



**REGULAR MEETING OF THE
ST. CLOUD HRA BOARD OF COMMISSIONERS
Wednesday, May 27, 2020
5:00 P.M.**

Mission Statement: To enhance the communities we serve by providing housing opportunities, fostering stability, and promoting neighborhood revitalization.

**Members of the St. Cloud HRA Board of Commissioners will participate
in the May 27, 2020 meeting
by TELECONFERENCE rather than in-person**

**Chair Nancy Gohman will preside over the meeting
from the St. Cloud HRA Boardroom, 1225 W. St. Germain Street**

NOTICE for Meeting pursuant to **Minn. Stat. § 13D.021 - ST. CLOUD HRA BOARD OF COMMISSIONERS:**
In accordance with the requirements of the statute, because of the health pandemic, and to keep everyone safe by social distancing, it has been determined that an in-person meeting is not practical or prudent. Because of the health pandemic the regularly scheduled meeting of the St. Cloud HRA Board of Commissioners WILL BE moved up to 5:00 p.m. and HELD by teleconference ON WEDNESDAY, May 27, 2020. Because of the health pandemic, it has been determined that the physical presence of the meeting location, 1225 W. St. Germain Street, by members of the public is not feasible. Questions or comments prior to the meeting can be addressed with Executive Director Louise Reis at 320-252-0880 by noon on Wed, May 27, 2020. Materials for the meeting can be found at www.stcloudhra.com/BoardofCommissioners

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Mission Statement: To enhance the communities we serve by providing housing opportunities, fostering stability, and promoting neighborhood revitalization.

Regular Meeting Agenda:

1. Roll Call.

Consent Agenda:

2. Approval of Agenda. REQUESTED ACTION: Approve.
3. Approval of Regular Minutes, April 22, 2020. REQUESTED ACTION: Approve.
4. Approval of Wilson Apartments Roof Replacement. REQUESTED ACTION: Approve.
5. Approval of Wilson Apartments Tuckpointing. REQUESTED ACTION: Approve.
6. Approval of Empire Apartments Accessibility Upgrades. REQUESTED ACTION: Approve.
7. Set the Date for a Public Hearing on 110 Lot for June 24, 2020.
REQUESTED ACTION: Approve.
8. Set the Date for a Public Hearing for PHA Plan for 2021 for August 26, 2020.
REQUESTED ACTION: Approve.

Old Business: None.

New Business:

9. Approval of Resolution 2020-05 - Resolution of The Housing and Redevelopment Authority in and for The City of St. Cloud, Minnesota Approving the Terms of a \$1,250,500 Loan in Connection with Westwood Village Apartments Two, LP Project.
 - i. Promissory Note
 - ii. Combination Mortgage, Security Agreement and Fixture Financing Statement

10. Approval of HUD Waivers.
11. Approval of Actions Related to Short-Fall Prevention in the Housing Choice Vouchers Program.
12. Report on Activities.

Open Discussion:

Adjourn.

2020 HRA Board Meeting Schedule - 4th Wednesday each month at 6:00 pm; early meetings as needed. Note: November and December moved forward one week to accommodate holidays. December 16th meeting will begin at 4:00 p.m.

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ST. CLOUD HOUSING & REDEVELOPMENT AUTHORITY
REGULAR MINUTES

Wednesday, April 22, 2020

The regular meeting was held by **teleconference** for the St. Cloud HRA Board of Commissioners on Wednesday, April 22, 2020. Chair Nancy Gohman called the meeting to order from the St. Cloud HRA Boardroom at 5:00 p.m. All other Commissioners connected via call-in and responded by name and comment throughout the meeting.

The meeting was advertised for the 5:00 p.m. change due to COVID-19 staff scheduling [regular meetings are usually scheduled for 6:00 p.m.].

1. Roll call was taken and the following Commissioners were present: Seal Dwyer, Nancy Gohman, George Hontos, Jeff Goerger and Mike Conway. Absent: Abdi Daisane. [The board has one vacancy.]
2. Approval of Agenda – Commissioner Hontos requested to pull Item 8. Commissioner Goerger moved for approval of the remaining consent items and the agenda; Commissioner Dwyer seconded the motion.
3. Approval of Study Session Minutes, February 26, 2020 – approved as presented.
4. Approval of Regular Minutes, February 26, 2020 – approved as presented.
5. Approval of Emergency Meeting Minutes, March 25, 2020 – approved as presented.
6. Approval of Lawn Service Contract – contract approved for two years with the option of an additional two years to Minnesota Lawn Pros for Al Loehr, Brownstones, Cedar Ridge, Creeks, Eastwood, Empire, Flintwood, Grace McDowall, HRA Office, Northway B, Quarry Ridge, Riverside, Swisshelm Village One, Swisshelm Village Two, Westwood Village One, Westwood Village Two, Wilson, 214 19th Ave. N, 208 19th Ave. N and 152 19th Ave. N.; and, to DC Lawn Care for 814 Savanna Ave, 310 Laudensch Ct, 1618 Pine Cone Road and Meadows Edge parcels.
7. Approval of Radon Testing Contract – contract awarded to Home Safety Solutions Inc for St. Cloud HRA owned apartments, townhomes and single-family homes in the amount of \$44,130.
8. Approval of Refuse Removal & Recycling Services Contract – Commissioner Hontos moved for approval; Commissioner Goerger seconded the motion. Commissioner Hontos questioned the two bids received as one is significantly higher than the other. Paul Soenneker, Project Manager, responded that every company solicited and all ads for the contract were identical so he was unsure. He said the low bidder has the current contract so this could have contributed to their proposal. Noting this, Commissioner Hontos moved for approval to accept the contract bid of \$3,397.68 per month to Republic Services for two years and the renewal option for two additional years. All Commissioners responded by vote in favor. The motion carried.
9. Approval of 2019 Interfund Transfers – transfers approved for \$300,000 from the Public Housing Wilson Fund to the Public Housing Scattered Sites Fund; \$100,000 from the Central Office Cost Center to the Community Housing Fund.

10. Approval of Interfund and Related Entity Borrowings Necessary Due to COVID-19 Impacts – approved as requested.

11. Approval of Resolution 2020-03 Acceptance for the HUD CoC Rental Assistance Grants – awards accepted for three grants: \$348,504, \$80,124 and \$35,388.

Old Business:

12. Ratification of Policy 05.18 – Families First Corona Virus Response Act Policy – Karen Rizer, Finance Director, stated the Policy 05.18 went into effect on April 1, 2020 under Federal regulation. She said it would remain in effect until December 31, 2020, unless changes are issued by the Federal government. Commissioner Conway moved for approval; Commissioner Dwyer seconded the motion. All Commissioners responded by vote in favor. The motion carried.

New Business:

13. Approval of Resolution 2020-04 – Authorization for the Executive Director to sign the Housing Tax Credit Suballocator Joint Powers Agreement with Minnesota Housing for the 2021 Tax Credit Program – Louise Reis, Executive Director, introduced the item as an annual request to sign the agreement. She said this year’s allocation of \$155,100 is smaller than last year which was \$163,076. Commissioner Dwyer moved for approval; Commissioner Hontos seconded the motion.

Commissioner Hontos asked if the HRA could allocate the award to themselves and compile it for a couple of years. Ms. Reis responded no, and even if you could it would take a full-time staff person to run the program with expertise in this area and she did not feel it would pay off. Chair Gohman asked how much money would be needed for a project. Ms. Rizer said she was unsure, but could research and bring back to the Board some information. Commissioner Hontos said if it’s not feasible he understood that, but it would be nice to use it in the community if possible. There being no other questions the motion carried by vote unanimously.

14. Approval of Indemnification Agreement with Anna Marie’s Alliance – Ms. Reis explained the purpose of the agreement under the remodeling construction for the facility as the HRA holds the title to the property. She said the indemnification agreement holds the HRA harmless as outlined. Ms. Reis stated the agreement has been reviewed both by Anna Marie’s Alliance attorneys and HRA legal representation, Rinke Noonan. Commissioner Dwyer moved for approval; Commissioner Conway seconded the motion. All Commissioners responded by vote in favor. The motion carried.

15. Report on Activities – Ms. Reis highlighted her report beginning with the Germain Towers roof repairs being in progress. Mr. Soenneker said other than the terra cotta, which the materials are still on order, the repairs should be completed around May 1st.

Commissioner Hontos inquired on the status of the commercial rental space in Germain Towers. He said he understands the HRA needs to be paid but questioned if there could be a temporary repayment plan or a way to help the tenant during this COVID-19 closing of businesses. Ms. Rizer said she has responded to the tenant and told them the HRA would be flexible. Chair Gohman asked if there were any available programs for the tenant. Ms. Rizer said SBA loans are a possibility to which Ms. Reis said she had corresponded to them in conversation.

Commissioner Hontos asked if the staff was doing okay with all the changes of working through the COVID-19 pandemic. Staff members present, Louise Reis, Karen Rizer, Voucher Programs Manager Lori Lygre, Paul Soenneker and Administrative Services Manager Sandy Hunter all responded everything was busy but working out. Comments were made as to new ways of communicating and working that staff feels will prove beneficial in the future as well as now and that good things will come from this uncertain time.

[5:30 p.m. – Commissioner Dwyer left the meeting]

Discussion continued on how staff is meeting needs of clients through phone calls, email and the mail. Commissioner Hontos questioned how tenants were handling all the changes and if any behavioral issues were being encountered. Ms. Reis said in general, all tenants have been very quiet, cooperative and abiding by the Shelter in Place guidance, many wearing face masks, keeping their distance, and thanking staff for their continued work.

There being no further business the meeting adjourned at 5:40 p.m.

ATTEST:

Secretary, George Hontos

Chair, Nancy Gohman

TO: St. Cloud HRA Board of Commissioners
FROM: Paul Soenneker, Project Manager
DATE: May 11, 2020
SUBJECT: Approval of Wilson Apartment Roof Replacement 2020

Requested Action: Approve the contract with Granite City Roofing in the amount of \$178,475.00 to replace the ballast roof system on the high roof and the fully adhered roof system over the elevator and stairwell at Wilson Apartments.

Background: Wilson Apartments are owned and managed by the St. Cloud HRA. The high roof and roof over the elevator have been leaking and it was determined that they needed to be replaced. We solicited bids from four companies and advertised it in the St. Cloud Times and on the HRA website. We received bids from two companies as outlined below by the due date.

Bid

Granite City Roofing P.O. Box 1482 Sauk Rapids, MN 56379	\$178,475.00
McDowall Company P.O. Box 606 Waite Park, MN 56387	\$209,700.00

I believe the low bid we received is reasonable for the scope of work requested and therefore recommend awarding a contract to Granite City Roofing for the sum of \$178,475.00.

Frequency of Request: Once

Related Actions: None

Future Action: None

Relationship to Goals: Goal #2 St. Cloud HRA will promote fair housing and strive for high performance in HRA properties and housing subsidy programs.

Budget Impacts: This item will be funded through Capital Funds

TO: St. Cloud HRA Board of Commissioners
FROM: Paul Soenneker, Project Manager
DATE: May 11, 2020
SUBJECT: Approval of Contract for Tuckpointing at Wilson Apartments

Requested Action: Approve the contract with Kostreba Tuckpointing and Roofing, LLC in the amount of \$76,975.00 to scrape and paint first floor metal lintels, remove and replace caulking on first floor windows as necessary, spot point various cracked joints, remove and replace brick as needed and remove and replace all vertical and horizontal expansion joints on building at Wilson Apartments.

Background: Wilson Apartments are owned and managed by the St. Cloud HRA. Over the course of time the exterior of the building is showing wear and is in need of repair. We solicited proposals from 3 companies. We received proposals from 3 companies as outlined below.

Proposals

Building Restoration Corporation 1920 Oakcrest Ave. Suite 1 Roseville, MN 55113	\$173,412.00
D & D Construction P.O. Box 71 Rice, MN 56367	\$99,942.00
Kostreba Tuckpointing and Roofing, LLC 3701 118 th St. NW. Rice, MN 56367	\$76,975.00

I believe the low proposal we received is reasonable for the scope of work requested and therefore recommend awarding a contract to Kostreba Tuckpointing and Roofing, LLC. for the sum of \$76,975.00.

Frequency of Request: Once

Related Actions: None

Future Action: None

Relationship to Goals: Goal #2 - St. Cloud HRA will promote fair housing and strive for high performance in HRA properties and housing subsidy programs.

Budget Impacts: This item will be funded through Capital Funds.

TO: St. Cloud HRA Board of Commissioners
 FROM: Paul Soenneker, Project Manager
 DATE: May 11, 2020
 SUBJECT: Approval of Empire Apartment Accessibility Upgrades

Requested Action: Approve the contract with Kue Contractors in the amount of \$269,183.00 to complete accessibility upgrades at Empire Apartments.

Background: Empire Apartments are owned and managed by the St. Cloud HRA. The most recent Physical Needs Assessment that was completed on the property noted that one main level common bathroom and five apartment units needed to be ADA compliant. Therefore the two main level common bathrooms are being remodeled along with five apartment units. The project will be completed in five stages in order to accommodate tenant relocation into a temporary unit on site.

GLTArchitects, the architect hired by the St. Cloud HRA, solicited bids from eight contractors. The invitation for bids was placed on the HRA website and advertised in the St. Cloud Times. Five contractors submitted bids by the due date and time.

	<u>Bid</u>
Donlar Construction 601 28 th Ave. S. Waite Park, MN 56387	\$370,000.00
Kue Contractors 130 Central Ave. S. Watkins, MN 55389	\$269,183.00
Eagle Construction Company 515 9 th Ave. NW Little Falls, MN 56345	\$488,800.00
Bradbury Stamm Construction Winkelman 340 Highway 10 South St. Cloud, MN 56304	\$334,000.00
JS Cates Construction 2400 Cates Ranch Drive Hamel, MN 55340	\$417,000.00

I recommend awarding the contract to Kue Contractors in the amount of \$269,183.00.

Frequency of Request: Once

Related Actions: None

Future Action: None

Relationship to Goals: Goal #2 The St. Cloud HRA will promote fair housing and strive for high performance in HRA properties and housing subsidy programs.

Budget Impacts: This item will be funded through Capital Funds.

TO: St. Cloud HRA Board of Commissioners
FROM: Louise Reis, Executive Director
DATE: May 20, 2020
SUBJECT: Set Date for Public Hearing for Transfer of Property

Requested Action: Set the date for the public hearing for Wednesday, June 24, 2020 for the transfer of property located at 110 15th Avenue North, St. Cloud, Minnesota.

Background: The St. Cloud HRA is required to hold a public hearing prior to selling or transferring property to an individual or agency. The St. Cloud HRA is proposing to transfer the city lot located at 1308 11th Avenue South to Habitat for Humanity.

Frequency of Request: As needed.

Related Actions: None at this time.

Future Action: The public hearing and request for approval of the board will be held on Wednesday, June 24, 2020.

Relationship to Goals: Goal #1 – The St. Cloud HRA will be an active partner in neighborhood/community concerns regarding housing and neighborhoods.

Budget Impact: Funds from NSP (Neighborhood Stabilization Program) were used to purchase the property and demolish the blighted home.

TO: St. Cloud HRA Board of Commissioners
FROM: Louise Reis, Executive Director
DATE: May 19, 2020
SUBJECT: Set Date for Public Hearing for PHA (Public Housing Agency) Plan

Requested Action: Set date for the public hearing for the PHA Plan for the FY 2021 for Wednesday, August 26, 2020.

Background: The Department of Housing and Urban Development requires that all public housing authorities update their agency plan annually. The agency plan contains policies with regard to admissions, occupancy, maintenance, rent determinations, and capital improvements for public housing and policies for the Housing Choice Voucher program.

Frequency of Request: The PHA Plan must be updated annually.

Related Actions: The HRA Board of Commissioners approved the first PHA Plan in 2000.

Future Action: The public hearing will be held on Wednesday, August 26, 2020. I will provide a brief overview of the plan which will include the capital improvements. If no issues arise at the public hearing, I will be asking for approval of the plan.

Relationship to Goals: Goal #2 –St. Cloud HRA will promote fair housing and strive for high performance in HRA properties and housing subsidy programs.

Budget Impact: The PHA Plan needs approval in order for the St. Cloud HRA to receive funding from the Department of HUD.

To: St. Cloud HRA Board of Commissioners

From: Karen Rizer, CPA
Finance Director

Date: May 20, 2020

Subject: Resolution and Loan Documents for the HRA internally refinancing the debt of Westwood Village Apartments Two, LP (Westwood Two)

Requested Actions: Approve.

Background: Approximately one year ago, management and the Board discussed that the HRA would plan to internally refinance the Westwood Two debt when the U.S. Bank first mortgage on the property became due on June 10, 2020.

Due to cost cutting measures, these documents were drafted internally. Since Swisshelm Two was refinanced only one year ago, I felt comfortable in using those attorney-drafted documents as templates.

This loan is proposed with a fixed rate of 4% and semi-annual payments of \$39,000. This is an annual debt service of \$78,000. Annual debt service on the U.S. Bank loan was \$78,360.

Following this memo are the:

- Projected sources and uses of funds
- Resolution 2020-05
- Promissory Note
- Combination Mortgage, Security Agreement and Fixture Financing Statement

Options: Approve. (If deny or table, a special meeting will need to take place prior to the June 10 U.S. Bank maturity date.)

Frequency of Request: One time.

Related Actions: None.

Future Action: None.

Westwood 2 Debt Refinancing June 1, 2020

SOURCES	Dollar Amt	USES	Dollar Amt
New 1st mortgage from GP (HRA)	\$1,250,500	Payment of US Bank 1st mortgage balloon	\$716,825
Operating Deficits Reserve Balance at US Bank that will no longer be required once that loan is paid in full	\$49,735	Payment of GMHF 2nd mortgage and accrued interest	\$435,590
Cash on hand	\$86	Payment of GP (HRA) Loan #1	\$50,634
		Payment of GP (HRA) Loan #2	\$97,272
Total Sources:	\$1,300,321	Total Uses:	\$1,300,321

RESOLUTION NO. 2020-05

RESOLUTION OF THE HOUSING AND REDEVELOPMENT AUTHORITY IN AND FOR THE CITY OF ST. CLOUD, MINNESOTA APPROVING THE TERMS OF A \$1,250,500 LOAN IN CONNECTION WITH WESTWOOD VILLAGE APARTMENTS TWO, LP PROJECT

BE IT RESOLVED by the Board of Commissioners (the “Board”) of The Housing and Redevelopment Authority in and for the City of St. Cloud (the “Authority”), as follows:

Section 1. Recitals; Findings.

1.01 Pursuant to Minnesota Statutes, Sections 469.001 to 469.047, the Authority has been established and is authorized to exercise housing and redevelopment powers.

1.02 The Authority is the General Partner of Westwood Village Apartment Two, LP (the “Partnership”), which developed and owns the Westwood Village Apartments Two, a 32-unit low-income housing project (the “Project”).

1.03 The Partnership obtained a loan from U.S. Bank National Association for the Project and entered into a Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement dated September 2004 with U.S. Bank National Association (the “U.S. Bank Loan”).

1.04 The Partnership also obtained a loan from the Greater Minnesota Housing Fund for the Project and entered into a Combination Mortgage, Security Agreement and Fixture Financing Statement dated October 2005 with the Greater Minnesota Housing Fund (the “GMHF Loan”).

1.05 The Partnership also obtained loans from the Authority dated 2005 and 2006.

1.06 The Partnership has requested that the Authority loan \$1,250,500 to the Partnership in order to refinance the U.S. Bank Loan, the GMHF Loan, and previous Authority Loans.

1.07 The Authority and the Partnership desire that the loan be made pursuant to a Promissory Note in the principal amount of \$1,250,500 (the “Note”) and a Combination Mortgage, Security Agreement, and Fixture Financing Statement (the “Mortgage”), presented to this Board and on file in the office of the Executive Director.

Section 2. Approval of Loan to the Partnership.

2.01 The Board hereby approves the loan to the Partnership in accordance with the terms and conditions set forth in the Note and the Mortgage and ratifies and approves all actions taken by the Executive Director and the Finance Director of the Authority to complete the loan, as set forth in the Note and the Mortgage.

Section 3. Approval of Board for Actions by Partnership and St. Cloud HRA Holdings, LLC.

3.01 The Board hereby authorizes the Executive Director and the Finance Director of the Authority to act on behalf of the Authority as general partner of the Partnership and sole member of St. Cloud HRA Holdings, LLC in connection such loan, the Note and the Mortgage.

Dated: May 27, 2020.

Chair, Nancy Gohman

Attest:

Secretary, George Hontos

Commissioner _____ introduced the foregoing resolution and moved its adoption. The motion of the adoption of the foregoing Resolution was duly seconded by Commissioner _____ and, upon vote being taken, the following voted in favor thereof:

the following voted against the same:

the following were absent:

whereupon, said Resolution was declared duly passed and adopted, and approved and signed by the Chair and attested by the Secretary.

PROMISSORY NOTE

\$1,250,500.00

Date: June 1, 2020

FOR VALUE RECEIVED, the undersigned Westwood Village Apartments Two, LP, a Minnesota limited partnership (the "Borrower"), agrees to pay to the order of The Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota, a public body corporate and politic of the State of Minnesota (the "HRA") at 1225 West St. Germain Street, St. Cloud, Minnesota 56301, or such other place as the HRA may from time to time in writing designate, in lawful money of the United States of America, the principal sum of \$1,250,500.00 (the "Principal Amount") with simple interest at the fixed rate of 4.00% per annum (the "Interest Rate") on the unpaid balance thereof on the Maturity Date (as hereinafter defined). All payments from whatever source shall be first applied to interest and then to the Principal Amount on the unpaid balance thereof.

1. Definitions.

As used in this Note, the following terms have the following respective meanings:

Available Insurance and Awards. Hazard insurance proceeds, eminent domain awards and proceeds of sale under threat of eminent domain which are not applied to restoration.

Available Proceeds. The total purchase price payable in consideration of a Transfer of the Project.

Event of Default. As defined in paragraph 17 of the Mortgage.

Interest Rate. The interest rate charged under this Note shall be a fixed rate of four (4.00%) percent per annum. Simple interest (no compounding) shall be computed on the basis of a 365 day year.

Loan Proceeds. The proceeds of the loan made from the HRA to the Borrower repayment of which is governed by this Note.

Maturity Date. The earliest to occur of:

- (i) a declaration by the HRA pursuant to Section 3 of this Note that the Principal Amount and any interest accrued thereon is immediately due and payable;
- (ii) a Transfer;
- (iii) the adjudication in bankruptcy of any owner of the Mortgaged Property;
- (iv) a written declaration by the Borrower pursuant to the terms hereof that it desires to prepay this Note;
- (v) December 31, 2046.

Mortgage. The Combination Mortgage, Security Agreement and Fixture Financing Statement of even date herewith in favor of the HRA and securing this Note, as amended from time to time.

Mortgaged Property. The parcel of real property subject to the Mortgage, as described in the Mortgage.

Note. This Promissory Note, as from time to time amended.

Other Mortgages. Any mortgage, assignment or other security agreement, other than the Mortgage, constituting a lien on the Mortgaged Property or any part thereof.

Project. A 32-unit rental development for low income families known as Westwood Village Apartments Two.

Transfer. Any sale, conveyance, encumbrance or transfer (including transfer of full possessory rights), without the prior written consent of the HRA, of (i) the Mortgaged Property or any portion thereof or any interest therein, whether by lease, deed, mortgage deed, contract for deed or otherwise, (ii) a general partnership interest in Borrower, if a partnership, or (iii) a controlling interest in Borrower, if a corporation, whether in any case, for consideration or by gift, or in the event of death, or otherwise, and whether voluntarily, involuntarily or by operation of law; provided, however, that (a) a taking by eminent domain shall not be considered a Transfer unless it is a total taking in the sense that a substantial portion is vested in the condemning authority, or use of the property for its presently designated purposes is substantially impaired, and (b) a space lease of an apartment within the Mortgaged Property shall not be considered a Transfer.

2. Prepayment; Payment.

2.1 This Note may be prepaid in full or in part without penalty upon not less than five business days' written notice to the HRA. Partial prepayments shall be applied to sums last coming due hereunder.

2.2 The Principal Amount and all accrued and unpaid interest shall be paid as follows:

(i) Installments of principal and interest at the Interest Rate will be due and payable in semi-annual installments of \$39,000.00 each commencing on December 31, 2020, and continuing on each June 30th and December 31st thereafter through and including the Maturity Date, and shall be payable at the offices of the HRA. If any payment date is not a business day, such payment shall be payable on the next succeeding business day with the same effect as if paid on the payment date and without additional interest payable hereon.

(ii) All Available Insurance and Awards and Available Proceeds shall be applied to payment of all accrued and unpaid interest and the Principal Amount until all accrued and unpaid interest and the Principal Amount are paid in full.

(iii) Borrower shall pay the entire remaining Principal Amount and all accrued and unpaid interest on the Maturity Date.

3. Default. If an Event of Default shall occur, the HRA may declare the entire unpaid balance of the Principal Amount and accrued and unpaid interest immediately due and payable without notice. Failure by the HRA to declare the Principal Amount and accrued and unpaid interest payable by reason of an Event of Default shall not waive its right to make such a declaration upon the subsequent occurrence of the same or any other Event of Default.

4. Nonrecourse. Notwithstanding the provisions of this Note, the Mortgage or any other document, Borrower shall not be personally liable for payment of the indebtedness evidenced by this Note, and the HRA's sole recourse for payment of such indebtedness in the event of default shall be to pursue the security provided by the Mortgage and other instruments securing payment of this Note. Nothing in this Section 4 shall affect, limit or impair (i) the security provided by the Mortgage or any other document, (ii) the right to seek monetary judgment against Borrower or any owner of the

Mortgaged Property to the extent necessary to permit foreclosure of the Mortgage by action (except that Borrower shall not be personally liable for payment of any such judgment to the extent that the judgment is for payment of the indebtedness evidenced by this Note and no deficiency judgment will be sought or obtained against Borrower for payment of the indebtedness evidenced by this Note), (iii) the enforcement by the HRA of any other legal or equitable rights or remedies or any other provision of any instrument by which this Note is secured, or (iv) the personal liability of Borrower for the failure to observe or perform any of the covenants or obligations of the Mortgage and other instruments securing payment of this Note other than the obligation to pay the indebtedness evidenced by this Note.

5. Covenants of Borrower.

Borrower covenants that it (i) will comply with all of the terms and provisions of the Note and Mortgage, (ii) will use the Loan Proceeds solely for the purposes specified in the Note and Mortgage and only in connection with the Project located on the Mortgaged Property which provides housing for low income persons, (iii) will keep or cause to be kept full and complete records of the use by Borrower of the Loan Proceeds, and (iv) will make such records available to the holder hereof or its representatives upon request from time to time.

Borrower has agreed to use the proceeds of the Loan to refinance four loans, the proceeds of which were used to finance the construction and initial operations of the Project, and include (i) a loan from U.S. Bank National Association dated September 2004 (the "U.S. Bank Loan"); (ii) a loan from the Greater Minnesota Housing Fund dated October 2005 (the "GMHF Loan"); (iii) a loan from the Authority dated 2005; and (iv) a loan from the Authority dated 2006. On June 1, 2020, \$1,250,500 of the Loan Proceeds shall be advanced to Borrower to pay the outstanding principal and interest on those four loans.

The HRA has required, as a condition of making its loan to Borrower, that Borrower provide certain representations, warranties and covenants.

NOW, THEREFORE, to induce the HRA to make the Loan, Borrower agrees as follows:

5.1 Funds in the amount of \$1,250,500.00 borrowed pursuant to the Loan will be used solely to repay the four loans listed above used to fund the construction and initial operations of the Project, and in no event will such funds be or have such funds been used (i) to carry on any propaganda, or otherwise to attempt, to influence legislation (within the meaning of Section 4945(d)(1) of the Internal Revenue Code of 1986 (the "Code")), or (ii) to influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive (within the meaning of Section 4945(d)(2) of the Code). If any portion of such funds is used for a purpose which is not permitted hereby, Borrower will, upon demand, immediately repay to the HRA the amount of \$1,250,500.00. Borrower further agrees that if any portion of such funds is not needed for the purpose permitted hereby, Borrower will apply such unneeded amount toward prepayment of the Loan.

6. Miscellaneous.

6.1 This Note is secured by the Mortgage. All of the terms, covenants, conditions, provisions and agreements of the Mortgage are hereby made a part of this instrument to the same extent and with the same force and effect as if fully set forth herein.

6.2 The Borrower and others who may become liable for all or any part of this obligation, hereby agree to be jointly and severally bound by this Agreement and jointly and severally waive demand, protest, notice of nonpayment and any and all lack of diligence or delays in collection or enforcement hereof, and specifically consent to any extension of time, release of any party liable for this

obligation, including any maker, or acceptance of other security therefor. Any such extension or release may be made without notice to said party and without in any way affecting the liability of such party.

6.3 This Note may not be sold or transferred without the Investment Partnership's approval.

6.4 No failure or delay by the HRA to exercise any right or remedy under this Note shall waive such right or remedy.

6.5 The obligation of Borrower hereunder is independent of any other obligation Borrower may have to the HRA as a result of other indebtedness and Borrower shall have no right of set-off thereunder or hereunder.

6.6 This Note is made and delivered in Minnesota, and accordingly the clauses and provisions of this Note and the rights, payments, charges, indebtedness and other items hereby secured shall be construed and enforced according to the laws of the State of Minnesota.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed the day and year first above written.

WESTWOOD VILLAGE APARTMENTS TWO, LP
a Minnesota limited partnership

By: **THE HOUSING AND REDEVELOPMENT
AUTHORITY IN AND FOR THE CITY OF ST.
CLOUD, MINNESOTA**
Its General Partner

By: _____
Its: Executive Director

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

**COMBINATION MORTGAGE, SECURITY AGREEMENT AND
FIXTURE FINANCING STATEMENT**

THIS COMBINATION MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT is made and entered into on this 1st day of June, 2020, by Westwood Village Apartments Two, LP, a Minnesota limited partnership (“Mortgagor”), with its principal place of business located at 1225 West St. Germain Street, St. Cloud, MN 56301, to The Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota, a public body corporate and politic of the State of Minnesota (“Mortgagee”), with its principal place of business located at 1225 West St. Germain Street, St. Cloud, MN 56301.

WITNESSETH:

In consideration of Mortgagee lending, or agreeing to lend, to the Mortgagor, the sum of \$1,250,500.00, in hand paid to Mortgagor, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Mortgagor does hereby mortgage, grant, bargain, sell, and convey unto Mortgagee, its successors and assigns, forever, all the tract(s) or parcel(s) of land (the “Land”) located in the County of Stearns, State of Minnesota, described in **Exhibit A** attached hereto and made apart hereof.

TOGETHER WITH (i) all the buildings, structures, and other improvements now or hereafter erected on the Land, (ii) all building materials, supplies, and equipment now or hereafter located on the Land and suitable or intended to be incorporated or installed in any building, structure, or other improvement erected or to be erected on the Land, (iii) all lighting, heating, ventilating, air conditioning, sprinkling and plumbing fixtures, water and power systems, engines and machinery, boilers, ranges, ovens, dishwashers, carpeting, mirrors, mantels, furnaces, oil burners, elevators and motors, refrigeration, electrical equipment, storm and screen windows, doors, awnings and shades, and all other fixtures of every description now or hereafter found or used upon or appurtenant to the Land or any improvement thereon, (iv) all carpeting, drapes, curtains, furniture, furnishings, appliances, maintenance equipment, and all other personal property of Mortgagor now or hereafter installed or placed in or about, or used in connection with the use, operation, or maintenance of the Land or any building, structure, or other improvement or fixture, (v) all additions, accessions, increases, parts, fittings, accessories, replacements, substitutions, betterments, repairs, and proceeds of or to any or all of the foregoing, and (vi) all hereditaments, easements, appurtenances, rents, issues, profits, condemnation awards, royalties and mineral, oil and gas rights now and hereafter belonging or pertaining in any way to the Land or any

improvement or fixture now or hereafter located thereon (all of the foregoing, together with the Land, are called the "Mortgaged Property").

TO HAVE AND TO HOLD, the Mortgaged Property unto Mortgagee, its successors and assigns, forever.

PROVIDED, NEVERTHELESS, that if Mortgagor (i) shall pay to Mortgagee when due the sum of \$1,250,500.00 (the "Loan") together with interest thereon all in accordance with the terms of that certain Promissory Note of Mortgagor, of even date herewith, and any amendments, revisions, or substitutions thereof (cumulatively, the "Note") payable to the order of Mortgagee, with the Loan to be pursuant to the terms of the Note, and (ii) shall also pay all other sums, with applicable interest thereon, if any, as may be payable by Mortgagor to Mortgagee in accordance with this Mortgage, or the payment of which may now or hereafter be secured by this Mortgage, and which will be filed and of record in the office of the County Recorder in and for the County of Stearns, State of Minnesota, including, without limitation, all reasonable attorney's fees (the indebtedness evidenced by the Note, or any instrument issued in substitution therefor, or in renewal, or as a refinancing thereof, and all such other sums are collectively called the "Indebtedness"), and (iii) shall also keep and perform all and singular the covenants and warranties herein contained on the part of Mortgagor to be kept and performed, then this Mortgage shall be null and void; otherwise this Mortgage shall be and remain in full force and effect.

Mortgagor warrants and covenants that: (i) it is lawfully seized in fee simple of the Mortgaged Property that is real property as described in the attached Exhibit A, and is the absolute owner of the Mortgaged Property that is personal property, (ii) it has the right and power to mortgage and convey the Mortgaged Property, (iii) the Mortgaged Property is free from all liens, security interests, and encumbrances, except those listed in **Exhibit B** attached hereto and made a part hereof (the "Permitted Encumbrances"), (iv) Mortgagee shall quietly enjoy and possess the Mortgaged Property, (v) Mortgagor will warrant and defend the title to the Mortgaged Property against all claims, whether now existing or hereafter arising, and (vi) all buildings, improvements, and fixtures now or hereafter located on the Land are, or will be, located entirely within the boundaries of the Land. The foregoing warranties shall survive foreclosure of this Mortgage and shall run with the Land.

Mortgagor further covenants and agrees as follows:

1. PAYMENT OF INDEBTEDNESS AND COMPLIANCE WITH OTHER AGREEMENTS. Mortgagor will pay promptly when due the principal of and interest provided for in the Note, and all other Indebtedness, at the stated maturity date or earlier in the event of acceleration. The provisions of the Note are incorporated by reference into this Mortgage, as fully as if set forth at length herein.

In addition, Mortgagor will promptly and faithfully observe and perform all of the terms and provisions under, and will permit or suffer no default or event of default to occur under, any document evidencing any other lien or encumbrance on the Mortgaged Property, whether junior or senior to the lien of this Mortgage, which shall include, but not be limited to, the Permitted Encumbrances.

2. COMPLIANCE WITH LAWS. The improvements made and to be made upon the Land, and all plans and specifications regarding such improvements, comply with all municipal ordinances and regulations made or promulgated by lawful authority, and the same will upon completion comply with all such municipal ordinances and regulations, and with all rules of the applicable fire rating or inspection organization, bureau, association or office, which are now or may hereafter become applicable.

3. **USE OF MORTGAGED PROPERTY.** Mortgagor will not permit or suffer the use of any of the Mortgaged Property for any purpose other than the use for which the same is intended at the time of execution of this Mortgage. Mortgagor will keep the buildings and other improvements now or hereafter erected on the Land in good repair and condition, ordinary depreciation excepted. Mortgagor will not commit or permit waste, will not alter the design or structural character of any building now or hereafter erected on the Land without the prior written consent of Mortgagee, will not do any act or thing that would unduly impair or depreciate the value of the Mortgaged Property, and will not abandon the Mortgaged Property. It is the intent of the parties hereto that the Mortgagor may lease dwelling units within the Mortgaged Property to eligible tenants for residential purposes. Mortgagor will not remove from the Land any fixtures or personal property included in the Mortgaged Property unless the same is immediately replaced with like property, subject to the lien and security interest of this Mortgage, of at least equal value and utility. Mortgagor will comply with all present and future laws, ordinances, regulations, and requirements of any governmental body applicable to the Mortgaged Property and to the occupancy and operation thereof, including, without limitation, all applicable provisions of Minn. Stat. § 504B.178 with respect to any security deposits received by it, and all covenants required of it by the provisions of Minn. Stat. § 504B.161, subd. 1.

4. **MORTGAGOR'S DUTY TO PAY TAXES.** Mortgagor will pay, before a fine or penalty might attach for nonpayment thereof, all taxes, assessments and all other charges whatsoever levied upon or assessed, placed or made against the Mortgaged Property. Mortgagor will, upon written request by Mortgagee, promptly deliver to Mortgagee any receipts for the payment of such charges; provided, however, that Mortgagor need not pay any such taxes, assessments or other charges so long as Mortgagor shall in good faith contest such taxes, assessments or other charges by appropriate legal proceedings effective to prevent the enforcement of any lien created by such failure to pay, and to prevent the loss of any of the Mortgaged Property. Mortgagor likewise will pay all taxes, assessments, and other charges, levied upon or assessed, placed or made against, or measured by this Mortgage, or the recordation hereof, or the Indebtedness secured hereby.

5. **MORTGAGOR'S DUTY TO PAY UTILITIES.** Mortgagor will pay all charges made by utility companies, public or private, for electricity, gas, heat, water or sewer, furnished to or used in connection with the Mortgaged Property or any part thereof, and upon written request by Mortgagee; will promptly deliver to Mortgagee receipts for the payment of such charges; provided, however, that Mortgagor need not pay any such charges so long as Mortgagor shall in good faith contest such charges by appropriate legal proceedings effective to prevent the enforcement of any lien created by such failure to pay, and to prevent the loss of any of the Mortgaged Property.

6. **INSURANCE.** Unless waived in writing by Mortgagee, Mortgagor will, at its own expense, (i) maintain title insurance insuring the interest of Mortgagee in the Mortgaged Property, (ii) maintain liability insurance on the Mortgaged Property that names Mortgagee as an additional named insured, and (iii) keep the improvements now existing or hereafter erected on the Mortgaged Property insured against loss by fire and such other hazards, casualties, and contingencies as may be specified from time to time by Mortgagee. Such insurance shall (iv) be evidenced by standard form insurance policies, (v) be in such amounts as may be required by Mortgagee, (vi) be endorsed with a standard Mortgagee clause with loss payable to Mortgagee, (vii) have a replacement cost endorsement, and (viii) be deposited with Mortgagee, and in default thereof Mortgagee shall have the right to effect insurance at the expense of Mortgagor. Mortgagor shall pay all premiums on such insurance at least 10 days prior to the date that the premium on each policy shall become due and payable, subject to the escrow provisions set forth in Section 7 hereof. At the written request of Mortgagee, Mortgagor shall promptly furnish to Mortgagee all written notices and all paid premium receipts received by Mortgagor. In the event of loss, Mortgagor shall give prompt notice by mail to the insurance carrier and Mortgagee, and Mortgagee may make proof of loss if not made promptly by Mortgagor. Mortgagee is hereby authorized in the event of loss to

compromise and settle all loss claims on said policy on such terms as it deems appropriate. Mortgagor shall promptly furnish to Mortgagee a copy of any proof of loss given to the insurance carrier.

If the Mortgaged Property, or any part thereof, shall be damaged by fire or other insured hazard, the amounts paid by any insurance company shall be paid to Mortgagee, to the extent of the Indebtedness then remaining unpaid, and, at the option of Mortgagee, all or any part of such amount may be applied in reduction of the Indebtedness, or released for the repairing or rebuilding of the Mortgaged Property. All policies of insurance and any and all refunds of unearned premiums are hereby assigned to Mortgagee as additional security for the payment of the Indebtedness. In the event of foreclosure of this Mortgage, all right, title and interest of Mortgagor in and to any insurance policies then in force shall pass to the purchaser on foreclosure. Notwithstanding anything to the contrary contained in this Section 6, or in Section 13 relating to condemnations, Mortgagee agrees that, for the term of this Mortgage, in the event of a loss by fire or other hazard or a partial taking in condemnation permitting repair or restoration of the Mortgaged Property, then Mortgagee shall, provided that the amount of condemnation or insurance proceeds plus any other monies that Mortgagor deposits with Mortgagee are sufficient, in Mortgagee's sole discretion, to fully repair or restore the Mortgaged Property to its condition immediately prior to such loss or partial taking, authorize the release of such insurance proceeds or apply such condemnation awards to the repair or restoration of the Mortgaged Property.

7. **NO SALE OR LEASE.** Mortgagor shall not sell, assign, convey, transfer, lease or otherwise encumber the Mortgaged Property without the express written consent of Mortgagee, which consent will be given in cases of:

A. Grant of easements, licenses, or lights-of-way over, under, or upon the Mortgaged Property that, in the opinion of Mortgagee, do not destroy or diminish its usefulness for the purpose intended.

B. Lease of the Mortgaged Property, or a part thereof, to a third party for the purpose of operation of a housing development, provided that the proposed lessee is approved by Mortgagee and such lease is permitted by law, and is subject to all of the terms, provisions, and limitations of this Mortgage.

C. [Intentionally Omitted]

D. Sale, exchange or lease of a portion of the Mortgaged Property on which no building or structure is situated and which in Mortgagee's opinion is not needed for operation of the Mortgaged Property; provided, however, that the value of the remaining portion of the Mortgaged Property, in Mortgagee's sole opinion, exceeds the then-remaining outstanding principal balance of the Loan and any other indebtedness owed by Mortgagor to any mortgagee, which indebtedness is also secured by the Mortgaged Property.

E. Sale to another eligible mortgagor approved by resolution of Mortgagee, who assumes all obligations of Mortgagor under this Mortgage and accompanying documents, in which case Mortgagee may, in its discretion, release Mortgagor. Mortgagee specifically agrees to approve such a sale if: (i) Mortgagor is then not in default of any of its agreements with Mortgagee, whether such agreements involve the Loan or some other loan that is secured by the Mortgaged Property, (ii) the proposed assignee agrees to be bound by the provisions contained in the Regulatory Agreement and is capable of performing all of the duties specified therein, and (iii) the proposed assignee is creditworthy in Mortgagee's sole opinion. If Mortgagee authorizes such sale and assumption, then the interest rate and payment terms set forth in the Note shall be unchanged as a result of such sale and assumption.

For purposes of this Section 7, a sale, assignment, conveyance, or transfer of the Mortgaged Property includes, but is not limited to, (i) a transfer by Mortgagor, in whole or in part, (ii) a transfer by a party having a substantial interest in Mortgagor, (iii) transfers by more than one party of interests aggregating a substantial interest in Mortgagor, or (iv) any other similarly significant change in the ownership of interests in Mortgagor, or in the relative distribution of interests by any other method or means.

The term “substantial interest” means the interest of any individual owner, joint tenant, or tenant in common, general partner, any limited partner or member having a 25% or more interest in the organization, any corporate officer or director, and any stockholder having a 10% or more interest in the organization.

If Mortgagor is a limited partnership, then for purposes of this Section 7, the sale of limited partnership interests in Mortgagor to limited partners and the transfer of such interests will not be deemed to be a transfer requiring the prior consent of Mortgagee.

8. **ADDITIONAL FINANCING.** Mortgagor will not, without the prior written consent of Mortgagee, grant or create any mortgage lien or consensual security interest on the Mortgaged Property, whether superior or subordinate to the lien created by this Mortgage, other than the lien and security interest of this Mortgage and the Permitted Encumbrances.

9. **ADDITIONAL LIENS.** Mortgagor will keep the Mortgaged Property free from all liens, other than the Permitted Encumbrances, whether superior or subordinate to this Mortgage and, upon written demand of Mortgagee, will promptly pay and procure the release of any lien, whether arising prior or subsequent to the execution of this Mortgage, which in any way may, in the judgment of Mortgagee, impair the security of this Mortgage; provided, however, that Mortgagor need not discharge any such lien so long as it shall agree to pay the obligation secured by such lien in a manner acceptable to Mortgagee, or shall in good faith contest such lien by appropriate legal proceedings effective to prevent the enforcement of the lien and the loss of any of the Mortgaged Property.

10. [Intentionally Omitted]

11. **PROTECTION OF MORTGAGEE’S SECURITY.** If Mortgagor fails to perform any of the covenants and agreements contained in this Mortgage, or if any action or proceeding is commenced that does or may adversely affect the Mortgaged Property or the interest of Mortgagor or Mortgagee therein, or the title of Mortgagor thereto, then Mortgagee, at its option, and without waiving other remedies, may perform such covenants and agreements, defend against and investigate such action or proceeding, and take such other action as it deems necessary to protect its interest.

12. **CONDEMNATION.** Mortgagor hereby irrevocably assigns to Mortgagee any award or payment that becomes payable by reason of any taking of the Mortgaged Property, or any part thereof, either temporarily or permanently, in or by condemnation or other eminent domain proceedings, or by reason of sale under threat thereof, or in anticipation of the exercise of the right of condemnation or other eminent domain proceedings; provided, however, there shall be no application of condemnation proceeds to the Loan without Mortgagor’s Investment Partnership’s approval. Mortgagor will file and prosecute in good faith and with due diligence what would otherwise be its claim in any such award or payment, and will cause the same to be collected and paid over to Mortgagee, and Mortgagor irrevocably authorizes and empowers Mortgagee (which power is coupled with an interest and is irrevocable), in the name of Mortgagor or otherwise, to file, prosecute, settle, or compromise any such claim, and to collect receipt for and retain the same. The proceeds of the award of payment may, after deducting all reasonable costs and

expenses that may have been incurred by Mortgagee in the collection thereof, at the sole discretion of Mortgagee, be released to Mortgagor, applied to restoration of the Mortgaged Property, or applied in reduction of the Indebtedness secured hereby.

13. **INSPECTION.** Mortgagee, or its agents, may at all reasonable times enter upon the Mortgaged Property for the purposes of inspection. Mortgagee shall have no duty to make such inspection, and shall not be liable to Mortgagor or any person in possession if it makes such inspection. Mortgagee, or its agents, shall also have the right at all reasonable times to examine the books and records of Mortgagor pertaining to the Mortgaged Property, and to make extracts therefrom and copies thereof.

14. **NO DISCRIMINATION.** So long as this Mortgage and the Note secured hereby are held by Mortgagee, Mortgagor will not execute or file for record any instrument that imposes a restriction upon the sale or occupancy of the Mortgaged Property on the basis of race, creed, color, religion, or sex.

15. **SECURITY INTEREST.** This Mortgage shall constitute a security agreement with respect to, and Mortgagor hereby grants Mortgagee a security interest in, all of Mortgagor's accounts, equipment, personal property, and fixtures, and all proceeds thereof, presently or hereafter used in the operation of the Mortgaged Property. Mortgagor hereby authorizes Mortgagee at any time and from time to time to file any and all financing statements covering such personal property and fixtures (in a form satisfactory to Mortgagee) that Mortgagee may reasonably consider necessary or appropriate to perfect its interest.

16. **PREPAYMENT.** The Note provides that the Indebtedness may be prepaid, in whole or in part, at any time and without any prepayment premium, upon not less than five business days written notice to the Mortgagee.

17. **EVENTS OF DEFAULT.** Each of the following occurrences shall constitute an event of default hereunder (an "Event of Default"):

A. Mortgagor shall fail to pay the Note in accordance with its terms or shall fail duly to perform or observe any of its covenants or commitments contained in this Mortgage, or in any other mortgage lien or other consensual security interest on the Mortgaged Property, whether or not authorized by Mortgagee, or in any other agreement referred to herein, and such failure shall continue for 30 calendar days (or with respect to other agreements incorporated herein, such failure shall not be cured with n the number of days specified therein).

B. Any warranty of title made by Mortgagor in this Mortgage shall be broken.

C. Any representation or warranty made by Mortgagor in any of the agreements identified or referred to herein, or in any financial statements or reports submitted to Mortgagee by or on behalf of Mortgagor, shall prove false or materially misleading.

D. Mortgagor shall make an assignment for the benefit of its creditors, or shall be dissolved, or shall commit an act of bankruptcy under the United States Bankruptcy Act (as now or hereafter amended), or shall admit in writing its inability to pay its debts as they become due, or shall file a petition in bankruptcy, or shall become or be adjudicated a bankrupt or insolvent, however defined, or shall file a petition seeking any reorganization, dissolution, liquidation, arrangement, composition, readjustment, or similar relief under any present or future bankruptcy or insolvency statute, law, or regulation or shall file an answer admitting to or not contesting the material allegations of a petition filed against it in such proceedings, or shall not, within 30 days after the filing of such a petition against it, have the same dismissed or vacated, or shall seek or

consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of a material part of its properties, or shall not, within 30 days after the appointment (without its consent or acquiescence) of a trustee, receiver, or liquidator of any material part of its properties, have such appointment vacated.

E. Mortgagor shall abandon the Mortgaged Property.

18. **ACCELERATION; FORECLOSURE.** Upon the occurrence of any Event of Default, or at any time thereafter until such Event of Default is cured to the written satisfaction of Mortgagee, Mortgagee may, at its option, exercise one or more of the following rights and remedies available to it:

A. Mortgagee may declare immediately due and payable all unmatured Indebtedness secured by this Mortgage, and the same shall thereupon be immediately due and payable, without notice or demand.

B. Mortgagee shall have and may exercise, with respect to all personal property and fixtures that are part of the Mortgaged Property, all the rights and remedies accorded upon default to a secured party under the Uniform Commercial Code, as in effect in the State of Minnesota. If notice to Mortgagor of intended disposition of such property is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 20 hereof) at least 10 calendar days prior to the date of intended disposition.

C. Mortgagee may (and is hereby authorized and empowered to) foreclose this Mortgage by action or advertisement, pursuant to the statutes of the State of Minnesota in such case made, and provided, power being expressly granted to sell the Mortgaged Property at public auction, and convey the same to the purchaser in fee simple, and out of the proceeds arising from such sale, to pay all Indebtedness secured hereby with interest and all costs and charges of such foreclosure, and the maximum attorney's fees permitted by law, which costs, charges, and fees Mortgagor agrees to pay; and

THE UNDERSIGNED MORTGAGOR HEREBY EXPRESSLY CONSENT(S) TO SALE OF THE MORTGAGED PROPERTY BY ADVERTISEMENT PURSUANT TO MINNESOTA STATUTES, CHAPTER 580, WHICH PROVIDES FOR THE SALE AFTER SERVICE OF NOTICE THEREOF UPON THE OCCUPANT OF THE MORTGAGED PROPERTY AND PUBLICATION OF SAID NOTICE FOR SIX WEEKS IN THE LOCALITY. SERVICE MAY NOT BE MADE UPON MORTGAGOR PERSONALLY, AND NO HEARING OF ANY TYPE IS REQUIRED IN CONNECTION WITH THE SALE. EXCEPT AS REQUIRED BY THE AFORESAID STATUTORY PROVISIONS, THE UNDERSIGNED HEREBY EXPRESSLY WAIVE(S) ANY AND ALL RIGHTS TO NOTICE OF SALE OF THE MORTGAGED PROPERTY AND ANY AND ALL RIGHTS TO A HEARING OF ANY TYPE IN CONNECTION WITH THE SALE OF THE MORTGAGED PROPERTY.

D. Mortgagee shall be entitled, without notice and without any showing of waste of the Mortgaged Property, inadequacy of the Mortgaged Property as security for the Note, or insolvency of Mortgagor, to the appointment of a receiver of the rents and profits of the Mortgaged Property, including those past due.

19. **FORBEARANCE NOT A WAIVER; RIGHTS AND REMEDIES CUMULATIVE.** Any delay by Mortgagee in exercising any right or remedy provided herein or otherwise afforded by law or equity shall not be a waiver of or preclude the exercise of such right or remedy. All such rights and remedies shall be distinct and cumulative and may be exercised singly or serially (in any order) or

concurrently, and as often as the occasion therefor arises. Mortgagee's taking action pursuant to Sections 3, 10 or 11 hereof, or receiving proceeds, awards, or damages pursuant to Sections 6, 11 or 12 hereof, shall not impair any right or remedy available to Mortgagee under Section 18 hereof.

20. **NOTICES.** Except as otherwise provided herein, whenever any approval or notice on behalf of Mortgagee is required under this Mortgage, or whenever any action on behalf of Mortgagee is required or permitted, the Commissioner of Mortgagee shall have the power and right to approve, give notice or act on behalf of Mortgagee. Any notice from Mortgagee to Mortgagor under this Mortgage shall be deemed to have been given by Mortgagee and received by Mortgagor when personally delivered or mailed by certified mail by Mortgagee to Mortgagor at the following address:

Westwood Village Apartments Two, LP
c/o St. Cloud Housing and Redevelopment Authority
1225 West St. Germain Street
St. Cloud, MN 56301
Attention: Executive Director

With a copy to:

St. Cloud HRA Holdings, LLC
c/o St. Cloud Housing and Redevelopment Authority
1225 West St. Germain Street
St. Cloud, MN 56301
Attention: Executive Director

or at such other address as Mortgagor may designate to Mortgagee. Any notice from Mortgagor to Mortgagee under this Mortgage shall be deemed to have been given by Mortgagor and received by Mortgagee when personally delivered or mailed by certified mail by Mortgagor to Mortgagee at the following address:

The Housing and Redevelopment Authority in and for the City of St. Cloud,
Minnesota
1225 West St. Germain Street
St. Cloud, MN 56301

or at such other address as Mortgagee may designate to Mortgagor.

21. **GOVERNING LAW; SEVERABILITY.** This Mortgage shall be governed by the laws of the State of Minnesota. In the event that any provision or clause of this Mortgage conflicts with applicable law, such conflict shall not affect any other provision of this Mortgage that can be given effect without the conflicting provisions, and to this end the provisions of this Mortgage are declared to be severable.

22. **MISCELLANEOUS RIGHTS OF MORTGAGEE.** Mortgagee may, at any time and from time to time without notice, release any person liable for the payment of any Indebtedness, extend the time or agree to alter the terms of payment of any Indebtedness, release any property securing any Indebtedness, consent to the making of any plat or map of the Mortgaged Property or the creation of any easement thereon or any covenants restricting use or occupancy thereof, or agree to alter or amend the terms of this Mortgage in any way, all without in any way affecting the liability of any person (other than the person so released), or the validity or priority of this Mortgage (except as it covers property so

released). Any personal property remaining upon the Mortgaged Property after the Mortgaged Property has been possessed or occupied by Mortgagee or its agent following foreclosure of this Mortgage, or under any deed in lieu of foreclosure, shall be conclusively presumed to have been abandoned by Mortgagor.

23. **OTHER DEBT.** This Mortgage shall also secure, and the Indebtedness shall also include, any and all other advances heretofore or at any time hereafter made to Mortgagor by Mortgagee, and all other Indebtedness of any and every type and description now or hereafter owed to Mortgagee by Mortgagor, unless (in the case of any such advance or indebtedness) Mortgagee has otherwise agreed in writing; provided, however, that notwithstanding such provision, Mortgagee shall not be obligated to make any such advance or to permit or suffer the creation of any such indebtedness.

24. **FIXTURE FILING.** From the date of its recording, this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all goods constituting part of the Mortgaged Property as described above, which are or are to become fixtures, related to the real estate described herein. For this purpose, the following information is set forth:

- A. Name and Address of Debtor:
Westwood Village Apartments Two, LP
c/o St. Cloud Housing and Redevelopment Authority
1225 West St. Germain Street
St. Cloud, MN 56301
- B. Type of organization: Limited Partnership
- C. Debtor's jurisdiction is the State of Minnesota.
- D. Name and Address of Secured Party:
The Housing and Redevelopment Authority in and for the City of St. Cloud,
Minnesota
1225 West St. Germain Street
St. Cloud, MN 56301
- E. This document covers goods that are to become fixtures.

25. **WAIVER OF MARSHALLING.** Mortgagor waives and releases any right to have the Mortgaged Property marshalled.

26. **SUCCESSORS AND ASSIGNS BOUND; NUMBER; GENDER; JOINT AND SEVERAL LIABILITY; CAPTIONS.** The covenants and agreements contained herein shall bind, and the rights conferred hereby shall inure to, the respective heirs, legal representatives, successors, and assigns of Mortgagee and Mortgagor. Wherever used, the singular number shall include the plural, and the plural the singular; and the use of any gender shall apply to all genders. All covenants and agreements of Mortgagor shall be joint and several. The captions and headings of the sections of this Mortgage are for convenience only and are not to be used to interpret or define the provisions hereof.

27. **EXCULPATION.** The covenant of Mortgagor to pay principal and interest, if any, is included in the Note secured hereby for the purpose of establishing and continuing the existence of the Indebtedness; however, it is a condition of said covenant that in the event of default under the terms hereof, Mortgagee shall take no action against Mortgagor, or if applicable its partners or members, except such as may be necessary to subject the Mortgaged Property to the satisfaction of the Indebtedness, and

neither Mortgagor nor any of its partners or members shall have any personal liability for the payment thereof.

28. **ADDITIONAL COVENANTS.** Mortgagor covenants and agrees as follows:

A. Mortgagor represents and warrants that (i) Mortgagor's exact legal name as indicated in the public record in the jurisdiction in which Mortgagor is organized, if any, is as set forth in Section 24 hereof, and (ii) all information in Section 24 hereof with respect to Mortgagor's type of organization, jurisdiction and address is accurate.

B. Mortgagor covenants that (i) Mortgagor will not change its name, place of business, chief executive office, mailing address, or organizational number, if any, without providing not less than 30 days' prior written notice to Mortgagee, and (ii) Mortgagor will not change its type of organization, jurisdiction of organization or other legal status without the written consent of Mortgagee.

(THE REMAINING PORTION OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage the day and year first above written.

MORTGAGOR:

WESTWOOD VILLAGE APARTMENTS TWO, LP
a Minnesota limited partnership

By: **THE HOUSING AND REDEVELOPMENT
AUTHORITY IN AND FOR THE CITY OF ST.
CLOUD, MINNESOTA**
a public body corporate and politic of the City of St. Cloud
General Partner

By: _____
Its: Executive Director

STATE OF MINNESOTA)
) ss
COUNTY OF STEARNS)

The foregoing instrument was acknowledged before me this 1st day of June, 2020, by Louise Reis, Executive Director of The Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota, a public body corporate and politic of the City of St. Cloud, general partner of Westwood Village Apartments Two, LP, a Minnesota limited partnership, on behalf of the authority and the limited partnership

Notary Public

EXHIBIT A
LEGAL DESCRIPTION

That part of Lot Eight (8), Block Two (2), Westwood Parkway, City of St. Cloud, Stearns County, Minnesota, according to the recorded plat thereof, which lies easterly and southeasterly of the following described line; Commencing at the Northeasterly corner of said Lot 8, Block 2; thence South 62°33'21" West, on an assumed bearing, along the northerly line of said Lot 8, Block 2, a distance of 197.61 feet, to the point of beginning of the line to be described; thence South 14°34'21" West, a distance 65.89 feet, thence South 00°00'00" West, a distance of 172.58 feet; thence North 90°00'00" West, a distance of 85.47 feet; thence South 00°00'00" West, a distance of 48.32 feet; thence South 45°00'00" West, a distance of 75.92 feet, to the southwesterly line of said Lot 8, Block 2, and said line there terminating.

Together with a non-exclusive perpetual roadway access and utilities easement over, on, through and across, under and within the following described real property:

A 30 foot wide easement for roadway access and utility purposes lying over, under and across part of Lot Eight (8) and Lot Nine (9), Block Two (2), Westwood Parkway, according to the recorded plat thereof, Stearns County, Minnesota. The center line of said easement is described as follows:

Beginning at the most northerly corner of said Lot Nine (9); thence South 75° 23' 15" east, assumed bearing, along the northerly line of said Lot Nine (9), a distance of 329.56 feet; thence southeasterly, a distance of 39.62 feet, along the northeasterly line of said Lot Nine (9), being a tangential curve, concave to the southwest, having a radius of 42.00 feet and a central angle of 54°03'13"; thence South 21°20'03" East, tangent to said curve, along said northeasterly line of Lot Nine (9), a distance of 62.00 feet and there terminating.

The side lines of said easement shall be prolonged or shortened to terminate on the westerly lines of said Lots Eight (8) and Nine (9).

EXHIBIT B PERMITTED ENCUMBRANCES

1. Real estate taxes and special assessments due and payable in the year 2020 and thereafter.
2. Drainage and utility easement(s) as shown on the recorded Plat of Westwood Parkway.
3. Terms and conditions of Certificate, dated 3-21-01, filed of record 3-30-01, as Document No. 962256.
4. License Agreement by and between The County of Stearns, the Housing & Redevelopment Authority in and for the City of St. Cloud, Cobom Land Company, Inc. and The City of St. Cloud dated 10-9-01, filed of record 10-17-01, as Document No. 984578.
5. Reciprocal Roadway and Utility Easement dated 4-10-03, filed of record 8-26-03, as Document No. 1075947, by and between The Housing and Redevelopment Authority in and for the City of St. Cloud, Minnesota and Westwood Village Apartments One, LP.

TO: St. Cloud HRA Board of Commissioners

FROM: Louise Reis, Executive Director

DATE: May 21, 2020

SUBJECT: Approval of Waivers Granted by the Department of Housing & Urban Development for Housing Authorities Under COVID 19

Requested Action: Approval of waivers Granted by the Department of Housing & Urban Development for Housing Authorities under COVID -19 for the Public Housing, Housing Choice Voucher Programs and Agency Administration.

Background: On April 10, 2020, the Department of Housing & Urban Development (HUD) published Notice PIH 2020-05 to provide statutory and regulatory relief to housing authorities on requirements of the various programs due to COVID 19. The use of these waivers is at the discretion of a housing authority. HUD has authorized all public housing authorities to implement certain waivers from its normal requirements without prior HUD approval. The St. Cloud HRA has chosen to implement the following waivers on April 10, 2020. If HUD allows an extension date for any of the waivers mentioned below the extension date shall be automatically approved by the housing authority without further board action.

Once approved by the Board of Commissioners, these waivers will be posted on the St. Cloud HRA website and amend the existing Admissions and Continued Occupancy Plan (ACOP) and the Administrative Plan.

PH and HCV -1: PHA 5-Year and Annual Plan Submission Dates, Significant Amendment Requirements. **Agency Plans** – the St. Cloud HRA hereby adopts the authority granted by HUD to delay submission of its agency plan according to the dates provided in the HUD notice. **Significant Amendments** – The St. Cloud HRA adopts the waiver of the significant amendment process until July 31, 2020.

PH and HCV -2: Family Income and Composition: Delayed Annual Examinations. The St. Cloud HRA is hereby taking advantage of the waiver that delays annual reexaminations of HCV and public housing families. All annual recertification's due in calendar year 2020 will be completed by December 31, 2020.

PH and HCV -3: Family Income and Composition: Annual Examination - Income Verification requirements. The St. Cloud HRA will take advantage of the HUD waiver that allows the HRA to not follow the income hierarchy of PIH Notice 2018-18. The St. Cloud HRA will consider resident and self-certification as the highest form of income verification for exams done prior to July 31, 2020. The self-certification may occur over the telephone extemporaneously documented by the St. Cloud HRA staff, or via email or regular mail. If the St. Cloud HRA later determines that there are material discrepancies in a self-certification, the HRA will take the appropriate enforcement actions according to the St. Cloud HRA's policy.

PH and HCV -4: Family Income and Composition: Interim Examinations – The requirements for annual examinations stated in PH and HCV – 3 also apply to interim examinations conducted before July 31, 2020.

PH and HCV – 6: Family Self-Sufficiency (FSS) Contract of Participation: Contract Extension – Due to the COVID 19 emergency, the St. Cloud HRA will extend a families’ Contract of Participation in the FSS Program for up to 2 years. This extension waiver ends on December 31, 2020.

PH and HCV – 7: Waiting List: Opening and Closing: Public Notice – HUD provides a waiver for requirements of reopening the St. Cloud HRA’s waiting list. The St. Cloud HRA will accept this waiver if the St. Cloud HRA opens their closed waiting list prior to July 31, 2020. In accepting this waiver the HRA agrees to the communications requirements stated in the Notice.

HQS -1: Initial Inspection Requirements: St. Cloud HRA is accepting HUD’s waiver of initial inspections not being required prior to the beginning of the initial lease term. Instead, the St. Cloud HRA will accept an owner’s certification that the owner has no reasonable basis to have knowledge that life threatening conditions exist in the unit or units. The St. Cloud HRA reserves the right to add other requirements or conditions to this owner certification. In any event, the St. Cloud HRA will conduct an HQS inspection of all units as soon as reasonable practical, but no later than October 31, 2020. This waiver is applicable until July 31, 2020.

HQS –3: Initial Inspection: Non-Life-Threatening Deficiencies (NLT) Option: The St. Cloud HRA is utilizing the option provided by HUD to approve HAP contracts and begin making housing assistance payments on a unit that fails initial HQS inspection providing the failure is solely for non-life threatening deficiencies. This option is available for both tenant-based and project-based units. The owner shall be given 60 days instead of the normal 30 days to repair any non-life threatening deficiencies. The ability to extend for 60 days ends on July 31, 2020.

HQS -4: HQS Initial Inspection Requirement – Alternative Inspection Option: HUD authorized housing authorities to allow a unit to be occupied prior to the initial inspection if the unit has passed an alternative inspection as allowed in the Administrative Plan within the previous 24 months. The St. Cloud HRA had to inspect the unit within 15 days of the Request for Tenant Approval. HUD is waiving the 15-day inspection requirement and allowing just the alternative inspection to suffice so long as the owner certifies that the owner has no reasonable basis to have knowledge that life threatening conditions exist in the unit. The St. Cloud HRA may add additional requirements or conditions. In any event, the initial HQS inspection must be conducted no later than October 31, 2020. This waiver is for both tenant-based and project-based units. This waiver is valid until July 31, 2020.

HQS -6: HQS Interim Inspections: Interim inspections requested prior to July 31, 2020 do not have to follow the normal regulatory timeframes. They must be made as soon as feasible. As a condition of this change the St. Cloud HRA is required to notify the owner of a reported life threatening deficiency. The owner must either correct the life threatening deficiency within 24 hours or provide adequate documentation that the reported deficiency does not exist. In the case of non-life threatening deficiencies the owner must make the repair or document that the deficiency does not exist within 30 days of any approved extension that the St. Cloud HRA makes. The St. Cloud HRA is not required to conduct an on-site inspection to verify the repairs have been made, but may rely on an alternative verification method such as photographs or tenant certifications.

HQS -7: PBV Turnover Unit Inspections – Normally when a project-based voucher turns over, an inspection is made. This waiver allows the St. Cloud HRA to accept an owner certification that the owner has no reasonable basis to have knowledge that life-threatening conditions exist and allow the new tenant

to move-in. The St. Cloud HRA reserves the right to add additional requirements or conditions. In any event, an inspection must be completed as soon as reasonably possible, as but no later than October 31, 2020. The authority for this waiver ends on July 31, 2020.

HQS -8: PBV HAP Contract – HQS Inspections to Add or Substitute Units: At the discretion of the St. Cloud HRA and subject to all PBV requirements the HRA can allow a substitution of one unit for a previously covered unit. Normally the new unit must be inspected prior to initial occupancy. HUD has waived the pre-occupancy inspection requirement. A substitution can be made upon the owner’s certification that the owner has no reasonable basis to have knowledge that life-threatening conditions exist in the unit. The St. Cloud HRA can add additional conditions or requirements. This waiver ends on July 31, 2020 and all inspections must be made prior to October 31, 2020.

HQS -9: HQS Quality Control Inspections – The requirement for St. Cloud HRA to conduct supervisory quality control inspections of a sample of units under contract is waived until October 31, 2020.

HQS -10: Housing quality standards: Space and Security – The regulation establishes a minimum standard for adequate space for assisted families. It requires at least one bedroom or living/sleeping room for each 2 persons. For people continuing to live in the same unit who need to add a person or persons to their lease because of COVID 19 emergency, the minimum space requirement is waived. This does not apply to an initial or new lease. This waiver is in effect for the duration of the current lease term or through April 10, 2021, whichever period of time is longer.

HCV -1: Administrative Plan – HUD is waiving the requirement that all changes to the Administration Plan be approved by the Board of Commissioners prior to adoption. Instead, the Board must approve revisions as soon as practical, but no later than July 31, 2020.

HCV -2: Information When Family is Selected – PHA Oral Briefing – HUD requires that all families participating in the HCV or PBV program should be given an oral briefing prior to admission. This requirement is being waived and, as a substitute, HUD will allow things like webcasts, video calls, or expanded information packets as substitutes. Section 504 and the ADA requirements remain. This waiver expires on July 31, 2020.

HCV -3: Term of Voucher – Extensions of Term – HUD is waiving the requirement for voucher extensions to be according to the Administrative Plan. Instead, HUD is allowing the St. Cloud HRA to extend the term of vouchers according to the needs of the St. Cloud HRA’s community. This authority expires on July 31, 2020.

HCV -4: PHA Approval of Assisted Tenancy – When HAP Contract is Executed – HUD is waiving the requirement that a Housing Assistance Payments (HAP) contract be executed within 60 days of the beginning of the lease and extending that term to 120 days from the beginning of the lease. This waiver expires July 31, 2020.

HCV -5: Absence from Unit – The regulation requires that a family not be absent from a unit for more than 180 consecutive calendar days for any reason. Due to COVID 19 emergency, this is being waived in the case of extenuating circumstances (e.g. hospitalizations, extended stays at nursing homes, caring for family members). This waiver expires on December 31, 2020.

HCV -6: Automatic Termination of HAP Contract – A HAP contract is typically terminated 180 days after the last HAP payment to the owner. This waiver removes the 180-day limit and substitutes a time set by the St. Cloud HRA. This waiver expires on December 31, 2020.

HCV -10: Family Unification Program (FUP): FUP Youth Age Eligibility to Enter HAP Contract – This waiver allows FUP participants to be placed under a HAP contract who have not reached the age of 26 instead of the age of 25. This waiver expires December 31, 2020.

PH -1: Fiscal Closeout of Capital Grant Funds – This waiver extends the deadline for the submission of any Actual Development Cost Certificates (ADCC) and an Actual Modernization Cost Certification (AMCC) (two financial reporting documents required to close out Capital Fund grants). This waiver extends the required filing dates between March 1, 2020 and September 30, 2020 by 6 months.

PH – 4: ACOP: Adoption of Tenant Selection Policies – This waiver allows the St. Cloud HRA to adopt and implement changes in their ACOP without formal Board approval so long as the Board of Commissioners approves them as soon as practical, but before July 31, 2020.

PH -5: Community Service and Self-Sufficiency Requirement (CSSR) – This waiver suspends the community service self-sufficiency requirement until March 31 2021.

PH -7: Over-Income Families – This waiver suspends the over income requirement between now and December 31, 2020 and over-income families can retain their unit under the status quo.

PH -10: Tenant Notifications for Changes to Project Rules and Regulations – The St. Cloud HRA is required to provide 30-day notice to impacted families to changes in policies, rules and special charges before the changes are made. HUD is waiving the requirement for advance notice except for any changes made to tenant charges. However, the St. Cloud HRA is required to notify impacted families within 30 days of making such changes. This waiver expires July 31, 2020.

11 c: Uniform financial reporting standards: Filing of financial reports: Reporting Compliance Dates – HUD is extending the required date for filing various financial reports according to a schedule set forth in the notice for all agencies with fiscal year ending before June 30, 2020.

12 a: PHA Reporting Requirements on HUD Form 50058 – Form 50058 is normally required to be submitted within 60 calendar days from the effective date of any action recorded on line 2b of the form. This waiver extends the 60-day requirement to 90 days. If the HRA receives a fatal error report, the HRA will not be required to resubmit the form under this waiver. This waiver expires on December 31, 2020.

12 c: Extension of Deadline for Programmatic Obligation and Expenditure of Capital Funds – This waiver extends both the obligation end date and the expenditure end date of Capital Funds by 1 year.

Frequency of Request: One time.

Related Actions: None.

Future Action: None.

Relationship to Goals: Goal #2 - The St. Cloud HRA will promote fair housing and strive for high performance in HRA properties and housing subsidy programs.

Budget Impact: Programs received additional funding due to COVID-19; public housing received a total of \$85,879 (Empire \$23,757, Scattered Sites \$21,480, Wilson \$40,642) and the housing choice voucher administrative fees of \$145,000.

TO: HRA Board of Commissioners

FROM: Karen Rizer, CPA
Finance Director

DATE: May 20, 2020

SUBJECT: Housing Choice Voucher (HCV) Program Potential Shortfall

Requested Action: Approve planned course of action related to potential shortfall in the HCV Program

Background: The HRA received official notification from HUD's Shortfall Prevention Team on May 19th that the HCV program is in a confirmed potential shortfall. In order to be possibly eligible for additional HAP funding to cover the shortfall, the HRA has to do a number of items.

One of those items is to cease issuing new vouchers. This is concerning for the VASH program. Due to COVID-19, we are seeing higher utilization of VASH vouchers, which is not only beneficial to the Veteran being housed, but is also beneficial for the community as a whole. VASH vouchers typically take longer to lease-up than regular HCV vouchers. They also have a lower average payment than regular HCV vouchers. Staff is concerned what ceasing to issue VASH vouchers for a certain amount of time would do to the program, especially during a pandemic.

The second item of concern is not allowing current participants to move if the move results in a higher HAP cost. This is concerning because of the geographic area of the HRA's jurisdiction. If someone moves from Stearns County within the city limits to Sherburne County within the city limits, the HAP is likely to be higher. Based on HUD's letter, we would not be able to allow these moves. We have reached out to HUD to verify this, but have not yet received a response.

Why is the HRA in a potential shortfall situation? The HRA is in a potential shortfall situation because it is impossible to predict with 100% accuracy what will happen with the vouchers. The following are variables that are out of our control:

- How many vouchers will be leased up. If letters are sent to 10 households notifying them they are eligible for a voucher, you might have two households lease-up or you might have eight households lease-up.
- The amount of the voucher. The amount of the voucher is based on the household's size and income. We might pay \$300 for one household's voucher and \$1,800 for another. If we issue 10 new vouchers, we have no idea how much we will pay for each voucher until the leasing process is completed.
- The number of vouchers given-up. Some months there might be two vouchers released, some months there might be ten vouchers released.

We make the best decisions we can for the program based on modeling and projections. We had three incidents in a row where we issued vouchers and had a much lower than average success rate. Then the next time, we had a significantly higher than average success rate. In addition to issuing many more vouchers than anticipated during the last top of the list issuance, the average HAP has increased due to the significant amount of households moving to The Bluffs.

Also contributing to potential shortfall is the increase in utilization of the VASH vouchers. For the two prior years, utilization has been around 84%. So far in 2020, it's over 93%. While it is great that these vouchers have a much higher utilization rate in 2020, I did not build that much of an increase into my previous projections because no historical data supported that high of a leasing rate and in mid-to-late 2019, we had no reason to believe things would be any different in 2020.

Even with all of the above, were it not for COVID-19, my projection did not show a shortfall for 2020. We were projecting to be under-leased by 11 unit months and over-leased by \$7,000. However, we typically get around \$30,000 in additional portability funding each summer and that was not figured into the calculation. So I figured that would be enough of a cushion to put us back in positive territory for the year.

Then enter COVID-19, which impacts the program in two ways. First, we have less people giving up their voucher so attrition levels are much, much lower than average. Second, with households losing jobs, the average HAP payments are increasing. Both of those items increase the potential for shortfall.

Why would the HRA consider not following HUD's rules in order to secure additional HAP funding?

Implementing the required changes may mean a significant disruption for some current participants that would not be allowed to move and potential VASH voucher holders who would have their voucher issuance put on hold and may continue to be homeless.

The CARES Act provides for \$400 million of additional HAP funding to housing authorities which has not been distributed yet. It is possible that this funding would be sufficient to prevent any shortfall. The HRA might also choose to use reserves to prevent disruptions to the participants.

HUD will also not provide additional funding for additional unit months leased over our baseline. So say we end up overleased by 100 unit months because of low attrition due to COVID-19, shortfall funding is not available for those overleased units anyways.

At this point, this agenda item is a placeholder for potential action to be taken. We are waiting for clarification from HUD on our questions and to see whether or not the CARES Act funding is released within the next week. We will email the Board by noon on the day of the meeting with up-to-date information and staff's recommendation at that point to be considered at the meeting.

Options: Approve, deny, or table

Frequency of Request: Unknown

Related Actions: None

Future Action: Unknown

Relationship to Goals: N/A

Budget Impact: Unknown

TO: HRA Board of Commissioners
FROM: Louise Reis, Executive Director
DATE: May 20, 2020
SUBJECT: Report on Activities

HUD Review: The Minneapolis HUD Field Office is conducting an assessment of the St. Cloud Housing and Redevelopment Authority. The purpose of the assessment is to review the performance of the St. Cloud HRA's public housing and housing choice voucher programs, as well as compliance with HUD program requirements and regulations. All information requested by the HUD office has been submitted. HUD staff was scheduled to be on-site for further review and interviews beginning June 2nd. We were notified on May 19th that the on-site days have been cancelled and the review is currently on hold due to COVID-19, until further notice.

Rent Collection: Through May 18, 10.7% of May and 2.7% of April rent remained uncollected. The same time period last year was 7.1% of May and .5% of April.

COVID-19 Plan Going Forward: We will remain closed to the public but will schedule appointments with individuals as needed. Our agency will also start to handle unit inspections in the next 30 days. Please see the attached plan for specific details.

Summer Hours: Our office will plan to go to summer hours starting with Memorial Day and ending on Labor Day. These hours will be 7:30 am to 5:00 pm, Monday through Thursday, and 7:30 am to 11:30 am on Friday.

Housing Choice Voucher Program: During April, there were two housing choice vouchers released. The two vouchers were voluntary released. One of the voucher holders was over the age of 62.

As of April 30, 2020 – we have 213 Port In vouchers and 28 Port Out.

CDBG Update:

For the homeowner rehab program:

- 5 in construction
- 2 out for bids
- 1 in walk-through stage
- 1 in application state
- 8 on the waiting list

Housing Department Vacancy Report – For the Month Ending April 30, 2020

Fund: Public Housing – 291 Units			
		Yearly	Vacant
<u>Complex</u>	<u># of units</u>	<u>Vacancy Rate</u>	<u>4/30/20</u>
Empire	89	2.68%	1
Wilson	126	1.11%	1
Scattered Sites	76	0.21%	0

Fund: Section 8 New Construction – 162 Units			
		Yearly	Vacant
<u>Complex</u>	<u># of units</u>	<u>Vacancy Rate</u>	<u>4/30/20</u>
Germain	60	0.45%	0
Grace/NWB	102	1.13%	1

Fund: Tax Credit – 249 Units			
		Yearly	Vacant
<u>Complex</u>	<u># of units</u>	<u>Vacancy Rate</u>	<u>4/30/20</u>
Creeks	24	2.12%	0
Brownstones	12	4.16%	1
Swisshelm One	32	4.54%	1
Westwood One	32	2.42%	1
Swisshelm Two	32	6.70%	1
Westwood Two	32	2.42%	0
Riverside	85	0.78%	1

Fund: Affordable Housing – 79 Units			
		Yearly	Vacant
<u>Complex</u>	<u># of units</u>	<u>Vacancy Rate</u>	<u>4/30/20</u>
Eastwood	18	3.45%	0
Loehr	61	1.39%	1

COVID-19 Plan Going Forward – Will be updated as necessary.

- Agency will plan to have masks for residents and participants of our programs. Basic infection prevention measures will continue with the cleaning of the office and the buildings. Social distancing and lunch room seating to continue. Encourage staff to continue to telework as set up. Continue use of drop boxes and rent boxes in HRA main office and building offices. Staff will continue to self-monitor for signs and symptoms of COVID 19.

HCV Program

- Schedule appointments for those households that are needed. Only adults on voucher can attend appointment unless it is a professional worker for the adult. No children. Participants must wear masks.
- Appointments will only be scheduled Tuesday and Thursday and for only two HCV staff per day.
- Staff will wear masks when in common areas or with an appointment in their office.
- Picture ID would need to be shown through glass to receptionist who would then take temperature prior to allowing anyone into the lobby. Mask must be in place prior to them entering the lobby. Hand sanitizer would be available in lobby for participant to use.
- Staff will have Kleenex and hand sanitizer in office to be used by participants if needed.
- Clean office or board room after each appointment.

HCV Program – Inspections

- Start inspections two weeks following June 1st.
- Inspector will wear gloves, mask, face shield and booties for each inspection. Hand sanitizer to be used in between inspections on gloves or gloves will be changed out. Ask participant in unit to wear mask.
- If wanted or needed have household adult to run faucet, try window lock, etc.
- Follow question criteria before entering unit; ask if sick, has anyone in household been sick, do they want to step out of the unit while inspection is being done, etc.
- Supplies would need to be carried in vehicle. Bag or box for disposing of soiled gloves will also be needed in the vehicle.

Rental Program

- Schedule appointment for those households that are needed. Only adults on lease can attend appointment unless it is a professional worker for the adult. No children. Resident or applicant must wear mask.
- Staff will wear masks when in common areas or with an appointment in their office or unit.
- Hand sanitizer will be provided in lobby for resident or applicant to use before entering office. Mask must be in place prior to them entering office.
- Staff will have Kleenex and hand sanitizer in office to be used by resident if needed.
- Playgrounds are opened as of May 18th however staff will not be sanitizing the equipment.

Rental Program – Inspections

- Start inspections two weeks following June 1st.
- Inspector will wear gloves, mask and booties for each inspection. Hand sanitizer to be used in between unit inspections over gloves or gloves will be changed out. Ask resident to wear mask.
- If wanted or needed, have household adult to run faucet, try window lock, etc.
- Follow question criteria before entering unit; ask if sick, has anyone in household been sick, do they want to set out of the unit while inspection is being done, etc.