Team 3
Max Dickson, Smita Rakshit, Ricardo Rebolledo
HSG 4461 Spring 2014
Project Proposal – May 9, 2014
This project was supported by the Resilient Communities Project (RCP), a program at the University of Minnesota that convenes the wide-ranging expertise of U of M faculty and students to address strategic local projects that advance community resilience and sustainability. RCP is a program of the Center for Urban and Regional Affairs (CURA) and the Institute on the Environment.

This work is licensed under the Creative Commons Attribution-NonCommercial 3.0 Unported License. To view a copy of this license, visit http://creativecommons.org/licenses/by-nc/3.0/ or send a letter to Creative Commons, 444 Castro Street, Suite 900, Mountain View, California, 94041, USA. Any reproduction, distribution, or derivative use of this work under this license must be accompanied by the following attribution: “Produced by the Resilient Communities Project at the University of Minnesota, 2014. Reproduced under a Creative Commons Attribution-NonCommercial 3.0 Unported License.”

This publication may be available in alternate formats upon request.

**Resilient Communities Project**
University of Minnesota
330 HHHSPA
301—19th Avenue South
Minneapolis, Minnesota 55455
Phone: (612) 625-7501
E-mail: rcp@umn.edu
Web site: [http://www.rcp.umn.edu](http://www.rcp.umn.edu)

*The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, color, creed, religion, national origin, sex, age, marital status, disability, public assistance status, veteran status, or sexual orientation.*
Table of Contents

Housing Project Overview
Social Aims
  Market Analysis
  Demographics
  Prospective Residents
  Commerce
Development Overview
  Design
  Amenities
  Units Offered
  Housing Options
  Building a Community
Sustainability
  Alternative Energy Supply
  Sustainable Development Features
  Sustainable Community
Working with the Neighborhood
Meeting Population Needs
  Live + Work
Financial Analysis
  Estimated Revenue
  Estimated Cost
  Estimated Financing
References
Housing Project Overview

We propose a two-year development project for the immediate redevelopment phase of North Saint Paul. Our proposal highlights a health-oriented development project that would add to the housing stock of North Saint Paul by increasing the number of affordable rental units while improving street life and extending amenities to both current and future residents of the city. Our development name, The Gateway Lofts, refers to the adjacent Gateway State Trail, which is fundamental to the success of the project’s ability to create a new and thriving community. The Gateway State Trail is a direct link between multiple communities within Ramsey and Washington counties for non-motorized use. The trail would serve as an artery connecting The Gateway Lofts to other communities and the small businesses clustered along it. The area directly connected to the Gateway State Trail is intended to be a great open space for multiple uses, such as farmers markets, outdoor events, and outdoor seating, to name just a few. Our health-oriented development intends to capitalize on the potential business that trail users would bring by offering shops and services catering to health-oriented residents and non-residents alike. The Gateway Lofts offer housing opportunities that would allow residents with small businesses to work from or near their homes.

Potential sources of funding for our new housing construction, and the larger project of developing more livable communities in North Saint Paul, include tax incentives, as well as grants from municipal, state, and federal levels of government, and competitive grants from not-for-profit organizations focusing on investment in community and sustainable development. Our organization, The Green Room, will facilitate partnerships with investors who seek to purchase tax credits, and will partner with state and federal agencies devoted to the development of healthy and sustainable communities and the augmentation of adequate, affordable housing. We plan to apply for grants that target innovative, affordable housing developments and that seek to support the widespread use of renewable energy and socially responsible, sustainable development.
Social Aims

The Gateway Lofts development mission is to provide more housing options to the residents of North Saint Paul. Currently North Saint Paul is experiencing a tight rental market that will lead to further increases in rental pricing in the near future. At the same time, the size of the local population is steadily decreasing. In order to avoid disinvestment in North Saint Paul and the hemorrhaging of more residents to the surrounding area, we propose the simultaneous construction of three buildings with 50 units to be built over the course of 2 years. Our development project will offer affordable units to households with incomes between $25,000 and $60,000 a year. Another possible goal of The Gateway Lofts is to attract economic development and future residents to downtown North Saint Paul.

Market Analysis

A North Saint Paul housing study, conducted in September of 2011 by Stantec, found that population was steadily decreasing. Based on the information available in 2011, it was also found that the younger population residing in North Saint Paul and the surrounding area preferred renting to purchasing a home (Stantec 23). This may be a partial effect of both decreasing employment security and yearly income in those same areas. Still, the 2012 American Communities Survey found that, while the population increased slightly, the median age remains around 38 years old. The 2012 survey also shows an increase in rentals by about 13% since 2010. This indicates that residents of North Saint Paul are still hesitant about purchasing homes. With The Gateway Lofts, we intend to appeal to the younger demographic that might build and sustain the population of North Saint Paul, increasing economic activity in its downtown area, and encouraging community development.
Demographics

The intended populations for our development are young professionals, young families, and small business owners with incomes between $25,000 and $60,000. We want to continue to build upon the energy and life of North Saint Paul, and by attracting young, stable professionals, families, and business owners we can do that. We want families to establish roots, raise their kids, and invest in this community and its businesses. Our development will offer a mix of units and pricing. We want everyone from the budding entrepreneur, to the underserved family, to the baby boomer looking to downsize, to be able to afford to live in our development and begin a life in the community.

Prospective Residents

The Gateway Lofts project will consist of 3 Live + Work, Mixed Use residential buildings varying in height. The development site will offer a total of 50 residential units that will accommodate different types of Live + Work housing. To ensure the durability of the development, residents of The Gateway Lofts will enjoy high quality and durable finishes, which improves sustainability and decreases maintenance costs. The housing development will also boast large gathering and meeting spaces, such as community rooms and fitness centers. The site design includes ample outdoor open spaces for residents’ daily use as well as outdoor concerts, events, fairs, and potential farmers markets to be used by the larger community; this feature would serve both building residents and nonresidents alike, further strengthening ties between the development and the larger community. Our fundamental goal is to offer a range of rental apartments, from one to three bedrooms, starting at approximately $900/month (including utilities) as well as a wide range of amenities, including underground parking, balconies, and in-unit washer and dryers, among others. The Gateway Lofts would encourage green living by enabling rooftop farming, bicycle commuting, and sustainable, local production of goods and services.
Commerce

North Saint Paul has a history of entrepreneurship and The Gateway Lofts would offer alternative options to existing and new merchants in the area. According to the 2012 American Community Survey, it is estimated that over 11,800 Ramsey County Residents worked from home and over 200 of those residents were residents of North Saint Paul. The Gateway Lofts would offer 3 types of Live + Work options to up to 30 households with merchant spaces that allow for street-level access. One of our development goals is to promote a sense of inclusion, and we seek to meet the accessibility requirements of all residents through ramp and elevator access to all levels.

Development Overview

The areas planned for the present development are currently vacant; we anticipate relatively few design constraints in matching the area's current architectural style. The design of The Gateway Lofts is intended to be modern and minimalist, but it will mimic the traditional architectural styles associated with commerce and industry. The proposed three buildings will be distinct from one another, but the design is restricted to clean geometric lines and select materials like brick veneers, wood and metal paneling, and glass. The proposed construction will utilize techniques and materials designed for durability and it intends to reflect North Saint Paul’s charter.

Location

The site for our development is located in the West End Housing redevelopment area between McKnight Road and 3rd Street, with the green street as the site’s northern boundary and a proposed new street as the southern boundary. This location is in the heart of the City of North Saint Paul’s
redevelopment master plan and has access to both multimodal transit and downtown 7th Avenue. Access to our development by car is convenient via McKnight Road, a key thoroughfare for the downtown district that provides access from Highway 36 to 7th Avenue. And if traveling by bike, the Gateway State Trail is directly to the north of our site and provides great bike and pedestrian access through the city and to the surrounding neighborhoods and communities. The downtown 7th Avenue district is a short walk from our development with access to public transit, as well as places to shop, eat, and explore!

Public Realm

The Gateway Lofts will not be secluded or cut-off from the larger community of North Saint Paul. Our goal is to fully integrate this project with the surrounding businesses and residences, such that the project’s design features benefit the North Saint Paul community as a whole. With the Gateway State Trail to the north and a proposed new park to the south, The Gateway Lofts will be an accessible and convenient place to gather, shop, and live. The open space surrounding the development will be used for concerts, outdoor movies, events, and farmers markets, all of which would be open to the greater North Saint Paul community. The businesses in the live + work development will also attract and promote activity, creating a safe and dynamic environment.
Development Design

Our theme is based on holistic living where we incorporate and promote various kinds of healthy lifestyle choices. The development name was taken from the adjacent trail, which is known to be used for outdoor exercise in the winter and summer. The design style of the three proposed buildings will ultimately be reminiscent of Italianate commercial and a mixture of warehouse and industrial architecture. The Gateway Lofts development would attempt to usher the existing community into a new era for North Saint Paul: one that acknowledges North Saint Paul’s history in commerce and industry and one that also allows for development of new ideas. We intend to promote future housing development with the design of our three buildings, themselves, serving as a backbone of a larger vision for the area. While our development project only consists of 50 units, the North Saint Paul Master Redevelopment Plan anticipates that 200 units would be needed in that area. Our hope is that the remaining 150 housing units to be developed will be built as a continuation of our original project.

Amenities

Residents of rental properties have certain expectations of newly constructed housing units. In order for The Gateway Lofts to be competitive with other development in the surrounding area, and to productively match future development projects, we propose offering amenities that would be appropriate for the area. Amenities would include a community room, fitness center, underground parking, balconies, individually controlled AC units, and in-unit washers and dryers. The community room and fitness center will be located
in the largest of the three structures (Building 3), but these amenities will be available to all residents of The Gateway Lofts, and accessible through the main door of the building or through the underground parking structure that would connect all three proposed buildings. Access to the fitness center will be available to tenants without any additional cost. The community room will be available to the residents with advance reservation for a fee of $20 and a $200 deposit. The fee supports inspection of the room after every use and the deposit would be refunded after management has completed the inspection. This will ensure the cleanliness and proper maintenance of the space. Building 2 will house a community office space that would be available to residents of that particular building for a fee that has been factored into their rent. Residents from Building 1 and Building 2 may also use the facility for a monthly charge of $50. The fee would cover maintenance and the cost of office supplies.

Unit Offered

<table>
<thead>
<tr>
<th>Apartment Unit Types</th>
<th>No. of Units</th>
<th>Rent/Ft²</th>
<th>Area Unit (ft²)</th>
<th>Total Ft²</th>
<th>Rent Month Unit</th>
<th>Total Annual Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 BR, 1 Bath</td>
<td>12</td>
<td>$1.20</td>
<td>750</td>
<td>9,000</td>
<td>$900</td>
<td>$129,600</td>
</tr>
<tr>
<td>1 BR, 1.5 Bath, Den, Community Work</td>
<td>12</td>
<td>$1.22</td>
<td>900</td>
<td>10,800</td>
<td>$1,100</td>
<td>$158,371</td>
</tr>
<tr>
<td>1 BR, 1.5 Bath, Live + Work</td>
<td>4</td>
<td>$1.15</td>
<td>1,000</td>
<td>4,000</td>
<td>$1,150</td>
<td>$55,200</td>
</tr>
<tr>
<td>2 BR, 2 Bath, Community Work</td>
<td>6</td>
<td>$1.19</td>
<td>1,350</td>
<td>8,100</td>
<td>$1,600</td>
<td>$115,192</td>
</tr>
<tr>
<td>2 BR, 1 Bath</td>
<td>8</td>
<td>$1.20</td>
<td>1,000</td>
<td>8,000</td>
<td>$1,200</td>
<td>$115,200</td>
</tr>
<tr>
<td>3 BR, 2 Bath</td>
<td>4</td>
<td>$1.10</td>
<td>1,200</td>
<td>4,800</td>
<td>$1,320</td>
<td>$63,360</td>
</tr>
<tr>
<td>3 BR, 2.5 Bath, Live Work</td>
<td>4</td>
<td>$1.13</td>
<td>1,500</td>
<td>6,000</td>
<td>$1,700</td>
<td>$81,598</td>
</tr>
</tbody>
</table>

**Total Apartment Rental Revenue**

| Total Apartment Rental Revenue | 50  | $1.18 | 834  | 41,700 | $982 | $588,921 |

**Total Retail Rental Revenue**

| Total Retail Rental Revenue | 10  | $1.43 | 440  | 4,400  | $629 | $75,480  |

**Total Rental Revenue**

| Total Rental Revenue | 60  | $1.24 | 768  | 46,100 | $1,611 | $685,101 |
Housing Options

Building 1

- Typical Live + Work configuration most commonly associated with “artist lofts.” This configuration allows for some overlap between workspace and living quarters.
  - Bicycle repair shops, yoga studios, tailoring, and cobbler shops are a few examples of possible businesses that could flourish in such a configuration.
- This type of housing promotes pride of location and fosters long-term investment in the specific community.

Building 2.

- This Live + Work configuration mimics the concept of a home office. Residents have private spaces for living but also make use of shared business spaces.
  - Marketing, Graphic Design, event planning and consulting firms might flourish in such an arrangement.
  - Shared work spaces create communities within a building of diverse residents with a common goal to build a vibrant Live + Work community.

Building 3

- This Live + Work configuration provides each resident with private residential and professional space. Residents live and work side-by-side with others making use of the same configuration.
  - Professionals such as lawyers, psychologists, doctors, and specialty retailers could thrive in this kind of setting.
  - This creates vibrant street life while connecting business owners to specific neighborhoods in which they live.
Building a Community

The Gateway Lofts will consist entirely of rental units. The Green Room Development Company has a property management division that will be responsible for managing the live-work housing compound. There will be an on-site building manager to deal with the issues related to leasing as well as maintenance. The on-site manager will also be responsible for collecting rent within first five days of month. There will be two maintenance staff that will be available on-call at all times. The maintenance staff will be responsible for installing and repairing equipment, cleaning common areas, and caring for the grounds of the property.

Property Management of The Green Room Development will also be responsible for leasing out the commercial spaces and the community room. Commercial spaces can be leased out to the renters as well as anyone from inside and outside North Saint Paul. But priority will be given to the applicants from North Saint Paul.

Sustainability

In recent years we have seen the cost of utilities increase rapidly. In an attempt to maintain the cost of electricity, heating, and cooling we propose the use of alternative renewable energy that is suitable for growing urban areas. North Saint Paul has experienced the benefits of renewable energy and encourages the development of sustainable energy solutions for its future growth. The Gateway Loft is equal to the task. We propose utilizing a strategic orientation of buildings, wherever possible, to take advantage of solar heat gain and to incorporate photovoltaic panels for additional energy generation.

Alternative Energy Supply

Solar power has gone though rapid development in the last several years, and the panels have become multi-functional: in addition to creating energy, they can also be used as sunscreens for window shading. Wind energy has long
been a controversial issue; one of the problems it has faced has been the size of the turbines and the square footage needed for wind-energy production. The North Saint Paul redevelopment plan calls for appropriately placed helical wind turbines that work more efficiently within an urban environment. These turbines, ranging in 30-50 feet in height, could double as light posts along the green way. Heating water accounts for roughly 10 percent of the energy needs for a typical home, and solar as well as wind energy can satisfy a significant portion of the energy demand in the district.

**Sustainable Development Features**

A simple way to cut energy cost would be to build green roofs. A green roof would absorb rainwater to reduce runoff, provide additional insulation in the winter and summer, and it would also hold some potential for urban farming. We can minimize our carbon footprint by providing features in our building that will allow for reduction of energy use, minimize runoff, and produce energy.

**Sustainable Communities**

Our development promotes a healthy and sustainable lifestyle. The Gateway State Trail is an amazing feature of North Saint Paul and residents of Gateway Lofts would have that trail as their backyard. A morning bike ride with neighbors, a mid-afternoon walk with the dog, and an evening run all become possible with the convenient location of The Gateway Lofts. Healthy eating also becomes easier with rooftop farming and farmers markets! Residents would have access to the rooftop gardens to grow their own food as well as farmers markets throughout the year in the development’s open courtyard area, attracting local farmers, growers, and businesses. In addition, the Gateway Lofts hopes to add an organic grocery store to further promote the farm-to-table connection.
Working With The Neighborhood

The Gateway Lofts will be a unique project in North Saint Paul. It will bring back life in the downtown area and pave the way for opportunities for the young professionals and families and start-up businesses. The North Saint Paul Redevelopment Master Plan acknowledges the need for community support to the decision-makers for any new development. Their input and knowledge in the planning process will help the city bring innovative yet practical solutions to revitalize the city.

North Saint Paul currently does not have any neighborhood associations. Instead, there are a few affiliated groups that are associated with safety/crime issues. The Live + Work housing concept has not been brought up in any of the relevant public meetings yet. But the community has shown great support for the Redevelopment Master Plan. The Gateway Lofts will reach out to the community to express the benefits of Live + Work housing and how it will help revitalize North Saint Paul.

North Saint Paul is an established neighborhood and after the project is in operation, it is expected that there will be neighborhood association in downtown. Their duty will be to advocate for and organize activities within the neighborhood. The association can reinforce rules and regulations to safety, improvement and community activities to blend The Gateway Lofts with the neighborhood.

Meeting Population Needs

North Saint Paul has an aging housing stock, so the addition of a new housing development would spark investment in the community as well as provide more options for residents. Our design will emphasize community, interaction, and collaboration. To combat unwanted seclusion our development will be centered around a main courtyard. This courtyard will have
direct access to the Gateway State Trail, 7th Avenue, and the proposed park. Ground floor Live + Work units will open up onto this space, while other units will overlook this communal area. The various amenities will also be focused around this area. The courtyard will be able to offer quiet workspace, but will also buzz with activity during the farmers market and other events throughout the year.

When residents want to head downtown, or when customers need to get to the development, it's a short five-minute walk. Coming in from Highway 36? McKnight Road edges our development. Biking or running by? The Gateway State Trail crosses through. The location of our development is convenient, quiet, safe, and moments away from the action of downtown 7th Avenue. The design of our development creates a strong community of residents, a holistic living environment, and fuels success.

**Live + Work**

Live + Work is an affordable option because the resident is paying for both living and office space in one, rather than two separate areas each with their own rent. There are also no commuting costs or time wasted commuting – the average commute in the Twin Cities is 24 minutes! Live + Work also saves on the smaller expenses like dry cleaning drop-offs, Starbucks trips, and lunch outings. Live + Work has many perks and can result in significant savings. It also promotes entrepreneurship and creates an environment in which small businesses can thrive.

**Marketing**

To attract these populations our development will focus on the historic character of North St. Paul: a peaceful residential community, friendly to families and retirees, and a lively commercial downtown attractive to young professionals. Our development will also emphasize sustainability, healthy and holistic living. By being located right next to the greenway, residents will have unparalleled access to biking, hiking, and nature. Our Live + Work units will house yoga studios, personal trainers, bicycle shops, cafes and coffee shops. A health
food store and a daycare/pre-school would also fill our Live + Work units. Community amenities would include rooftop farming, and there would be open spaces for a farmers market and other community activities. We would market these elements of our development and they would attract the niche we are looking for: young, progressive professionals, families, and business owners. And by implementing sustainable features and alternative energy options, costs of living will be low, making these Live + Work units more affordable.

We will reach our projected market by having a strong online presence utilizing social media as well as a website. We will advertise in local newspapers and magazines and participate in various events that occur throughout the year in the Twin Cities area. Advertising at events in North Saint Paul will be important, but it will also be important to advertise at events elsewhere in the Twin Cities metro that are especially attractive to young professionals, such as marathons and 5K’s, bike races, triathlons, concerts, and other outdoor events and activities. Our marketing will begin in North Saint Paul and then reach out to the surrounding communities and areas defined by the trade area. The Housing Trade Area of North Saint Paul extends north to White Bear Lake, east to Oakdale, south to Woodbury, and west to Maplewood. We see the majority of our residents coming from this area.
Financial Analysis

We estimate that the cost of construction will be around $99 per square foot. This cost covers the buildings alone. The additional features and amenities that we are offering will increase the total construction cost. The cost for underground parking is estimated to be around $77 per square foot. Our goal is to provide over 9,000 square feet of underground parking. Construction of green roofs is expected to cost around $25 per square foot and we expect that we will include 18,750 square feet.

Net Operating Income

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Factor</th>
<th>Annual Revenue/Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Potential Revenue</td>
<td></td>
<td>$685,101</td>
</tr>
<tr>
<td>Less: Vacancy</td>
<td>5.00%</td>
<td>($34,255)</td>
</tr>
<tr>
<td>Less: Bad Debt</td>
<td>0.50%</td>
<td>($3,426)</td>
</tr>
<tr>
<td>Effective Gross Revenue</td>
<td></td>
<td>$647,420</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Factor</th>
<th>Annual Revenue/Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Management</td>
<td>3.00% of Effective Gross Revenue</td>
<td>$19,423</td>
</tr>
<tr>
<td>Controllable Costs</td>
<td>$1,950 per unit</td>
<td>$97,500</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>1.36% of estimated total project cost</td>
<td>$135,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>$400 per unit</td>
<td>$20,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>$500 per unit</td>
<td>$25,000</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>$150 per unit</td>
<td>$7,500</td>
</tr>
<tr>
<td>Total Expenses</td>
<td></td>
<td>$304,423</td>
</tr>
</tbody>
</table>

Net Operating Income $342,997
## Estimated Cost

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income (NOI)</td>
<td>342,997</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>5,643,349</td>
</tr>
<tr>
<td>Less: Development Subsidies</td>
<td>(2,476,984)</td>
</tr>
<tr>
<td>Project Cost after Subsidies</td>
<td>3,166,366</td>
</tr>
<tr>
<td>Less: Development Cost of For-Sale Condominiums</td>
<td>0</td>
</tr>
<tr>
<td>Total Adjusted Cost for Income Property Only</td>
<td>3,166,366</td>
</tr>
</tbody>
</table>

### Overall Return, Overall Cap Rate (NOI/Total Adjusted Cost)

10.8%

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>342,997</td>
</tr>
<tr>
<td>Annual Debt Service(a)</td>
<td>285,831</td>
</tr>
<tr>
<td>Cash Throw-Off (CTO or BTCF)</td>
<td>57,166</td>
</tr>
<tr>
<td>Total Adjusted Cost</td>
<td>3,166,366</td>
</tr>
<tr>
<td>Permanent Mortgage(b)</td>
<td>3,166,366</td>
</tr>
<tr>
<td>Equity</td>
<td>0</td>
</tr>
</tbody>
</table>

### Development Profit for Apartments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Operating Income</td>
<td>342,997</td>
</tr>
<tr>
<td>Overall Cap Rate at Sale</td>
<td>6.0%</td>
</tr>
<tr>
<td>Capitalized Value (NOI/Cap Rate)</td>
<td>5,716,623</td>
</tr>
<tr>
<td>Less: Total Adjusted Cost</td>
<td>(3,166,366)</td>
</tr>
<tr>
<td>Development Profit</td>
<td>2,550,257</td>
</tr>
</tbody>
</table>
References