

Inspiring Communities RFP 7 Staff Report

Nick Boettcher, Senior Project Manager
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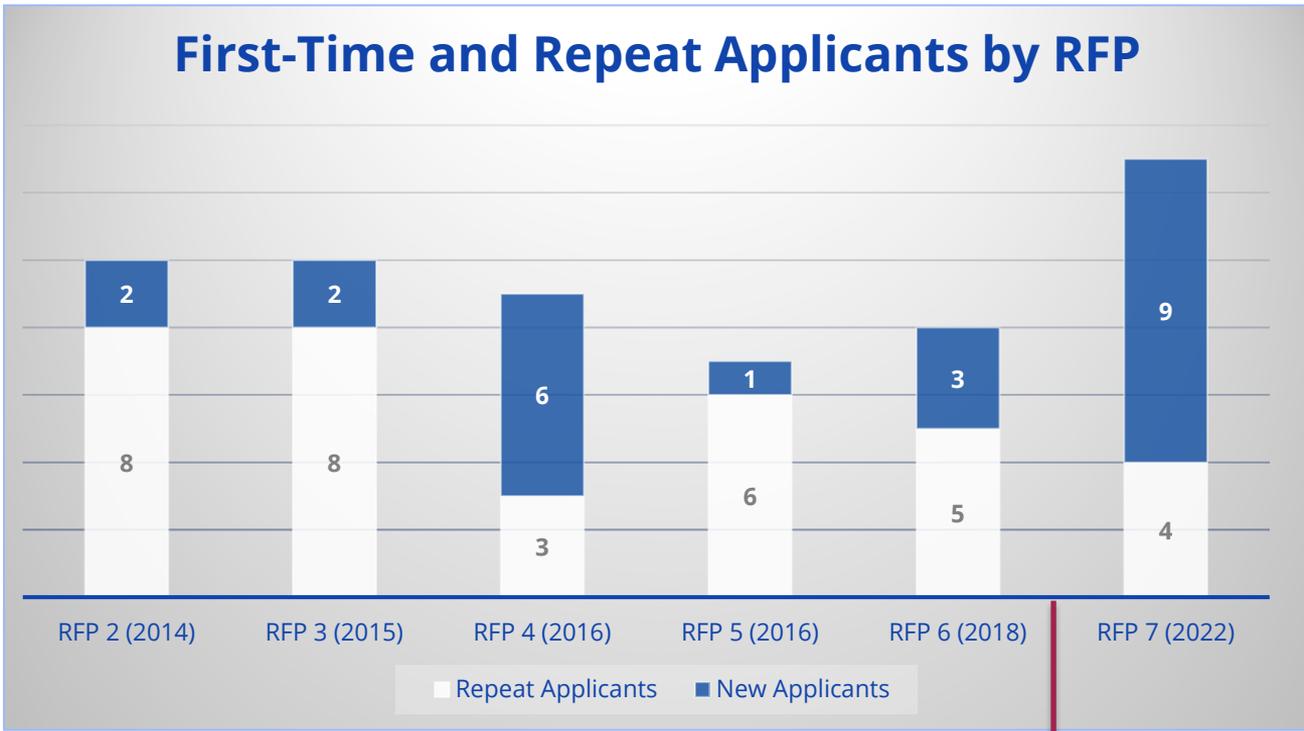


RFP Overview

- 12 properties offered
- RFP released August 11, 2022
- Proposals initially due September 30, later extended to November 4
- 13 responded, with proposals to redevelop 11 of the 12 properties



First-Time and Repeat Applicants by RFP



2021-2022: EBIPOC Developer Initiative



Equity Considerations

RFP incentivized **emerging developer training participants** and **CERT program certification**

CERT





Equity Considerations *cont.*

- **Four (4)** returning respondents:
 - **0** Emerging developers
 - **1** CERT developers
- Among all **13** respondents:
 - **9** committed to hiring CERT marketing agent
 - **11** committed to hiring CERT general contractor



Equity Considerations *cont.*

Nine (9) first-time respondents

- **8** are also emerging developers
 - **5** benefitted from the City's EBIPOC Initiative
 - **1** participant in the City's/IncDev's EBIPOC Boot Camp
 - **5** consulted with NEOO Partners
 - **6** participated in other initiatives
 - LISC Developers of Color
 - Greater Minnesota Housing Fund Emerging Developers of Color
 - Minneapolis Small Developers Technical Assistance Program (D-TAP)
 - **6** are also CERT developers (including pending)



Proposals per Property

Address	560 Brunson	1195 Bush	6 George	695 Cook	231 Front	810 Atlantic
# Proposals	6	7	7	7	4	4

Address	930 York	729 Burr	1068 Ross	899 Sims	186 Front	717 Desoto
# Proposals	2	3	1	1	2	0



Unit Density and Type

- Single Unit: 16 Proposals
- Two to Four Units: 28 Proposals
 - 3 Single-family homes with ADU
 - 15 Duplexes
 - 6 Twin homes
 - 4 Townhomes

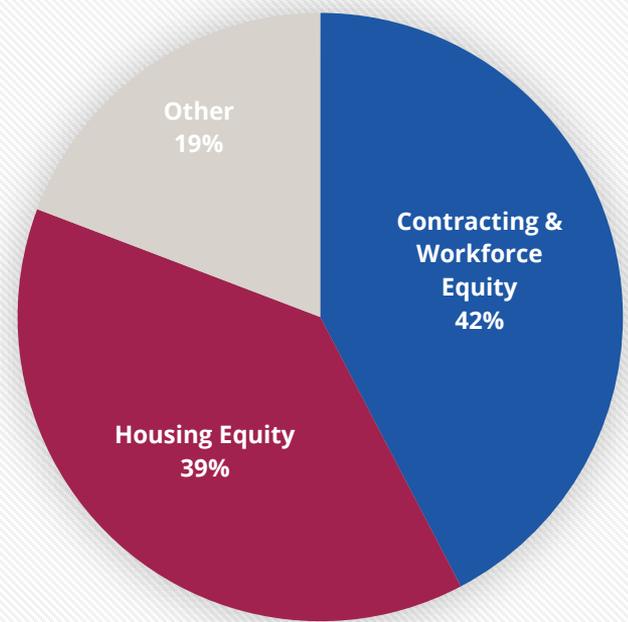


Review Process

- Each proposal reviewed by multiple staff to ensure accuracy
- Proposals recommended to move forward:
 - Meet Threshold: Experience, capacity, access to credit and capital, cost reasonableness
 - Score Highest
 - Contracting and Workforce Equity: 44%
 - Prioritizes CERT commitments, emerging developers
 - Housing Equity: 37%
 - Prioritize lower-income and first-generation households, 2-4 unit housing
 - Cost, timeline, sustainability and design: 19%
 - Make use of special resources
 - Housing Trust Fund community land trust allocation
 - Community Development Block Grant (CIB)



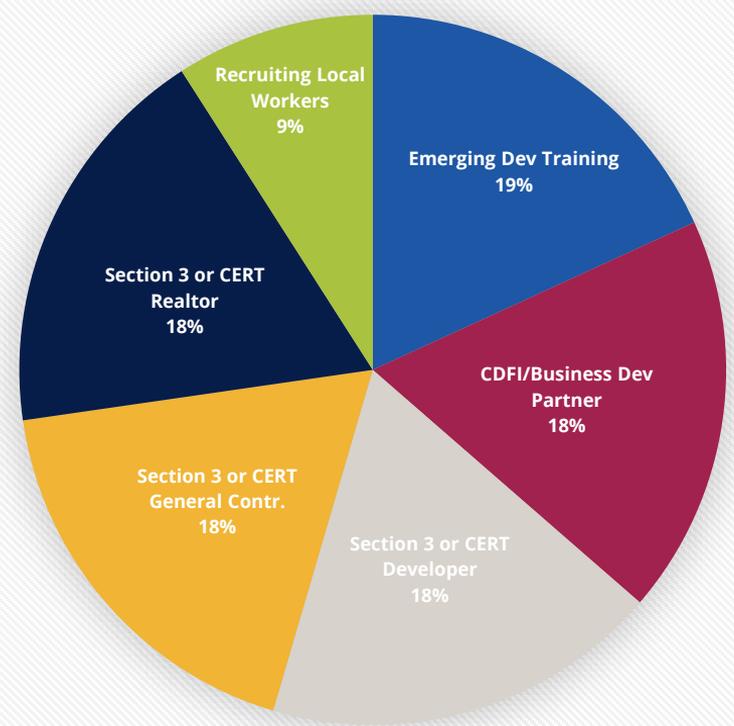
SCORING CATEGORIES



■ Contracting & Workforce Equity ■ Housing Equity ■ Other

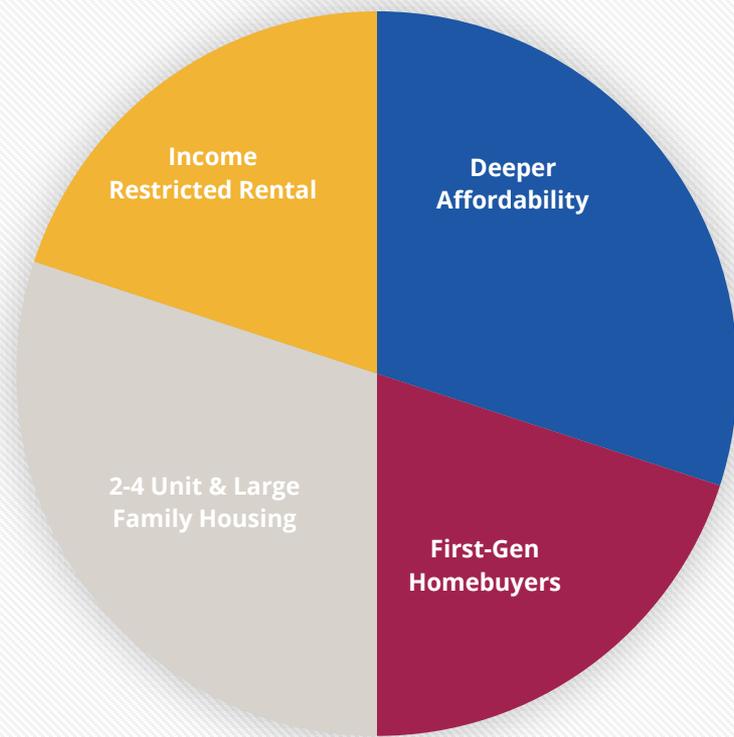


Contracting & Workforce Equity (42%)



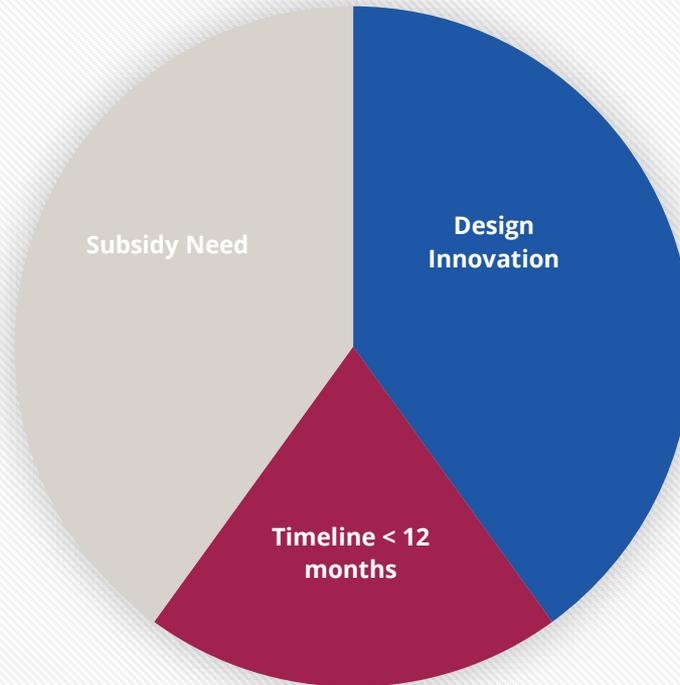


Housing Equity (38%)





Other Criteria (19%)





Staff Recommendations: Proposals Moving Forward

- **186 Front Avenue**, North End, Ward 1 (Current and 2023-)
 - Greater Frogtown CDC & Greater Metropolitan Housing Corp. with the Rondo Community Land Trust
 - Passive, carbon-neutral single-family home
- **231 Front Avenue**, North End, Ward 5 (Current); Ward 1 (2023-)
 - Outlaw Development, LLC*
 - Duplex
- **6 George Street W**, West Side, Ward 2 (Current and 2023-)
 - John Aish Inc.
 - Twin Homes
- **560 Brunson Street**, Railroad Island, Ward 5 (Current); Ward 2 (2023-)
 - Amani Construction & Development*
 - Four Zero Energy Ready twin home units across two structures

John Aish Inc.

6 George Twin Homes

TWO UNIT DUPLEX WITH BASEMENTS, 3-BEDROOMS 2.5 BATHS; 1,600 SF FINISHED





Staff Recommendations: Proposals Moving Forward

- **729 Burr Street**, Payne-Phalen, Ward 5 (Current); Ward 2 (2023-)
 - Dayton's Bluff Neighborhood Housing Services
 - Single-family home
- **1195 Bush Avenue**, Dayton's Bluff, Ward 6 (Current and 2023-)
 - New Verticals Development*
 - Duplex
- **695 Cook Avenue E**, Payne-Phalen, Ward 6 (Current and 2023-)
 - Outlaw Development, LLC*
 - Duplex
- **810 Atlantic Street**, Dayton's Bluff, Ward 6 (Current and 2023-)
 - One Goal One Dream Financial Freedom*
 - Duplex



810 Atlantic Duplex

One Goal One Dream
Financial Freedom



Staff Recommendations: Proposals Moving Forward

- **930 York Avenue**, Payne-Phalen, Ward 6 (Current and 2023-)
 - Dayton's Bluff Neighborhood Housing Services
 - Single-family home
- **1068 Ross Avenue**, Dayton's Bluff, Ward 6 (Current and 2023-)
 - Greater Frogtown CDC & Greater Metropolitan Housing Corp. with the Rondo Community Land Trust
 - Passive, carbon-neutral single-family home
- **899 Sims Avenue**, Payne-Phalen, Ward 6 (Current and 2023-)
 - Greater Frogtown CDC & Greater Metropolitan Housing Corp. with the Rondo Community Land Trust
 - Passive, carbon-neutral single-family home

930 York Single-Family Home

Dayton's Bluff Neighborhood
Housing Services





Staff Recommendations: Proposals Not Advancing

- For all respondents but one (Amani), staff recommends advancing fewer proposals than the respondent submitted
- Six respondents do not have any proposals advancing:
 - Abundance Properties
 - AuMer Development Group
 - Coherence by Design + Development
 - Edde Construction
 - Twin Cities Habitat for Humanity
 - WaKeega Investments



Sources & Uses

Uses

Total Development Costs: **\$8,885,338**

Sources

HRA Land: **\$ 388,500**

HRA Cash Development Subsidy: **\$3,964,322**

HRA Homebuyer Assistance: **\$ 575,000**

Private Construction & Buyer Financing: **\$3,957,516**

Total Sources: **\$8,885,338**

Avg. TDC per unit (19 units) = \$467,649

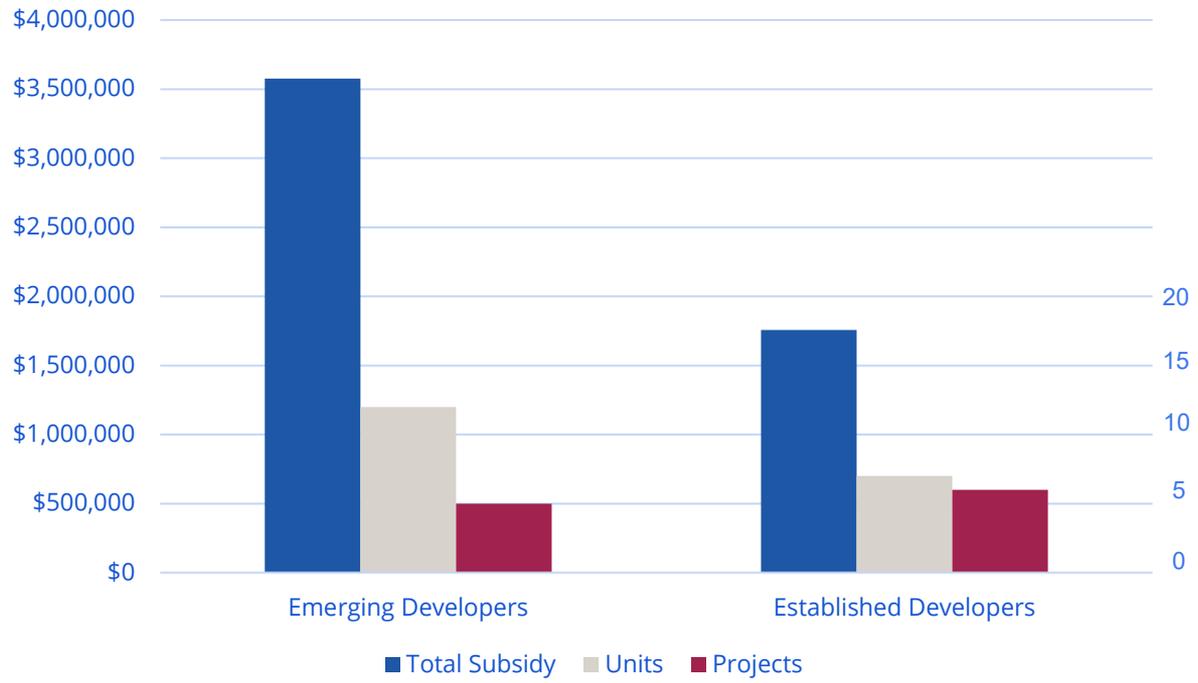
Average subsidy per unit = \$259,359

Per sfh = \$293,536

2-4 unit project, per unit = \$246,082

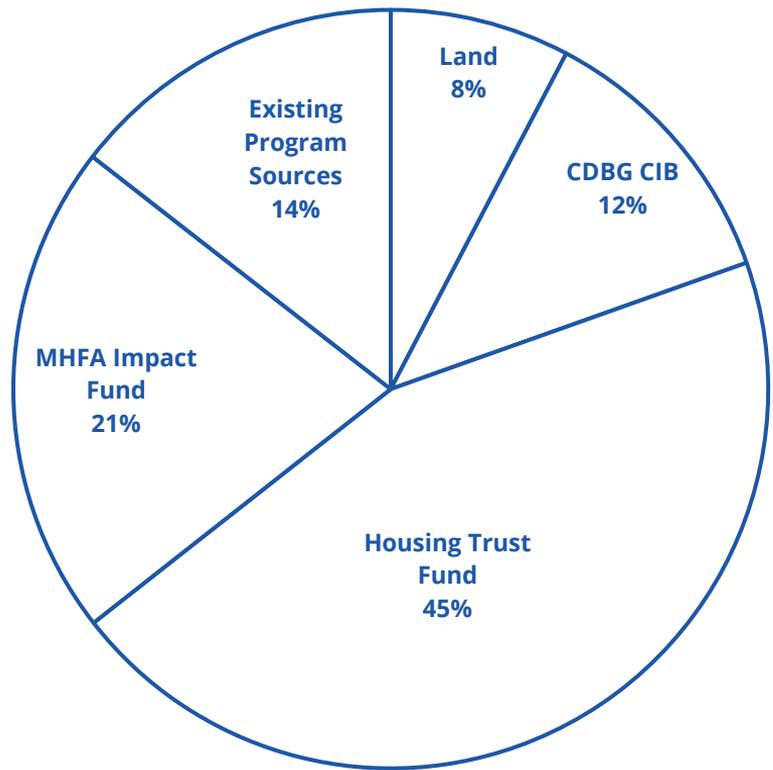


Projects and Subsidy Distribution





Source of HRA Subsidy



Land:	\$ 388,500
CDBG CIB:	\$ 600,000
Housing Trust Fund:	\$2,261,863
MHFA Impact Fund:	\$1,062,900
Existing Budget:	<u>\$ 614,559</u>
Total:	\$4,927,822

Program funds available after committing to these 11 projects:
\$96,082



Estimates, Inflation and Market Volatility

- *Present viability and feasibility is a joint endeavor. Future market risk belongs to the developer.*
- Had assumed an average development subsidy need of \$175,000 per unit
- Average in this RFP is higher, at \$265,514





Estimates, Inflation and Market Volatility *cont.*

- Had assumed 3.5%-4.5% mortgage interest rates and median sales prices of:
 - \$222,600 for townhomes,
 - \$265,000 for single-family homes and
 - \$349,800 for two-unit properties
- Today, mortgage interest rates are around 7.5%
- Average estimated market value of \$342,000 per ownership unit, *with significant variability*
- We assume income limits will adjust upward, by (conservatively) 5%, by the time these homes reach market beginning in 2024
- Assume **\$210,000 maximum mortgage amount today versus \$300,000 then**, for a typical eligible homebuyer



Estimates, Inflation and Market Volatility *cont.*

- Significant increase in need for Homebuyer Assistance
- Current program maximums:
 - \$15,000 for townhomes
 - \$40,000 for single-family homes
 - \$90,000 for duplexes and single-family homes with ADU
- Program maximum for all 11 projects combined: **\$635,000**
- Current projected need, based on mortgage 7.5% interest rate: **\$1,774,000**

- **Unmet homebuyer assistance need of \$1.1 million in today's market**

End of Report



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