans Receivable

Following is a summary of the notes receivable outstanding at December 31, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes and Mortgages Receivable				
Community Development Block Grant / Small Cities Program	\$1,795,606	\$ 78,769	\$ 346,079	\$1,528,296
AHTF	369,608	25,200	26,629	368,179
State / Local	34,040		9,067	24,973
Total	<u>\$2,199,254</u>	<u>\$ 103,969</u>	<u>\$ 381,775</u>	<u>\$1,921,448</u>

As part of the Organization's community development block grant program, the Organization has issued various loans with rates varying from 0% to 4% and forgivable grant agreements for the rehabilitation of commercial property to improve a business or improve the appearance of the community. Receivables outstanding at December 31, 2023 totaled \$1,528,296.

The State/Local notes and mortgages receivable consist of residential loans with interest rates varying from 0% to 6% for qualified home financing and rehabilitation costs. Receivables outstanding at December 31, 2023 totaled \$24,973.

The AHTF notes and mortgages receivable consist of Homebuyers Assistance loans with varying interest rates for qualified individuals. Receivables outstanding at December 31, 2023 totaled \$368,179.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

5. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 819,804	\$	\$ (16,843)	\$ 802,961
Construction in progress	167,277	387,385	(135,520)	419,142
Total capital assets	<u>987,081</u>	<u>387,385</u>	<u>(152,363)</u>	<u>1,222,103</u>
Capital assets, being depreciated:				
Buildings and improvements	20,040,112	273,647	(132,821)	20,180,938
Furniture and equipment - dwelling units	49,188			49,188
Furniture and equipment - administration	573,651	11,242		584,893
Total capital assets	<u>20,662,951</u>	<u>284,889</u>	<u>(132,821)</u>	<u>20,815,019</u>
Less accumulated depreciation	<u>11,876,691</u>	<u>1,043,800</u>	<u>(38,187)</u>	<u>12,882,304</u>
Total capital assets, being depreciated, net	<u>8,786,260</u>	<u>(758,911)</u>	<u>(94,634)</u>	<u>7,932,715</u>
Governmental activities capital assets, net	<u>\$ 9,773,341</u>	<u>\$ (371,526)</u>	<u>\$ (246,997)</u>	<u>\$ 9,154,818</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:

N/C S/R Section 8 Programs	\$ 598,780
Low Rent Public Housing	379,440
Housing Choice Vouchers	1,079
State / Local	<u>64,501</u>

Total depreciation expense - business-type activities \$ 1,043,800

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

6. Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

Deferred Loans:

The 2006 Mortgage proceeds were issued for rehabilitation of Jordan II. The entire balance with zero percent interest is deferred until 2024. The 2001 Mortgage proceeds were issued to finance temporary housing for low and moderate income persons. This zero percent interest loan must be repaid only if proceeds cease to be used for loan purposes. The 2014 Loan proceeds were issued for \$405,000. The entire balance with zero percent interest is forgiven after 20 years. The 2016 Loan proceeds were issued for \$917,537. The entire balance with zero percent interest is forgiven after 20 years. The 2017 Loan proceeds were issued for \$3,000,000. The entire balance with zero percent interest is due after 20 years. The 2019 Loan proceeds were issued for \$406,001. The entire balance with zero percent interest is forgiven after 20 years. The 2023 Loan proceeds were issued for \$209,384, that can be drawn down upon until the loan reaches a balance of \$522,700. The entire balance with zero percent interest is forgiven after 20 years.

MHFA PARIF Mortgage Note:

The HRA borrowed funds in 2017 from the Preservation Affordable Rental Investment Program for the rehabilitation of a multifamily rental housing development for persons of low and moderate income. The total amount that can be drawn on the mortgage note is \$2,481,000 with deferred interest that was transferred to the principal payment on July 1, 2022 of \$424,039 that matures in 2047. The outstanding balance totaled \$2,813,004 as of December 31, 2023. Interest on the principal amount outstanding is computed at 4.50%. The principal amount including the accumulated interest and accrued interest is payable commencing on the first day of August, 2022, and the first day of each succeeding month until the entire indebtedness has been paid in full.

MHFA MURL Promissory Notes:

The HRA accepted funds in 1993 and 1994 from the Minnesota Rural and Urban Homesteading Program in order to make non-interest bearing loans to qualified first time home buyers. The HRA may retain collections on these loans received after June 1, 1996 in order to make future MURL qualified expenditures.

Other Loans:

Proceeds from these Loans were used to finance the rental units. These loans are payable from revenues generated from renting these properties to the public at Fair Market Rent.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

6. Long-Term Debt

A summary of interest rates, maturities and December 31, 2023 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2023
Deferred Loans:			
2001 Deferred Mortgage	0.00%	2026	\$ 84,500
2006 MHFA Deferred Mortgage - Jordan II	0.00%	2037	1,044,110
2014 MHFA - Elevators	0.00%	2034	405,000
2016 MHFA - Windows J1	0.00%	2036	917,537
2017 MHFA - Home	0.00%	2037	3,000,000
2019 MHFA - Boilers J1	0.00%	2039	542,567
2023 MHFA - Electrical	0.00%	2043	209,384
MHFA PARIF Mortgage Note:			
2017 PARIF	4.50%	2047	2,813,004
MHFA MURL Promissory Notes:			
1993 Note	0.00%	2024	159,268
1994 Note	0.00%	2024	142,949
Other:			
Small Cities PI Loan	4.00%	2024	27,515
Total			<u>\$ 9,345,834</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

6. Long-Term Debt

The changes in the Long-Term Debt during the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Debt Reductions	Forgiven	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES						
Deferred Loans:						
2001 Deferred Mortgage	\$ 84,500	\$	\$	\$	\$ 84,500	\$
2006 MHFA Deferred Mortgage - Jordan II	1,044,110				1,044,110	325,000
2014 MHFA - Elevators	405,000				405,000	
2016 MHFA - Windows J1	917,537				917,537	
2017 MHFA - Home	3,000,000				3,000,000	
2019 MHFA - Boilers J1	542,567				542,567	
2023 MHFA - Electrical		209,384			209,384	
MHFA PARIF Mortgage Note:						
2017 PARIF	2,878,575		65,571		2,813,004	68,584
MHFA MURL Promissory Notes:						
1993 Note	159,268				159,268	159,268
1994 Note	142,949				142,949	142,949
Other:						
Small Cities PI Loan (30 yr.)	27,515				27,515	27,515
Business-type Activities						
Long-term Liabilities	<u>\$9,202,021</u>	<u>\$ 209,384</u>	<u>\$ 65,571</u>	<u>\$</u>	<u>\$ 9,345,834</u>	<u>\$ 723,316</u>

The annual requirements to amortize all long-term debt outstanding as of December 31, 2023 are summarized below:

Years	PARIF Loan		Other	
	Principal	Interest	Principal	Interest
2024	\$ 68,584	\$ 125,182	\$ 654,732	\$1,864
2025	71,734	122,031	56,000	
2026	75,030	118,736	140,500	
2027	78,477	115,289	56,000	
2028	82,082	111,684	56,000	
2029 - 2033	470,558	498,271	336,000	
2034 - 2038	589,043	379,786	5,024,214	
2039 - 2043	737,362	231,467	209,384	
2044 - 2047	640,135	54,194		
	<u>\$2,813,004</u>	<u>\$1,756,641</u>	<u>\$6,532,830</u>	<u>\$1,864</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures

Balances of inter-fund receivables and payables as of December 31, 2023 at the individual fund level for planned project interim borrowing and cash deficiency are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
State / Local	\$ 47,960	\$
Low Rent Public Housing		701
Housing Choice Vouchers		6,817
Bridges		6,228
TIF #8		65,410
AHTF		
	<u>31,196</u>	
	<u>\$ 79,156</u>	<u>\$ 79,156</u>

Transfers during the year ended December 31, 2023 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent Public Housing	\$ 361,849	\$
Public Housing Capital Fund Program		361,849
Housing Choice Vouchers	72,603	
Bridges	10,551	
State / Local		83,154
	<u>\$ 445,003</u>	<u>\$ 445,003</u>

8. Commitments and Contingencies

The Organization receives a substantial amount of its support from the federal government. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

9. Deferred Compensation Plans

The Organization has an IRC Section 457 deferred compensation plan available to all employees of the HRA and is administered by an unrelated financial institution. The amount deferred (contributions to the plan by the employees) is generally not available until the employee retires.

The Organization also has a Section 401(a) defined contribution profit-sharing plan for all eligible employees. Under this Plan, the Organization contributes 8% of eligible employee compensation to the Plan. This Plan also has vesting requirements of 20% per year with full vesting after year 5. Employer contributions to this Plan totaled \$62,412 for the year ended December 31, 2023.

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SUPPORTING DATA

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Assets			
Current Assets			
Cash			
111 Cash - unrestricted	\$ 846,212	\$	\$
113 Cash - other restricted	186,798		357,918
114 Cash - tenant security deposits	39,973		
115 Cash - restricted - payment of current liability	394,206		
100 Total Cash	1,467,189		357,918
Receivables			
122 Accounts receivable - other HUD projects	5,066		
125 Accounts receivable - miscellaneous			
126 Accounts receivable -tenants - dwelling units	103		
128 Lease receivable	317,322		
129 Accrued interest receivable			1,871
120 Total Receivables	322,491		1,871
142 Prepaid expenses and other assets	15,827		
143 Inventories	26,919		
144 Inter program due from			
150 Total Current Assets	1,832,426		359,789
Noncurrent Assets			
Fixed Assets			
161 Land	350,787		
162 Buildings	10,444,807		
163 Furniture, equipment & machinery - dwelling units			
164 Furniture, equipment & machinery - administration	223,287		
166 Accumulated depreciation	(6,043,278)		
167 Construction in progress			
160 Total Fixed Assets	4,975,603		
171 Notes, loans and mortgages receivable - noncurrent			1,528,296
180 Total Noncurrent Assets	4,975,603		1,528,296
190 Total Assets	\$ 6,808,029	\$	\$ 1,888,085

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$ 336,390	\$ 5,858	\$	\$ 608,009	\$ 6,404	\$ 65,410	\$	\$ 1,868,283
49,218			13,155			384,205	928,921
1,577			330,235				102,346
<u>387,185</u>	<u>5,858</u>		<u>951,399</u>	<u>6,404</u>	<u>65,410</u>	<u>384,205</u>	<u>3,625,568</u>
	6,759						11,825
	2,773		2,233				5,006
17,180			272				17,555
							317,322
							1,871
<u>17,180</u>	<u>9,532</u>		<u>2,505</u>				<u>353,579</u>
18,498			6,085				40,410
30,676			5,008				62,603
			47,960			31,196	79,156
<u>453,539</u>	<u>15,390</u>		<u>1,012,957</u>	<u>6,404</u>	<u>65,410</u>	<u>415,401</u>	<u>4,161,316</u>
270,157			182,017				802,961
7,709,874 ^N			2,026,255				20,180,936
15,464			33,724				49,188
105,711	16,734		239,164				584,896
(5,115,370)	(16,000)		(1,707,657)				(12,882,305)
419,142							419,142
<u>3,404,978</u>	<u>734</u>		<u>773,503</u>				<u>9,154,818</u>
			24,973			368,179	1,921,448
<u>3,404,978</u>	<u>734</u>		<u>798,476</u>			<u>368,179</u>	<u>11,076,266</u>
<u>\$ 3,858,517</u>	<u>\$ 16,124</u>	<u>\$</u>	<u>\$ 1,811,433</u>	<u>\$ 6,404</u>	<u>\$ 65,410</u>	<u>\$ 783,580</u>	<u>\$ 15,237,582</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
STATEMENT OF NET POSITION
December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Liabilities			
Current Liabilities			
312 Accounts payable <= 90 days	\$ 8,139	\$	\$
321 Accrued wage / payroll tax payable	13,313		
322 Accrued compensated absences - current portion	16,964		
325 Accrued interest payable	10,549		
333 Accounts payable - other government	39,853		
341 Tenant security deposit	39,973		
342 Deferred revenues	622		
343 Current portion of long-term debt	393,584		
346 Accrued liabilities - other			
347 Inter program due to			
310 Total Current Liabilities	<u>522,997</u>		
Noncurrent Liabilities			
351 Long-term debt, net of current	6,463,530		
354 Accrued compensated absences - noncurrent	12,854		
350 Total Noncurrent Liabilities	<u>6,476,384</u>		
300 Total Liabilities	<u>6,999,381</u>		
Deferred Inflows of Resources			
Deferred inflows from leases	317,322		
Total Deferred Inflows of Resources	<u>317,322</u>		
Equity/Net Assets			
508.1 Net investment in capital assets	(1,881,509)		
511.1 Restricted net assets			1,888,085
512.1 Unrestricted net assets	1,372,835		
513 Total Equity/Net Assets	<u>(508,674)</u>		<u>1,888,085</u>
600 Total Liabilities and Equity/Net Assets	<u>\$ 6,808,029</u>	<u>\$</u>	<u>\$ 1,888,085</u>

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$ 3,939	\$ 994	\$	\$ 3,865	\$	\$	\$	\$ 16,937
16,370	4,807		9,739	176			44,405
15,230	1,105		8,984				42,283
			1,864				12,413
46,413			9,638				95,904
49,218			13,155				102,346
1,577			503				2,702
			329,732				723,316
7,986							7,986
701	6,817			6,228	65,410		79,156
141,434	13,723		377,480	6,404	65,410		1,127,448
1,669,488			489,500				8,622,518
12,854	281		7,032				33,021
1,682,342	281		496,532				8,655,539
1,823,776	14,004		874,012	6,404	65,410		9,782,987
							317,322
							317,322
1,735,489	734		(45,728)				(191,014)
		104,634	24,973			702,729	2,720,421
299,252	1,386	(104,634)	958,176			80,851	2,607,866
2,034,741	2,120		937,421			783,580	5,137,273
\$ 3,858,517	\$ 16,124	\$	\$ 1,811,433	\$ 6,404	\$ 65,410	\$ 783,580	\$ 15,237,582

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Revenues			
Tenant Revenue			
70300 Net tenant rental revenue	\$ 513,880	\$	\$
70400 Tenant revenue - other	6,874		
70500 Total Tenant Revenue	520,754		
70600 HUD PHA operating grants	556,845	77,258	
70610 Capital grants			
Fee Revenue			
70750 Other fees			
70700 Total Fee Revenue			
70800 Other government grants			
71100 Investment income - unrestricted	22,865		1,295
71400 Fraud recovery			
71500 Other revenue	50,294		125
71600 Gain (loss) on sale of assets	480		
70000 Total Revenue	\$ 1,151,238	\$ 77,258	\$ 1,420

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$ 632,602	\$	\$	\$ 128,232	\$	\$	\$	\$ 1,274,714
29,754			52,967				89,595
<u>662,356</u>			<u>181,199</u>				<u>1,364,309</u>
270,138	1,114,843	163,008					2,182,092
		198,841					198,841
					315,223		315,223
					<u>315,223</u>		<u>315,223</u>
80,045			419,962	86,837			586,844
5,270	212		6,926			6,908	43,476
	612						612
10,049			127,362			93,696	281,526
2,100			92,210				94,790
<u>\$ 1,029,958</u>	<u>\$ 1,115,667</u>	<u>\$ 361,849</u>	<u>\$ 827,659</u>	<u>\$ 86,837</u>	<u>\$ 315,223</u>	<u>\$ 100,604</u>	<u>\$ 5,067,713</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Year Ended December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Expenses			
Administrative			
91100 Administrative Salaries	\$ 135,700	\$	\$
91200 Auditing Fee	4,850		
91400 Advertising and Marketing	5,173		
91500 Employee Benefit Contribution	51,309		
91600 Office Expenses	19,326		
91700 Legal Expense	1,208		
91800 Travel	1,327		
91900 Other	19,117		1,105
91000 Total Administrative	238,010		1,105
Tenant Services			
92100 Salaries		43,308	
92300 Employee Benefit Contributions		22,061	
92400 Tenant Services - Other		11,889	
92500 Total Tenant Services		77,258	
Utilities			
93100 Water	19,292		
93200 Electricity	38,656		
93300 Gas	28,080		
93600 Sewer	20,039		
93000 Total Utilities	106,067		
Ordinary Maintenance and Operations			
94100 Labor	94,519		
94200 Materials and Other	28,698		
94300 Contracts	100,829		521
94500 Employee Benefit Contributions	35,492		
94000 Total Ordinary Maintenance and Operations	259,538		521
Insurance			
96110 Property Insurance	53,945		
96120 Liability Insurance	9,104		
96130 Workmen's Compensation	6,386		
96140 All Other Insurance	1,921		
96100 Total Insurance	\$ 71,356	\$	\$

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$ 201,902	\$ 99,848	\$	\$ 152,467	\$ 12,797	\$ 12,632	\$	\$ 615,346
4,850	4,850		4,850				19,400
5,211							10,384
77,118	44,964		58,142	4,580	3,616		239,729
30,252	9,223		18,780				77,581
2,606			237				4,051
1,321	771		3,287				6,706
20,412	13,834		31,976	1,898	298,975		387,317
343,672	173,490		269,739	19,275	315,223		1,360,514
							43,308
							22,061
7,635							19,524
7,635							84,893
29,029			14,298				62,619
61,695			9,224				109,575
32,110			7,898				68,088
32,129			790				52,958
154,963			32,210				293,240
131,135			12,472				238,126
99,686			14,401				142,785
109,023	6,915		50,563				267,851
51,596			1,556				88,644
391,440	6,915		78,992				737,406
64,043			18,239				136,227
10,036			2,778				21,918
6,386			6,386				19,158
2,097							4,018
\$ 82,562	\$	\$	\$ 27,403	\$	\$	\$	\$ 181,321

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

	N/C S/R Section 8 Programs	Multifamily Housing Service Coordinators	Community Development Block Grants / Small Cities Program
Expenses (Continued)			
Other General Expenses			
96200 Other General Expenses	\$ 6,216	\$	\$ 237,690
96210 Compensated Absences	3,972		
96300 Payments in Lieu of Taxes	39,853		
96400 Bad Debt - Tenant Rents	1,260		
96000 Total Other General Expenses	51,301		237,690
Interest Expense and Amortization Cost			
96710 Interest on Mortgage Payable	138,743		
96700 Total Interest Expense and Amortization Cost	138,743		
96900 Total Operating Expenses	865,015	77,258	239,316
97000 Excess Revenue Over Operating Expenses	286,223		(237,896)
Other Expenses			
97100 Extraordinary Maintenance	268		
97300 Housing Assistance Payments			
97400 Depreciation Expense	598,780		
90000 Total Expenses	1,464,063	77,258	239,316
Other Financing Sources (Uses)			
10010 Operating transfers in			
10020 Operating transfers out			
10100 Total Other Financing Sources (Uses)			
Excess (Deficiency) of Total Revenue Over			
10000 (Under) Total Expenses	\$ (312,825)	\$	\$ (237,896)

Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State / Local	Bridges	TIF #8	AHTF	Total
\$	\$ 7,216	\$	\$ 63,240	\$	\$	\$ 19,753	\$ 334,115
2,687	29		3,527				10,215
46,413			14,685				100,951
2,889							4,149
<u>51,989</u>	<u>7,245</u>		<u>81,452</u>			<u>19,753</u>	<u>449,430</u>
			1,101				139,844
			<u>1,101</u>				<u>139,844</u>
<u>1,032,261</u>	<u>187,650</u>		<u>490,897</u>	<u>19,275</u>	<u>315,223</u>	<u>19,753</u>	<u>3,246,648</u>
<u>(2,303)</u>	<u>928,017</u>	<u>361,849</u>	<u>336,762</u>	<u>67,562</u>		<u>80,851</u>	<u>1,821,065</u>
							268
	1,013,469			78,113			1,091,582
379,440	1,079		64,501				1,043,800
<u>1,411,701</u>	<u>1,202,198</u>		<u>555,398</u>	<u>97,388</u>	<u>315,223</u>	<u>19,753</u>	<u>5,382,298</u>
361,849	72,603			10,551			445,003
		(361,849)	(83,154)				(445,003)
<u>361,849</u>	<u>72,603</u>	<u>(361,849)</u>	<u>(83,154)</u>	<u>10,551</u>			
<u>\$ (19,894)</u>	<u>\$ (13,928)</u>	<u>\$</u>	<u>\$ 189,107</u>	<u>\$</u>	<u>\$</u>	<u>\$ 80,851</u>	<u>\$ (314,585)</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

FINANCIAL DATA SCHEDULE

MEMO ACCOUNT INFORMATION

For the Year Ended December 31, 2023

	<u>N/C S/R Section 8 Programs</u>	<u>Multifamily Housing Service Coordinators</u>	<u>Community Development Block Grants / Small Cities Program</u>
Memo Account Information			
11020 Required annual debt principal payments	\$ 393,584	\$	\$ 329,732
11030 Beginning equity	(195,849)		2,125,981
11040 Prior period adjustment and equity transfers			
11190 Unit months available	1,248		
11210 Unit months leased	1,225		
11620 Building purchases			

<u>Low Rent Public Housing</u>	<u>Housing Choice Vouchers</u>	<u>Public Housing Capital Fund Program</u>	<u>Bridges</u>	<u>State / Local</u>	<u>TIF #8</u>	<u>AHTF</u>	<u>Total</u>
\$	\$	\$	\$	\$	\$	\$	\$ 723,316
2,054,635	16,048			748,314		702,729	5,451,858
214,226		(214,226)					
1,428	2,028		144	282			5,130
1,393	1,637		131	267			4,653
		214,226					214,226

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF CAPITAL FUNDS

December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>Total</u>
Total Funds Approved	\$ 293,806	\$ 277,774	\$ 239,429	\$ 226,643	\$ 1,037,652
Total Funds Received	<u>111,800</u>	<u>169,433</u>	<u>239,429</u>	<u>226,643</u>	<u>747,305</u>
Remaining Funds Due	<u>\$ 182,006</u>	<u>\$ 108,341</u>	<u>\$</u>	<u>\$</u>	<u>\$ 290,347</u>
Total Funds Received	\$ 111,800	\$ 169,433	\$ 239,429	\$ 226,643	\$ 747,305
Total Funds Expended	<u>111,800</u>	<u>169,433</u>	<u>239,429</u>	<u>226,643</u>	<u>747,305</u>
Funds on Hand	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Received during Current Year	\$ 111,800	\$ 97,433	\$ 142,022	\$ 10,594	\$ 361,849
Current Amount Due					
Prior Amount Due					
Current Revenue	<u>\$ 111,800</u>	<u>\$ 97,433</u>	<u>\$ 142,022</u>	<u>\$ 10,594</u>	<u>\$ 361,849</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Red Wing Housing and Redevelopment Authority, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Red Wing Housing and Redevelopment Authority's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red Wing Housing and Redevelopment Authority' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Compliance and Other Matters (Continued)

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interests, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Red Wing Housing and Redevelopment Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Organization's noncompliance with the above referenced provisions.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Red Wing Housing and Redevelopment Authority
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Red Wing Housing and Redevelopment Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Red Wing Housing and Redevelopment Authority's major federal programs for the year ended December 31, 2023. The Red Wing Housing and Redevelopment Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Red Wing Housing and Redevelopment Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Red Wing Housing and Redevelopment Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Red Wing Housing and Redevelopment Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Red Wing Housing and Redevelopment Authority's major federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Red Wing Housing and Redevelopment Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Red Wing Housing and Redevelopment Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Red Wing Housing and Redevelopment Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Red Wing Housing and Redevelopment Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Red Wing Housing and Redevelopment Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Red Wing, Minnesota
May 7, 2024

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

December 31, 2023

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing & Urban Development</u>		
N/C S/R Section 8 Programs	14.195	\$ 556,845
Public Housing Operating Fund	14.850	270,138
Multifamily Housing Service Coordinators	14.191	77,258
Resident Opportunity and Supportive Services	14.870	80,045
Housing Choice Vouchers	14.871	1,114,843
Public Housing Capital Fund Program	14.872	<u>361,849</u>
Total Expenditures of Federal Awards		<u>\$ 2,460,978</u>

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Red Wing Housing and Redevelopment Authority under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Red Wing Housing and Redevelopment Authority, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Red Wing Housing and Redevelopment Authority.

2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Red Wing Housing and Redevelopment Authority has not charged indirect costs to any of the federal programs. Therefore the election of the de minimis indirect cost rate is not applicable as allowed under the Uniform Guidance.

4. Findings – Financial Statement Audit

No findings were noted during the Red Wing Housing and Redevelopment Authority financial statement audit for the year ended December 31, 2023.

5. Subrecipients

Red Wing Housing and Redevelopment Authority had no expenditures to subrecipients for the year ended December 31, 2023.

RED WING HOUSING AND REDEVELOPMENT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

- Significant deficiency(ies) identified? _____ Yes X None reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Programs Tested as a Major Program

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.195	N/C S/R Section 8 Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No



Red Wing Housing & Redevelopment Authority

428 West Fifth Street
1 Wing, MN 55066
DD/TTY 7-1-1

Telephone (651) 388-7571
FAX (651) 385-0551
www.redwinghra.org

May 14, 2024

To: Red Wing HRA Board of Directors
From: Jennifer Cook, Housing Director
Re: Approval of Bid for Concrete Walkway and Drive/Parking Lot Project

Background

Deer Run Townhomes and Featherstone Townhomes are properties the Red Wing HRA owns and operates under the public housing program. There are six units at each location. The steps, sidewalks, and driveway/parking lot are all original to when the buildings were built in 1975. There is significant deterioration which have been findings in numerous inspections over numerous years. This deterioration is a risk and safety hazard.

Inspections that have been performed over the last several years are HUD REAC, City of Red Wing and HAI Group inspections. Items that have been flagged during these inspections are: cracks in sidewalk, deteriorating steps and handrails, steps are sinking and pulling away from building, parking lot has large cracks. Over the years, maintenance staff have been able to do “band aid repairs” until funds were secured for this project.

The original building drawings for both sites don’t accurately depict what is actually built at the sites and it doesn’t appear there had been proper footings and foundations installed under the steps. Many of the steps have begun to sink and pull away from the buildings. The HRA is wanting to complete this project correctly which includes proper footings and foundations. A big portion of the costs for the project is ensuring the proper footings and foundations.

Another factor that has contributed to the deterioration of the sidewalks and driveway/parking lots are the tree roots at both properties. In April 2024, the trees were removed that were causing some of the upheaval as they were also dying due to having ash bore disease. Now that these trees are gone, the new sidewalks and drives will not be disturbed by them.

Upon looking at some of the sidewalks, there were very few panels that were still in good condition. We found that it would most likely be more expensive to only do the damaged panels versus doing the full sidewalk. It was also noted that the driveways at Featherstone would be disturbed when removing and replacing the side entrance steps so part of it would need to be redone.

At Deer Run, the back steps are situated in a hard to maneuver space along with there being window wells alongside of the steps. These steps were added after this building was built.

The attached bid recommendation letter from our architect provides a detailed discussion of the project and some of the challenges it presents.



Red Wing Housing & Redevelopment Authority

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 Red Wing, MN 55066
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Proposal

An advertisement to bid was published in the local newspaper on March 16, 2024 and March 23, 2024. A public bid opening was scheduled for 2:00 p.m. on April 23, 2024. There were two contractors that submitted bids.

	Aslakson's Services, Inc.	Pember Companies, Inc.
Base Bid #1 <ul style="list-style-type: none"> Remove and replace existing sidewalks, steps and required handrails Install footings and foundations under all steps Remove existing Featherstone driveways and replace with concrete 	\$351,950	\$530,150
Base Bid #2 <ul style="list-style-type: none"> Remove existing Deer Run parking lot and replace with asphalt 	\$24,000	\$46,455
Alternate #1 <ul style="list-style-type: none"> Deduct the cost for replacing Featherstone driveways with concrete 	(\$34,000)	(\$1.00)
Alternate #2 (not chosen) <ul style="list-style-type: none"> Add stair guardrails on additional steps which are not required by code 	\$29,000	\$26,300
Alternate #3 <ul style="list-style-type: none"> Add cost for replacing Featherstone driveways with asphalt 	\$19,600	\$19,660
Base Bid # 1 - Alternate # 1 +Alternate #3 + Base Bid #2	\$361,550	\$585,114
Contingency (approximately 8%)	\$28,903	
Soft Costs	\$41,712	
Total Cost for Project	\$432,165	



Red Wing Housing & Redevelopment Authority

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www.redwinghra.org

Budget Impact

Housing Authority Insurance awarded the HRA \$121,192 which is approximately 30% of the cost to do this project. The remaining balance of \$282,070 would be funded through the Capital Fund Program which the HRA does have adequate resources to do so. The total amount for this project including soft and hard costs is \$432,165.

We had been hoping that the bids would have come in lower but upon review of the scope of work, it is understandable why they were higher than expected. The footings and foundation under all the steps are the biggest cost in this project. The back steps at Deer Run are also a unique situation which drives up the cost. If we were to rebid, the bids could easily increase.

Attachments

- Bid Recommendation Letter
- Picture Package of Properties

Recommendation

Staff and the Finance Committee recommend to the HRA Board of Commissioners to approve: 1) accept the bid of \$361,550 from Aslakson's Services, Inc.; 2) award a contract to Aslakson's Services, Inc.; and 3) authorize the Executive Director to execute all necessary documents.

Bid Recommendation

May 1, 2024

To: Red Wing Housing & Redevelopment Authority
428 West 5th Street
Red Wing, MN 55066

Attn: Kurt Keena
Executive Director

Re: Concrete Walkway & Drive/Parking Replacement Project
Featherstone Townhomes Deer Run Townhomes
861 Featherstone Road 613 21st Street
Red Wing, MN 55066 Red Wing, MN 55066

Project Summary

The main project goal is to replace the deteriorating concrete walkways, entry stoops and railings, and drive/parking areas. The full scope of work is shown on the Construction Drawing Plan Set and as specified in the Project Manual (Architect's Project #23002) however the following is a brief description of the Base Bid scope of work:

1. Base Bid #1 (Concrete and Stoop/Step Railings):
 - a. Removal and replacement of existing concrete walkways.
 - b. Removal and replacement of existing concrete drives/parking (Featherstone Townhomes Only).
 - c. Removal and replacement of existing entry door stoops and stairs, including foundations and footings.
 - d. Removal and replacement of existing entry stair guard/handrails (Side Entries of Featherstone Townhomes Only).
 - e. Residual work such as cutting, patching, landscape restoration at disturbed areas, and construction damage repair for a complete project.
2. Base Bid #2 (Asphalt Work):
 - a. Removal and replacement of existing asphalt parking lots, both non-wearing course and wearing course, including removal of assumed concrete underneath and preparation of existing aggregate base (Deer Run Townhomes Only).
 - b. Residual work such as cutting, patching, landscape restoration at disturbed areas, and construction damage repair for a complete project.

Solicitation for Bids:

On March 26, 2024, plans and specifications for the above listed project were completed and distributed for bids. An Advertisement for Bid was published in the local paper (Republican Eagle) twice. The plans were also posted on various construction bidding networks (Minnesota Builders Exchange, Builders Exchange of Rochester, La Crosse Builders Exchange, Blue Book Construction Network, ConstructConnect, Dodge Data & Analytics, and ARC Plan Well). Additionally, several contractors were contacted to give them a "heads up" that plans were coming out for bids. On April 4, 2024, a Mandatory Prebid Meeting was held on site. There were three different contractors at the meeting and walkthrough.

Bid Opening:

On April 23, 2024, bids were received consistent with the procurement policy of the Red Wing HRA for the renovation work described in the plans and project manual specifications. The HRA received two sealed bids; (see attached Bid

Tabulation). Aslakson's Services, Inc. was the low-bid contractor with a Base Bid #1 amount of \$351,950.00 and a Base Bid #2 amount of \$24,000.00. The other bid received was from Pember Companies, Inc. with a Base Bid #1 amount of \$530,150.00 and a Base Bid #2 amount of \$46,455.00.

Regarding the submitted low Base Bid #1 amount, while this amount may seem high at first glance there are two main factors contributing to higher costs as follows:

1. New footings and foundations for the entry stoops/stairs:
 - a. The original building plans had limited information and there were differences between what was indicated and what was observed in the field during the design process. Based on the original plans a partial foundation was built under the existing front entry stoops, at both Featherstone and Deer Run, however it is not of the type that could be reused as the integrity would be compromised during the removal of the existing stoops/steps. Furthermore, the construction means and methods have changed quite a bit since the mid 1970's when the buildings were originally built and the way the foundations are indicated on those plans is not the way that it would be done today.
 - b. The original base building drawings also do not show the side entries/storage areas at Featherstone or the rear entries/storage areas at Deer Run. Those were added either during the original construction or, more likely, added at some point after the original construction. The HRA could not find any plans showing those additions so it is unknown exactly when they were added or what types of stoop/steps footings and foundations exist, if any.
 - c. As such, Finn Daniels and HRA Maintenance went to both sites and did some exploratory digging. It was found that some of the stoops may have some sort of foundation while others appear to not have anything, including some of the front entries indicated on the original plans as having foundations.
 - d. Given the information provided on the original plans and the unknowns for the construction not shown on the original plans, the proper course of action is to remove any existing footings and foundations and provide new.
 - e. The rear entries at Deer Run are also more difficult to install because they are in a building alcove with the building foundations on three sides, as well as existing window wells between the stoops and the main building on four of the six stoops/steps that need to be worked around.
2. Construction sequencing:
 - a. Because these buildings are occupied the front entries and side entries (Featherstone) / Rear entries (Deer Run) cannot be done at the same time. In order for tenants to be able to continue to access their units construction needs to be staggered to allow for at least one entrance to each unit to remain operational at all times during construction. This results in additional labor costs.
 - b. The alternative would be to temporarily relocate the tenants during construction however that may result in even higher costs, not to mention greater disruption to the tenants.

With all that said, given those factors as well as the current bidding and building environment Finn Daniels finds the submitted low Base Bid #1 amount to be reasonable. Finn Daniels also finds the submitted low Base Bid #2 amount to be reasonable.

Additional Cost Considerations:

In addition to Base Bid #1 and #2 there are three Alternates to consider as follows:

1. Alternates #1 and #3:
 - a. Alternate #1 is the deduct cost to remove the removal and replacement of existing concrete drives/parking with new concrete drive/parking from the Base Bid #1 scope of work. This is applicable to the drives/parking at Featherstone only. Aslakson's submitted an Alternate #1 amount of -\$34,000.00 while Pember submitted an amount of -\$1.00.
 - b. Alternate #3 is the added cost to add removal and replacement of existing concrete drive/parking with new asphalt drive/parking, including preparation of the existing aggregate base, to the Base Bid #2

scope of work. Again, this is applicable to the drives/parking at Featherstone only. Aslakson's submitted an Alternate #3 amount of \$19,600.00 while Pember submitted an amount of \$19,660.00.

- c. This would result in a net savings of \$14,400.00 to change from the concrete to asphalt. Given this amount and the expected useful life and other maintenance considerations of concrete versus asphalt, if the budget allows, Finn Daniels would recommend not selecting either Alternate #1 or Alternate #3 and sticking with concrete vs asphalt.

2. Alternate #2:

- a. Alternate #2 is the added cost to add guardrails to each side of the front entry stoops/stairs at both Featherstone and Deer Run as well as guardrails to the open side of Units A, B, E, and F, at the rear entry stoops/stairs at Deer Run (Units where the stoop/stairs are not tight to the rear of the building due to existing window wells). Aslakson's submitted an Alternate #2 amount of \$29,000.00 while Pember submitted an amount of \$26,300.00.
- b. While these guardrails are not required by code because there are only two steps and the distance from the landing to the adjacent grade is less than 30", Finn Daniels would recommend selecting Alternate #2 due to the direction the entry doors swing if the budget allows.

In addition to the Base Bids and Alternates, a Base Bid Deduct was requested from Bidders if the same bidder was submitting amounts for both Base Bid #1 and Base Bid #2. Both bidders submitted bids for both Base Bids and Aslakson's submitted a Base Bid Deduct amount of \$0.00 while Pember submitted an amount of -\$11,150.00.

As such, Pember's combined Base Bid #1, Base Bid #2, and Base Bid Deduct amounts are \$565,455.00 while Aslakson's combined amounts are \$375,950.00 therefore Pember is still significantly higher than Aslakson's and Aslakson's would remain the low bidder.

In addition to the Base Bids and selected Alternates Finn Daniels recommends a minimum of 10% of the combined Base Bid and selected Alternates amount be set aside, outside of the Owner-Contractor Construction Contract, as a construction contingency to cover any unexpected costs that may arise during construction.

Summation of Cost Considerations:

OPTION 1 (Base Bid #1 Only with No Alternates):

Base Bid #1:	\$351,950.00
Recommended Contingency (10%):	\$35,195.00
Total Construction Budget Cost:	\$387,145.00

OPTION 2 (Base Bid #1 & Base Bid #2 with Alternate #1 and Alternate #3 only):

Base Bid #1:	\$351,950.00
Base Bid #2:	\$24,000.00
Alternate #1:	-\$34,000.00
Alternate #3:	\$19,600.00
Subtotal:	\$361,550.00
Recommended Contingency (10%):	\$36,155.00
Total Construction Budget Cost:	\$397,705.00

OPTION 3 (Base Bid #1 & Base Bid #2 with No Alternates):

Base Bid #1:	\$351,950.00
Base Bid #2:	\$24,000.00
Subtotal:	\$375,950.00
Recommended Contingency (10%):	\$37,595.00
Total Construction Budget Cost:	\$413,545.00

OPTION 4 (Base Bid #1 with Alternate #2 only):

Base Bid #1:	\$351,950.00
Alternate #2:	\$29,000.00
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Subtotal:	\$380,950.00
Recommended Contingency (10%):	\$38,095.00
<hr/>	
Total Construction Budget Cost:	\$419,045.00

OPTION 5 (Base Bid #1 & Base Bid #2 with Alternate #1, Alternate #2, and Alternate #3):

Base Bid #1:	\$351,950.00
Base Bid #2:	\$24,000.00
Alternate #1:	-\$34,000.00
Alternate #2:	\$29,000.00
Alternate #3:	\$19,600.00
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Subtotal:	\$390,550.00
Recommended Contingency (10%):	\$39,055.00
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Total Construction Budget Cost:	\$429,605.00

OPTION 6 (Base Bid #1 & Base Bid #2 with Alternate #2 only):

Base Bid #1:	\$351,950.00
Base Bid #2:	\$24,000.00
Alternate #2:	\$29,000.00
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Subtotal:	\$404,950.00
Recommended Contingency (10%):	\$40,495.00
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Total Construction Budget Cost:	\$445,445.00

Contractor Qualifications:

On April 29, 2024 Mike Hegna with Finn Daniels conducted a phone interview with Aaron Aslakson (President) at Aslakson's Services, Inc. Per the interview, Aslakson's would perform the General Conditions of the Contract and project oversight as well as a majority of the demolition and excavation work and all the asphalt paving work with their own workforces. They would subcontract out some of the demolition and excavation work and all of the concrete work to Bluff Country Concrete. They may also subcontract out the railing work depending on if Alternate #2 is selected. He indicated he fully understood the scope of work and had no questions or concerns relating to the plans or specifications. Aslakson's Services, Inc. is a well-established Paving and Excavation Contractor in the Red Wing community and they have successfully completed other work for Red Wing HRA as well as Finn Daniels in the past. They are also capable of completing all the paperwork required for Public Housing projects such as Davis Bacon and prevailing wage reporting requirements, IC 134 tax withholdings, Section 3 Plans, and other various HUD paperwork and requirements. They also completed and submitted all required paperwork with their bid (such as Bid Bond, Responsible Contractor Act Forms, Non-Collusive Affidavit, etc.). Aaron expressed excitement to work on another project for the Red Wing HRA.

Also on April 29, 2024 Mike Hegna with Finn Daniels conducted a phone interview with Hunter Boutelle (Owner) at Bluff Country Concrete since they will be a major subcontractor with a large scope of work on this project. He confirmed they would perform some of the demolition and excavation work and all of the concrete work. Bluff Country Concrete is also based in Red Wing and, like Aslakson's, has successfully completed other work for the Red Wing HRA as well as Finn Daniels in the past. Also like Aslakson's, they are capable of completing all the paperwork required for Public Housing projects and also expressed excitement to work on another project for the HRA.

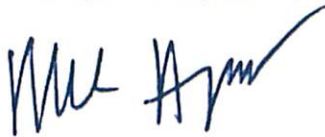
Architect's Conclusion:

A couple other points to consider as follows:

1. While all the existing concrete at Deer Run is in poor condition and in need of replacement some select sections of the concrete at Featherstone are fair condition and may not require replacement just yet. However, given the amount of concrete that is in poor condition and in need of replacement it would be just as costly, if not more, to try and save those sections at this time rather than just replace everything now. In order to save those sections the contractor would need to take greater care not to damage them as well as well as additional work to tie existing sections into new sections. Also, aesthetically, if not all the concrete is replaced there will be a checkerboard affect after the project is completed.
2. Also, Finn Daniels will recommend the contractor demolish a few of the existing stoops/stairs prior to starting the full scope of work to determine the extent of the existing footings and foundations, if any, as well as the existing soil conditions. The same recommendation will be made regarding the concrete drives/parking at both Featherstone and Deer Run to determine the exact amount and type of subbase aggregate. The HRA should be aware there may be additional costs necessary to make any soil and/or aggregate corrections therefore Finn Daniels would highly recommend the HRA does not max out their budget in selecting the scope of work and may want to consider more than 10% contingency to help cover such potential costs.

At this point in time, Finn Daniels feels Option 6 as indicated in the Summation of Cost Considerations section above is the best value even though it is the most expensive and would recommend proceeding as such if the budget allows. However, we understand the budget is always a concern therefore we would recommend to proceed with Option 2 at a minimum. We would also recommend that Aslakson's Services, Inc. be awarded the contract for construction for any of the presented options.

This report is respectfully submitted by,



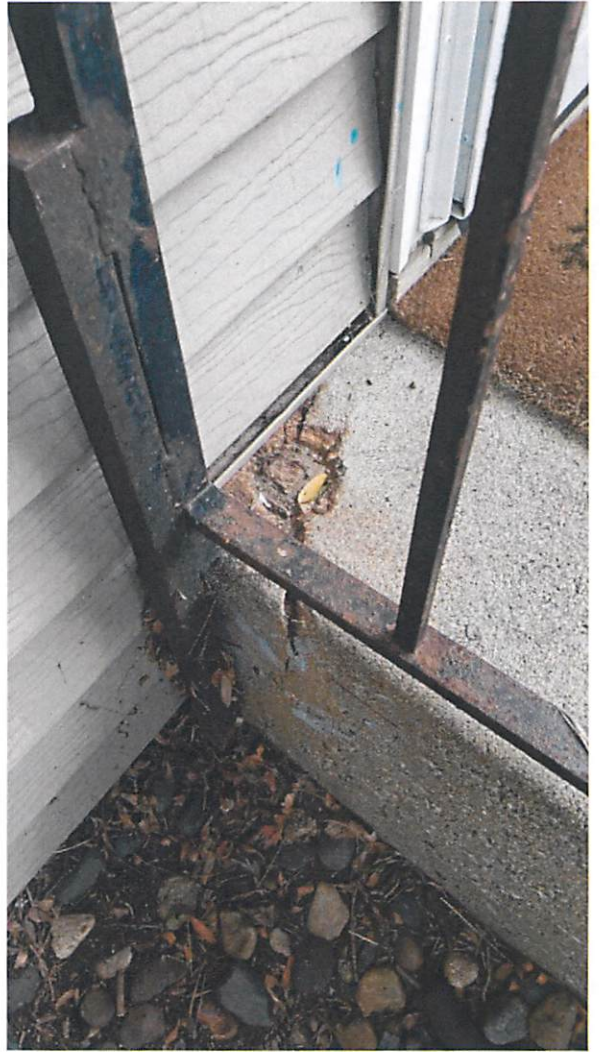
Michael W. Hegna, Sr. Associate

BIDDER	PEMBER COMPANIES, INC.	ASLAKSON'S SERVICES, INC.
FORMS		
Document 00 9111.1 - Addendum #1 - Acknowledged on Bid Form	YES	YES
Document 00 4100 - Bid Form - Signed	YES	YES
Document 00 4313 - Bid Bond	YES	YES
Document 00 4519 - Bidder's Affidavit of Non-Collusion	YES	YES
Document 00 4525 - Previous Experience Information - List of Similar Projects	YES	YES
Document 00 4525 - Previous Experience Information - References	YES	YES
Document 00 4525 - Previous Experience Information - List of Company Owners/Offices	YES	YES
Document 00 4549 - HUD-5369-A Representations, Certifications, and Other Statements of Bidders, Public and Indian Housing	YES	YES
Document 00 4550 - Responsible Contractor Act - Attachment A	YES	YES
Document 00 4550 - Responsible Contractor Act - Attachment A-1	YES	YES
Document 00 4553 - Section 3 Forms - Business Concern Affidavit	YES	YES
Document 00 4560 - Debarred, Suspended, Excluded Statement	YES	YES
BASE BID		
Base Bid #1 (Concrete and Guard/Handrail Work): All Labor, materials, services, and equipment necessary for completion of the Work shown on the Drawings and stated in the Project Manual as described in the Bid Documents	\$530,150.00	\$351,950.00

BIDDER	PEMBER COMPANIES, INC.	ASLAKSON'S SERVICES, INC.
Base Bid 2 (Asphalt Work): All labor, materials, services, and equipment necessary for completion of the Asphalt Work shown on the Drawings and stated in the Project Manual.	\$46,455.00	\$24,000.00
Base Bid Deduct (Only applicable if Contractor is providing a bid on both Base Bid #1 and Base Bid #2): Provide Deduct amount if both Base Bid #1 and Base Bid #2 above are awarded to the same Contractor.	\$11,150.00	\$0.00
ALTERNATES		
Alternate #1 (Applicable to Base Bid #1 Only): Total lump sum deduct cost for all labor, materials, services, and equipment related to the removal and replacement of existing concrete drive/parking at Featherstone Townhomes as shown on the Drawings and work as described on the Bid Form and Documents	-\$1.00	-\$34,000.00
Alternate #2 (Applicable to Base Bid #1 Only): Total lump sum add cost for all labor, materials, services, and equipment necessary to add additional entry stair guardrails as shown on the Drawings and work as described on the Bid Form and Documents	\$26,300.00	\$29,000.00
Alternate #3 (Applicable to Base Bid #2 Only): Total lump sum add cost for all labor, materials, services, and equipment necessary for the removal and replacement of existing concrete drive/parking with new asphalt drive/parking as shown on the Drawings and work as described on the Bid Form and Documents	\$19,660.00	\$19,600.00

Deer Run & Featherstone Townhomes
Concrete Walkway and Drive/Parking Lot Project 2024











Red Wing Housing & Redevelopment Authority

428 West Fifth Street
Red Wing, MN 55066
TDD/TTY 7-1-1

Telephone (651) 388-7571
FAX (651) 385-0551
www.redwinghra.org

May 14, 2024

To: Red Wing HRA Board of Commissioners
From: Kurt Keena, Executive Director
Mitch Massman, CEDA
Re: RW Capital Investments LLC AHTF New Unit Construction Loan & SCDP Rehab Loan

Background:

RW Capital Investments LLC has applied for \$75,000 from the AHTF and \$50,000 from the SCDP program to make improvements to the building and create three new residential units at a property they own at 325 Bush Street in downtown Red Wing. The property is former Chiefs Theater location. RW Capital Investments LLC is owned by Apurva Patel and operates as a for-profit real estate investment company. The company operates primarily out of Red Wing.

The application submitted by RW Capital Investments LLC, if approved, will allow them to make improvements to the building and construct three additional rental units on the upper floor of the building. The AHTF funds would be for all three of the new rental units. The SCDP funds would be used for eligible improvements to the building.

When funds are used from the AHTF, half of the units funded by the AHTF must be offered to households who are at 60% of the Area Median Income (AMI) or less at no more than 30%AMI. These apartments are proposed to be:

- 1 Studio unit – 435 square feet, \$1150 rent per unit including utilities

Completing this project will continue to add additional affordable housing units to the Red Wing housing market.

The total cost for the project is \$1,090,545. **RW Capital Investments LLC is requesting \$75,000 in AHTF funds and \$50,000 SCDP funds** from the HRA. RW Capital Investments LLC and a bank loan will cover the remaining costs of the project.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Acquisition	\$375,000	Bank Loan	\$595,500
Closing Costs	\$28,051	RW Cap Inv LLC	\$370,045
Holding Costs	\$48,475	AHTF	\$75,000
Hard Construction	\$423,693	SCDP Loan	\$50,000
Contingency	\$35,000		
Planning & Design	\$84,600		



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Financing Fees	\$74,541		
Development Fee	\$21,185		
Total	\$1,090,545	Total	\$1,090,545

Development Team

Team member	
Project Manager	RW Cap Invest LLC/Apurva Patel
Lender	Bank Midwest
General Contractor	Swanson Family Construction
Sub-Contractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seager

Analysis:

This project will continue the Red Wing HRAs mission of providing affordable housing units to residents of the city. Additionally, the HRA has worked with Mr. Patel on the Hallstrom Building project in the past. The current value of the building according to the Goodhue County Assessor is \$344,300. The proposed building improvements and new units will add significant additional value to the property when completed. We currently do not have an estimate of the property value post-construction.

Upon approval for the AHTF and SCDP loan requests, RW Capital Investments LLC will have a total lien position of \$720,500 which includes a \$595,500 first mortgage, \$50,000 HRA SCDP loan, and \$75,000 from AHTF funds. The total lien position will greatly exceed the total value of the property as it stands right now. However, this project meets the goal of adding additional affordable housing units to the Red Wing community and improves the overall aesthetics of the community.

While examining the financial statements of RW Capital Investments LLC, we see that its expected revenues will exceed their total expenses. In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy as an insurance policy. With this incorporated, we project their debt servicing coverage ratio of 1.1 or greater for the duration of the loan terms. This is adequate DSC.

Documents to be Agreed upon by the Applicant:

RW Capital Investments LLC will need to sign a development agreement, promissory note and mortgage for the \$75,000. The AHTF deferred loan will be for 15 years at 0% and forgiven at a rate of 6.67 percent per year as long the applicant complies with the terms, including providing two units to households earning 60% of the AMI and rents no more than 30% of the 60% AMI. At the end of 15 years, the loan will be totally forgiven. They will need to sign similar documents for the SCDP loan. The SCDP loan terms



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require repayment of \$25,000 of the loan at 0% interest over ten years. The remaining \$25,000 is forgiven over the ten-year period as long as they remain in compliance. Our loans will be subordinate to the primary lender.

Recommendation:

Staff recommend to the Board of Commissioners to approve the deferred \$75,000 AHTF loan and the \$50,000 SCDP loan for the applicant. The terms of these loans are recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

Attachments

CEDA Staff Report
CEDA Underwriting Materials
RW Capital Investments Application

Background:

The applicant for an HRA AHTF loan is RW Capital Investments and the applicants name is Apurva Patel who is an owner of RW Capital Investments LLC, which operates as for-profit real estate investment company. RW Capital Investments LLC has been registered with the State of Minnesota since January 3, 2023 and is primarily operating out Red Wing, MN. The building, located at 325 Bush Street has been in the Red Wing community since 1900.

Mr. Patel is responsible for identifying new markets for development opportunities as well as assisting in construction management for projects. Additionally, Mr. Patel analyzes financial projections, budgets, and overall feasibility of a project, while also working with local communities to ensure the overall success of projects. Mr. Patel graduated with Architecture degree and practiced in California.

Mr. Patel has participated in the development of 37 properties valued at over \$350 million over the course 40+ years. He has been responsible in different capacities including operating, design, development, planning, construction, management, and financing of the various projects.

The application submitted by RW Capital Investments LLC, if approved, will allow them to make necessary improvements to the interior and exterior of the building. Additionally, the funds will add 3 rental units to the Red Wing market. The proposed apartments are to be:

- 3 Studio Units – 435 square feet

Completing this project will continue to add additional affordable housing units to the Red Wing housing market.

The total project cost for the project is \$1,090,545. **RW Capital Investments is requesting \$75,000 in AHTF funds** from the HRA. The remaining costs will be covered by RW Capital Investments, bank loans, and an HRA SCDP Loan.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Acquisition	\$375,000	Small Cities- Loan	\$25,000
		Small Cities Deferred	\$25,000
Other Closing Costs	28,051	Bank Loan	\$595,500
Hard Construction	423,693	AHTF	\$75,000
Holding Costs	48,475		
Contingency	35,000	RW Cap Invest LLC	\$370,045
Planning and Design	84,600		
Development Fee	21,185		
Financing Fees	74,541		
Total	\$1,090,545	Total	\$1,090,545

Development Team

Team member	
Project Manager/Developer	RW Capital Investments LLC/Apurva Patel
Lender	Bank Midwest
General Contractor	Swanson Family Construction
Sub-Contractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seeger

Analysis

This project will continue to add housing to the Downtown Red Wing Market. The current value of the building according to the Goodhue County Assessor is \$344,300. However, the applicant intends to make significant improvements including the addition of 3 rental units on the upper floor. These units will significantly increase the value of the property.

Upon approval for the AHTF loan request, RW Capital Investments LLC will have a total lien position of \$720,500, which includes a \$595,500 first mortgage, \$50,000 HRA loan, and \$75,000 from AHTF funds. The total lien position will greatly exceed the total value of the property with the current valuation. Although, this project meets the goal of adding affordable housing units to the Red Wing community and improves the overall aesthetics of the community, while increasing the value of the property.

While examining the financial statements of RW Capital Investments LLC, we see that its expected revenues will exceed their total expenses. In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy as an insurance policy. With this incorporated, we project their debt servicing coverage ratio of 1.1 or greater for the duration of the loan terms. This is adequate DSC.

Recommendation

Staff recommends approval for the AHTF loan in the amount of \$75,000. The term of this loan is recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

Background:

The applicant for an HRA SCDP Commercial Rehab loan is RW Capital Investments LLC and the applicants name is Apurva Patel who is an owner of RW Capital Investments LLC, which operates as for-profit real estate investment company. RW Capital Investments LLC has been registered with the State of Minnesota since January 3, 2023 and is primarily operating out Red Wing, MN. The building, located at 325 Bush Street has been in the Red Wing community since 1900.

Mr. Patel is responsible for identifying new markets for development opportunities as well as assisting in construction management for projects. Additionally, Mr. Patel analyzes financial projections, budgets, and overall feasibility of a project, while also working with local communities to ensure the overall success of projects. Mr. Patel graduated with Architecture degree and practiced in California.

Mr. Patel has participated in the development of 37 properties valued at over \$350 million over the course 40+ years. He has been responsible in different capacities including operating, design, development, planning, construction, management, and financing of the various projects.

The application submitted by RW Capital Investments LLC, if approved, will allow them to make necessary improvements to the interior and exterior of the building. Exterior work includes brick repair, structural supports, roof, HVAC, and storefront. Additionally, the project will add three rental units to the Red Wing market. These apartments are proposed to be:

- 3 Studio Units – 435 square feet

Completing this project will continue to add additional affordable housing units and improve the aesthetic appearance of the downtown Red Wing area.

The total project cost for the project is \$1,090,545. **RW Capital Investments LLC is requesting \$50,000 in SCDP Commercial Rehabilitation funds** from the HRA. The remaining costs will be covered by RW Capital Investments LLC, bank loans, and an HRA AHTF loan.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Renovation/Rehab	\$375,000	Small Cities- Loan	\$25,000
		Small Cities Deferred	\$25,000
Other Closing Costs	28,051	Bank Loan	\$595,500
Hard Construction	423,693	AHTF	\$75,000
Holding Costs	48,475		
Contingency	35,000	RW Cap Invest LLC	\$370,045
Planning and Design	84,600		
Development Fee	21,185		
Financing Fees	74,541		
Total	\$1,090,545	Total	\$1,090,545

Development Team

Team member	
Project Manager/Developer	RW Capital Investments LLC/Apurva Patel
Lender	Bank Midwest
General Contractor	Swanson Family Construction
Sub-Contractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seeger

Analysis

This project will continue to add housing to the downtown Red Wing market. The current value of the building according to the Goodhue County Assessor is \$344,300. However, the applicant intends to make significant improvements to the exterior of the building including brick work, storefront improvements, and roof repairs. These units will significantly increase the value of the property. The addition of the three housing units also meets the goal of the Red Wing HRA to provide more affordable housing in the community.

Upon approval for the HRA SCDP loan request, RW Capital Investments LLC will have a total lien position of \$720,500, which includes a \$595,500 first mortgage, \$50,000 HRA SCDP loan, and \$75,000 from AHTF funds. The total lien position will greatly exceed the total value of the property with the current valuation. However, this project meets the goal of adding affordable housing units to the Red Wing community and improves the overall aesthetics of the community, while increasing the value of the property.

While examining the financial statements of RW Capital Investments LLC, we see that its expected revenues will exceed their total expenses. In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy as an insurance policy. With this incorporated, we project their debt servicing coverage ratio of 1.1 or greater for the duration of the loan terms. This is adequate DSC.

Recommendation

Staff recommends approval of the SCDP loan for the applicant in the amount of \$50,000. The terms of this loan are recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

Addendum to RW Capital Investments LLC Proforma
Description of Income
SCDP Loan

RW Capital Investments LLC owns the property located at 325 Bush Street. RW Capital Investments LLC has a first mortgage on this property with annual payments of \$57,542. If approved for the HRA loan, the funds will give RW Capital Investments the ability to complete necessary improvements including brick work, HVAC, and electrical. Additionally, this project will add three more housing units to the downtown area.

RW Capital Investments LLC provided staff with a 15-year pro forma. This proforma assumes occupancy at 100% minus a 5% vacancy rate per annum. Staff finds this to be an adequate vacancy rate.

Annual revenues are projected to increase at roughly 2.5% per annum. Expenses are expected to increase at 2.5% per annum as well. However, after the remodel of the property is complete and apartments are built and rented, it is likely we will see a large increase in property taxes.

RW Capital Investments LLC current mortgage and expenses are within an adequate debt servicing ratio. After expenses and debts are paid there is enough cash flow for additional payment for the HRA loan of \$2,500 per year.

The HRA loan will provide them the necessary funds for improvements that will increase the efficiency of the building as well as making it more aesthetically pleasing. Additionally, along with other agency funding, RW Capital Investments LLC will add three more rental units to the Red Wing housing market.

<i>Project Sources and Uses of Funds</i>							
Uses of Funds		Sources of Funds					
Use	Amount	Lender	Term	Rate	Collateral	Amount	Annual D/S
Renovation/Rehab	\$ 375,000.00	Red Wing HRA	10	0.00%		\$ 25,000	\$ 2,500
Other Closing Costs	\$ 28,051	Red Wing HRA - deferred	10	0.00%		\$ 25,000	
Holding Costs	\$ 48,475	Red Wing AHTF				\$ 75,000	\$ -
Construction Costs	\$ 423,693	Bank Loan				\$ 595,500	\$ 57,542
Contingency	\$ 35,000					\$ -	\$ -
Planning and Design	\$ 84,600					\$ -	\$ -
Development Fee	\$ 21,185					\$ -	\$ -
Financing Fees	\$ 74,541					\$ -	\$ -
		RW Cap Invest LLC Investment				\$ 370,045	\$ -
							\$ -
Total Uses of Funds	\$1,090,545.00	Total Sources of Funds				\$ 1,090,545.00	\$ 60,042

Cash Flow													
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Revenue													
Rental Income		104,400	104,400	107,010	109,685	112,427	115,238	118,119	121,072	124,099	127,201	130,381	
CAM/Other		11,500	11,688	11,980	12,279	12,586	12,901	13,223	13,554	13,893	14,240	14,596	
Tenant RUBS		24,000	24,600	25,215	25,845	26,492	27,154	27,833	28,528	29,242	29,973	30,722	
Vacancy		6,995	7,034	7,210	7,390	7,575	7,765	7,959	8,158	8,362	8,571	8,785	
Total Revenue	- -	132,905	133,654	136,995	140,419	143,930	147,528	151,216	154,996	158,872	162,843	166,914	
Expenses													
Admin		8,000	8,200	8,405	8,615	8,831	9,051	9,278	9,509	9,747	9,991	10,241	
Management													
Utilities		32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964	40,963	
Operations and Maintenance		5,000	5,125	5,253	5,384	5,519	5,657	5,798	5,943	6,092	6,244	6,400	
Insurance		10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	
Taxes		10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	
Reserves		1,500	1,538	1,576	1,616	1,656	1,698	1,740	1,784	1,828	1,874	1,921	
Total Expenses		66,500	68,163	69,867	71,614	73,404	75,239	77,120	79,048	81,024	83,050	85,126	
Available for Debt Servicing		66,405	65,491	67,128	68,805	70,526	72,289	74,096	75,948	77,848	79,793	81,788	
First Mortgage		57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	
Grant Payback			2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	
Debt Service		57,542	60,042	60,042	60,042	60,042	60,042	60,042	60,042	60,042	60,042	60,042	
Debt Servicing Coverage Ratio		1.2	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	
Cash		8,863	5,449	7,086	8,763	10,484	12,247	14,054	15,906	17,806	19,751	21,746	
Cumulative cash		8,863	14,312	21,397	30,160	40,644	52,891	66,945	82,851	100,657	120,408	142,154	
Assumptions													
Revenue	Growth to occur at roughly 2.5% per annum. We assumed 5% vacancy to create a larger buffer												
Expenses	Assuming a 2.5% annum increase on all expenses. Property taxes may increase at a faster rate. A large increase may occur in year 3 or 4 as the remodel of the property is completed												
Please see attached addendum for further explanation													

Chief Theater 325 Bush St Red Wing, MN

Units	5	Total Cost	\$1,091,000.00
Total Rentable SF	5807	City Assistance/Grants	\$125,000.00
Total Gross SF		Total Down Payment	45% \$495,043.99
Units	5807	Total Loan	\$595,500.00
Parking	0		
Retail		Year 2	
Common Area	550	Total Income Annual	74% \$99,180.00
Total SF	6357	Total Other Income	26% \$35,500.00
		Total Income	\$134,680.00
Avg Unit Size (Gross)	1161		
Avg Unit Rent (Gross)	\$1,740	Total Expenses	50% \$67,963
Avg Unit Rent Per SF (Gross)	\$1.50	Total Net Income	\$66,718
Cap Rate	7.50%	Debt Payment	\$57,542
	7.75%	Profit	\$9,176
	8.00%	Cash on Cash	2.5%
	8.25%		
	8.50%		
	8.75%		
	\$889,566.67		
	\$860,870.97		
	\$833,968.75		
	\$808,696.97		
	\$784,911.76		
	\$762,485.71		

Sources and Uses

Sources	Amount	Uses	Amount
Proposed Loan	\$595,500	Bldg Acquisition	\$375,000
Total Equity	\$495,044	Other Closing Costs	\$28,051
Owner Cash Injection	\$370,044	Holding Costs	\$48,475
DPC Foundation	\$0	Construction Cost	\$423,693
Monetized TIFF Amount	\$0	Contingency	\$35,000
HRA Housing Program	\$75,000	Planning & Design:	\$84,600
Deed	\$0	Development fee	\$21,185
HRA Community Dev Program	\$50,000	Financing Fees	\$74,541
Total:	\$1,090,544	Total:	\$1,090,544

PROJECTED PROFORMA
325 Bush St Development Red Wing, MN

Line Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Income							67,506								
Rental Income	104,400	104,400	107,010	109,685	112,427	115,238	118,119	121,072	124,099	127,201	130,381	133,641	136,982	140,406	143,917
CAM/Other Income	11,500	11,688	11,980	12,279	12,586	12,901	13,223	13,554	13,893	14,240	14,596	14,961	15,335	15,718	16,111
Tenant RUBS Charges	24,000	24,600	25,215	25,845	26,492	27,154	27,833	28,528	29,242	29,973	30,722	31,490	32,277	33,084	33,911
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Income	139,900	140,688	144,205	147,810	151,505	155,293	159,175	163,154	167,233	171,414	175,699	180,092	184,594	189,209	193,939
Less Vacancy (5%)	5,220	5,220	5,351	5,484	5,621	5,762	5,906	6,054	6,205	6,360	6,519	6,682	6,849	7,020	7,196
Effective Gross Income	134,680	135,468	138,854	142,326	145,884	149,531	153,269	157,101	161,028	165,054	169,180	173,410	177,745	182,189	186,743
Expenses															
Administration	8,000	8,000	8,200	8,405	8,615	8,831	9,051	9,278	9,509	9,747	9,991	10,241	10,497	10,759	11,028
Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964	40,963	41,987	43,036	44,112	45,215
Operations & Maintenance	5,000	5,125	5,253	5,384	5,519	5,657	5,798	5,943	6,092	6,244	6,400	6,560	6,724	6,893	7,065
Payroll Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Expenses	10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	13,121	13,449	13,785	14,130
Replacement Reserves	1,500	1,538	1,576	1,615	1,656	1,697	1,740	1,783	1,828	1,873	1,920	1,968	2,017	2,068	2,119
Real Estate Taxes	10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	13,121	13,449	13,785	14,130
Total Expenses	66,500	67,963	69,662	71,403	73,188	75,018	76,893	78,816	80,786	82,806	84,876	86,998	89,173	91,402	93,687
Net Operating Income	68,180	67,505	69,193	70,922	72,696	74,513	76,376	78,285	80,242	82,248	84,304	86,412	88,572	90,787	93,056
	50.6%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%	49.8%
Net Operating Cash Flow	68,180	67,505	69,193	70,922	72,696	74,513	76,376	78,285	80,242	82,248	84,304	86,412	88,572	90,787	93,056
Debt Service															
Loan	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542	57,542
Debt Coverage Ratio	1.18	1.17	1.20	1.23	1.26	1.29	1.33	1.36	1.39	1.43	1.47	1.50	1.54	1.58	1.62
Cash Profit	10,638	9,963	11,651	13,381	15,154	16,971	18,834	20,744	22,701	24,707	26,763	28,871	31,031	33,245	35,515
	2%	2%	2%	3%	3%	3%	4%	4%	5%	5%	5%	6%	6%	7%	7%

Theater Building

HRA APPLICATION

Business/Developer's Information

DEVELOPER'S NAME:	RW CAPITAL INNVESTMENTS LLC
DEVELOPER MAILING ADDRESS:	18300 MINNETONKA BLVD, SUITE 202, WAYZATA, MN 55391
DEVELOPER'S CURRENT LEAGAL STATUS:	PARTERNSHIP – 1065 (US DOMESTIC PARTNERSHIP)
FEDERAL EIN NUMBER:	92-1492522
MINNESOTA STATE ID NUMBER:	1363289600023

Contact Information

Contact Name:	Apurva Patel
Contact Address:	18300 MINNETONKA BLVD, SUITE 202, WAYZATA, MN 55391
Contact Phone Number:	612-685-6719
Contact Email Address:	APATEL1124@GMAIL.COM

SIGNATURE: _____

DATE: _____

THEATHER BUILDING

325 BUSH STREE, RED WING, MN 55066

Building Type: Mixed Use: Commercial & Retail (Multifamily Phase II)

DESCRIPTION OF PROPOSED DEVELOPMENT

The project involves the transformation of a long-abandoned theater building into a vibrant mixed-use hub that seamlessly blends historical charm with modern amenities. After nearly a decade of vacancy, the building will be revitalized to house three stylish apartments alongside a spacious 4,200 square foot restaurant and entertainment area. This revitalization aims to cultivate a lively community atmosphere, where residents can relish contemporary living while embracing the building's rich historical significance.

In the initial phase, the property was purchased in January of 2023, marking the beginning of the acquisition process for the building. Various holding costs related to the acquisition, including property taxes, insurance, maintenance, and other associated expenses, are incurred during this stage. Additionally, planning and design took a significant amount of time and money due to structural issues caused by the old Marquee and framing in the building currently. These structural components posed a significant risk, as they would have caused the building to collapse in the future if not addressed. Therefore, addressing these issues was crucial for ensuring the safety and stability of the building for future use.

The second phase centers around the rehabilitation of the historic downtown building and the implementation of value-add projects. Key initiatives include restoring the building's original historic appearance by removing the marquee, developing three modern multifamily units on the second floor, and transforming approximately 4,200 square feet of retail space into a fast-casual restaurant. Phase II is scheduled to commence on April 1, 2024, and is expected to take approximately 4 months to complete. The primary objective of this phase is to modernize the property, enhancing its visual appeal and commercial viability, thereby contributing to the revitalization of the downtown area.

The estimated total project cost is \$1.09 million, covering expenses related to acquisition, holding costs, and rehabilitation. This budget encompasses all phases of the project, along with their associated costs.

IDENTIFICATIONS OF ENTITIES INVOLVED

RW Capital Investment LLC is the sole developer and 100% owner of the project. As the only entity involved in this endeavor, RW Capital Investment LLC bears full responsibility for financing, managing, and owning the project/asset. This arrangement provides RW Capital Investment LLC with complete control over decision-making processes and operations, while also assuming all associated risks and responsibilities.

DETAILED DESCRIPTION OF SOURCES AND USES

Sources and Uses			
Sources	Amount	Uses	Amount
Proposed Loan	\$595,500	Bldg Acquisition	\$375,000
Total Equity	\$495,044	Other Closing Costs	\$28,051
Owner Cash Injection	\$370,044	Holding Costs	\$48,475
DPC Foundation	\$0	Construction Cost	\$423,693
Monetized TIFF Amount	\$0	Contingency	\$35,000
HRA Housing Program	\$75,000	Planning & Design:	\$84,600
Deed	\$0	Development fee	\$21,185
HRA Community Dev Program	\$50,000	Financing Fees	\$74,541
Total:	\$1,090,544	Total:	\$1,090,544

Red Wing HRA: Contribution of 125,000 from the various programs.

Holding Costs: These are the costs associated with holding onto the property while it is under development or awaiting sale. This includes expenses such as property taxes, insurance, utilities, maintenance, etc. See illustration below for a breakdown.

Detailed Monthly Holding Costs:

Holding Costs	
Rents	\$ -
Insurance	3,700.00
Property Tax	9,056.00
Water/Sewer/Gas/Garbage	1,200.00
Electric	1,800.00
Snow Plowing	500.00
Maintenance	-
Accounting	1,500.00
Mortgage	18,600.00

Expenses Total	\$ 36,356
Profit/Loss	(36,356)
Monthly Expenses	(3,030)

Other Closing Costs: costs incurred during the closing of a real estate transaction, aside from the purchase price. This includes the broker's commission (20,625), title fees, and other miscellaneous fees related to the transfer of ownership.

Construction Cost: Total construction budget provided by the General Contractor, including their overhead and profit margin of 5%. Essentially, it covers the direct costs of labor, materials, and equipment needed for construction.

Planning & Designing: costs associated with the planning and design phase of the project. It includes fees for architectural design, civil/structural engineering, leasing fees, and legal fees related to obtaining permits and approvals.

Financing Fees: These are the fees associated with financing the project. It includes interest during the construction period, working capital, loan origination fees, appraisal costs, title costs, and other expenses related to securing financing.

Development Costs: These are fees charged by the developers for their involvement in the project's development. It includes project management fees, coordination fees, or any other fees associated with the overall development process.

LIST OF DEVELOPMENT TEAM

Developer: RW Capital Investments LLC
Financial Lender: Bank Midwest
Architect: C3 Design Inc
Construction Contractor: Swanson Family Construction
Project Manager: Padma Management LLC
Legal Counsel: Dunlap & Seager
Community Relations Manager: DSG LLC

DESCRIPTION OF PUBLIC BENEFITS

1. **Historical Preservation:** Preserving and restoring a historic downtown building enhances the cultural heritage of the community, contributing to a sense of place and identity.
2. **Community Revitalization:** Transforming a long-vacant building into a vibrant mixed-use hub revitalizes the local area, attracting residents, visitors, and businesses.
3. **Economic Growth:** The project creates jobs during the construction phase and supports local businesses once the mixed-use hub is operational, stimulating economic growth in the downtown area.
4. **Increased Property Values:** Revitalizing the building and surrounding area can lead to an increase in property values, benefiting property owners and the local tax base. As property values rise and new businesses are established, the local tax base expands, providing additional funding for essential public services such as schools, infrastructure improvements, and public safety initiatives. This tax revenue contributes to the overall financial health and stability of the community, benefiting residents and stakeholders alike.
5. **Social Engagement:** The mixed-use hub provides a space for community gatherings, cultural events, and social interactions, fostering a sense of community cohesion and engagement.
6. **Enhanced Quality of Life:** The addition of modern apartments, a restaurant, and entertainment spaces enhances the overall quality of life for residents by providing convenient amenities and recreational opportunities within walking distance.
7. **Environmental Sustainability:** Retrofitting and repurposing an existing building reduces the need for new construction, conserving natural resources and minimizing environmental impact.
8. **Improved Safety and Security:** Activating a previously vacant building contributes to a safer and more secure urban environment by reducing blight and deterring criminal activity.

SITE & PROJECT SKETCHES

See attached Exhibit I.

OTHER INFORMATION

N/A

EXHIBIT I: SITE PLANS



C³ Design Inc.
 2215 21st Ave. South
 Minneapolis, MN 55425
 (612) 239-5773
 www.c3designinc.com

As a design professional, we warrant that the design work we provide is based on the information provided to us and is intended to be used for the project and location specified. We do not warrant that the design work will be suitable for any other project, location, or use. We are not responsible for any errors or omissions in the design work, or for any consequences arising therefrom. We shall not be held liable for any damages, including consequential damages, arising from the use of the design work. This agreement shall be governed by the laws of the State of Minnesota. The project shall be completed within the time frame specified in the contract. The project shall be completed within the time frame specified in the contract. The project shall be completed within the time frame specified in the contract.

Scale: As Shown
 Date: 11/20/23

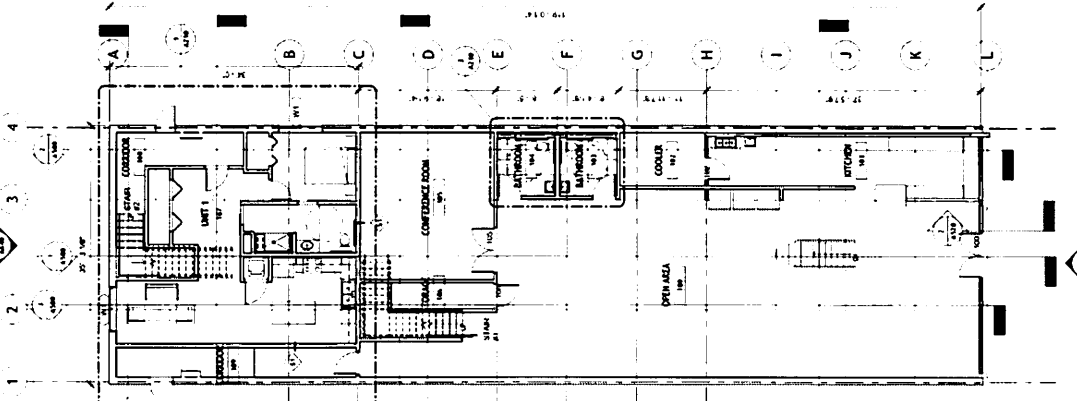
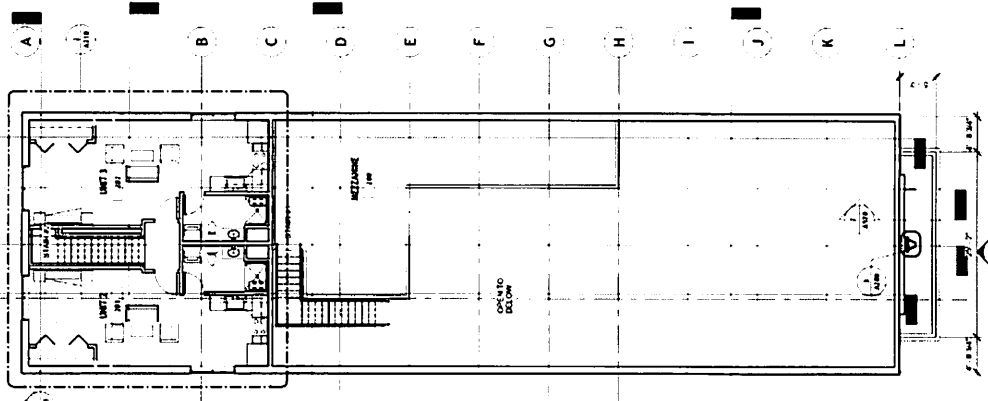
BUSH INVESTMENTS
CHIEF THEATER RENOVATION
 325 BUSH ST.
 RED WING, MN

OVERALL FLOOR PLANS

PROJECT NO. 2023127b
 SCALE: AS SHOWN
 DATE: 11/20/23
 EXCISE DATE

Project Status
A200

NEW CONSTRUCTION LEGEND
 NEW WALL CONSTRUCTION
 EXISTING WALL WITH DOOR/FRAME
 NEW WALL FIN.
 NEW WINDOW FIN.
 NEW DOOR/FRAME

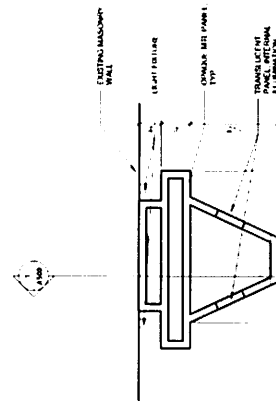


(1) LEVEL 1 PLAN
 1/8" = 1'-0"

(2) LEVEL 2 FLOOR PLAN
 1/8" = 1'-0"

- GENERAL NOTES**
1. CONTRACTOR SHALL VERIFY AND VERIFY ALL ITEMS INCLUDING CONDITIONS AND NECESSARY TO ENSURE GOOD WORKMANSHIP AND INSTALLATION. VERIFY NOT NECESSARILY MENTIONED ON THE DRAWINGS BUT NOT LIMITED TO: COORDINATE AND MAINTAIN EXISTING INSULATION AT JUNCTIONS AND FINISHING.
 2. MAINTAIN EXISTING INSULATION AT JUNCTIONS AND FINISHING.
 3. ALL UNIT PLANS FOR WALL TYPES IN UNITS.
 4. ALL FINISHES TO UPH.
 5. MAINTAIN EXISTING INSULATION AT JUNCTIONS AND FINISHING.
 6. ALL UNIT PLANS FOR UNIT TYPES IN UNITS.
 7. DIMENSIONS ARE FROM OUTSIDE FACE OF THE CURB CENTERLINE OF NEW STUD WALLS, WINDOWS AND DOORS UNLESS OTHERWISE NOTED.

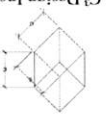
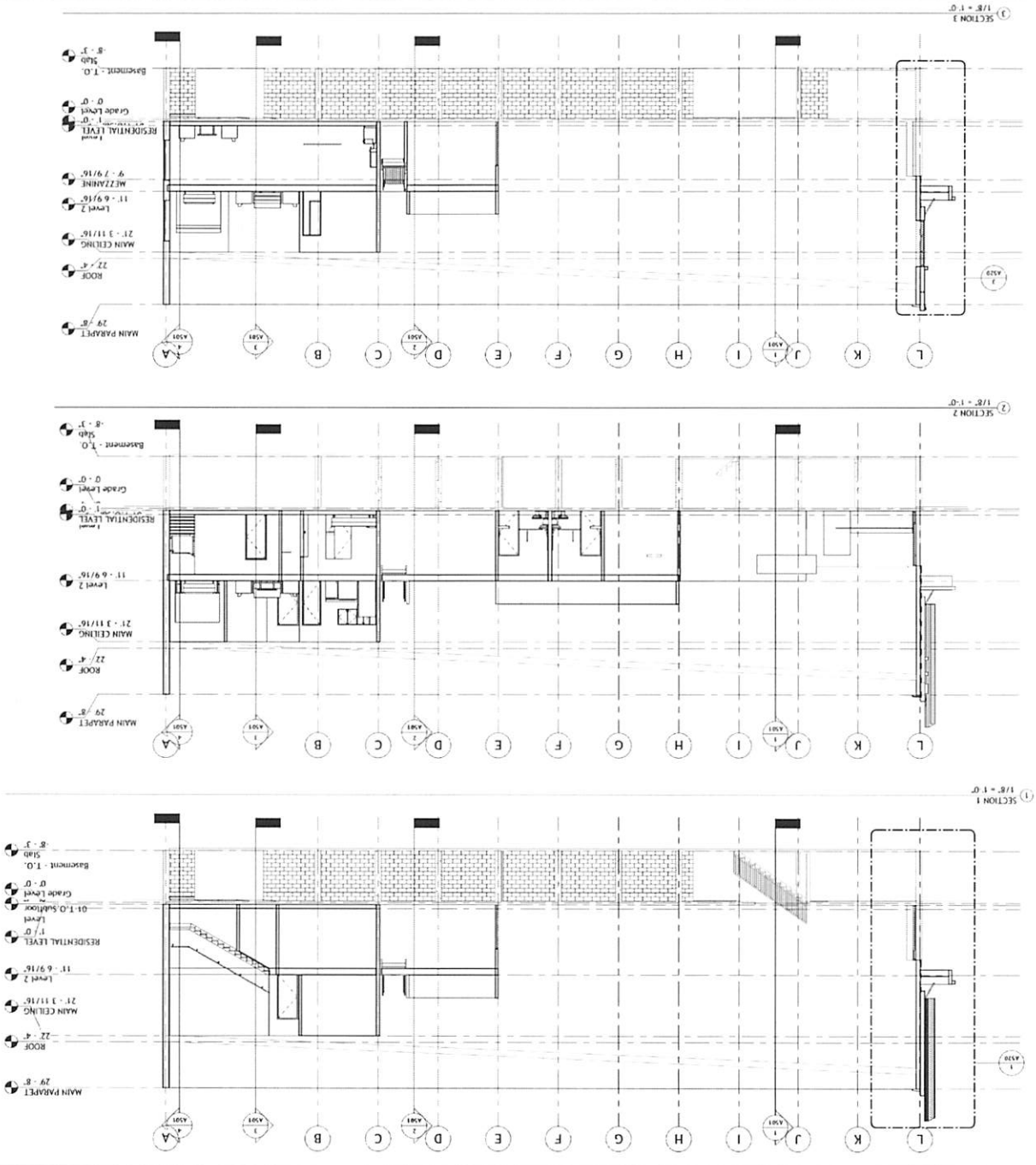
GENERAL NOTES
 3/16" = 1'-0"



(3) DETAIL PLAN VERTICAL MARQUEE
 3/16" = 1'-0"

NOT FOR CONSTRUCTION

NOT FOR CONSTRUCTION



C³ Design Inc

2215 21st Ave. South

Minneapolis, MN 55404

(612) 239 5773

www.c3designinc.com

All design, construction, engineering, and architectural services provided by C³ Design Inc. are subject to the terms and conditions of the contract.

C³ Design Inc. is not responsible for any errors or omissions in this drawing.

This drawing is the property of C³ Design Inc. and shall remain the property of C³ Design Inc.

Revisions shall be indicated by a circled number and a date.

Drawings shall be read in conjunction with the specifications and contract documents.

Scale: As Shown

Date: 11/21/23

Drawn by: [Name]

Checked by: [Name]

Reviewed by: [Name]

Approved by: [Name]

Project: BUSH INVESTMENTS

Client: CHIEF THEATER RENOVATION

Address: 326 BUSH ST. RED WING, MN

Project No: 2023127b

Scale: 1/8" = 1'-0"

Date: 11/21/23

Revision: 1

Project Status: Project Status

Sheet No: A500

Section: SECTIONS

Sheet Title: MAIN PARAPET

Project: BUSH INVESTMENTS

Client: CHIEF THEATER RENOVATION

Address: 326 BUSH ST. RED WING, MN

Project No: 2023127b

Scale: 1/8" = 1'-0"

Date: 11/21/23

Revision: 1

Project Status: Project Status

Sheet No: A500

Section: SECTIONS

Sheet Title: MAIN PARAPET



C3 Design Inc

2215 21st Ave. South
Minneapolis, MN 55404
(612) 230-5731
www.c3designinc.com

All design drawings, specifications, and schedules are prepared by the architect and are subject to the terms and conditions of the contract. The architect is not responsible for any errors or omissions in the drawings, specifications, or schedules. The architect is not responsible for any construction methods or materials not specified in the drawings, specifications, or schedules. The architect is not responsible for any construction methods or materials not specified in the drawings, specifications, or schedules. The architect is not responsible for any construction methods or materials not specified in the drawings, specifications, or schedules.

Signature: _____ Name: Gabe Chang
Title: _____ (Reg. No. 54017)

BUSH INVESTMENTS

PROJECT
CHIEF THEATER
RENOVATION
325 BUSH ST
RED WING, MN

SECTION

PROJECT NO.
2023127b

SCALE
1/8" = 1'-0"

DATE
11/26/23

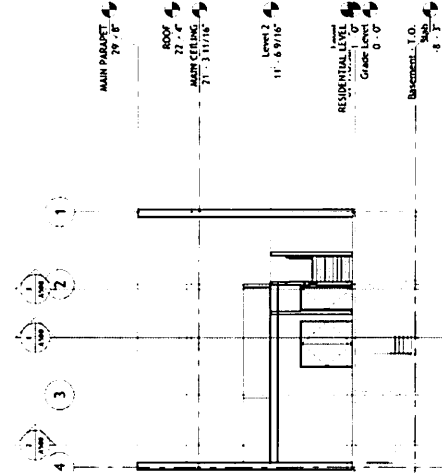
ISSUANCE DATE

Project Status

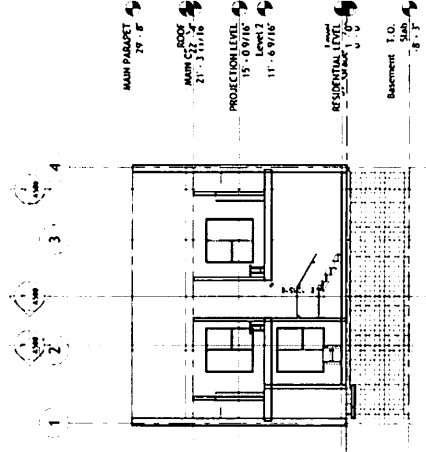
DATE

A501

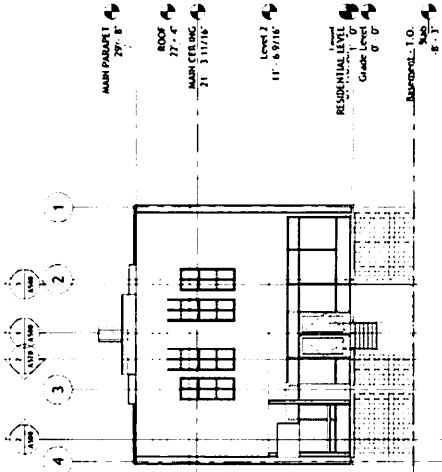
NOT FOR CONSTRUCTION



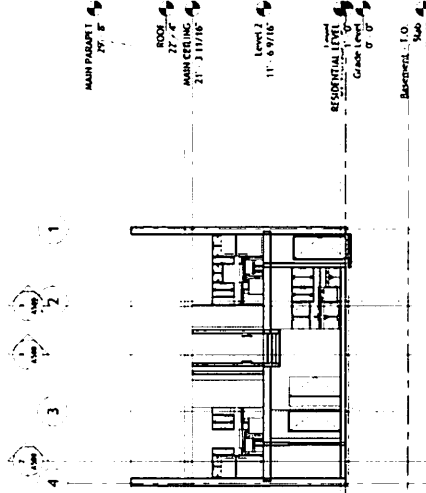
SECTION 5
1/8" = 1'-0"



SECTION 7
1/8" = 1'-0"



SECTION 4
1/8" = 1'-0"



SECTION 6
1/8" = 1'-0"

EXHIBIT II:
ORGANIZATIONAL
DOCUMENTS

Date of this notice: 01-03-2023

Employer Identification Number:
92-1492522

Form: SS-4

Number of this notice: CP 575 B

RW CAPITAL INVESTMENTS
APURVA PATEL MBR
18300 MINNETONKA BLVD STE 202
WAYZATA, MN 55391

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 92-1492522. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

Taxpayers request an EIN for their business. Some taxpayers receive CP575 notices when another person has stolen their identity and are opening a business using their information. If you did **not** apply for this EIN, please contact us at the phone number or address listed on the top of this notice.

When filing tax documents, making payments, or replying to any related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear-off stub and return it to us.

Based on the information received from you or your representative, you must file the following forms by the dates shown.

Form 1065

03/15/2024

If you have questions about the forms or the due dates shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification (corporation, partnership, estate, trust, EPMF, etc.) based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2020-1, 2020-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

A limited liability company (LLC) may file Form 8832, *Entity Classification Election*, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, *Election by a Small Business Corporation*. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

Office of the Minnesota Secretary of State Certificate of Organization

I, Steve Simon, Secretary of State of Minnesota, do certify that: The following business entity has duly complied with the relevant provisions of Minnesota Statutes listed below, and is formed or authorized to do business in Minnesota on and after this date with all the powers, rights and privileges, and subject to the limitations, duties and restrictions, set forth in that chapter.

The business entity is now legally registered under the laws of Minnesota.

Name: RW Capital Investments LLC

File Number: 1363289600023

Minnesota Statutes, Chapter: 322C

This certificate has been issued on: 01/03/2023



Steve Simon
Secretary of State
State of Minnesota



Red Wing Housing & Redevelopment Authority

428 West Fifth Street
Red Wing, MN 55066
TDD/TTY 7-1-1

Telephone (651) 388-7571
FAX (651) 385-0551
www.redwinghra.org

May 14, 2024

To: Red Wing HRA Board of Commissioners
From: Kurt Keena, Executive Director
Mitch Massman, CEDA
Re: RW1 Capital Investments LLC AHTF New Unit Construction Loan & SCDP Rehab Loan

Background:

RW1 Capital Investments LLC has applied for \$100,000 from the AHTF and \$50,000 from the SCDP program to make improvements to the building and create eleven new residential units at a property they own at 413 - 421 Main Street in downtown Red Wing. The property is former Boxrud's location. RW1 Capital Investments LLC is owned by Apurva Patel and operates as a for-profit real estate investment company. The company operates primarily out of Red Wing.

The application submitted by RW1 Capital Investments LLC, if approved, will allow them to make improvements to the building and construct eleven additional rental units on the upper floor of the building. The AHTF funds would be for four of the new rental units. The SCDP funds would be used for eligible improvements to the building.

When funds are used from the AHTF, half of the units funded by the AHTF must be offered to households who are at 60% of the Area Median Income (AMI) or less at no more than 30%AMI. These apartments are proposed to be:

- 2 One Bedroom units – 511 - 543 square feet, \$1150 to 1175 rent per unit including utilities

Completing this project will continue to add additional affordable housing units to the Red Wing housing market.

The total cost for the project is \$3,271,016. **RW1 Capital Investments LLC is requesting \$100,000 in AHTF funds and \$50,000 SCDP funds** from the HRA. RW1 Capital Investments LLC and a bank loan will cover the remaining costs of the project.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Building Purchase	\$750,000	Bank Loan	\$2,126,160
Closing Costs	\$25,535	RW1 Cap Inv LLC	\$994,856
Holding Costs	\$132,765	AHTF	\$100,000
Hard Construction	\$1,778,886	SCDP Loan	\$50,000
Contingency	\$88,944		



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Planning & Design	\$186,442		
Financing Fees	\$204,500		
Development Fee	\$103,944		
Total	\$3,271,016	Total	\$3,271,016

Development Team

Team member	
Project Manager	RW1 Cap Invest LLC/Apurva Patel
Lender	Key Community Bank
General Contractor	Swanson Family Construction
Sub-Contractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seager

Analysis:

This project will continue the Red Wing HRAs mission of providing affordable housing units to residents of the city. Additionally, the HRA has worked with Mr. Patel on the Hallstrom Building project in the past. The current value of the building according to the Goodhue County Assessor is \$573,300. The proposed building improvements and new units will add significant additional value to the property when completed. We currently do not have an estimate of the property value post-construction.

Upon approval for the AHTF and SCDP loan requests, RW1 Capital Investments LLC will have a total lien position of \$2,276,160 which includes a \$2,126,160 first mortgage, \$50,000 HRA SCDP loan, and \$100,000 from AHTF funds. The total lien position will greatly exceed the total value of the property as it stands right now. However, this project meets the goal of adding additional affordable housing units to the Red Wing community and improves the overall aesthetics of the community.

While examining the financial statements of RW1 Capital Investments LLC, staff found that there was adequate revenue projected from commercial and residential rental income to cover overhead costs (i.e., taxes insurance, utilities). In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy. With this incorporated, we project their debt servicing coverage ratio to be 1.0 for the first two years. Future years through inflation adjusted rental increases we find that DSCR will exceed in 1.2 and increase year over year beginning in year three. This is adequate DSC.

Documents to be Agreed upon by the Applicant:

RW1 Capital Investments LLC will need to sign a development agreement, promissory note and mortgage for the \$100,000. The AHTF deferred loan will be for 15 years at 0% and forgiven at a rate of 6.67 percent per year as long the applicant complies with



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the terms, including providing two units to households earning 60% of the AMI and rents no more than 30% of the 60% AMI. At the end of 15 years, the loan will be totally forgiven. They will need to sign similar documents for the SCDP loan. The SCDP loan terms require repayment of \$25,000 of the loan at 0% interest over ten years. The remaining \$25,000 is forgiven over the ten-year period as long as they remain in compliance. Our loans will be subordinate to the primary lender.

Recommendation:

Staff recommend to the Board of Commissioners to approve the deferred \$100,000 AHTF loan and the \$50,000 SCDP loan for the applicant. The terms of these loans are recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

Attachments

CEDA Staff Report
CEDA Underwriting Materials
RW1 Capital Investments Application

Background:

The applicant for an HRA AHTF loan is RW1 Capital Investments LLC and the applicants name is Apurva Patel who is the owner of RW1 Capital Investments LLC, which operates as for-profit real estate investment company. RW1 Capital Investments LLC has been registered with the State of Minnesota since February 6, 2023 and is primarily operating out Red Wing, MN. The building, located at 413-421 Main Street has been in the Red Wing community since 1870.

Mr. Patel is responsible for identifying new markets for development opportunities as well as assisting in construction management for projects. Additionally, Mr. Patel analyzes financial projections, budgets, and overall feasibility of a project, while also working with local communities to ensure the overall success of projects. Mr. Patel graduated with Architecture degree and practiced in California.

Mr. Patel has participated in the development of 37 properties valued at over \$350 million over the course 40+ years. He has been responsible in different capacities including operating, design, development, planning, construction, management, and financing of the various projects.

The application submitted by RW1 Capital Investments LLC, if approved, will allow them to make several necessary upgrades including windows and exterior work. Additionally, the project will add 11 rental units to the Red Wing market. These apartments are proposed to be:

- One 2 Bed/2 bath
- One 2 bed/1 bath
- Seven 1 bed/1 bath
- Two 1 bed/2 bath

Completing this project will continue to add additional housing units to the Red Wing housing market.

The total project cost for the project is \$3,271,016. RW1 Capital Investments LLC is **requesting \$100,000 in AHTF funds** from the HRA. The remaining costs will be covered by the RW1 Capital Investments LLC, bank loans, and various other programs.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Building Purchase	\$750,000	Small Cities- Loan	\$25,000
		Small Cities Deferred	\$25,000
Closing Costs	25,535	Bank Loan	\$2,126,160
Holding Costs	132,765		
Hard Construction	1,778,886	AHTF	\$100,000
Contingency	88,944		
Planning and design	186,442	RW1 Cap Invest LLC	\$994,856
Financing Fees	204,500		
Development Fee	103,944		
Total	\$3,271,016	Total	\$3,271,016

Development Team

Team member	
Project Manager	RW1 Capital Investments/Apurva Patel
Lender	Key Community Bank
General Contractor	Swanson Family Construction
Subcontractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seager

Analysis

This project will continue the aesthetic improvements in the Downtown District of Red Wing. The addition of 11 housing units also meets the goal of the Red Wing HRA to provide more and affordable housing in the community.

The current value of the building according to the Goodhue County Assessor is \$573,300. However, the applicant intends to make significant improvements including the addition of 11 rental units on the upper floor. These units will significantly increase the value of the property.

Upon approval for the AHTF loan request, RW1 Capital Investments LLC will have a total lien position of \$2,276,160.00 which includes a \$2,126,160 first mortgage, \$50,000 HRA loan, and \$100,000 from AHTF funds. The total lien position will greatly exceed the total value of the property as it stands right now. However, this project meets the goal of adding affordable housing units to the Red Wing Community and improves the overall aesthetics of the community.

While examining the financial statements of RW1 Capital Investments LLC, staff found that there was adequate revenue projected from commercial and residential rental income to cover overhead costs (i.e., taxes insurance, utilities). In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy. With this incorporated, we project their debt servicing coverage ratio to be 1.0 for the first two years. Future years through inflation adjusted rental increases we find that DSCR will exceed in 1.2 and increase year over year beginning in year three. This is adequate DSC.

Recommendation

Staff recommends approval of the AHTF loan in the amount of \$100,000. The term of this loan is recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

Background:

The applicant for an HRA Commercial Rehabilitation loan is RW1 Capital Investments LLC and the applicants name is Apurva Patel who is the owner of RW1 Capital Investments LLC, which operates as for-profit real estate investment company. RW1 Capital Investments LLC has been registered with the State of Minnesota since February 6, 2023 and is primarily operating out Red Wing, MN. The building, located at 413-421 Main Street has been in the Red Wing community since 1870.

Mr. Patel is responsible for identifying new markets for development opportunities as well as assisting in construction management for projects. Additionally, Mr. Patel analyzes financial projections, budgets, and overall feasibility of a project, while also working with local communities to ensure the overall success of projects. Mr. Patel graduated with Architecture degree and practiced in California.

Mr. Patel has participated in the development of 37 properties valued at over \$350 million over the course 40+ years. He has been responsible in different capacities including operating, design, development, planning, construction, management, and financing of the various projects.

The application submitted by RW1 Capital Investments LLC, if approved, will allow them to make several necessary upgrades including windows and exterior work. Additionally, the project will add 11 rental units to the Red Wing market. These apartments are proposed to be:

- One 2 Bed/2 bath
- One 2 bed/1 bath
- Seven 1 bed/1 bath
- Two 1 bed/2 bath

Completing this project will continue to add additional housing units to the Red Wing housing market.

The total project cost for the project is \$3,271,016. **RW1 Capital Investments LLC is requesting \$50,000 in Commercial Rehabilitation funds** from the HRA. The remaining costs will be covered by the RW1 Capital Investments LLC, bank loans, and other programs.

Sources and Uses of Funds

Use of Funds		Source of Funds	
Building Purchase	\$750,000	Small Cities- Loan	\$25,000
		Small Cities Deferred	\$25,000
Closing Costs	25,535	Bank Loan	\$2,126,160
Holding Costs	132,765		
Hard Construction	1,778,886	AHTF	\$100,000
Contingency	88,944		
Planning and design	186,442	RW1 Cap Invest LLC	\$994,856
Financing Fees	204,500		
Development Fee	103,944		
Total	\$3,271,016	Total	\$3,271,016

Development Team

Team member	
Project Manager	RW1 Capital Investments/Apurva Patel
Lender	Key Community Bank
General Contractor	Swanson Family Construction
Subcontractors	TBD
Architect	C3 Design Inc
Attorney	Dunlap Seager

Analysis

This project will continue the aesthetic improvements in the Downtown District of Red Wing. The addition of 11 housing units also meets the goal of the Red Wing HRA to provide more and affordable housing in the community.

The current value of the building according to the Goodhue County Assessor is \$573,300. However, the applicant intends to make significant improvements including the addition of 11 rental units on the upper floor. These units will significantly increase the value of the property.

Upon approval for the AHTF loan request, RW1 Capital Investments LLC will have a total lien position of \$2,276,160.00 which includes a \$2,126,160 first mortgage, \$50,000 HRA loan, and \$100,000 from AHTF funds. The total lien position will greatly exceed the total value of the property as it stands right now. However, this project meets the goal of adding affordable housing units to the Red Wing Community and improves the overall aesthetics of the community.

While examining the financial statements of RW1 Capital Investments LLC, staff found that there was adequate revenue projected from commercial and residential rental income to cover overhead costs (i.e., taxes insurance, utilities). In the proforma, we estimated revenues under the assumption that there would be a 5% vacancy. With this incorporated, we project their debt servicing coverage ratio to be 1.0 for the first two years. Future years through inflation adjusted rental increases we find that DSCR will exceed in 1.2 and increase year over year beginning in year three. This is adequate DSC.

Recommendation

Staff recommends approval of the SCDP loan in the amount of \$50,000. The term of this loan is recommended to follow program precedent. Collateral is recommended as a lien on their mortgage. The Board should consider a personal guaranty as well.

**Addendum to RW1 Capital Investments LLC Proforma
Description of Income
SCDP Loan**

RW1 Capital Investments LLC owns the property located at 413-421 Main Street. RW1 Capital Investments LLC has a first mortgage on this property with annual payments of \$164,387. If approved for the HRA loan, the funds will provide more resources to RW1 Capital Investments for improvements to the building and the construction of an additional 11 rental units in the downtown Red Wing market with some of those being affordable housing.

RW1 Capital Investments provided staff with a 15-year pro forma. This proforma assumes occupancy at 100% minus a 5% vacancy rate per annum. Staff finds that a 5% vacancy rate is an acceptable expectation.

Additionally, annual revenues are projected to increase at roughly 2.5% per annum. Expenses are expected to increase at 2.5% per annum as well. However, after the remodel of the property is complete and apartments are built and rented, it is likely we will see a large increase in property taxes. This could cause cash flow concerns in the first couple of years. However, after inflation adjusted rental increases to commercial and residential markets, the project should cash flow without concern.

RW1 Capital Investments' current mortgage and expenses are slightly below an adequate debt servicing ratio for the first 2 years but as stated previously, rental rate adjustments will resolve this in future years. After expenses and debts are paid there is still substantial cash flow for additional payment for the HRA SCDP loan of \$2,500 per year.

The HRA loan will provide them the necessary funds for improvements to the building and will add 11 more rental units to the Red Wing housing market.

<i>Project Sources and Uses of Funds</i>							
Uses of Funds		Sources of Funds					
Use	Amount	Lender	Term	Rate	Collateral	Amount	Annual D/S
Building Purchase	\$ 750,000.00	Red Wing HRA	10	0.00%		\$ 25,000	\$ 2,500
Other Closing Costs	\$ 25,535	Red Wing HRA - deferred	10	0.00%		\$ 25,000	
Holding Costs	\$ 132,765	Red Wing AHTF				\$ 100,000	\$ -
Hard Construction	\$ 1,778,886	Bank Loan				\$ 2,126,160	\$ 164,387
Contingency	\$ 88,944					\$ -	\$ -
Planning and Design	\$ 186,442					\$ -	\$ -
Financing Fees	\$ 204,500					\$ -	\$ -
Development Fee	\$ 103,944					\$ -	\$ -
		RW1 Cap Invest LLC				\$ 994,856	\$ -
							\$ -
Total Uses of Funds	\$3,271,016.00	Total Sources of Funds				\$ 3,271,016.00	\$ 166,887

Cash Flow													
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Revenue													
Commercial Rent			90,000	90,000	124,152	127,256	130,437	133,698	137,041	140,467	143,978	147,578	151,267
Residential Rent			185,100	189,728	194,471	199,333	204,316	209,424	214,660	220,026	225,527	231,165	236,944
CAM/Other			7,431	7,617	7,807	8,002	8,202	8,407	8,618	8,833	9,054	9,280	9,512
Tenant RUBS			25,600	26,240	26,896	27,568	28,258	28,964	29,688	30,430	31,191	31,971	32,770
Vacancy			15,407	15,679	17,666	18,108	18,561	19,025	19,500	19,988	20,488	21,000	21,525
Total Revenue	-	-	292,724	297,906	335,660	344,052	352,653	361,469	370,506	379,769	389,263	398,995	408,969
Expenses													
Admin			10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801
Management			12,380	12,690	13,007	13,332	13,665	14,007	14,357	14,716	15,084	15,461	15,847
Utilities			32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964	40,963
Operations and Maintenance			18,000	18,450	18,911	19,384	19,869	20,365	20,874	21,396	21,931	22,480	23,042
Insurance			16,000	16,400	16,810	17,230	17,661	18,103	18,555	19,019	19,494	19,982	20,481
Taxes			30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403
Contract Services			5,000	5,125	5,253	5,384	5,519	5,657	5,798	5,943	6,092	6,244	6,400
Reserves				4,410	4,520	4,633	4,749	4,868	4,990	5,114	5,242	5,373	5,507
Total Expenses			123,380	130,875	134,146	137,500	140,938	144,461	148,072	151,774	155,569	159,458	163,444
Available for Debt Servicing			169,344	167,031	201,514	206,552	211,715	217,008	222,434	227,995	233,694	239,537	245,525
First Mortgage			170,093	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387
Grant Payback				2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Debt Service			170,093	166,887	166,887	166,887	166,887	166,887	166,887	166,887	166,887	166,887	166,887
Debt Servicing Coverage Ratio			1.0	1.0	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Cash			(749)	144	34,627	39,665	44,828	50,121	55,547	61,108	66,807	72,650	78,638
Cumulative cash			(749)	(605)	34,022	73,687	118,515	168,636	224,183	285,291	352,098	424,747	503,386
Assumptions													
Revenue	Growth to occur at roughly 2.5% per annum. Applicant has a 3.1% vacancy. We assumed 5% to create a larger buffer												
Expenses	Assuming a 2.5% annum increase on all expenses. Property taxes may increase at a faster rate. A large increase may occur in year 3 or 4 as the remodel of the property is completed												
Please see attached addendum for further explanation													

**PROJECTED PROFORMA
River Front Gallery Building (Phase II)**

Line Items	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Rents	185,100	189,728	194,471	199,332	204,316	209,424	214,659	220,026	225,526	231,165
Retail Income	90,000	90,000	124,152	127,256	130,437	133,698	137,041	140,467	143,978	147,578
CAM/Other Income	7,431	7,617	7,807	8,003	8,203	8,408	8,618	8,833	9,054	9,281
Tenant RUBS Charges	25,600	26,240	26,896	27,568	28,258	28,964	29,688	30,430	31,191	31,971
Parking Income	-	-	-	-	-	-	-	-	-	-
Gross Income	308,131	313,585	353,326	362,159	371,213	380,494	390,006	399,756	409,750	419,994
Less Vacancy (5%)	13,755	13,986	15,931	16,329	16,738	17,156	17,585	18,025	18,475	18,937
Effective Gross Income	294,376	299,598	337,395	345,830	354,476	363,338	372,421	381,731	391,275	401,057
Expenses										
Administration	10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489
Management Fee	12,380	12,588	14,338	14,696	15,064	15,440	15,826	16,222	16,628	17,043
Utilities	32,000	32,800	33,620	34,461	35,322	36,205	37,110	38,038	38,989	39,964
Operations & Maintenance	18,000	18,450	18,911	19,384	19,869	20,365	20,874	21,396	21,931	22,480
Contract Services	5,000	5,125	5,253	5,384	5,519	5,657	5,798	5,943	6,092	6,244
Insurance Expenses	16,000	16,400	16,810	17,230	17,661	18,103	18,555	19,019	19,494	19,982
Real Estate Taxes	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466
Total Expenses	123,380	126,363	130,957	134,231	137,587	141,027	144,552	148,166	151,870	155,667
Net Operating Income	170,997	173,235	206,438	211,599	216,889	222,311	227,868	233,565	239,404	245,389
	58.1%	57.8%	61.2%	61.2%	61.2%	61.2%	61.2%	61.2%	61.2%	61.2%
Other Income/Expenses										
TIF Income Annual										
Replacement Reserves	(6,200)	(6,300)	(7,100)	(7,200)	(7,400)	(7,600)	(7,800)	(8,000)	(8,200)	(8,400)
Net Operating Cash Flow	164,797	166,935	199,338	204,399	209,489	214,711	220,068	225,565	231,204	236,989
Debt Service										
	<i>Interest Only</i>	<i>Stabalized Loan</i>								
Senior Loan	170,093	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387
Total Loan	170,093	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387	164,387
Debt Coverage Ratio	1.01	1.05	1.26	1.29	1.32	1.35	1.39	1.42	1.46	1.49
Cash Profit	(5,296)	2,549	34,951	40,012	45,102	50,324	55,682	61,179	66,818	72,603
	0%	0%	3%	3%	4%	4%	5%	5%	6%	6%

**RW1 Capital Investments, LLC
Main Street Apartments
Red Wing, MN**

C.S.I. SYSTEMS BREAKDOWN

Division	Cost
Division 2 - Sitework	\$28,317.14
Division 3 - Concrete	\$36,634.80
Division 4 - Masonry	\$67,176.00
Division 5 - Metals	\$62,825.20
Division 6 - Woods & Plastics	\$261,254.98
Division 7 - Thermal & Moisture Protection	\$39,339.82
Division 8 - Doors & Windows	\$69,281.59
Division 9 - Finishes	\$241,724.03
Division 10 - Specialties	\$23,312.04
Division 11 - Equipment	\$62,831.75
Division 12 - Furnishings	\$8,500.00
Division 13 - Special Systems	\$28,000.00
Division 14 - Conveying	\$0.00
Division 15 - Mechanical & Plumbing	\$193,847.02
Division 16 - Electrical	\$149,736.53
General Conditions	\$137,732.28
General Requirements	\$20,271.77
Sub-Total	\$1,430,784.95
Builders Risk Insurance By Owner	\$0.00
Liability Insurance	\$23,956.00
Sub-Total	
Construction Manager Fee	\$100,154.95
Construction Total	\$1,554,895.90

River Front Gallery Building

HRA APPLICATION

Business/Developer's Information

DEVELOPER'S NAME:	RW1 CAPITAL INVESTMENTS LLC
DEVELOPER MAILING ADDRESS:	18300 MINNETONKA BLVD, SUITE 202, WAYZATA, MN 55391
DEVELOPER'S CURRENT LEGAL STATUS:	PARTNERSHIP – 1065 (US DOMESTIC PARTNERSHIP)
FEDERAL EIN NUMBER:	92-2169501
MINNESOTA STATE ID NUMBER:	1372345200023

Contact Information

Contact Name:	Apurva Patel
Contact Address:	18300 MINNETONKA BLVD, SUITE 202, WAYZATA, MN 55391
Contact Phone Number:	612-685-6719
Contact Email Address:	APATEL1124@GMAIL.COM

SIGNATURE: _____

DATE: _____

RIVER FRONT GALLERY BUILDING

415-421 MAIN STREET, RED WING, MN 55066

Building Type: Mixed Use: Commercial & Retail (Multifamily Phase II)

SF: 30,000

DESCRIPTION OF PROPOSED DEVELOPMENT

The project involves the acquisition and redevelopment of a historic downtown building situated on Main St across from the historic St James Hotel in Red Wing. The building comprises 28,000 rentable square feet of prime real estate, including 10,000 sq ft on the second floor ready for development. Additionally, it features a public parking ramp and elevator attached to the building, making it highly accessible.

Phase I of the project has been successfully completed, focusing on acquiring the building and managing holding costs such as property taxes, insurance, and maintenance. Phase II, slated to commence on 04/15/2024 and conclude on 11/15/2024, is dedicated to the active rehabilitation and enhancement of the property.

Phase II entails significant value-add projects aimed at revitalizing the building, including developing 11 multifamily units on the second floor and revitalizing approximately 7,500 sq ft of currently vacant retail space. The overall project costs are estimated to be \$3.27 million, encompassing acquisition, holding costs, and rehabilitation.

The primary goal of Phase II is to transform the historic downtown building into a modern, attractive, and commercially viable space. This revitalization effort seeks to embrace the building's historical significance while injecting new life into the heart of the community. Ultimately, the project aims to contribute to the overall

revitalization of the downtown area, fostering a vibrant environment for residents and businesses alike.

IDENTIFICATIONS OF ENTITIES INVOLVED

RW1 Capital Investment LLC is the sole developer and 100% owner of the project. As the only entity involved in this endeavor, RW1 Capital Investment LLC bears full responsibility for financing, managing, and owning the project/asset. This arrangement provides RW1 Capital Investment LLC with complete control over decision-making processes and operations, while also assuming all associated risks and responsibilities.

DETAILED DESCRIPTION OF SOURCES AND USES

Sources and Uses			
Sources	Amount	Uses	Amount
Proposed Loan	\$2,126,160	65% Bldg. Purchase	\$750,000
Total Equity	\$1,144,856	35% Other Closing Costs	\$25,535
Owner Cash Injection	\$994,856	Holding Costs	\$132,765
Equity	\$0	Hard Construction Costs	\$1,778,886
MN DEED/CITY	\$0	Construction Contingency	\$88,944
Foundation	\$0	Planning and Design	\$186,442
HRA Housing Program	\$100,000	Financing Fees	\$204,500
HRA Community Program	\$50,000	Development Costs	\$103,944
Total:	\$3,271,016	Total:	\$3,271,016

Red Wing HRA: Contribution of 150,000 from the various programs.

Holding Costs: These are the costs associated with holding onto the property while it is under development or awaiting sale. This includes expenses such as property taxes, insurance, utilities, maintenance, etc. See illustration below for a breakdown.

Detailed Monthly Holding Costs:

Holding Costs	
Rents	\$ 33,600.00
Insurance	10,294.00
Property Tax	22,762.00
Water/Sewer/Gas/Garbage	12,000.00
Electric	16,800.00
Gas	-
Garbage	-

Snow Plowing/Landscaping	750.00
Maintenance	5,000.00
Accounting	2,000.00
Mortgage	52,504.00
Expenses Total	\$ 122,110
Profit/Loss	(88,510)
Monthly Expenses	(7,376)

Other Closing Costs: costs incurred during the closing of a real estate transaction, aside from the purchase price. This includes the broker's commission (15,000), title fees, and other miscellaneous fees related to the transfer of ownership.

Hard Construction: total construction budget provided by the General Contractor, including their overhead and profit margin of 5%. Essentially, it covers the direct costs of labor, materials, and equipment needed for construction.

Planning & Designing: costs associated with the planning and design phase of the project. It includes fees for architectural design, civil/structural engineering, leasing fees, and legal fees related to obtaining permits and approvals.

Financing Fees: These are the fees associated with financing the project. It includes interest during the construction period (1250,000), working capital (50,000), loan origination fees, appraisal costs, title costs, and other expenses related to securing financing.

Development Costs: These are fees charged by the developers for their involvement in the project's development. It includes project management fees, coordination fees, or any other fees associated with the overall development process.

LIST OF DEVELOPMENT TEAM

- Developer:** RW1 Capital Investments LLC
- Financial Lender:** Key Community Bank
- Architect:** C3 Design Inc
- Construction Contractor:** Swanson Family Construction
- Legal Counsel:** Dunlap & Seager

DESCRIPTION OF PUBLIC BENEFITS

1. **Economic Growth and Job Creation:** The rehabilitation and revitalization of the historic downtown building can contribute to economic growth by creating job opportunities during the construction phase as well as potential employment opportunities in the retail sectors upon completion.
2. **Historic Preservation:** By rehabilitating a historic downtown building, the project contributes to preserving the architectural heritage and character of the community. This can enhance the overall aesthetics and attractiveness of the area, increasing tourism and local pride.
3. **Mixed-Use Development:** The addition of multifamily units and revitalized retail space can contribute to a more vibrant and diverse downtown area, attracting residents and visitors alike. Mixed-use developments often lead to increased foot traffic, which can benefit local businesses and contribute to a sense of community.
4. **Parking and Accessibility:** The attached city public parking ramp and elevator provide improved accessibility and convenience for residents, visitors, and businesses in the area. This can alleviate parking congestion and improve overall mobility within the downtown district.
5. **Tax Revenue Generation:** The completed project, including the rehabilitated building and new developments, has the potential to generate increased property tax revenue for the local government, which can be reinvested into public services and infrastructure improvements benefiting the entire community.

SITE & PROJECT SKETCHES

See attached Exhibit I.

OTHER INFORMATION

N/A

EXHIBIT I: SITE PLANS

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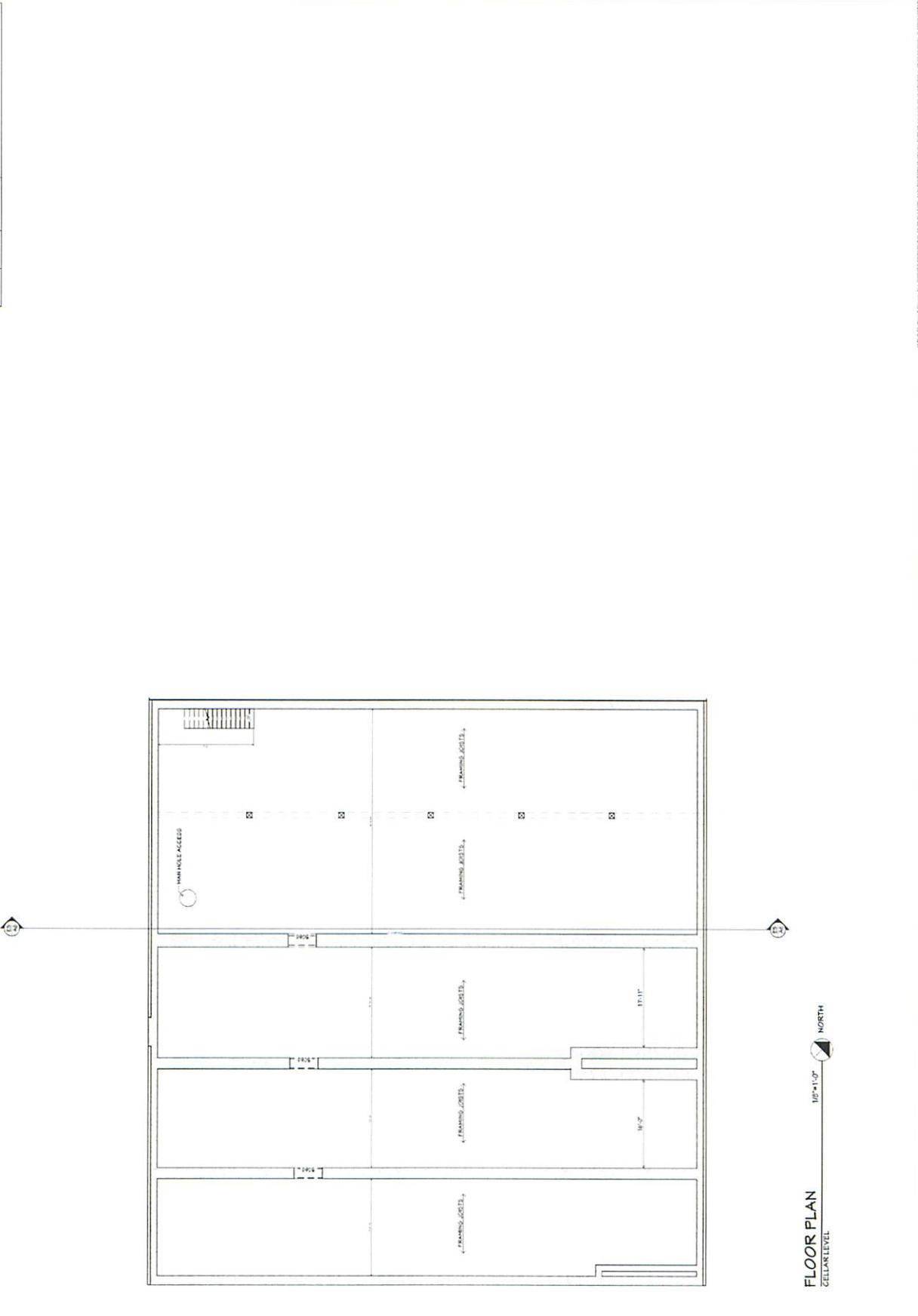
Rak drafting & design
 11973 193RD AVENUE SE.
 BIG LAKE, MN, 55309
 PHONE: 612-409-4215 EMAIL: RAK@RAKMN.COM

CLIENT: RED WING, MN 55066
 PROJECT: CELL

PAGE TITLE: EXISTING CELLAR LEVEL FLOOR PLAN

DRAWN BY: *Kari Heid*
 DATE: 12/5/2023
 SCALE: 1/8" = 1'-0"
 SHEET #: A1

NUMBER	DATE	REVISED BY	DESCRIPTION
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT



FLOOR PLAN
 CELLAR LEVEL

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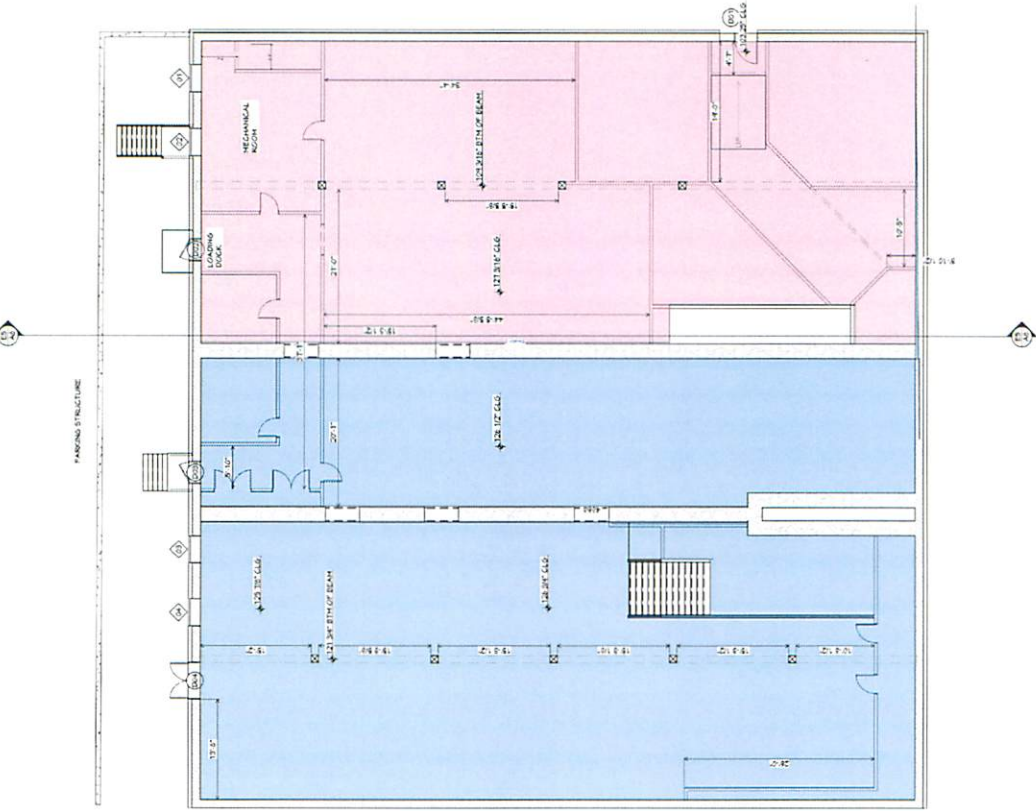
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 1193 193RD AVENUE SE
 BIG LAKE, MN, 55009
 PHONE: 612-409-4219 EMAIL: RAKDRAFTING@GMAIL.COM

CLIENT: RED WING, MN 55066
 PROJECT: CELL

PAGE TITLE: EXISTING BASEMENT LEVEL FLOOR PLAN

DRAWN BY: *Kari Heid*
 DATE: 12/5/2023
 SCALE: 1/8" = 1'-0"
 SHEET #: A2

NO.	DATE	REVISIONS	DESIGNER
1	12/5/2023	REVISED STREET LEVEL LAYOUT	KARI HEID



FLOOR PLAN
 BASEMENT LEVEL
 1/8" = 1'-0" NORTH

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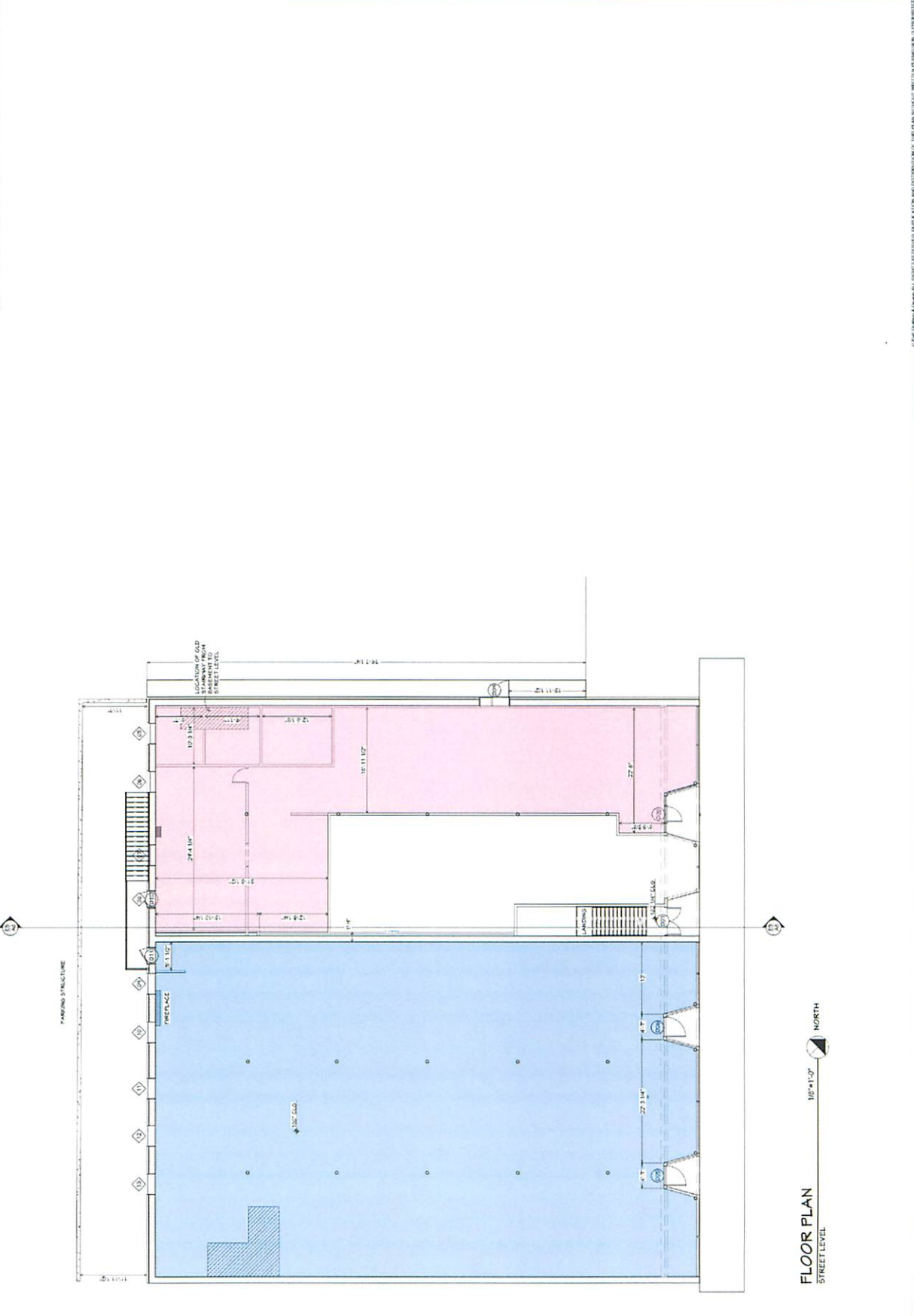
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 PHONE: 612-400-4215 EMAIL: RAKDRAFTING@gmail.com

415 MAIN STREET
 RED WING, MN 55066

EXISTING FLOOR PLAN
 LEVEL FLOOR PLAN

DRAWN BY: *Karin Heid*
 DATE: 12/5/2023
 SCALE: 1/8" = 1'-0"
 SHEET # A3

Number	Date	Revised By	REVISIONS
1	12/5/23	KARIN HEID	REVISED STREET LEVEL LAYOUT



FLOOR PLAN
 STREET LEVEL

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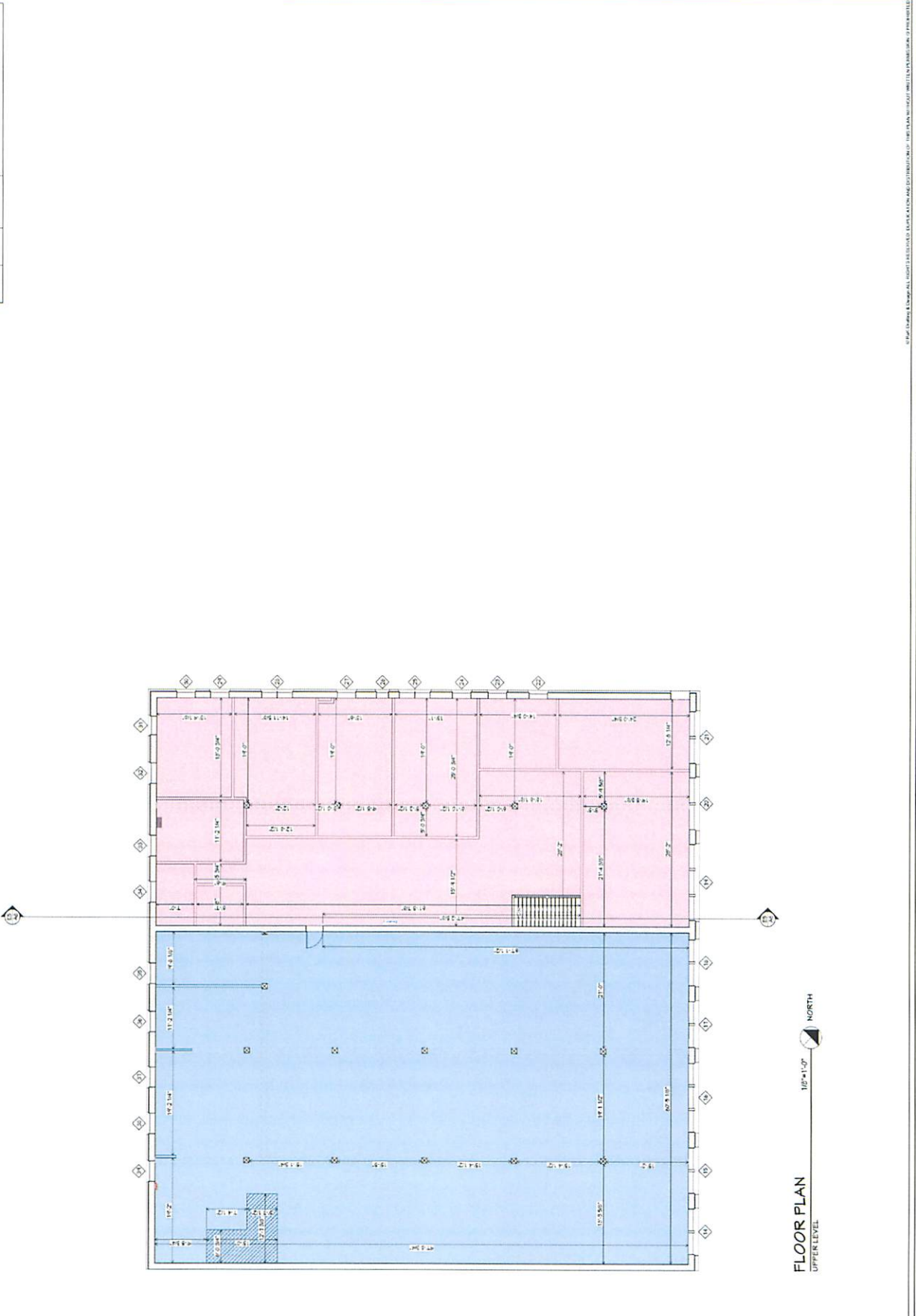
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 PHONE: 612-402-4215 EMAIL: RAK@rakdesign.com

415 MAIN STREET
 RED WING, MN 55066

EXISTING UPPER LEVEL FLOOR PLAN
 PAGE TITLE:

DRAWN BY: **Kari Heid**
 DATE: 12/5/2023
 SCALE: 1/8" = 1'-0"
 SHEET #: **A4**

Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT



FLOOR PLAN
 UPPER LEVEL

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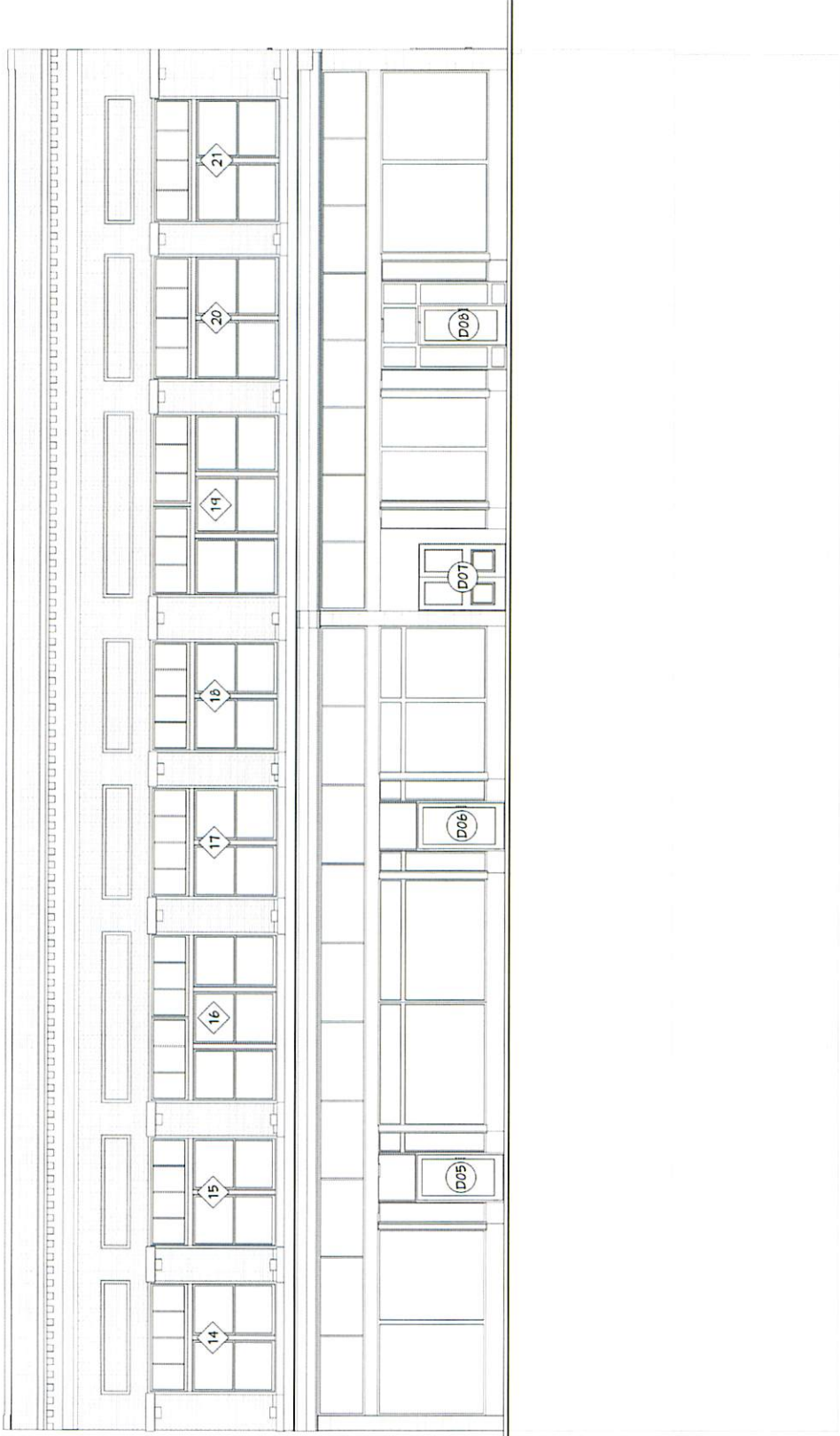
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415 MAIN STREET
 RED WING, MN 55066

EXISTING
 ELEVATION

DRAWN BY: **Kari Heid**
 DATE: 12/5/2023
 SCALE: 1/4" = 1'-0"
 SHEET # **A5**

Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT



EXISTING ELEVATION 1/4"=1'-0"

REVISIONS			
Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT

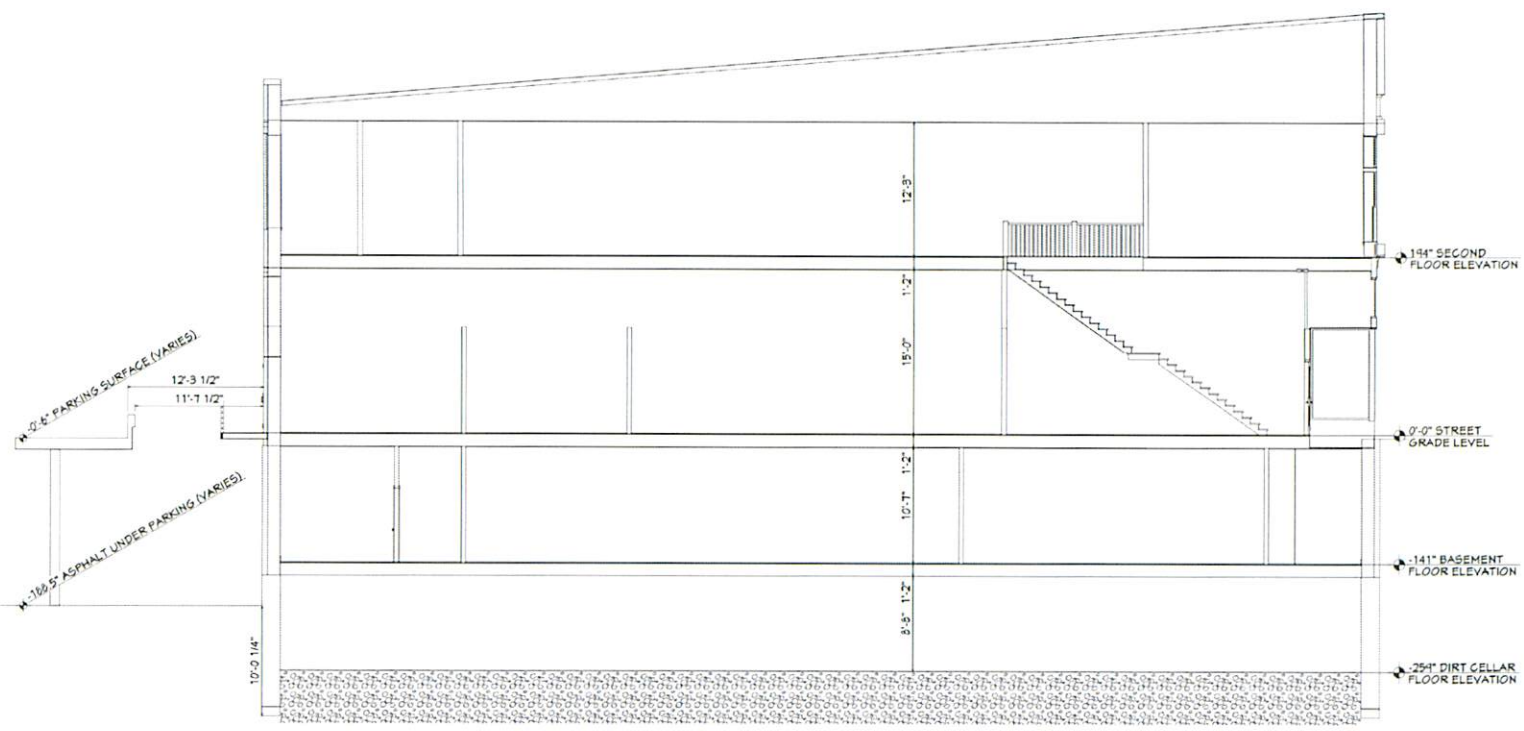
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 CLIENT: [REDACTED] CELL: [REDACTED]
 DRAWN BY: [REDACTED] PHONE: [REDACTED]

PAGE TITLE:
EXISTING BUILDING SECTION

DRAWN BY:
Kari Heid
 DATE:
 12/5/2023
 SCALE:
 3/16" = 1'-0"
 SHEET #:
A8



EXISTING BUILDING SECTION 3/16"=1'-0"

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 OF THE PROJECT. THESE
 VIEWS ARE NOT TO BE
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 PURPOSES. THE CLIENT
 SHALL BE RESPONSIBLE FOR
 VERIFYING THE ACCURACY
 OF ALL DIMENSIONS AND
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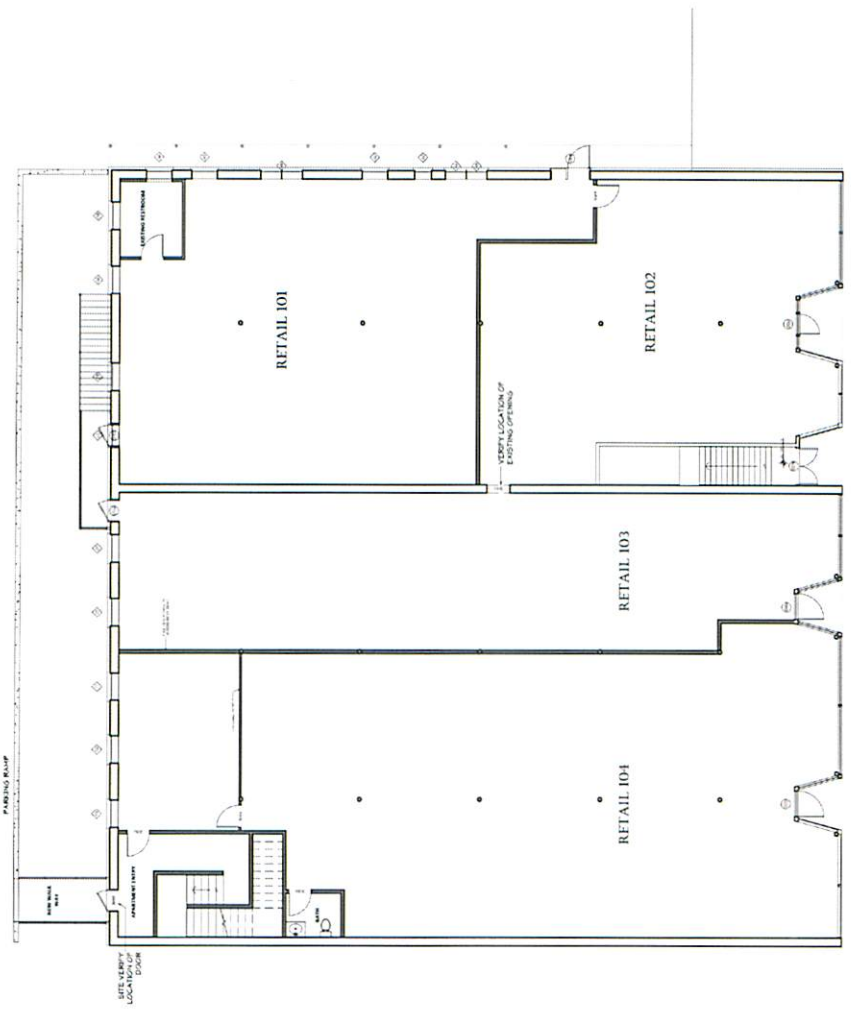
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 PHONE: 612-400-4215 EMAIL: RAK@RAKDRG.COM

415 MAIN STREET
 REDWING, MN 55066

PROPOSED RETAIL
 LAYOUT

CLIENT: PHONE: CELL:
 DRAWN BY: **Kari Heid**
 DATE: 12/5/2023
 SCALE: 1/8" = 1'-0"
 SHEET #: **A10**

Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT

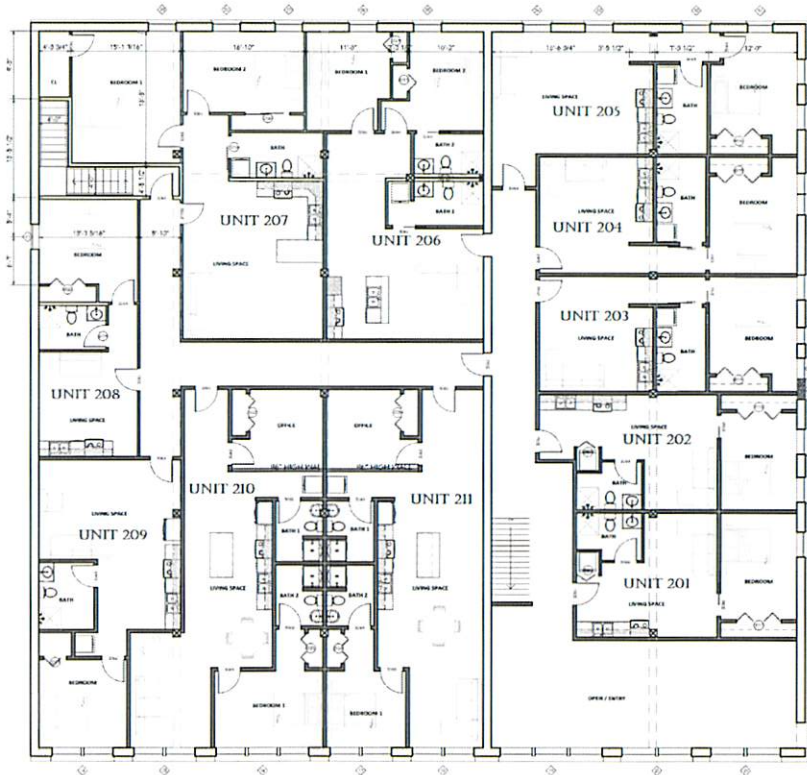


LEVEL 1 ROOM SCHEDULE

NUMBER	BEDS	BATHS	SQUARE FEET
RETAIL 101			2151
RETAIL 102			1652
RETAIL 103			2107
RETAIL 104			3662

1/8" = 1'-0" NORTH

FLOOR PLAN - RETAIL SPACE



FLOOR PLAN - APARTMENT

UPPER LEVEL

1/8"=1'-0" NORTH

LEVEL 2 APARTMENT SCHEDULE

NUMBER	BEDS	BATHS	SQUARE FEET
UNIT 201	1	1	511
UNIT 202	1	1	543
UNIT 203	1	1	564
UNIT 204	1	1	561
UNIT 205	1	1	735
UNIT 206	2	2	940
UNIT 207	2	1	1024
UNIT 208	1	1	472
UNIT 209	1	1	660
UNIT 210	1 + OFFICE	2	1060
UNIT 211	1 + OFFICE	2	1053

EXISTING DOORS		
NUMBER	LABEL	DESCRIPTION
ID01	1 ID	PANEL DOOR SOLID - RH
ID02	2 ID	PANEL DOOR W/GLASS - RH
ID03	3 ID	PANEL DOOR SOLID - LH
ID04	4 ID	PANEL DOOR SOLID - LH
ID05	5 ID	PANEL DOOR SOLID - RH
ID06	6 ID	PANEL DOOR W/GLASS - LH
ID07	7 ID	PANEL DOOR W/GLASS - RH
ID08	8 ID	PANEL DOOR W/GLASS - RH
ID09	9 ID	PANEL DOOR SOLID - RH
ID10	10 ID	PANEL DOOR SOLID - LH
ID11	11 D	PANEL DOOR SOLID - RH

EXISTING DOORS WITH TRANSOMS		
NUMBER	LABEL	DESCRIPTION
D01	1 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D02	2 D	PANEL DOOR W/GLASS & TRANS ABV - RH
D03	3 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D04	4 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D05	5 D	PANEL DOOR W/GLASS & TRANS ABV - RH
D06	6 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D07	7 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D08	8 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D09	9 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D10	10 D	PANEL DOOR W/GLASS & TRANS ABV - LH
D11	11 D	PANEL DOOR W/GLASS & TRANS ABV - RH

NOTES:
 CONTRACTOR TO VERIFY ALL EXISTING DOORS LISTED.
 >VERIFY DIMENSIONS & SWINGS
 >VERIFY THEY CAN BE USED IN NOTED LOCATIONS

REVISIONS			
Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT

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PAGE TITLE:
 PROPOSED APARTMENT LAYOUT

DRAWN BY:
 Kari Heid

DATE:
 12/5/2023

SCALE:
 1/8" = 1'-0"

SHEET #:
 A12

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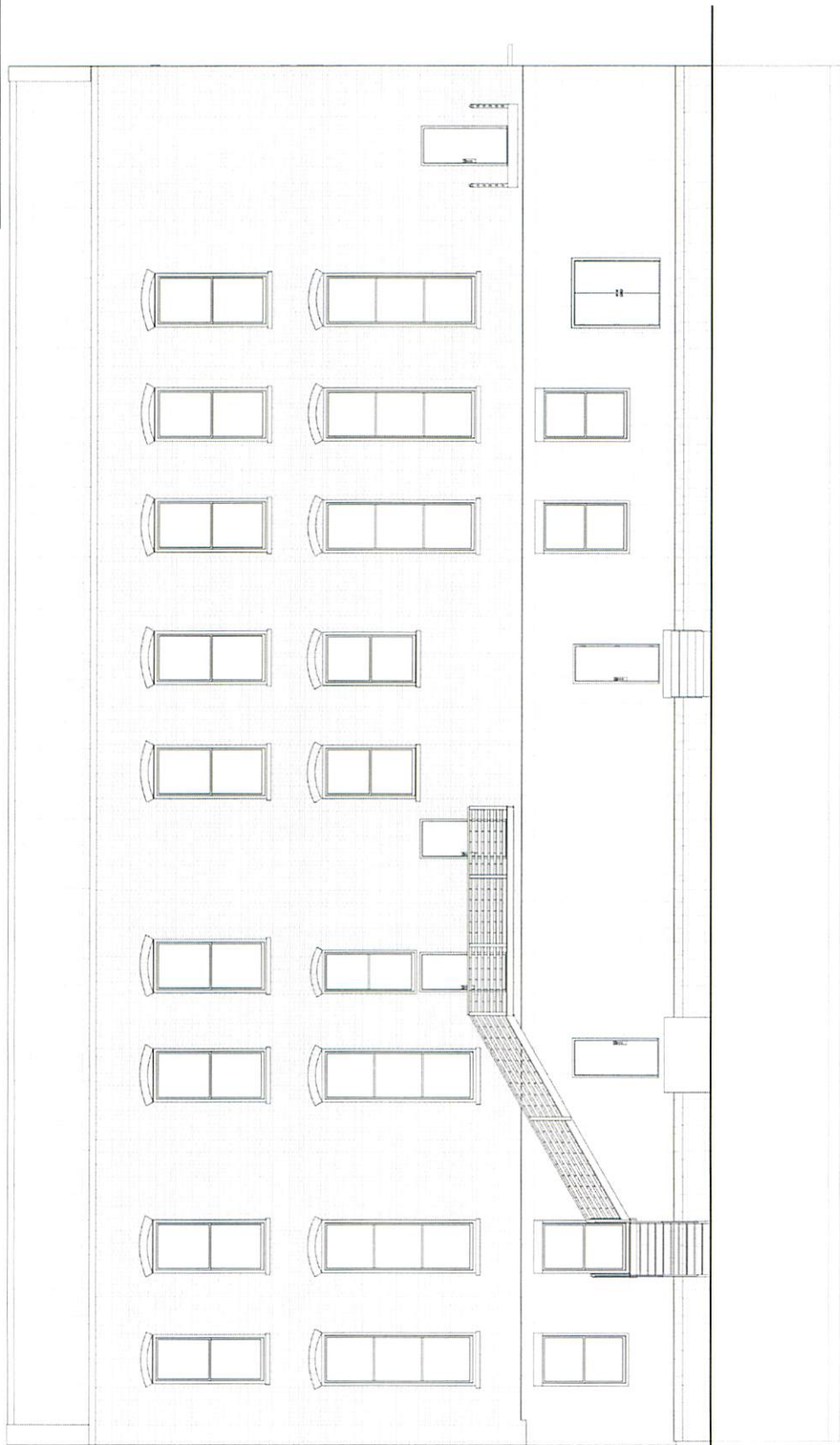
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PROPOSED
 ELEVATION

DRAWN BY: *Kari Heid*
 DATE: 12/5/2023
 SCALE: 1/4" = 1'-0"
 SHEET # A15

REVISIONS		
Number	Date	Description
1	12/5/23	REVISED STREET LEVEL LAYOUT



PROPOSED ELEVATION 1/4"=1'-0"

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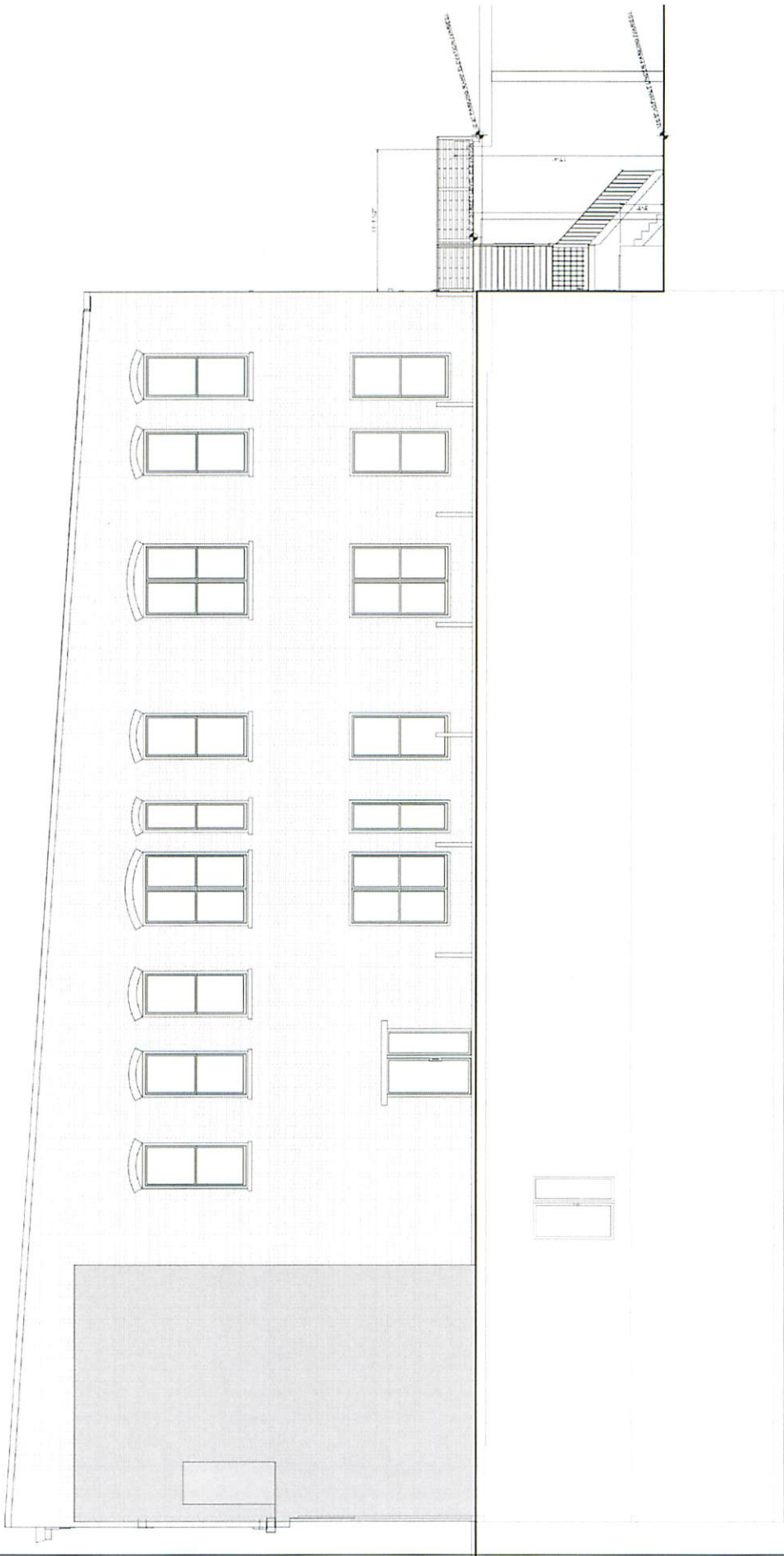
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 BIG LAKE, MN, 55304
 PHONE: 612-400-4215 EMAIL: rakdrafting@gmail.com

CLIENT: REDWING, MN 55066
 CELL: 415 MAIN STREET

PAGE TITLE: PROPOSED ELEVATION

DRAWN BY: *Kari Heid*
 DATE: 12/5/2023
 SCALE: 1/4" = 1'-0"
 SHEET #: A16

Number	Date	Revised By	Description
1	12/5/23	KARI HEID	REVISED STREET LEVEL LAYOUT



PROPOSED ELEVATION 1/4" = 1'-0"

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PROJECT PRINCEPS ARCHITECTS
ARCHITECTS
WHAT THE ARCHITECT HAS
LOOKED FOR IN THE
WALLS, FLOORS, CEILING,
SUSPENDED CEILING,
SUSPENDED LIGHTING

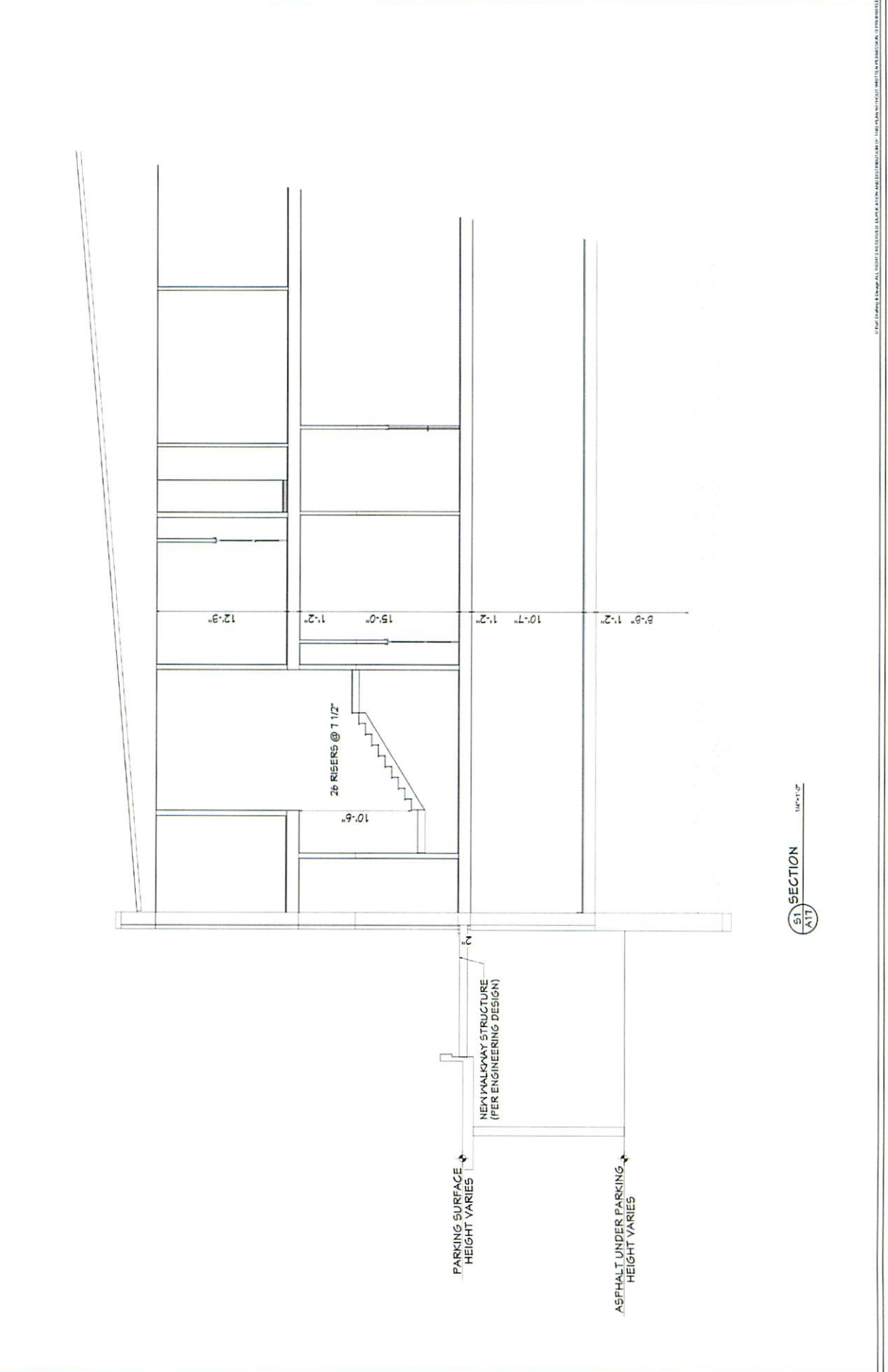
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BIG LAKE, MN, 55309
PHONE: 612-409-4215 EMAIL: rakdrafting@gmail.com

CLIENT: REDWING, MN 55066
PROJECT: 415 MAIN STREET
CELL: 11973-193RD-015

PAGE TITLE: BUILDING SECTION

DRAWN BY: *Kari Heid*
DATE: 12/5/2023
SCALE: 1/4" = 1'0"
SHEET #: A17

Number	Date	Revised By	Description
1	12/5/2023	KARI HEID	REVISED STREET LEVEL LAYOUT



SECTION 1/4" = 1'0"
A17

EXHIBIT II:
ORGANIZATIONAL
DOCUMENTS

Date of this notice: 02-06-2023

Employer Identification Number:
92-2169501

Form: SS-4

Number of this notice: CP 575 B

RW1 CAPITAL INVESTMENTS LLC
HEER DEEPAK PATEL MBR
2025 HIGHWAY 71 N
JACKSON, MN 56143

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 92-2169501. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

Taxpayers request an EIN for their business. Some taxpayers receive CP575 notices when another person has stolen their identity and are opening a business using their information. If you did **not** apply for this EIN, please contact us at the phone number or address listed on the top of this notice.

When filing tax documents, making payments, or replying to any related correspondence, it is very important that you use your EIN and complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information is not correct as shown above, please make the correction using the attached tear-off stub and return it to us.

Based on the information received from you or your representative, you must file the following forms by the dates shown.

Form 1065

03/15/2024

If you have questions about the forms or the due dates shown, you can call us at the phone number or write to us at the address shown at the top of this notice. If you need help in determining your annual accounting period (tax year), see Publication 538, *Accounting Periods and Methods*.

We assigned you a tax classification (corporation, partnership, estate, trust, EPMF, etc.) based on information obtained from you or your representative. It is not a legal determination of your tax classification, and is not binding on the IRS. If you want a legal determination of your tax classification, you may request a private letter ruling from the IRS under the guidelines in Revenue Procedure 2020-1, 2020-1 I.R.B. 1 (or superseding Revenue Procedure for the year at issue). Note: Certain tax classification elections can be requested by filing Form 8832, *Entity Classification Election*. See Form 8832 and its instructions for additional information.

A limited liability company (LLC) may file Form 8832, *Entity Classification Election*, and elect to be classified as an association taxable as a corporation. If the LLC is eligible to be treated as a corporation that meets certain tests and it will be electing S corporation status, it must timely file Form 2553, *Election by a Small Business Corporation*. The LLC will be treated as a corporation as of the effective date of the S corporation election and does not need to file Form 8832.

Office of the Minnesota Secretary of State Certificate of Organization

I, Steve Simon, Secretary of State of Minnesota, do certify that: The following business entity has duly complied with the relevant provisions of Minnesota Statutes listed below, and is formed or authorized to do business in Minnesota on and after this date with all the powers, rights and privileges, and subject to the limitations, duties and restrictions, set forth in that chapter.

The business entity is now legally registered under the laws of Minnesota.

Name: RW1 Capital Investments LLC

File Number: 1372345200023

Minnesota Statutes, Chapter: 322C

This certificate has been issued on: 02/06/2023



Steve Simon
Secretary of State
State of Minnesota



RED WING HOUSING & REDEVELOPMENT AUTHORITY

428 WEST FIFTH STREET, RED WING, MN 55066

TELEPHONE (651) 388-7571

FAX (651) 385-0551

TDD/TTY 711

WWW.REDWINGHRA.ORG

May 14, 2024

To: Red Wing HRA Board of Commissioners

From: Kurt Keena, Executive Director

Re: Executive Director's Report

Federal, State & Local Funding

Work on the 2025 Federal budget has begun. Proposed funding levels for HUD are about the same as this past year which were mostly stable or slightly increased. It is still much too early to have any clear ideas on the final funding levels.

We submitted an approximately \$900,000 application for Congressionally Directed Spending (CDS) to Senators Smith and Klobuchar to continue capital improvements at our shelter property.

We continue to monitor opportunities at the State level for additional funding for our properties and will be applying as soon as they are announced. Two that we know we will apply for for sure are the Housing Trust Fund match and the Naturally Occurring Affordable Housing (NOAH) for our Bluff View property.

State Legislative Session

The most significant bill we are watching at the State level is the one that further extends tenant protections begun last year. The outcome is far from certain at this time but we will know more as the session winds down later this month.

HRA in the News

The HRA was featured as one of the entities in the recent "Progress" edition of the Republican Eagle. The link to the article is here: https://www.republicaneagle.com/news/community-housing-and-redevelopment-authority-supports-community-vitality/article_2326de38-03e7-11ef-b3f1-77db522f4a5e.html



RED WING HOUSING & REDEVELOPMENT AUTHORITY

428 WEST FIFTH STREET, RED WING, MN 55066

TELEPHONE (651) 388-7571

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WWW.REDWINGHRA.ORG

May 14, 2024

To: Red Wing HRA Board of Commissioners

From: Corrine Stockwell, Finance Director

Re: Finance Report

Reserves Adjusted

Program	February 2024	March 2024
Public Housing	\$409,343	\$330,175
Housing Choice Vouchers (FSS and restricted included)	\$3,455	\$12,192
Redevelopment	\$941,182	\$814,201
AHTF	\$380,325	\$478,240
Bridges	\$0	\$0
Small Cities Program	\$360,786	\$359,984
Jordan Tower II	\$1,209,892	\$1,205,005
Total	\$3,304,983	\$3,199,797

Operating Budget Update

Category	YTD (March)	Budgeted	Variance
Revenues	\$986,240	\$1,341,799	-26%
Expenses	\$949,472	\$1,263,674	-25%
Net Income	\$36,768		

Notes to Financial Statements

- HCV increase is due to receiving additional HAP funds due to utilization
- AHTF increase is due to making the 2nd half of 2023 payment from tax levy. This was missed at the end of the year.
- Insurance-1st Quarter
 - Commercial- \$35,118 (payment 1 of 4)
 - Liability- \$6,435.07 (payment 1 of 4)
 - Auto- \$4,723 (Full year)
 - Workmen's Comp- \$30,314 (Full year paid in February and April)

Other Business

- Open Enrollment was April 24 with effective date of 6/1/24
- CD renewal at Minnesota First for JII funds. New APY of 5.0% from 3.65%
- CD renewal at Merchants for JII funds. New APY of 4.75%
- Spring Conference for MN NAHRO May 19-22

Committee Reports

Finance Committee Summary attached to this report.

RED WING HRA RESERVE ACCOUNTS
March 31, 2024 Month End

Program	Fund Account	29-Feb-2024	31-Mar-2024	31-Mar-2023
Jordan Tower I & Family Units	Unrestricted - CDs	\$ 44,573	44,573	42,925
	Unrestricted	\$ 315,698	302,401	149,232
	Restricted - Sec Dep	\$ 49,980	49,831	48,512
	Total	\$ 410,251	396,805	240,669
	Due to/from Redevelopment	907.85	66,629.92	9,694.46
Sec 8 Voucher	Unrestricted Cash	\$ 13,172	14,368	5,438
	FSS Escrow	\$ 0	0	18,011
	HAP Reserve Accl	\$ 3,426	11,280	16,238
	Total	\$ 16,598	25,648	39,687
	Due to/from Redevelopment	13,143.27	13,455.76	6,187.60
Redevelopment	MURL Investments	\$ 116,680	116,680	110,820
	Transitional Housing	\$ 0	0	0
	Bluff View	\$ 73,543	74,943	62,693
	Twin Homes	\$ 13,984	13,984	12,868
	Hill Street	\$ 11,585	12,268	2,437
	Restricted - Sec Dep	\$ 14,062	14,062	12,800
	Restricted - CDG	\$ 36,000	36,000	36,000
	ILSP	\$ -556	-1,154	-2,255
	Unrestricted	\$ 651,620	456,544	369,198
	Total	\$ 916,918	723,327	604,561
Bridges	Unrestricted	9,992	10,568	12,808
	Front Funded HAP	\$ 0	0	0
	Total	\$ 9,992	10,568	11,678
	Due to/from Redevelopment	9,992.39	10,568.39	12,808.39
AHTF	Unrestricted AHTF	\$ 380,325	478,240	334,293
	Program Income	0	0	0
	Total	\$ 380,325	478,240	333,888
	Due to/from Redevelopment	0.00	0.00	0.00
Small Cities	Small Cities Program	\$ 360,786	359,984	341,374
	Program Income	0	0	0
	Total	\$ 360,786	359,984	338,701
	Due to/from Redevelopment	0.00	0.00	0.00
Jordan II Tower	Unrestricted	\$ 1,169,209	1,164,798	1,191,012
	Restricted - Sec Dep	\$ 40,903	40,427	38,317
	City Bond Debt Escrow	\$ 0	0	0
	Total	\$ 1,210,112	1,205,225	1,220,427
	Due to/from Redevelopment	219.53	219.53	-51,418.87
Total Cash Reserves		3,304,983	3,199,797	2,802,721

Financial Institution	Funds	Funds	Funds
Associated Bank	2,610,558	2,518,760	2,283,439
Edward D Jones	107,569	107,813	106,738
First Minnesota	151,997	151,997	147,844
Merchant's Bank	434,859	421,227	264,700
	\$3,304,983	\$3,199,797	\$2,802,721



Red Wing Housing & Redevelopment Authority

428 West Fifth Street
Red Wing, MN 55066

Telephone & TDD (651) 388-7571
FAX (651) 385-0551

Website: www.redwinghra.org

SUMMARY

Finance Committee Meeting
HRA Office Conference Room
Tuesday, May 7, 2024 at 3:30pm
Agenda

In attendance: Glen Witham, Kristi Reuter, Kurt Keena, Corrine Stockwell, Steve Salvesson

3:30 pm Approval of Agenda 3:31PM

2023 Audit Presentation by Steve Salvesson of Smith Schafer

Recommend to Board of Commissioners

Consider approval of bids and award of a contract for concrete work at Deer Run and Featherstone properties.

Recommend to Board of Commissioners

Consider approval of AHTF and SCDFP loans for RW Capital Investments LLC and RW1 Capital Investments LLC.

Recommend to Board of Commissioners

4:30 pm Adjourn 4:47PM

Next Finance Committee Meeting; **Tuesday, June 4, 2024**, at 3:30 p.m.

Housing Board Report

Month Ending April 2024

Waiting List Numbers

	Jordan Tower I	Jordan Tower II	Family Public Housing	Housing Choice Voucher
March 2024	213	49	60	384
April 2024	132	40	44	237

HRA Owned Properties

	Jordan Tower I	Jordan Tower II	Family Public Housing Units	Market Rate Rentals (13)
Move-outs	4	0	0	0
Move-ins	3	1	0	0
Lease Terminations or Evictions this month	0	0	0	0
Occupancy Rate	96%	99%	100%	100%

Voucher Programs

Housing Choice Voucher		Monthly HAP Received	\$94,320
Allocated Vouchers	169	Monthly HAP Paid	\$92,091
Funded Vouchers	142	HAP Reserves	\$54,636
Leased Vouchers	145	Per Unit Cost	\$635
Utilization Rate for Vouchers	102%	Utilization Rate for Monthly Funding	98%
Move-ins	4	Shopping (includes PO)	30
Move-outs	2	Processing Applications	1

Bridges Rental Assistance	GY 2023-2025	Total Grant Awarded	\$225,792
Vouchers Leased	9	Available Balance	\$162,291
Awarded Vouchers	12	Grant Months remaining	14
Utilization of Vouchers	75%	Grant Funds Utilization	28%
Move-ins	0	Shopping	3
Move-outs	0	Processing Applications	5

Program/Project Updates

- NSPIRE (National Standards for Physical Inspection of Real Estate) Inspections
 - HRA had our first NSPIRE inspection scheduled for May 9, 2024 but it has been cancelled due to technical difficulties in the inspection software. Once this is fixed, the inspector will notify the HRA of the new date for the inspection.
- 2024 Capital Funding Program (CFP) Funding
 - On May 6, 2024, HUD announced the funding awards for CFP 2024. The Red Wing HRA will be receiving \$302,385. Staff will complete required paperwork to access these funds.
- Congressionally Directed Spending 2023
 - The Red Wing HRA was awarded \$100,000 to replace all of the flooring in Haven of Hope. Staff have worked through the process to access the funds and currently working on bid paperwork.
- Congressionally Directed Spending 2024
 - The HRA has received the official notification we were funded for \$175,000 towards the Hill Street Triplex. With this money, the sidewalks, windows and HVAC systems will be upgraded. Staff will begin the process to access the funds.
- Congressionally Directed Spending 2025
 - The HRA submitted an application for Haven of Hope Interior Improvements in the amount of \$867,801. The project consists of mainly comprehensive interior improvements as well as a few exterior improvements.
- Publicly Owned Housing Program (POHP 2024)- 1st round of funding
 - The Red Wing HRA submitted an application for numerous projects in Jordan Tower I in the amount of \$8,414,985. There was also an application submitted for the scattered family unit in the amount of \$2,046,153. We expect to hear what Minnesota Housing board decides on at the end of June 2024 and staff will bring the information to July board.
- Housing Authority Insurance (HAI) 2024 Funding
 - Staff is currently working on an application to submit by the end of May 2024. The scope of work for this project includes to repair concrete around all of Jordan Tower I & Jordan Tower II, restructuring the courtyard, and to replace the front railing of Jordan Tower I.

Homeless & Supportive Housing Updates

- Hope & Harbor Shelter
 - <http://www.rwhopeandharbor.com/>
 - 651-764-4294
- Monthly meetings staff attend to review and update on local resources
 - Homeless Response Team
 - Continuum of Care



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May 14, 2024

To: Red Wing HRA Board of Commissioners

From: Kurt Keena, Executive Director
Corrine Stockwell, Finance Director

Re: Community Redevelopment Report

Small Cities Program Income Notes Receivable and Cash Reserves

Category	March 2024
Notes Receivable	\$1,525,455
Forgivable	\$747,936
Reserves	\$359,984

Small Cities Loan Servicing and Activities

We have one more potential application pending in addition to the two that were on your agenda earlier.

Affordable Housing Trust Fund Activities and Reserves

There are no further pending applications at this time.

March reserves for AHTF are \$478,240.

TIF (Housing) District No. 8

The certification process for the last phase continues slowly. We hope to have that wrapped up in the next couple of months and then transition to ongoing monitoring of the district.

Housing & Redevelopment Related Update

Kurt has been working with Goodhue County Habitat as they consider applying to the State for a portion of the funding needed to put infrastructure under their Hope Heights property. The HRA could end up being the applicant on behalf of the City for these funds if they decide to proceed. We also worked with Habitat on a CDS application to Senators Smith and Klobuchar for the same purpose.

Hope Coalition also submitted a CDS application for their proposed new shelter and administrative campus project.