CITY OF SAINT PETER, MINNESOTA
AGENDAS AND NOTICES OF MEETING

Regular Workshop Session of Monday, February 4, 2019
Community Center, St. Peter Room – 5:30 p.m.
600 South Fifth Street

I. CALL TO ORDER

II. DISCUSSION
   A. Small Cities Development Program Housing Grant Application
   B. Spec Homes – Basement Finishes

III. ADJOURNMENT

City Council Committee of the Whole – Monday, February 4, 2019
St. Peter Fire Department, 419 West Mulberry Street – 6:30 p.m.

I. CALL TO ORDER

II. FIRE RELIEF ASSOCIATION ANNUAL MEETING/DINNER

III. ADJOURNMENT

Office of the City Administrator
Todd Prafke

TP/bal
None needed. For Council discussion and review only.

BACKGROUND

In August, 2018, the City Council authorized submission of a Small Cities Development Program (SCDP) application seeking grant dollars to finance a rehabilitation program for single family residential property owners.

To document potential need and interest, Minnesota Valley Action Council (MVAC) was retained to survey households within select Census Tracts of the City. The survey sought information, including household size and annual household income, and asked if the owners of eligible households would be interested in utilizing possible SCDP grant funds to undertake a housing rehabilitation.

The results of the survey were favorable and MVAC suggested that the City’s SCDP application would be competitive. Seventy (70) income eligible households expressed interest in pursuing the grant funds should the application be successful.

Following the survey, a pre-application was submitted on the City’s behalf for review by the Minnesota Department of Employment and Economic Development (DEED). The pre-application was determined by DEED to be “marginally competitive”. As such, the City has been invited to continue in the process with a final application due by February 28, 2019.

The City has pledged to contribute $100,000 from the restricted housing fund account as a local match and will seek a SCDP grant of $600,000. $525,000 of the grant dollars would be available to fund the rehabilitation of homes with the balance of $75,000 reserved for MVAC’s fees to administer the grant if awarded.

As part of their services, MVAC would:
• Determine applicant eligibility and review rehabilitation project quotes and bids;
• Provide the appropriate loan/grant documents;
• Provide for the closing of loans and distribution of funds; and
• Monitor and administer the repayment of funds, loan administration, accounting, grant reporting and close out.

The $100,000 in municipal funds will provide for additional loans in the maximum amount of $4,000 (or 20% of the identified project costs, whichever is less) to fund the program. For example, a project with rehabilitation costs of $10,000 would be eligible to receive a municipal loan of no more than $2,000. To receive the maximum loan of $4,000, the total project costs would need to be in excess of $20,000.

Consensus of the City Council seems to be that municipal loan funds would be made available at a 0% rate of interest to be repaid over a ten (10) year term.

The SCDP grant funds provided to the applicant would be forgiven in full if the applicant homeowner remains in the rehabilitated home for a minimum of ten (10) years. Applicants that sell their home before the 10 year period would need to repay the loan on a pro-rated basis with 10% of the SCDP funds forgiven each year the applicant remains in the home until the conclusion of the tenth year.

A homeowner that accesses the maximum SCDP funds of $25,000 would repay nothing if they remain in the home for a full ten (10) years. If they sold the home prior to the ten (10) year deadline, they would be responsible for paying back a pro-rated share of the original loan (i.e. if they sold the home after the sixth year, they would repay forty percent (40%).

Following the review of the preliminary application, Byron Jost from MVAC had the opportunity to speak with DEED representatives to discuss how the application could be altered to increase the likelihood of approval. He will join us at Monday's workshop to provide direction regarding what can be done to make the City's application more competitive including the following:

• First is to reduce the size of the target area. DEED is of the opinion that the project would have a greater impact if the target area is reduced in size. Mr. Jost will make a recommendation as to what areas of town have the biggest housing rehabilitation needs and the lowest household incomes.

• Secondly, DEED also suggests that the loan terms offered to households with incomes which are 30% of the median household income or lower be adjusted to provide full forgiveness of both the SCDP and local monies.

At this time, and in order to allow the full application to be submitted by the February 28th deadline, staff requests direction from the City Council regarding the details of the terms of the loans originated from the municipal funds. It is my recommendation that the City mirror the terms of the SCDP and provide for full forgiveness of the City loan if the homeowner(s) remain in the renovated home for the full ten years.

If the grant is funded, the promissory notes for the municipal loans and SCDP grant funds will be developed and administered by MVAC and the loan/grant will be secured by subordinate mortgages recorded against the subject real estate.
One final note to consider is that both the City and SCDP funds can be used in concert with other Federal and State funds administered by MVAC. For instance, applicants could access the full $25,000 available through the proposed SCDP grant program and then access additional funds to undertake an energy efficiency or weatherization improvement project. Co-mingling the funds will increase the impact within the community.

Please feel free to contact me should you have any questions or concerns about this agenda item.

RJW
MEMORANDUM

TO: MR. RUSS WILLE
FROM: JUDD SCHULTZ and BYRON JOST
RE: CHANGES TO SCDP GRANT APPLICATION
DATE: JANUARY 31, 2019

Russ,

I spoke with Natasha Kukowski late last week regarding the St. Peter SCDP grant Pre-Application and ways to improve your chances of success with these highly competitive grants. You know that the Federal Objective to be met through this program is the “benefit to low and moderate-income persons.” You also know that the grant applications are scored in the three main areas of NEED, IMPACT and COST EFFECTIVENESS. Natasha’s comments address St. Peter’s IMPACT and COST EFFECTIVENESS scores and in a nutshell they include:

1. Reduce the size of the target areas in order to increase the IMPACT that the federal funds will have in the community. We can only do 25 projects so reducing the target area size increases the impact within the target area. I will be working on that this week and will get the revised target area map for you to review as soon as possible.

2. In order to increase your COST EFFECTIVENESS score, Natasha suggested that we tweak the program design to make it more beneficial to the lowest income applicants. The Small Cities Development Program grant funds for your project are made available to all households with an income that is less than 80% of the Median Household Income for Nicollet County. But DEED further breaks down those households into three categories: (1) 30% and less, (2) 31-50%, and (3) 51-80%) and is suggesting that we remove the “leverage requirement” for that lowest income category and basically say that each of those households receive straight grant. MVAC records show that this lowest income category is typically around 19% of all applicants. So when we rework the grant application budget, we will show that same leverage amount from the city that will just be spread out over fewer households.

These suggestions from DEED make total sense and we should incorporate them into the Full Application that is due on February 28th.

Let us know if you or the City Council have any questions and we will try to take care of them next week.

Thanks,

Judd and Byron
Small Cities Development Program Preliminary Proposal

Applicant (City/County): St. Peter
If Multi-Community Proposal, List Partnering Community(ies): None
Application Author: Byron Jost / MVAC

SCDP Amount Requested: $598,500
Estimated Amount of Other Funds: $100,000
Program Income: $0
Estimated Total Project Cost: $698,500

If Program Income, Identify the source(s) with an “x”: SCDP Minnesota Investment Fund (MIF)

Sources and Uses Outline

List the proposed activities and proposed goals. Please separate administration costs from each activity.

<table>
<thead>
<tr>
<th>Activity</th>
<th># of Units</th>
<th>SCDP Cost per Unit</th>
<th>Total SCDP</th>
<th>Program Income (if applicable)</th>
<th>Total Leveraged Sources</th>
<th>Source of Leveraged Funds-use &quot;c&quot; after source if committed</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Rehab</td>
<td>25</td>
<td>$21,000</td>
<td>$525,000</td>
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<td>$100,000</td>
<td>City funds ©, MHFA, DOE WX, RD through MVAC ©</td>
<td>$625,000</td>
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<td>$698,500</td>
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Please fill out the information only for the sections that correspond with the activities being proposed. Only submit the application sections that apply to the proposed project. For a sample activity and goal outline, see sample attached.
Owner Occupied Housing Rehabilitation

Background
• If this activity is part of a multi-community application – complete and provide separate answers to the following questions for each partnering community.

  • Proposals will need to designate a target area of the city. A Plan B option can be proposed that would serve as a contingency if the interest in the primary target area proves not sufficient to meet the proposed goals. Designating a Plan B should be strongly considered as DEED will not allow any other target area expansions for projects that are being implemented.

  • Cities with populations of 1000 or less can propose city-wide target areas. Cities with populations of 1001 or more must propose a target area and cannot propose a city-wide option as Plan B. If the total population of the combined cities for multi-community applications exceeds 1000, each city will need to propose a target area A and Plan B options, if applicable.

Community Questions
Primary community: City of St. Peter
Population of primary community: 11,196
Type of rehabilitation area proposed: Target Area X

Partnering community #1 (if applicable): None
Population of partnering community #1 (if applicable): None
Type of rehabilitation area proposed: City-wide None or Target Area None

Partnering community #2 (if applicable): None
Population of partnering community #2 (if applicable): None
Type of rehabilitation area proposed: City-wide None or Target Area None

Maps
Attach a map of the city limits with the primary target area (if targeted) shown within the city limits. If applicable, maps should be included for all communities. If applicable, include the proposed Plan B area option on the map(s). The answers to the questions below should include the total combined data for the primary target area in addition to any Plan B area, if a Plan B area is proposed.

Provide a second color map with all homes within the proposed rehabilitation area (city-wide or target area with a Plan B, if applicable) clearly labeled as standard or substandard and how many of those have interested property owners who are LMI.
Refer to sample maps at the end of this document.

Activity Specific Questions
Does this proposal include a Plan B target area? Y/N /NA Yes
Grantee/Administrator/Co-Funder/Author/Legislative District
Information Sheet
Small Cities Development Program – State of Minnesota

Need
Number of substandard single family houses in target area(s) (Primary and Secondary) 414
Percentage of substandard, but suitable for rehabilitation, homes in target area(s): 33%
Median household income of target area(s) (see Exhibit C on last page of Proposal for help): $54,071
Average age in years of houses in target area(s): (81.4 for 139 primary / 64.1 for 45 secondary) 81.4
Projected number of substandard, but suitable for rehabilitation, homes in target area(s) that contain LMI households: (% LMI from surveys applied to T. substandard = X) 236

Impact
Number of single family houses in target area(s): 1,238
Number of LMI homeowners in substandard, but suitable for rehabilitation houses in the target area(s) who are interested in the proposed rehabilitation project: (85 LMI and Interested from the surveys Div. 182 T. HHs = 46.7%. Times 414 = 193 LMI and Interested occupying substandard housing) 193
Number of square blocks in target area(s): 141
Number of homes proposed for rehab with SCDP funds in the target area(s). (This number should be the same as the goal proposed in the sources and uses outline): 25

Cost Effectiveness
Maximum SCDP assistance amount per house (cannot exceed $25,000): $25,000
Expected average SCDP assistance amount per house: $21,000
SCDP Administration percentage: 15%

Complete Scenario #1 or #2 below as it applies to your request:

Scenario #1
If the amount of SCDP will not be based on homeowner affordability, please answer the following questions:
Percentage of the total SCDP assistance that will be a deferred loan: % N/A
If applicable, percentage of the total SCDP assistance that will be an installment loan: %
Length (minimum of 84 months) of SCDP deferred loans: Months N/A
Cost Effectiveness

If applicable, length of SCDP installment loans

Months N/A

Scenario #2
If the terms of the SCDP will be based on homeowner affordability. Explain how the SCDP assistance will be determined for applicants. The explanation should consider the following:

In order to participate in this program a household must meet the income guidelines by family size listed below. In addition, those with calculated affordability will be required to contribute up to 30% of the total project cost. Those without calculated affordability will receive 100% grant. Affordability is calculated by checking the owner’s credit score and then comparing housing obligations to income for a debt-to-income ratio; and finally determining housing loan-to value ratio. The calculated monthly affordability is then applied to the Minnesota Fix-Up Fund loan terms (currently 6-years and 5.99%) to arrive at a dollar value to apply to the total project cost.

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<th>HH Size:</th>
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<th>4</th>
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<th>6</th>
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<td>Max Inc.:</td>
<td>42,000</td>
<td>48,000</td>
<td>54,000</td>
<td>60,000</td>
<td>64,800</td>
<td>69,600</td>
<td>etc</td>
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Percentages of SCDP funds per income tier:

Many years of administering SCDP housing programs has shown that on average, SCDP funds are distributed roughly as this percentage to each of the income tiers:

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<th>Tier</th>
<th>%</th>
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<td>30% &amp; Lower / County Med. Income:</td>
<td>19%</td>
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<tr>
<td>31-50%:</td>
<td>36%</td>
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<tr>
<td>51-80%:</td>
<td>45%</td>
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Length of term for SCDP funds: 120

In 1,000 characters or less describe the following:

- Project need and impact — including any unique needs

This proposal shows very high substandard building need and a high level of “eligible and interested) households in the primary and secondary targeted areas of the City of St. Peter.

Building Needs by Primary and Secondary T/A:
The two census tract block groups that make up the primary target area include a combined total of 868 total single family homes. 355 (41%) of these houses are considered “substandard.” The much smaller secondary target area includes 350 houses, of which 59 (175) are substandard. The combined target areas include 1,218 total houses and 414 (34%) substandard. So at a minimum there are 355 substandard homes in this area that we know are in need of substantial rehabilitation.
Grantee/Administrator/Co-Funder/Author/Legislative District
Information Sheet
Small Cities Development Program – State of Minnesota

Financial Needs in T/As:

The combined survey results for the primary and secondary target areas reveal 429 total persons and 233 LMI persons. 233 divided by 429 equals 54.3% LMI persons. We also know that there are at least 85 out of 182 households (46.7%) that are both eligible to participate and very much want to participate in the St. Peter Housing Rehab program. By serving 25 of these 85 households the city will realize a significant 29.4% impact on this large area of the community.

So the physical need is great in these neighborhoods and the LMI numbers are strong, and the goal of rehabbing 25 of these homes is very realistic.

- How target area is impacted by this and other activities (activities with or without SCDP funding)

The primary impact of this program on the target areas of St. Peter will be the rehabilitation of 25 homes occupied low-to-moderate income families. Each property will be brought up the Housing Quality Standards, current Energy Efficiency Standards and current Building Code standards for existing residential structures. Funds borrowed through this program will place a lien on each participant property and some of those funds will eventually be returned to the city:

  - SCDP funds will take the form of a 0% interest, 10-year deferred loan that is paid back to the city in the event that the home owner sells the home or it is no longer the owner’s principal place of residence within 10-years of the date on the Repayment Agreement. These funds are to be forgiven over a 10-year period at the rate of ten percent per year for ten years. If the owner maintains residence there for the full ten-years the loan becomes a grant and it is entirely forgiven.

  - The city’s leverage funds will take the form of a 0% interest, 10-year installment loan repaid to the city monthly so this money automatically revolves with the impact being that the returned funds are immediately available to help future LMI families make similar improvements to their properties. This funds will be distributed at the rate of $1,000 per each $5,000 of total project costs, with the maximum amount of $4,000 based on a cost of at least $20,000.

This project will also have a net positive impact on tax assessments in these neighborhoods. As these necessary improvements are made to each property, it is most likely that the assessed value of each will be raised with the impact being higher property values and more property taxes paid back to the city.
• How activity is cost effective

The City of St. Peter has been conducting strategic housing planning in earnest in the past three years in order to maximize effectiveness of this proposed housing program. In 2016 the city contracted with Minnesota State University / Mankato / Urban and Regional Studies program to conduct a city-wide Housing Condition Survey. The effort analyzed building conditions for 2,229 properties broken down by 2010 Census Track Block Group. City staff and leaders were able to see that the areas of greatest physical need were census tract block groups 4803003 and 4804003 and parts of 4803002 and 4804002. After further study and discussion, in 2018 the boundaries for these groups became the boundaries for the eventual primary and secondary target areas proposed in this grant application. Later in 2018 city and MVAC staff conducted a mailed Homeowner Waiting List Survey and a professional Building Condition Survey to determine the degree of Income-eligibility and desire of potential participants as well as the number of standard and substandard residential properties within the target areas.

In addition the strategic planning, the city has also been building financial reserves to help make a residential rehabilitation loan a cost-effective use of city and federal program funds. This effort has lead to a reserve amount of $100,000 that city leaders have chosen to commit as leverage to this program. The effect of this large amount of leverage from the city will be to reduce the average SCDP amount for this program from $25,000 to $21,000:

\[
\begin{array}{c|c}
\text{Estimated average project size} & 25,000 \\
\text{City commitment per project} & 4,000 \\
\text{Average SCDP per participant} & 21,000 \\
\end{array}
\]

Clearly the large amount of leverage that the city is offering and the high level of planning that has been undertaken to date will both work to make this a very cost effective housing rehabilitation loan program in south central Minnesota.
Grantee/Administrator/Co-Funder/Author/Legislative District Information Sheet  
Small Cities Development Program – State of Minnesota

Directions: Please complete all sections that apply to the implementation of the activities in the proposal/application. If the same person is responsible for multiple duties, their contact information need only be listed once. The name of the person/contact who is responsible for the day-to-day tasks associated with this information sheet MUST be provided.

Name of Applicant: City of St. Peter

<table>
<thead>
<tr>
<th><strong>I. Applicant Information (city/county)</strong></th>
<th><strong>Application (Proposal) Author</strong></th>
</tr>
</thead>
</table>
| **Authorized Official & Environmental Certifying Officer Information (Mayor or Board Chair whichever is applicable)** | **Name:** Byron Jost  
**Title:** Housing Planner  
**Name of Organization:** Minnesota Valley Action Council  
**Phone #:** 507-345-6822  
**Email:** Bjost@mnvac.org |
| **Name:** Mr. Charles Zieman  
**Title:** Mayor  
**City/County Address, including zip code:** 227 So. Front St., St. Peter, MN  
**Phone #:** 507-934-0662  
**Email:** council.zieman@saintpetermn.gov |  
**Federal ID #:** 41-600526  
**State ID #:** 8025120  
**State Vendor #:** 197721  
**Applicant DUNs #:** 076440267 |

<table>
<thead>
<tr>
<th><strong>Primary Administrator/Implementing Agency Information</strong></th>
<th><strong>Individual Signing SCDP Payment Request Form (Applicant or Program Administrator)</strong></th>
</tr>
</thead>
</table>
| **Name:** Judd Schultz  
**Title:** Housing Director  
**Name of Organization:** MVAC  
**Address, including zip code:** 706 n. Victory Drive, Mankato, MN 56001-6803  
**Phone #:** 345-6822, ext 2401  
**Email:** jschultz@mnvac.org | **Name:** Judd Schultz  
**Title:** Housing Director  
**Name of Organization:** MVAC  
**Phone #:** 345-6822, ext 2401  
**Email:** jschultz@mnvac.org |

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<th><strong>II. Applicant Financial Officer Information</strong></th>
<th><strong>Environmental Coordinator</strong></th>
</tr>
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</table>
| **Name:** Ms. Sally Vogel  
**Title:** Finance Director  
**Address:** 227 So. Front St., St. Peter, MN  
**Phone #:** 507-934-0664  
**Email:** sallyv@saintpetermn.gov | **Name:** Judd Schultz  
**Title:** Housing Director  
**Name of Organization:** MVAC  
**Phone #:** 345-6822, ext 2401  
**Email:** jschultz@mnvac.org |

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<th><strong>Fair Housing/Equal Opportunity Coordinator</strong></th>
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</table>
| **Name:** Judd Schultz  
**Title:** Housing Director  
**Name of Organization:** MVAC  
**Phone #:** 345-6822, ext 2401  
**Email:** jschultz@mnvac.org |
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<thead>
<tr>
<th><strong>Property Inspector Info:</strong></th>
<th><strong>Income Verification Coordinator Info:</strong></th>
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<tbody>
<tr>
<td>Name: Nick MacGregor</td>
<td>Name: Sheila Ous</td>
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<tr>
<td>Title: Housing Rehab Coordinator</td>
<td>Title: Recruitment Coordinator</td>
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<tr>
<td>Name of Organization: MVAC</td>
<td>Name of Organization: MVAC</td>
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<tr>
<td>Phone #: 345-6822 / EXT. 2427</td>
<td>Phone #: 345-6822 ext 2416</td>
</tr>
<tr>
<td>Email: <a href="mailto:nnmacgregor@mnvac.org">nnmacgregor@mnvac.org</a></td>
<td>Email: <a href="mailto:sous@mvac.org">sous@mvac.org</a></td>
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<th><strong>Rent Limit and Rental Notice Coordinator</strong></th>
<th><strong>Labor Standards Coordinator Info:</strong></th>
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<tr>
<td>Name: Judd Schultz</td>
<td>Name: Judd Schultz</td>
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<tr>
<td>Email: <a href="mailto:jschultz@mvac.org">jschultz@mvac.org</a></td>
<td>Email: <a href="mailto:jschultz@mvac.org">jschultz@mvac.org</a></td>
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</table>
Provide qualifications of those performing the following roles. If the role does not apply to any activity in the proposal, enter "N/A". Include work on past SCDP projects, SCDP trainings attended, or other relevant information. If no experience or training is in place, provide plan for how capacity to fulfill the role will be developed.

**Primary Implementation Agency:** MVAC has been administering Small Cities Development Program grants for local communities in this region of Minnesota since the early 1980’s. Judd Schultz, MVAC Housing Services Director, has been overseeing MVAC’s implementation of these grants since 2003, and MVAC housing services staff have over 50 total years of combined experience administering these SCDP grants.

**Environmental Coordinator:** Judd Schultz
Judd has overseen the administration 23 SCDP grants since 2003, and has been the Environmental Coordinator for 20 of those grants.

**Fair Housing/Equal Opportunity Coordinator:** Judd Schultz
Judd has overseen the administration 23 SCDP grants since 2003, and has been the Fair Housing / Equal Opportunity Coordinator for 20 of those grants.

**Rehabilitation Coordinator:** Nick MacGregor
Nick has been a Rehab Coordinator with MVAC since 2017, and has provided professional Rehab Coordinator services for one open Small Cities grant; and he also provides these services for the cities of Mankato and North Mankato for their CDBG housing program.

**Labor Standards Coordinator:** Judd Schultz
Judd has overseen the administration 23 SCDP grants since 2003, and has been the Labor Standards Coordinator for 10 of those grants.

**Property Inspector:** Nick MacGregor
Nick has been a Rehab Coordinator with MVAC since 2017, and has provided professional Property Inspector services for 1 Small Cities grant, and he also provides these services for the cities of Mankato and North Mankato for their CDBG program.

**Income Verification Coordinator:** Sheila Ous
Sheila has been a Recruitment Coordinator with MVAC since 1992 and has provided Income Verification Coordinator services for 20 Small Cities grants.

**Rent Limit and Rental Notice Coordinator:** Judd Schultz
Judd has overseen the administration 23 SCDP grants since 2003, and has been the Rent Limit / Rental Notice Coordinator for 5 of those grants.
II. Co-Funder Contact Information: If any of the proposed activities within the Application are also requesting funding from agencies such as MN Housing and/or Greater MN Housing (rental new development); Public Facilities Authority and/or Rural Development (public facility projects) to the make the project financially feasible, please provide the following information for each respective funding partner.

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<th>Agency: USDA Rural Development</th>
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<td>Phone #:</td>
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<tr>
<td>Email: <a href="mailto:laurie.balata@mn.usda.gov">laurie.balata@mn.usda.gov</a></td>
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<td>Name:</td>
<td>Name:</td>
</tr>
<tr>
<td>Title:</td>
<td>Title:</td>
</tr>
<tr>
<td>Address:</td>
<td>Address:</td>
</tr>
<tr>
<td>Phone #:</td>
<td>Phone #:</td>
</tr>
<tr>
<td>Email:</td>
<td>Email:</td>
</tr>
</tbody>
</table>

III. Legislative District Information (Provide the following information for the geographical district(s) the SCDP funded activities are taking place in.)

Legislative House District: Example – 28A
Congressional District: Example - 7
By signing below, the individuals understand the content within the preliminary proposal, the activities contained in the preliminary proposal, and understand any target areas, policy proposals, etc., that are contained. We will require signatures from the authorized official of the primary community and all-partnering, applying communities, if applicable. We will require signatures from the primary administrator representing their organization. If any other administrative entities representing separate organizations will be carrying out grant functions, we will require signatures from them as well.

Signature of Authorized Official:

(MAYOR)

Signature of Authorized Official (Partnering Community):

______________________________

Signature of Authorized Official (Partnering Community):

______________________________

Signature of Primary Administrator:

(MVAC)

Signature of Administrative Entity in This Table, But Not Primary Administrator (if applicable):

______________________________ Date: ______/_____/_____

Signature of Administrative Entity in This Table, But Not Primary Administrator (if two administrator, if applicable):

______________________________ Date: ______/_____/_____
### Survey Results: Income Characteristics - UPDATED 08-05-14

Applicant Name: City of St. Peter, MN  
Primary Target Area: MVAC  
When was the Survey Conducted? Aug-18  
Who conducted the Survey: MVAC

#### Residents in Household

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Number of surveys Returned for each Resident Household Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $42,000</td>
<td>21 20 5 5 3 1 0 0 0</td>
</tr>
<tr>
<td>$42,001 to $48,000</td>
<td>4 6 1 1 1 1 0 0 0</td>
</tr>
<tr>
<td>$48,001 to $54,000</td>
<td>1 2 3 3 0 0 0 0 0</td>
</tr>
<tr>
<td>$54,001 to $60,000</td>
<td>2 3 2 1 3 0 0 0 0</td>
</tr>
<tr>
<td>$60,001 to $64,800</td>
<td>2 3 0 0 0 0 0 0 0</td>
</tr>
<tr>
<td>$64,801 to $69,600</td>
<td>2 3 0 1 0 0 0 0 0</td>
</tr>
<tr>
<td>$69,601 to $74,400</td>
<td>1 2 0 1 0 0 0 0 1</td>
</tr>
<tr>
<td>$74,401 to $79,200</td>
<td>0 1 0 1 0 0 0 0 0</td>
</tr>
<tr>
<td>More than $79,201</td>
<td>1 5 5 2 7 0 0 1 0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>128</strong></td>
</tr>
<tr>
<td><strong>NO INCOME ANSWER</strong></td>
<td><strong>0 0 0 0 0 0 0 0 0</strong></td>
</tr>
</tbody>
</table>

#### LMI Households

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Number of surveys Returned for each Resident Household Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMI Persons</td>
<td>21 26 9 10 7 2 0 1 0</td>
</tr>
<tr>
<td>Non-LMI Persons</td>
<td>195</td>
</tr>
<tr>
<td>Non-LMI Households</td>
<td>13 19 7 5 7 0 1 0 0</td>
</tr>
<tr>
<td>Non-LMI Persons</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>13 38 21 20 36 0 0 8 0</td>
</tr>
<tr>
<td><strong>Total LMI Persons</strong></td>
<td><strong>195</strong></td>
</tr>
<tr>
<td><strong>Total Non-LMI Persons</strong></td>
<td><strong>135</strong></td>
</tr>
</tbody>
</table>

1. Population of survey area: 135  
2. Number of households in survey area: 195  
3. Number of surveys distributed: 128  
4. Number of surveys returned & completed: 128  
5. Percent of return: 12.4%  
6. Number of LMI persons reflected in survey: 195  
7. Number of non-LMI persons reflected in survey: 135  
8. Percent of LMI persons reflected in survey: 59.1%  
9. Percent of Non-LMI persons reflected in survey: 40.9%  
10. Total LMI persons (% times target area population): 7
### Survey Results: Income Characteristics - UPDATED 08-05-14

**Applicant Name:** St. Peter, MN  
**Describe the Survey Area:** Secondary Target Area  
**When was the Survey Conducted?** August-September 2018  
**Who conducted the Survey?** MVAC

#### Residents in Household

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Number of surveys Returned for each Resident Household Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $42,000</td>
<td>8 3 3 0 0 0 0 0 0 0</td>
</tr>
<tr>
<td>$42,001 to $48,000</td>
<td>1 2 0 0 0 0 0 0 0 0</td>
</tr>
<tr>
<td>$48,001 to $54,000</td>
<td>1 2 0 0 0 0 0 0 0 0</td>
</tr>
<tr>
<td>$54,001 to $60,000</td>
<td>0 1 1 0 1 0 0 0 0 0</td>
</tr>
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<td>0 0 0 0 0 0 0 0 0 0</td>
</tr>
<tr>
<td>More than $79,201</td>
<td>1 4 2 2 0 0 0 0 0 0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

**NO INCOME ANSWER**  
- **LMI Households:** 18  
- **LMI Persons:** 38  
- **Non-LMI Households:** 24  
- **Non-LMI Persons:** 61

#### Percentages

1. Population of survey area  
2. Number of households in survey area  
3. Number of surveys distributed  
4. Number of surveys returned & completed  
5. Percent of return  
6. Number of LMI persons reflected in survey  
7. Number of non-LMI persons reflected in survey  
8. Percent of LMI persons reflected in survey  
9. Percent of Non-LMI persons reflected in survey  
10. Total LMI persons (% times target area population)
TO: Todd Prafke  
City Administrator

FROM: Russ Wille  
Community Development Director

RE: Traverse Green Speculative Home – Basements

DATE: 1/31/19

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

The Economic Development Authority (EDA) has financed the construction of three speculative homes within Traverse Green Subdivision. One home of these homes has been sold and the two remaining have been listed for sale with True Real Estate.

The City and EDA have attempted to recreate the success of the Nicollet Meadows and Washington Terrace neighborhoods. As with the first two subdivisions, the EDA’s speculative homes offered for sale in Traverse Green have an unfinished lower (basement) level. Our previous experience suggested that an unfinished basement was not an impediment to the sale of spec homes.

Now it is evident that the local home buying market has changed over the last decade. Those potential buyers that have looked at the EDA’s speculative homes have regularly stated that the homes would be more desirable and a better value if the lower levels were finished. The typical buyer desires a minimum of three bedrooms and two functional bathrooms.

Two of the speculative homes sold by our partners at the Southwest Minnesota Housing Partnership (SWMHP) were sold subject to the completion of the basements. Once the basement construction was completed, the sale was commenced. Their cost of completing the basements was calculated to be approximately $22,000 per home.

In 2018, staff approached the EDA and City Council with a plan to finish the EDA spec home basements if a prospective buyer asked for it subject to execution of a purchase agreement. The plan had been to sell the home to SWMHP which would engage a contractor to finish the lower level living space. Upon completion of the improvement, the sale would be commenced and the EDA reimbursed for their original project costs.
At this time, Pam Schreier (SWMHP) and I are recommending that the EDA solicit bids from licensed contractors to undertake the construction and completion of the two speculative home basements.

One result of having the unfinished basements is that the cost per square foot of the finished space is considered to be too high. Finishing the basements, nearly doubling the finished square footage, would be expected to significantly reduce the cost per square foot. If the basements can be completed at a price of $25,000, the homes would be much more comparable to the existing housing inventory. The cost per square foot of the finished basement calculations are as follows:

### 2101 Lunden Street (Split-Level)

<table>
<thead>
<tr>
<th></th>
<th>Existing</th>
<th>Finished Basement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Price:</td>
<td>$186,500</td>
<td>$211,500</td>
</tr>
<tr>
<td>Square Feet:</td>
<td>933</td>
<td>1,785</td>
</tr>
<tr>
<td>$/Square Foot:</td>
<td>$199.89</td>
<td>$118.49</td>
</tr>
</tbody>
</table>

### 2000 Essler Drive (Rambler)

<table>
<thead>
<tr>
<th></th>
<th>Existing</th>
<th>Finished Basement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Price:</td>
<td>$194,000</td>
<td>$219,000</td>
</tr>
<tr>
<td>Square Feet:</td>
<td>936</td>
<td>1,758</td>
</tr>
<tr>
<td>$/Square Foot:</td>
<td>$207.26</td>
<td>$124.57</td>
</tr>
</tbody>
</table>

Local realtor Eric Norskog of True Real Estates has suggested the lower cost per finished square foot pending basement construction is significant and would enhance the marketability of the spec homes. His experience suggests that the typical new home in the market would have costs of approximately $125 - $135 per finished square foot.

Cristen Manthe, also of True Real Estate, has done research regarding construction cost per finished square foot of homes recently constructed in the market. Based upon the sale price and construction cost of those homes, Ms. Manthe has made the following calculations for these three houses constructed in 2017.

<table>
<thead>
<tr>
<th>Address</th>
<th>Sale Price</th>
<th>Cost/Finished Square Foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>2079 Pratt Circle</td>
<td>$228,500</td>
<td>$118.12</td>
</tr>
<tr>
<td>2076 Pratt Circle</td>
<td>$220,000</td>
<td>$101.45</td>
</tr>
<tr>
<td>2231 Kodiak Drive</td>
<td>$231,250</td>
<td>$107.35</td>
</tr>
</tbody>
</table>

One consideration for finishing the basements is the increased sale price of the homes. It is vital that the final sale price remain eligible for the various Rural Development mortgages which can be originated by SWMHP.

In 2018, the Rural Development sales price limits were set at $235,612. Given the shutdown of the non-essential functions of the Federal government, the 2019 sales price limits haven't been publicized. SWMHP is confident that the increased sales price of the speculative homes, pending completion of the basements, would remain within the eligibility limits of Rural Development.
The EDA would need to solicit sealed bids for the completion of the spec home basements. Given SWMHP's previous experience with the construction of spec home basements, it is assumed that the bids would be in the $25,000 neighborhood.

Upon acceptance of the bids, it is suggested that SWMHP would monitor and inspect the construction on behalf of the EDA and process payment requests through the Community Development Department. An administrative fee of $2,800 is required by SWMHP to secure their services for project bidding and construction management services.

The EDA considered the staff suggestion at their regular January meeting and voted unanimously to recommend finishing of the basements.

The City Council provided a $500,000 fund transfer to finance the EDA's construction of speculative homes in Traverse Green. With the revenues from sale of the first speculative home, sufficient funds are on hand to finance the expected cost of constructing the two basements.

Please feel free to contact me should you have any questions or concerns on this agenda item.

RJW
RAMBLER
2000 ESSLER DRIVE
BLOCK 3, LOT 14

SALE PRICE $194,000
Income restrictions apply

Non-restricted price $203,500

HOME OWNERSHIP IS WITHIN YOUR REACH
Saint Peter's newest neighborhood

Craving space? Make your move, contact the Southwest Minnesota Housing Partnership at 507-836-1623
SPLIT-LEVEL
2101 LUNDEN STREET
BLOCK 2, LOT 10
SALE PRICE $186,500
Income restrictions apply
Non-restricted price $196,000

HOME OWNERSHIP IS WITHIN YOUR REACH
Saint Peter's newest neighborhood

Craving space? Make your move, contact the Southwest Minnesota Housing Partnership at 507-836-1623
# Financial Summary

**1/31/2019**

<table>
<thead>
<tr>
<th></th>
<th>2100 Nelson Street</th>
<th>2101 Lunden Street</th>
<th>2000 Essler Drive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lot</strong></td>
<td>Lot 11 / Block 2</td>
<td>Lot 10 / Block 2</td>
<td>Lot 14 / Block 3</td>
</tr>
<tr>
<td><strong>Sale Price:</strong></td>
<td>$185,000.00</td>
<td>$186,500.00</td>
<td>$194,000.00</td>
</tr>
<tr>
<td><strong>Construction:</strong></td>
<td>$148,959.00</td>
<td>$150,488.00</td>
<td>$158,330.00</td>
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<tr>
<td><strong>Lot Costs:</strong></td>
<td>$24,700.00</td>
<td>$24,700.00</td>
<td>$24,700.00</td>
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<tr>
<td><strong>Const. Contingency:</strong></td>
<td>$500.00</td>
<td>$500.00</td>
<td>$500.00</td>
</tr>
<tr>
<td><strong>Contingency Pool:</strong></td>
<td>$450.00</td>
<td>$450.00</td>
<td>$450.00</td>
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<tr>
<td><strong>Closing Costs:</strong></td>
<td>$856.50</td>
<td>$861.45</td>
<td>$886.20</td>
</tr>
<tr>
<td><strong>Holding Costs:</strong></td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
</tr>
<tr>
<td><strong>Liability Insurance:</strong></td>
<td>$500.00</td>
<td>$500.00</td>
<td>$500.00</td>
</tr>
<tr>
<td><strong>Const. Management:</strong></td>
<td>$7,500.00</td>
<td>$7,500.00</td>
<td>$7,500.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>$184,465.50</td>
<td>$185,999.45</td>
<td>$193,866.20</td>
</tr>
<tr>
<td><strong>Anticipated PROFIT:</strong></td>
<td>$534.50</td>
<td>$500.55</td>
<td>$133.80</td>
</tr>
</tbody>
</table>

**HOLDING COSTS (01/15/19)**

<table>
<thead>
<tr>
<th></th>
<th>Center Point</th>
<th>City Utilities</th>
<th>Janitorial</th>
<th>Snow / Mow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>$340.05</td>
<td>$407.51</td>
<td>$100.00</td>
<td>$105.00</td>
</tr>
<tr>
<td><strong>$</strong></td>
<td>$507.53</td>
<td>$870.84</td>
<td>$100.00</td>
<td>$399.43</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>$952.56</td>
<td>$1,877.80</td>
<td>$100.00</td>
<td>$390.43</td>
</tr>
</tbody>
</table>

**NET ON SALE:** $1,081.94