

Summary of Feasibility Work for Rehabilitation of 678 Snelling Avenue North

African Economic Development Solutions

Building Condition:

Tragically, there was a fire at the property on the evening of Sunday February 20, 2022, that burned most of the second-floor wooden mezzanine. The property was very securely re-boarded after a break-in in December, but boards can and apparently were, pried open. Unfortunately, installation of a security system was not permitted by the City at that time due to the need to install a new electric line. Permission has now been obtained, after the fact, and an alarm system is being installed. The fire department had to make holes in three locations through the roof to fight the fire. There is a concern about the integrity of the steel roof trusses exposed to the fire. A structural engineering evaluation has occurred, and samples will be taken and tested in a laboratory. The cause of the fire has been determined to be from an unauthorized person who broke into the property. The insurance investigation has been completed but no insurance payment has yet been offered. We are currently struggling to find a roofing contractor to make the extensive roof repairs before the weather gets warm and mold starts to form. It is our hope that the insurance, even with the 15% reduction due to the long building vacancy, will cover the additional repair costs that include the roof repair, rebuilding and insulation of the entire roof structure, and potential repair or replacement of some of the steel roof trusses, in addition to demolition and clean-up costs.

Building Design:

The schematic design has been completed and a comprehensive report on the current condition and the required construction plus a detailed construction estimate have been finalized by the architect, for submission for the long anticipated federal EDA grant.

Funding Notes:

The federal EDA proposal will be submitted by March 31, 2022. Unfortunately, the anticipated state funding from MN DEED was not awarded, so the federal grant is less competitive. However, an additional grant of \$100,000 was made by the McKnight Foundation. The work of finding and accessing additional funding will be ongoing during the next 3-4 months while the EDA application is being processed. An additional request for state funds has been made.

Report to the City of Saint Paul Legislative Hearing Commission**12.13.2021****Summary of Feasibility Work for Rehabilitation of 678 Snelling Avenue North****Building Condition:**

- **Break-In:** The property was entered through one of the doors on the alley and lived in for some days before the door was repaired. Electric service is being installed to permit installation of a security system.
- **Flood:** A staff person at the St. Paul water utility said damage caused by the break in the water pipe, caused by their effort to remove the meter, would be paid by the city. A claim was submitted to the city and declined because city ordinance makes property owners responsible regardless of the cause of the damage. An appeal was filed but the only appeal process is to submit the appeal to the original decision-maker. The appeal was declined. AEDS has to pay a \$12,000 restoration bill.

Project Design: Schematic plans were completed with assistance of civil, structural, mechanical and electrical engineers. A detailed cost estimate was obtained from Cushing Terrell.

- **Next Steps:** Begin work on design development after the federal EDA Preliminary Engineering Report is completed, a joint effort by the architect and AEDS.

Funding Notes:

- **Good News:** The project received a \$65,000 STAR grant from the Year-round Neighborhood STAR program, \$150,000 from the St. Paul Foundation and \$100,000 grant from the Hardenberg Foundation. Grant decisions are pending before 12/31 at the Otto Bremer Trust and the McKnight Foundation.
- **Bad News:** The major match for the federal funds is delayed. Minnesota DEED Targeted Community Capital Grant program was the substitute made by the conference committee for the individual appropriation requests in the House Budget, which included money for AEDS. Our previous plan was to use the Main Street Program, but the rules DEED created required a 2:1 match for the state funds, not including public funds. DEED also required a fully funded project, so the project was redesigned to be constructed in two phases: first floor grocery, retail, community room and parking in phase I and the elevator, second floor extension of the mezzanine and major exterior work in phase 2. The application and requisite support letters was put together and submitted before the Monday December 6th deadline. An email was sent to applicants on December 8th stating that the deadline for applications was being extended to January 7 and January 3, clarified in another email to be January 7. To extend a deadline after the original deadline is unprecedented and very unfortunate. The original DEED decision deadline was January 21, at least a one-month delay and likely longer is anticipated. This makes the EDA proposal less competitive because the local match is much smaller. EDA needs all

proposals by March 31st, and it has been indicated that the money may be gone by then. We are working to get the EDA application submitted by year-end or early January. The EDA design is not finalized.

Funding Notes: Construction estimator included a 5% design contingency because the cost was based only on schematic drawings, a 10% RS Means location price factor and a 10% inflation contingency. The owner contingency is 13%. The current state of the construction supply chain, labor shortage and demand support this high uncertainty factor. In addition, the EDA requires public bidding from construction documents, which is not typically the way this type of project is bid and results in an inability to factor value engineering into the design and leads to higher costs.

Sources Blue is submitted, no decision yet	Budget	Project 12.7.21	Change	Phase 1	Phase 2
Federal EDA Public Works Grant-future	\$ 1,313,395	\$ 3,466,817	\$ 2,153,422		TBD
MN DEED-Targeted Capital Grant now	\$ 1,000,000		\$ (1,000,000)	\$ 1,500,000	
Federal HFFI Grant	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	
Met Council LCDA TOD Pre-dev't grant	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	
St. Paul Neighborhood Star grant		\$ 65,000	\$ 65,000	\$ 65,000	
Bigelow Foundation	\$ 200,000	\$ 200,000	\$ -	\$ 200,000	
Hardenburg Foundation		\$ 100,000	\$ 100,000		\$ 100,000
St Paul Foundation		\$ 150,000	\$ 150,000	\$ 150,000	
McKnight Foundation -pending		\$ 100,000	\$ 100,000		\$ 100,000
Otto Bremer Trust - pending		\$ 200,000	\$ 200,000		\$ 200,000
Neighbors Funding Collaborative		\$ 5,000	\$ 5,000	\$ 5,000	
Total Foundation Grants	\$ 800,000	\$ 755,000	\$ (45,000)	\$ 355,000	\$ 400,000
AEDS Funds & Pre-paids			\$ -	\$ 133,000	
Total Sources	\$ 3,413,395	\$ 4,586,817	\$ 1,173,422	\$ 2,353,000	

Uses	Budget	Project 12.7.21	Change	Phase 1	Phase 2
Acquisition & Closing Costs	\$ 307,500	\$ 307,500	\$ -	\$ 301,800	\$ 5,700
Construction,FFE, Contingency	\$ 2,751,806	\$ 3,701,122	\$ 949,316	\$ 1,635,498	\$ 2,065,624
Design & Engineering	\$ 153,450	\$ 319,316	\$ 165,866	\$ 244,322	\$ 74,994
Soft Costs including legal,title & holding	\$ 119,752	\$ 158,880	\$ 39,128	\$ 121,380	\$ 37,500
Operating and Replacement Reserve	\$ 80,887	\$ 100,000	\$ 19,113	\$ 50,000	\$ 50,000
Total Development Costs	\$ 3,413,395	\$ 4,586,817	\$ 1,173,422	\$ 2,353,000	\$ 2,233,818

Funding Timeline: We are trying to keep to our previous timeline at this time.

	<i>Best Case</i>	<i>Worst Case</i>
All match funding committed	12/20/2021	1/31/2022
EDA Grant Committed	5/31/2022	9/30/2022
Construction Start	7/15/2022	11/15/2022
Occupancy	1/30/2023	5/31/2023

Report to the City of Saint Paul Legislative Hearing Commission

10.21.21 update**Summary of Feasibility Work for Rehabilitation of 678 Snelling Avenue North**

Flood: Although the building has been vacant for many years, St. Paul Regional Water Services made a decision to remove the water meter on 9/13/2021. Unfortunately, the process broke the water line from the street and, occurring on a Friday, flooded both basement areas all weekend. The break was repaired, the Water utility drained a substantial amount of water, but does not have equipment to finish the task. AEDS had to contract with a private restoration company to remove such debris as could be removed and install a generator in the alley to power fans to dry out the floor, walls and ceiling. The process took just under two weeks. A claim for this cost has been submitted to the City of St. Paul for full reimbursement.

Background: The nonprofit African Economic Development Solutions (AEDS) purchased the property on January 15, 2021; the property had reportedly been vacant for over ten years. The project serves multiple goals: creation of an anchor building for the Little Africa Cultural District, rehabilitating a long-vacant building, providing stable space for small businesses that would meet the needs of the African immigrant communities and the neighborhood and create employment. The initial property evaluation was a recommendation for demolition and new construction of the planned commercial and office use. Feedback from the neighborhood and city staff led to a reconsideration of rehabilitation. A building evaluation and a schematic plan were obtained from a structural engineer. The architecture firm Cushing Terrell was selected based, in part, on their experience with grocery stores, and an initial feasibility plan was prepared.

Feasibility Plan: Like many St. Paul commercial streets, the building fills the lot from Snelling to the residential alley, leaving only on-street parking. Fortunately, there is room and an existing curb cut for nine indoor parking spaces. The first floor will provide 3,500 square feet of retail space, planned for a grocery store with Halal meat market, two or three small shops and a gathering space with an art gallery. Expansion of the existing second-floor mezzanine will create 5,115 square feet of office space for AEDS and office tenants. Total net square footage will be 13,330 square feet.

A new pre-design construction cost estimate has been provided by Cushing Terrell Architect but first review has indicated additional information is needed, so the development budget has not changed.

A preliminary cost for substantial rehabilitation was estimated based on repair and replacement of the exterior brick; new roof with insulation and roof supports; window replacement, new HVAC system with rooftop units; new accessible bathrooms; new electrical service, new staircases, a LULA or elevator, structure to expand the mezzanine; new insulation, walls, flooring, and lighting.

Next Steps for Project Design:

- **The initial pre-design feasibility plans and cost estimate presentation has been completed and submitted to AEDS for review; a revised final set is anticipated shortly. Schematic design will start the week of October 18.**
- **The civil engineer received a negative response from the water utility and plans to follow up to further explain the lack of other options to power a fire sprinkler.**

- Angie Weise, St Paul fire inspector, was contacted and reviewed the plans. The alternative of a “mist” system is not workable because it is operable only in small spaces, such as computer server rooms. The use of increased fire separation in lieu of a sprinkler system for the 2nd floor was discussed and requires more detailed plans to be reviewed by the building inspections department.

- An electronic meeting was held on 9/8/2021 to discuss the turning radius study provided by Cushing Terrell and any other issues that public works, zoning or inspections had identified. The following persons were invited, not all attended: Mohamed, Kowsar (CI-StPaul); Williams, Josh (CI-StPaul); Paavola, Colleen (CI-StPaul); Lowry, Ryan (CI-StPaul); Stiffler, Elizabeth (CI-StPaul); Gene Gelgelu(AEDS); Rebecca Muchow (architect -Cushing Terrell); Suon, Stephan (CI-StPaul); Diatta, YaYa (CI-StPaul); Lisa Kugler (development consultant)
Cc: Adam Schlegel; Eide, David (CI-StPaul); Newton, Randy (CI-StPaul); Nyangweso, Thomas (CI-StPaul); Michael White (civil engineer – Cushing Terrell). A copy of the meeting minutes is attached.

- Despite serious effort, a meeting with the Water Utility and Public Works has not yet occurred. We have asked for help from City Council Member Mitra Jalali. We have discussed this situation and will shortly be engaging a civil engineer from Kimley-Horn.
- An initial meeting was held on April 7 with St. Paul project manager Kowsar Mohamed, city planner Josh Williams and Carolyn Berman, project architect, to discuss parking access issues expressed by public works staff and questions about utility locations. It was agreed that Josh Williams would discuss setting up a meeting, similar to a site plan review, with the appropriate city departments; a date has not yet been set.
- The survey has been completed with no unexpected results. Alliant Engineering has been hired to complete a survey of the property, including the alley and utility inverts; estimated completion is May 14.
- This meeting has not yet been scheduled.
- AEDS will present the plan to the Hamline-Midway Coalition at one of their summer meetings.
- The architect and structural engineer discussed the indoor parking and determined there are likely to be only 7 spaces, plus space for carts, trash, etc.

Funding Notes: *Please be advised that dates and amounts for uncommitted funds are subject to change.*

- **The anticipated Minnesota DEED Main Street funding will not be as useful as expected due to program restrictions, however there is another DEED grant program that is a better fit to match the federal funds. The RFP for that program has not yet been issued; DEED anticipates funding decisions in time for a report to the Legislature at the end of January.**
 - **This timing is unfortunate for early application and quick processing for the federal EDA funds, based on discussions with the EDA representative. However, the project is eligible and meets the Economic Assistance priorities.**
 - **Grant applications were submitted to the Hardenburg and McKnight foundations and the Otto Bremer Trust. A grant application was invited by the Neighbors United Funding Collaborative and submitted.**
 - **A year-round STAR request was made for \$65,000.**
- On July 22, 2021, the Department of Commerce announced the creation of five programs under the American Rescue Plan. The project appears to meet some of the EDA priorities and evaluation. The application process will start but the match money needs to be firmly committed at the time of application, so the schedule has not changed. However, the opportunity to get the big grant should encourage the remaining funders to move more quickly. The Preliminary Engineering Report is being compiled by the project architects.
 - The Notice of Funding Availability (NOFA) for the new EDA program funding from the Covid19 Relief Act has not yet been published. A project summary has been submitted to the Minnesota representative and deemed eligible, if all proposed funding is committed at the time of application. If there is no EDA grant, rents can be raised to support a soft money loan and additional funding requests to other East metro foundation funders will be required. State funds are dependent upon the Minnesota Legislature.
 - The proposed federal funding requires a formal document titled Preliminary Engineering Report that includes measurements and descriptions of all existing and proposed building elements and systems. This document needs to be completed prior to submission of the federal application. The new Notice of Funding Availability for the program is not yet published, but is anticipated in May, so the estimated completion of this document – the outcome of the schematic design process – has not yet been formally scheduled but is likely to be by the end of June.
 - The requested legislative appropriation of \$1,000,000 to AEDS did not make it into the budget. Instead, an appropriation of \$1 million for economic development projects was made to the Department of Employment and Economic Development (DEED).

- The Neighborhood STAR grant did not score quite high enough to be funded.

Sources

Federal EDA Public Works Grant	\$	1,798,395	submit when match is available
Minnesota DEED appropriation	\$	500,000	Overall reduction-final budget
Federal HFFI Grant	\$	200,000	committed/spent
Met Council LCDA TOD Pre-development	\$	100,000	committed/spent
St Paul Year-round STAR	\$	65,000	applied for
St. Paul Neighborhood Star grant			not recommended
Bigelow Foundation	\$	200,000	committed
Otto Bremer Trust	\$	200,000	decision before 12/31/21
Hardenburg Foundation	\$	100,000	decision before 12/31/21
McKnight Foundation	\$	100,000	decision before 12/31/21
St Paul Foundation	\$	150,000	decision before 12/31/21
Total Sources	\$	3,413,395	

The current predesign cost estimate needs more information on mechanical, electrical, plumbing and FF&E costs and is therefore not presented here.

USES

	\$	-
Acquisition & Closing costs	\$	307,500
Construction, FFE, Contingency	\$	2,751,806
Design & Engineering	\$	153,450
Soft Costs including legal, title & holding	\$	119,752
Operating & Replacement Reserves	\$	80,887
Total Uses	\$	3,413,395

Funding Timeline:

	<i>Best Case</i>	<i>Worst Case</i>
All match funding committed	12/20/2021	1/31/2022
EDA Grant Committed	5/31/2022	9/30/2022
Construction Start	7/15/2022	11/15/2022
Occupancy	1/30/2023	5/31/2023

	<i>Best Case</i>	<i>Worst Case</i>
All funding committed	10/30/2021	5/30/2022
Construction Start	1/2/2022	7/30/2022
Occupancy	9/30/2022	12/1/2023

	<i>Best Case</i>	<i>Worst Case</i>
All funding committed	9/30/2021	3/30/2022
Construction Start	11/30/2021	5/30/2021
Occupancy	5/30/2022	12/1/2023