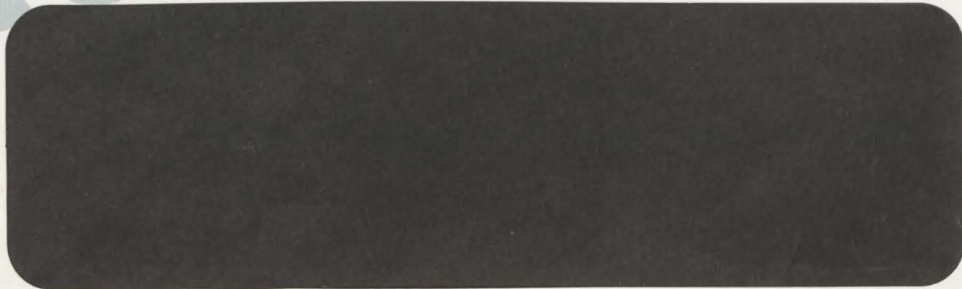


NPCR 1212

Neighborhood Planning for Community Revitalization



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CURA RESOURCE COLLECTION

**Center for Urban and Regional Affairs
University of Minnesota
330 Humphrey Center**

**Community Development Efforts
in Central St. Paul**

**Prepared by
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Conducted on behalf of Model Cities Community Development Corporation
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I. Executive Summary

This report presents two project concepts currently being implemented by Model Cities, Inc, a nonprofit community-based service organization located in the Thomas-Dale neighborhood of St. Paul. The first project concept is an attempt by Model Cities to address homeownership disparities throughout the greater St. Paul area. Model Cities begins with the fact that homeownership among communities of color is much lower than among whites. They attempt to address this disparity through the development of several single-family homes that, through a number of subsidies, can be purchased at a discounted price by members of communities of color. The model presented is a contract-for-deed scenario, where tenants are given time (a period of 1 to 3 years) to clean up their credit history and demonstrate their ability to make mortgage payments and take on the responsibility of homeownership. At the end of this initial period, ownership of the property is transferred to the tenant. In conjunction with the initial contract period, tenants will be required to take on educational support services to facilitate homeownership stability. The project concept includes a development budget, as well as floor plans for the proposed single-family homes.

The second project concept in this report addresses the problem of homelessness among youth within the state of Minnesota. Model Cities is attempting to acquire and rehabilitate two underutilized multi-family housing structures for the purposes of providing Permanent Supportive Housing for youth and young adults, ages 17-25. The development, ownership and management of these facilities would be under the control of Model Cities, an organization with years of experience in providing supportive housing to vulnerable populations. This project aids in filling the gap in Ramsey County's Continuum of Care for this population. Permanent supportive housing is proposed because transitional housing provides an insufficient amount of time to address the multitude of issues that homeless youth are typically facing. In addition, a Permanent Supportive Housing model would also fill a need for this type of service, which is lacking at this time. The targeted geographical area for this project will be located primarily in the Summit-University and Thomas-Dale neighborhoods of St. Paul. The project concept includes both predevelopment and development budgets, as well as a 5 year operating budget.

II. MCASA Homes: A Project Designed to Increase Homeownership Among Populations of Color

Background

While opportunities for obtaining affordable home ownership for low-income communities have increased in recent years, the need to expand these opportunities to communities of color in the Twin Cities continues to exist. Disparities in home ownership between White households and households of color in the Twin Cities Metropolitan area are significantly greater than the nation as a whole. In 2000, Twin Cities White households were two times more likely to own a home than African Americans. The gap is similar for other communities of color. While 71 percent of White households own their own home, only 30 percent of African Americans, 32 percent of American Indians, 41 percent of Asians, and 49 percent of Hispanics/Latinos are homeowners. These gaps have been growing since 1990, and will likely worsen, if not addressed. The literature concedes that a large part of home-ownership disparities among racial groups may be accounted for by demographic and socio-economic factors. However, other factors such as lender characteristics, lender discrimination, broker prejudice, and housing costs and affordability are also important in determining home ownership rates among different segments of the population.

Increasing home ownership among communities of color carries with it several benefits. Home ownership confers on families a measure of independence, security, dignity, and a sign of social status; this plays an important role in the families' social, political, and economic status. Furthermore, home ownership offers families and individuals an opportunity to accumulate wealth. In this sense, housing is not only a place to live, but can be considered an investment.

Model Cities Community Development Corporation (MC) and Aurora/St. Anthony Neighborhood Development Corporation (ASANDC) are co-developing a project called MCASA Homes that will result in home ownership for at least 10 families of color whose annual incomes are up to 80 percent of the Area Median Income (AMI). The development goal is to develop single-family structures, suitable for mid-size families (3-bedroom units), through the acquisition of vacant parcels and new construction.

MCASA Homes is an infill development of vacant and underutilized parcels located in Saint Paul's Ward 1. This type of development carries with it several advantages for inner city neighborhoods. Infill development increases housing options and affordability near job centers and transit lines. Infill development also increases the neighborhood's tax base and contributes to an overall improvement and health of the community.

A Contract-for Deed home ownership model will be used, whereby targeted families can reside in the living unit for a 12 to 36 month period before the final home purchase. During their contract period, the homebuyer will receive home ownership counseling, home maintenance training, financial management training, debt retirement and reduction assistance that will stabilize families and lead to home ownership. In addition, the family will receive down payment assistance from local first time homebuyer programs.

Development Model

Community Land Trusts (CLT) are examples of models used for long-term preservation of affordable housing for low-income families. CLT homes are affordable because the homes are priced below market value. The CLT model preserves affordability because the land trust maintains ownership of the land. The homebuyer purchases only the house and enters into a long-term (usually 99 years) agreement with the CLT for the use of the land. The buyer purchases the home, but not the land. If a family decides to sell a CLT home, then the house must be sold to another low-income family, the price of which is determined by a resale formula established in the initial ground lease. This formula is typically based on 25 percent of the increase in home value. In other words, should a CLT family resell the home, the family retains only 25 percent of the increase in the market value of the home. This is a popular model for ensuring affordable housing over the long-term, but it tends to work against buyer asset formation and therefore may be a disincentive for some families.

Rent-to-own models have also been noted as effective approaches to increasing home ownership among low-income families whose annual household income fall within the 50 to 80 percent Area Median Income. Among the success stories are:

- Fort Wayne Neighborhood Housing Partnership in Indiana, that operated a rent-to-own project for eight years and served 122 families;
- Neighborhood Economic Development Corporation (NEDCO) a Eugene, Oregon community development corporation whose lease-to-own project begun in 1991 has housed over 130 families; and
- Saint Paul Public Housing Agency's (PHA), *Home Ownership Made Easy (HOME)*, wherein Section 8 vouchers are applied to monthly mortgage payments. During 2003, 18 families participating in the St. Paul PHA HOME program became homeowners and since its inception, more than 358 have become homeowners.

Three program components seem characteristic of these effective projects:

- intensive home ownership education and training;
- time restricted lease-to- purchase terms (between 12 and 36 months); and
- upfront infusion of gap financing to write-down construction costs and improve affordability.

Two key issues related to rent-to-own approaches are higher property taxes related to non-homesteaded property and difficulty related to removing noncompliant tenants from the units. MCASA Homes incorporates the effective components of the rent-to-own models in its homeownership program, but uses a Contract-for-Deed financing structure. Using the Contract-for-Deed structure, the seller retains "legal" title to the property as security for payment, while the buyer has "equitable" title. If the buyer fulfills all of his or her obligations under the contract, the seller will deliver the legal title to the buyer. Equitable title gives the buyer the right to live in the property, make improvements, and otherwise enjoy all of the benefits of homeownership. However, since the buyer does not have legal title, he or she is restricted from using it as collateral for a home equity loan.

A Contract-for-Deed model is an advantage for both the buyer and seller over the rent-to-own model for several reasons. First, the IRS generally treats a contract for deed as a sale, which means the buyer enjoys all of the tax fits of homeownership. As a result, the payments of interest that are made by the buyer are deductible as "mortgage interest", even though the buyer does not have legal title to the property. Since the buyer is entitled to all the benefits of homeownership under a contract-for-deed situation, the buyer is responsible for maintenance, repairs, and general upkeep of the property. A contract-for-deed model allows the house to be treated as a homestead property, which carries with it certain tax benefits. Homestead properties typically enjoy lower property tax rates than non-homestead properties.

Market Issue/Opportunity

MCASA Homes' targeted geographic area is Ward 1, primarily the Summit-University and Thomas-Dale neighborhoods. These neighborhoods have undergone some dramatic changes since the 1990 Census. In 1990, African Americans had the highest population of any racial group in the neighborhood, but by 2000 Asian comprised 38.8 percent of the neighborhood population, while African Americans and Whites made up 23.3 and 28.2 percent respectively. Nearly 9 percent of the neighborhood was Hispanic. The Summit-University neighborhood of St. Paul, like Thomas-Dale, is also very racially diverse. Whites and African Americans make up 45.8 and 37.3 percent of the neighborhood, respectively. Asian Americans make up roughly 11 percent of Summit-University.

The African American market is targeted, primarily due to the data evidencing disproportionately low home ownership rates among this group. About one in every three African Americans in Thomas-Dale (33.9 percent) and one in four in the Summit-University (43 percent) own their own homes. These rates, which fall far below home ownership rates for Whites, are similar for other communities of color.

It is expected the project will work best for young families, with parental ages ranges from 25 – 35 years old. Given the current census data, the average family size is expected range from three to four persons, with children under the age of 11 years old. Most will be two-parent families, both of whom work outside of the home. A majority of the families will reside in the Summit-University and Thomas-Dale neighborhoods as tenants. However, the project can serve any family who meets the three basic program eligibility criteria.

- Annual household incomes up to 80 percent of the Area Median Income (AMI);
- Families who can demonstrate that, through participation in MHFA Home Stretch home ownership classes, they will be able to purchase a home within 12 to 36 months, and are actively resolving debt and poor credit histories.
- Families who will actively participate in home ownership counseling during their contract tenure.

Eligible families will be recruited through various organizations (American Dream Services, ACORN, and Community Neighborhood Housing Services, and Neighborhood Development Alliance). These agencies provide the Minnesota Housing Financing Agency home buying training program, *Home Stretch*. In addition, families will be screened to ensure they meet the criteria noted below and fully understand their responsibilities as a participant in the MCASA program. An advisory committee structure will be used to assist in identifying and screening eligible families as well as maintaining MCASA Homes' connection with the community.

Siting

Four criteria were established to determine feasibility of a site:

- geographic location: the site's location within Ward 1, and its proximity to public transportation;
- development potential: the degree to which development on the site is financially and structurally feasible;
- community amenities: the site's proximity to parks, playgrounds, shopping centers, and other amenities used by mid-size families;
- environmental suitability: the site is free of hazardous or toxic wastes;
- security: the degree to which the site will enhance resident safety and security; and
- neighborhood revitalization effort: the degree to which development of the site enhances and adds value to other neighborhood revitalization efforts.

Six parcels within Ward 1 have been identified that meet the site criteria.

- 707 Fuller Avenue, a 4792 sq ft parcel, currently owned by ASANDC;
- 741 Fuller Avenue, a 4356 sq ft parcel, currently owned by ASANDC;
- 895 Central Avenue, a 4792 sq ft parcel, currently owned by ASANDC;
- 653 Aurora Avenue, a 3920 sq ft parcel;
- 667 Aurora Avenue, a 3920 sq ft parcel; and
- 671 Aurora Avenue, a 4792 sq ft parcel.

All of these sites are located in the Summit-University neighborhood. They were previously occupied by single-family homes and are currently zoned for residential development. The Aurora Avenue sites are adjacent to the University-Dale redevelopment area wherein predevelopment of a major mixed-used development project is nearing completion. Included in the University-Dale redevelopment project will be family housing, senior housing, and a new Lexington Outreach public library. At the northeast corner of this intersection will also be newly constructed housing and commercial space. Aurora Avenue is at the southern boundary of this redevelopment area, and currently along this street is housing slated for acquisition and infill development.

These sites are strategically located near major thoroughfares and bus lines and therefore very accessible to public transportation. This community is rich with amenities including social services, childcare, affordable grocery shopping, discount to moderately priced shopping centers, community banks, gas stations and ethnic and family restaurants. The neighborhood is also very close to St. Paul's Como Park, which includes a lagoon for fishing and boating, picnic areas, a free petting zoo, a conservatory and numerous walking and biking trails. Within walking distance of these sites are public schools, a public library, and several churches.

Services

Targeted families are expected to require both front-end housing subsidies, as well as educational support services that facilitate ownership stability (e.g., job retention, cash

management, preventative maintenance). The project will coordinate with homeowner education programs that offer assistance to low-income individuals and families of color.

Front-end Financial Assistance. The project will aid families in accessing the following financial tools through MHFA for home purchases:

- Home-ownership Assistance Fund (HAF): provides zero interest, deferred loans to help with down payment assistance and closing cost;
- Community Activity Set Aside (CASA): through financial institutions provides low interest loans for first-time home buyers;
- Minnesota Mortgage Program (MMP): provides loans with interest rates that are below market based on the applicants income; and
- Minnesota City Participation Program (MCP): provides down payment assistance through local financial institutions.

Ownership Stabilization Services. During their contract period, one-to-one home ownership counseling will be used to stabilize the family and lead to home ownership. Built upon the Home Stretch curriculum, the home ownership course will include the following topics:

- Financial literacy
- Lifelong money management
- Debt management
- Maintaining good credit
- Property Taxes and Insurance
- Financing a Home
- Qualifying for a mortgage
- Loan application process
- Home maintenance
- Being a good neighbor/community involvement
- Foreclosure Prevention

Families will also develop Individualized Action Plans to meet two needs (1) outline specific financial goals to be achieved within a timeline (credit card debt of \$400; paid within 5 months) and (2) identify specific areas of successful home ownership (financial literacy, budgeting) where in skills need to be further developed. Individualized Action Plans will be reviewed month by the family and home ownership counselor.

Project Costs and Financing Plan

Construction of a 3-bedroom MCASA home will cost \$174,000, which includes a 1352 S.F dwelling at \$115/S.F. and a two-car garage estimated at \$22,000. Total project costs, which also include soft costs, are estimated at \$1,359,000. A letter of commitment has been received from Franklin Bank for interim construction financing and permanent mortgage financing. Other sources of capital financing include the City of St. Paul and Minnesota Housing Finance Agency.

The average sale price of a single-family home in the Summit-University and Thomas-Dale neighborhoods is \$190,000. In order to meet the needs of working families that fall in the low to moderate income level (up to 80% of the Area Median Income), gap financing will be

applied to reduce the sale price to an affordable level, approximately \$120,000. The financing plan facilitates affordability for the target population.

As an example, a family of four whose annual household income is \$53,000 (70% AMI) qualifies for \$120,000 30-year mortgage with a 7.5% interest rate. During the contract period (12 to 36 months) the family makes monthly payments equivalent to the Principal Interest Tax Insurance (PITI) of their qualifying mortgage, of \$120,000, plus utilities. This total is approximately \$1,139 per month; which is comparable to the current fair market rate for a three-bedroom rental unit. Generally upon purchase of the home the monthly mortgage payment is less than the contract amount, which serves as an additional incentive for the family to purchase the home.

Development Team

Model Cities Community Development Corporation is a private nonprofit organization whose mission is *to promote and carry out community-based development that contributes to the revitalization of inner city communities and improve the quality of life of economically and socially disadvantaged people.* Model Cities was established in 1967 and has been a supportive housing provider since 1992. The agency currently owns and manages 21 units of supportive housing.

Aurora/St. Anthony Neighborhood Development Corporation, established in 1980 as a neighborhood watch and crime prevention community group, is a nonprofit membership organization with over 200 resident and local business members. Its mission is *to foster positive relationships within and between neighborhoods; and to support its community members in effecting their choices relative to the quality of life in their neighborhoods.* Since the late 1980's, Aurora St. Anthony has purchased, renovated and sold over 25 properties to low to moderate-income families and individuals, and facilitated the demolition of 15 other properties.

Gabler Housing Solutions Corporation was established by in 1995 as an effort to address the multiplicity of issues, services and needs required in the planning, financing, and development of housing, both market-rate and affordable. Gabler Housing Solutions has expertise in housing policy, finance, and tenancy and has a successful array of experiences in housing.

Flannery Construction was established in 1981 and offers a full line of general contracting services. Over the years, Gerry Flannery and his company have developed expertise in all sectors of the construction industry (residential, commercial, and governmental) with both large and small projects. Flannery Construction has built, remodeled, and renovated homes and high rises, offices, clinics, and restaurants in and around the Twin Cities metropolitan area and in western Wisconsin.

Leonard, Street, and Deinard, established in 1922, is one of the oldest and largest law firms in Minnesota and has more than 180 lawyers practicing from offices in Minneapolis, Saint Paul, and Mankato. The businesses they serve are in every sector of the economy – commercial, service, financial, health care, manufacturing and industrial.

Architectural Outsource, LLC is an African American owned and operated architectural firm. It was established to develop working relationships in the architectural industry by

performing architectural tasks and services for architectural/engineering firms, construction companies and related industries, as well as, facilities management tasks for private and public entities.

Exhibits

E-1 Development Budget

E-2 Site Schematics

E-1 Development Budget

"MCASA LLC" Affordable Housing Project - 6 Houses 28-Jun-04		SCHEDULED VALUE
ITEM	DESCRIPTION	
A. ACQUISITION COSTS:		
	1. Land:	3.00
	2. Demolition:	0.00
	3. Site Acq. Closing & Legal Costs	3,000.00
	Subtotal:	3,003.00
B. CONSTRUCTION COSTS:		
	1. New Construction: (Flannery)	1,040,000.00
	Subtotal:	1,040,000.00
C. CONTINGENCY FUND:		
	1. Contingency (For Whole Project)	52,000.00
	Subtotal:	52,000.00
D. SOFT COSTS:		
1. Professional & Other:		
	a. Architect's Design & Sup. Fee:	11,400.00
	b. Marketing:	6,000.00
	c. Soil Borings Tests & Environmental:	9,000.00
	d. Bldr's.P&P Bond: (In Cost Above)	0.00
	e. Appraisals:	2,100.00
	f. Surveys:	1,500.00
	g. Cost Certification/Audit:	6,000.00
	h. Owner's Legal Fees:	18,000.00
	i. Builder's Risk Ins.: (In Cost Above)	0.00
	j. Program Start-up Costs:	36,000.00
	Subtotal:	90,000.00
2. Developer's Fee:		
	a. Developer's Profit & Overhead:	36,000.00
	b. Housing Consultant:	5,000.00
	Subtotal:	41,000.00
3. Financing Costs:		
	a. Hazard & Liability Insurance:	14,500.00
	b. Origination Fees: To Lenders @ 1% x 2	14,400.00
	c. Const. Int.:(9 Mos. @ 50% in/50% out)	20,250.00
	d. Taxes & Assessments:	3,000.00
	e. Title & Recording:	5,000.00
	f. Closing Costs	6,000.00
	g. Soft Cost Contingency:	10,000.00
	h. Initial Project Reserves:	60,000.00
	Subtotal:	133,150.00
TOTAL PROJECT USES (COSTS):		1,359,153.00
E. INTERIM PROJECT SOURCES:		
1.0	Conventional Bank Construction Loan	720,000.00

3.0	PED STAR Funds Grant		120,000.00
4.0	PED STAR Funds Deferred Loan		120,000.00
6.0	MHFA Hsg. Trust Funds Deferred Loan		270,000.00
7.0	Foundation & Other Grants		129,153.00
TOTAL INTERIM PROJECT SOURCES:			1,359,153.00
F. PERMANENT PROJECT SOURCES:			
1.0	6 - 1st Mortgages @ \$120,000/Hse.		720,000.00
3.0	PED STAR Funds Grant		120,000.00
4.0	PED STAR Funds Deferred Loan		120,000.00
6.0	MHFA Hsg. Trust Funds Deferred Loan		270,000.00
7.0	Foundation & Other Grants		129,153.00
TOTAL PERMANENT PROJ. SOURCES:			1,359,153.00
G. COST ASSUMPTIONS//HOUSE/MONTH:			
1.0	\$120,000 @ 7.5%, 30 Yr. Amortization:		839.06
2.0	Real Estate Taxes @ \$2,400/Yr.:		200.00
3.0	Insurance @ 1,200/Yr.:		100.00
TOTAL PITI COSTS//HOUSE/MONTH:			1,139.06

E-2 Site Schematics



707 Fuller Avenue



741 Fuller Avenue



753 Aurora Avenue



667 Aurora Avenue



71 Aurora Avenue



895 Central Avenue

MCASA HOMES
8/3/04

AREAS
876 S.F. FIRST FLOOR
876 S.F. SECOND FLOOR
1752 S.F. TOTAL FINISHED

Architecture
Outsource

The outside source for your Architectural needs

598 Dayton Avenue
(651)-310-0023

St. Paul, Minnesota 55102

III. **Young Adult Parenting Project: Permanent Supportive Housing for Homeless Young Adult Parents with Disabilities and their children**

Background

Survey data collected by the Wilder Research Center (2003) reported that, on any given night, there are between 500 to 600 unaccompanied youth in Minnesota. One out of two homeless youth reported being physically or sexually mistreated and 10 percent reported having traded sex for shelter, food, clothing, etc. Many have left unstable or dysfunctional home environments and do not return due to relational problems and/or abuse. Homeless youth are disproportionately African American and account for 31 percent of the homeless youth in Minnesota and only represent 5 percent of the youth population in Minnesota (Wilder Research Center, 2004). One out of two homeless youth reported being physically or sexually mistreated and 10 percent reported having traded sex for shelter, food, clothing, etc. Homeless youth are five times more likely to have been treated for drug and alcohol problems and four out ten (42%) report have significant mental health problems. Some are recently homeless, having left unstable or dysfunctional home environments and did not return home due to relational problems or abuse. Most have difficulty finding housing due age, lack of rental history or employment history. Their current housing situation is moving from shelter to shelter, family member to family member, utilizing temporary housing or abandoned buildings.

Wilder Research Center reports that in 2003 one in six (16%) of homeless youth had a child, which is an increase from 8 percent in 2000. Among homeless young adults (18 to 20 years of age), 25 percent of males and 55 percent of females have at least one child. Academically, children born to young parents tend to be at least one grade level below their age group. In many cases, the children are in the custody of friends or relatives, or in foster care.

On its own, teenage pregnancy creates serious problems for both the young mother and the infant (e.g., low birth weight, infant morbidity, and infant mortality). Yet, the issue of teenage pregnancy and parenting is exacerbated when the young parent is homeless and suffering from chemical and/or mental health disabilities. These conditions turn their housing situation into chronic homelessness. The problem is especially critical among communities of color. Model Cities' statistics show that nearly 75% of the teens are African American.

Statement of Objective

The development goal is to acquire and rehabilitate two underutilized mutli-family housing structures, develop, own and manage 10-15 units of Permanent Supportive Housing for youth and young adults, ages 17-25. This project aids in filling the gap in Ramsey County's Continuum of Care for this population.

Permanent supportive housing is proposed because most housing programs serving this population are transitional housing and residency is less than 24 months. This results in

young parents again becoming homeless because there is not sufficient time to address the issues related to chemical dependency, their mental health, limited education and underemployment. Permanent housing options for young parents who are unable to live with their parents or guardians and need alternative living arrangements are lacking in the Twin Cities area. This supportive housing model would provide housing options for those young parents.

Model Cities will serve as the owner, property manager, and service provider of comprehensive support services. Support services will be provided by Model Cities and through a core of community-based service providers to address the identified disability, and concern unique to young parents who are homeless. Including low rates of school completion, underemployment, lack of financial stability and self-sufficiency and limited access to primary health care.

Sites

There are six criteria used to determine feasibility of the site:

- geographic location: the site's proximity to public transportation;
- community amenities: the site's proximity to parks, playgrounds, shopping centers, and other amenities used by mid-size families.;
- environmental suitability: the site is free of hazardous or toxic wastes;
- development potential: the degree to which development on the site is financially feasible;
- security: the degree to which the site will enhance resident safety and security; and neighborhood revitalization effort: the degree to which development of the site enhances and adds value to other neighborhood revitalization efforts, particularly mixed use development.

One site has been identified that meets these criteria:

450 Grotto Street (Jendayi) A 3-story stucco building with six (6) apartment units; including 3- one bedrooms, 2- two bedrooms and 1- three bedroom and a small program space. The site, approximately 9,600 sq ft, has a side yard suitable for a family recreation and play area. Jendayi has operated as a supportive housing project for homeless youth and was recently placed on the market for sale. Model Cities' acquisition of this property supports housing preservation efforts.

This site is strategically located near on a major thoroughfares and bus lines and therefore very accessible to public transportation. This community is rich with amenities including social services, childcare, affordable grocery shopping, discount to moderately priced shopping centers, community banks, gas stations and ethnic and family restaurants. The neighborhood is also very close to St. Paul's Como Park and within walking distance to public schools, grocery stores, a public library, and several churches.

Market Issue/Opportunity

The targeted geographic area includes inner core neighborhoods of St Paul, primarily the Summit-University and Thomas-Dale neighborhoods. The Thomas-Dale neighborhood has

undergone some dramatic changes since the 1990 Census. In 1990, African Americans had the highest population of any racial group in the neighborhood, but by 2000 Asian comprised 38.8 percent of the neighborhood population, while African Americans and Whites made up 23.3 and 28.2 percent respectivelyⁱ. Nearly 9 percent of the neighborhood was Hispanic. The Summit-University neighborhood of St. Paul, like Thomas-Dale, is also very racially diverse. Whites and African Americans make up 45.8 and 37.3 percent of the neighborhood, respectively. Asian Americans make up roughly 11 percent of Summit-University.

Given current statistics on the homeless youth population, it is expected that: they will be disproportionately African American (African Americans represent 8% of all metro area youth, but 44% of homeless youth); and they will be current or eligible MFIP recipients (one in five homeless youth and 28 percent of homeless young adults are estimated to be MFIP recipients, Wilder Research Center, 2001).

A majority of the families will reside in the Summit-University and Thomas-Dale neighborhoods. However, the project can serve any family who meets the three basic program criteria.

Families are eligible for this program if they meet the following criteria:

- Annual household incomes that fall within 30 percent of the AMI (estimated at \$18,400 for a family of two);
- Age of head of household ranges from 17 to 25;
- Head of household is currently parenting a child or pregnant;
- Head of household is experiencing homelessness; and
- Head of household has a diagnosed chemical health, mental health and/or Developmental Disabling condition that is expected to be of long-continued and indefinite duration; substantially impedes their ability to live independently; and is of a such a nature that their ability could be improved by more suitable housing conditions.

The participants will come to housing via referral networks that are currently in place with existing community-based programs. These include Lutheran Social Services who provides transitional housing for youth, including a 3month transitional housing for homeless teen mothers; Face to Face Health and Counseling Service, Inc. Safe Zone program that provides a resource center for homeless, run away and at risk youth; and Ramsey County who provides public health nursing services to at risk teen parents.

Services

Model Cities will also provide a full range of supportive services to assist the youth/young adults in achieving self-sufficiency and transitioning into successful adulthood. Model Cities will utilize its current comprehensive delivery system and will include services determined as most effective for homeless youth/young adults living in supportive housing.

- Mental Health Services
- Chemical Health Services
- Nurse Triage for Primary Care
- Crisis Intervention/Family Preservation
- Parenting Education
- Life Skills Training (personal hygiene, money management, shopping, cooking)
- Education/Career Planning

- Job-readiness Training
- Tenant Training
- Mentoring Relationship

Upon entering the program the homeless youth/young adults will receive an assessment to determine their immediate needs and the needs of their children (medical, clothing, food, etc.) and their long-term needs such as life skill development, parenting, and educational/career goals. Each youth/young adult will work with a case manager that will provide onsite services; larger community activities will be held off-site at Model Cities' service building centrally located on University Avenue.

Obstacles and Risks

Operating subsidies are secured. In order to ensure success for the youth/young adults Model Cities will maintain rents that are affordable. This will be based on the standard set by U.S. Department of Housing and Urban Development (HUD), which states families should not pay more than 30% of their household income towards rent. Because many of the youth/young adults will have no source of income or are MFIP recipients, Model Cities plans to apply for and secure operating funds through HUD 2004 SuperNOFA under the Targeted Housing and Homeless Assistance Program Shelter Plus Care.

This project will secure operating dollars to ensure affordability and secure services dollars to provide comprehensive services to the homeless youth/young adults and their children who are residing in the program.

Development Team

Model Cities. *Beverley Oliver Hawkins*, PhD, has more than 29 years of experience in management and administration, working in non-profit management, for local government, and in post secondary education. Prior to her work at Model Cities, she was employed at St Paul's Department of Planning and Economic Development as a Community Development Grant Specialist, responsible for project monitoring, evaluation and contract compliance of the City's CDBG, UDAG, HRA and bond-financed capital projects. She also coordinated the development of the City's Contract Compliance User's Manual, which outlined specific contractor and developer requirements for City-funded new construction and rehabilitation projects. Dr. Hawkins has worked at Model Cities since 1984, spearheading strategic planning, program/system development, grant administration, resource and community development activities. Her skills are in resource and community-based development, project management, strategic planning, program evaluation and research.

Brenda Bailey has more than 30 years experience in finance and accounting, and more than 10 years experience at Model Cities in nonprofit asset management, construction project management and cost monitoring. Prior to working at Model Cities, she was employed as a government auditor monitoring Control Data Corporation's government contracts. Her role in the proposed project is construction management, management of contractor draw downs,

contract compliance, financial monitoring and federal communications. She also oversees asset management, including the management and maintenance of the agencies properties.

Brooke Carroll, Director of Housing Services, has 2 years experience in grants management and program development at both the State level and community-based level. She oversees the proposed supportive services.

Roarke, Kramer, Kosowski Design. *Peter Kramer*, owner and principal architect of the Minneapolis-based Roark, Kramer Kosowski Design, has extensive experience in working with nonprofit developers and has served as Model Cities' architect since 1986. In addition to his work in the predevelopment design phase, Dr. Kramer will work closely with the general contractor throughout the construction period as the construction project manager.

Flannery Construction. Established in 1981 and offers a full line of general contracting services. Over the years, Gerry Flannery and his company have developed expertise in all sectors of the construction industry – residential, commercial, and governmental, with both large and small projects. Located in Saint Paul's Lowertown area, Flannery Construction has built, remodeled, and renovated homes and high rises, offices, clinics, and restaurants. Projects have ranged from private residential homes to helping non-profits strategize to make their budgets work, to fast-track multi-level office buildings remodeled while work continues in adjacent areas. Flannery Construction builds in and around the Twin Cities metropolitan area as well as in western Wisconsin.

Leonard, Street, and Deinard. Established in 1922, is one of the oldest and largest law firms in Minnesota. With more than 180 lawyers practicing from offices in Minneapolis, Saint Paul, and Mankato, they have experience in virtually every area of the law. Their clients range from individuals and start-up companies to large corporations. The businesses they serve are in every sector of the economy – commercial, service, financial, health care, manufacturing and industrial. In addition, the Leonard, Street and Deinard Foundation provides financial support to more than 100 nonprofit organizations in the community, including legal services providers, arts organizations, homeless shelters, environmental groups, neighborhood development associations, and social service organizations.

Exhibits

- E-1 Predevelopment Budget
- E-2 Development Budget
- E-3 Operating Budget

E-1 Predevelopment Budget

Model Cities Community Development Corporation Predevelopment Budget - Young Parent Housing Project			
Number of units	6		
	PROJECT COST	PER UNIT	
Fees			
Architect-Design	\$ 3,500.00	\$ 583.33	Rehab design of exterior of 450 Grotto.
Legal	\$ 7,500.00	\$ 1,250.00	Title search, document proofing, etc.
Relocation Consultant	\$ 1,500.00	\$ 250.00	Relocation consultant services for tenants in Dunlap bldg.
Housing Development Consultant	\$ 5,000.00	\$ 833.33	Fee for contractual services in the MHFA application process
Soft Costs			
Earnest Money Deposit	\$ 1,000.00	\$ 166.67	Deposit required to show good faith effort toward purchase.
Appraisal & Inspection	\$ 1,095.00	\$ 182.50	Up-to-date appraisal required for financing purposes
Survey	\$ 1,400.00	\$ 233.33	Survey required to determine plat lines.
Environmental	\$ 740.00	\$ 123.33	Environmental assessment required for gov't funding.
Holding Costs	\$ 4,560.00	\$ 760.00	Costs for utilities until final closing scheduled
Origination Loan Fee	\$ 3,000.00	\$ 500.00	% of acquisition costs required by CSH
Application Fee	\$ 500.00	\$ 83.33	Fee required by CSH to process loan request
Accounting	\$ 1,500.00	\$ 250.00	Accounting services for tracking and reporting
Relocation Costs	\$ 16,500.00	\$ 2,750.00	Expense budgeted for 3 families at 450 Grotto.
Property Taxes	-	-	Property is exempt.
TOTAL COSTS	\$ 47,795	\$ 7,965.83	
Sources			
United Way	\$ 5,000.00		
Gap	\$ 42,795.00		
TOTAL SOURCES	\$ 47,795.00		

E-2 Development Budget

Model Cities Community Development Corporation Development Budget – Young Parents Project				
Number of units	6	PROJECT COST	PER UNIT	ASSUMPTIONS
1. AQUISITION				
Land		-	-	
Buildings		389,900	64,983	Acquire 6 unit/10 B/R building Utilities, etc., for vacant units until closing.
Holding Costs		4,560	760	
2. CONSTRUCTION COSTS				
Rehabilitation		20,000	3,333	Improvements per property inspection rpt.
Construction Contingency	10%	2,000	333	
3. FEES				
Architect-Design	5%	1,000	67	Consultation and design services
Supervision		-	-	
Legal		3,200	533	Attorney fees for closing documents
Housing Development Consultant		10,000	1,667	Contract with Hart-Shegos & Assoc.
Relocation Consultant		1,500	250	Fees to Conworth, Inc for tenant relocation servcies
Accounting		1,500	250	Project tracking and reporting
Title & Recording		7,800	1,300	Fees relating to closing and loan documents
Loan Fees		3,500	583	Fees associated to loans
Environmental		740	123	Phase 1 assessment required by lender
Furnishings & Equipment		12,000	2,000	Furniture budgeted at \$2K per unit.
Appraisal & Inspection		1,095	183	Proper inspection (\$595) and appraisal of bldg.
Survey		1,400	233	Estimated cost to survey land.
4. OTHER COSTS				
Relocation Costs		16,500	2,750	Currently occupied by 3 families (budg.\$5500/ea.)
Bridge Loan Interest		19,495	3,249	5% for 12 months (est. time before permanent financing)
5. DEVELOPER FEES	7%	32,389	5,398	Allowance of 7% of development costs
6. RESERVES				
Operating Reserve		3,000	500	Reserve escrowed to cover neg. oper. bal. in yr 10
Replacement Reserve		5,000	833	Budgeted for appliances, etc.due to client turnover
Tax & Insurance Escrow		8,700	1,450	Bldg exempt from taxes; est. for prop. insur.
TOTAL COSTS		545,279	90,880	
SOURCES OF FUNDS		Amount	Per Unit	
HUD		245,279	40,880	
CITY OF ST. PAUL		150,000	25,000	
FHF		50,000	8,333	
MHFA		100,000	16,667	
TOTAL SOURCES OF FUNDS		545,279	90,880	

E-3 Operating Budget

Model Cities Community Development Corporation						
Project Name: Young Parent Supportive Housing 6 Units at 450 Grotto						
5-YEAR CASH FLOW PROJECTION						
<i>Assumptions</i>						
Annual income increase		2.0%				
Annual expense increase		4.0%				
Vacancy		5.0%				
Revenue		Year 1	Year 2	Year 3	Year 4	Year 5
	Gross Potential Rent	69,156	70,539	71,950	73,389	74,857
	Vacancy	(3,458)	(3,527)	(3,597)	(3,669)	(3,743)
	Net Rental Income	65,698	67,012	68,352	69,719	71,114
	Other Income	-	-	-	-	-
	Total Revenue	65,698	67,012	68,352	69,719	71,114
Expenses						
	Administrative Expenses					
	Management Fee	18,000	18,720	19,469	20,248	21,057
	Legal	-	-	-	-	-
	Auditing	450	468	487	506	526
	Telephone	960	998	1,038	1,080	1,123
	On-site manager payroll	-	-	-	-	-
	Total Administration	19,410	20,186	20,994	21,834	22,707
	Maintenance Expenses					
	Exterminating	816	849	883	918	955
	Rubbish Removal	1,800	1,872	1,947	2,025	2,106
	Maintenance Supplies	1,200	1,248	1,298	1,350	1,404
	Grounds Maintenance	1,800	1,872	1,947	2,025	2,106
	Snow Removal	1,300	1,352	1,406	1,462	1,521
	HVAC Service	2,100	2,184	2,271	2,362	2,457
	Painting and Decorating	-	-	3,500	-	-
	Other Repairs	1,200	1,200	1,200	1,200	1,200
	Total Maintenance	10,216	10,577	14,452	11,342	11,747
	Utilities					
	Electricity	4,500	4,680	4,867	5,062	5,264
	Gas	1,500	1,560	1,622	1,687	1,755
	Water/Sewer	2,400	2,496	2,596	2,700	2,808
	Total Utilities	8,400	8,736	9,085	9,449	9,827
	Taxes and Insurance					
	Real Estate Assessment	490	510	530	551	573
	Insurance	8,700	9,048	9,410	9,786	10,178
	Total Taxes and Insurance	9,190	9,558	9,940	10,338	10,751
	Reserves					
	Replacement Reserves	5,000	5,200	5,408	5,624	5,849
	Operating Reserves	2,000	2,080	2,163	2,250	2,340

Misc. Reserves	-	-	-	-	-
Total Reserves	7,000	7,280	7,571	7,874	8,189
Effective Gross Expenses	54,216	56,337	62,042	60,836	63,221
Net Operating Income	11,482	10,676	6,310	8,884	7,893
Total Debt Service	-	-	-	-	-
Cashflow After Debt Service	11,482	10,676	6,310	8,884	7,893
Operating Reserve:					
Beginning Balance	3,000	14,482	25,158	31,468	40,352
Deposit/Draw (from cashflow)	11,482	10,676	6,310	8,884	7,893
Ending Balance	14,482	25,158	31,468	40,352	48,244

ⁱ Demographic data for this section is collected from the US Census 2000, Summary File 4 unless otherwise noted.