



Akron Flats

Opening the door to Rosemount living

Prepared by

David Eide and Francisco Tenorio

Students in HSG 4461: Housing Development and Management
College of Design | University of Minnesota
Instructors: Lyn Bruin and Becky Yust

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Resilient Communities Project

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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>



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Executive Summary

This is a proposed multifamily apartment building targeted towards young professionals, low-income families and students attending DCTC who are looking to live and work in Rosemount, MN. The city of Rosemount encourages the development of lifecycle housing within its city limits and according to the Rosemount comprehensive plan, multifamily housing is one approach to providing affordable housing in the lifecycle. City officials stress a need for this type of housing, as currently members of the local workforce and students attending Dakota County Technical College are finding housing in nearby communities rather than residing in Rosemount. This development would be a step to help fill that need and alleviate concerns raised by City officials.

Needs Assessment

This project would add 40 units of affordable housing units to the city of Rosemount. According to the city of Rosemount Comprehensive Plan, “The Met Council determined Rosemount’s share of the regional affordable housing need at 1,000 new affordable units between 2011 and 2020” (Rosemount 14). This development would contribute to that number. This project also addresses specific and critical needs in the rental market. It has been identified through several meetings with Rosemount’s Senior Planner and the DCTC Director of Institutional Advancement that Rosemount needs workforce housing and student housing. This project would help fill that gap.

Based on census data for Rosemount, the Area Median Income for a nonfamily household was \$85,348 between the years of 2009 and 2013. The median value of an owner occupied housing units was \$235,300 for the same period of time. Rosemount has a higher median household income than the state of Minnesota and the median value of owner occupied housing is also higher. Near Dakota County Technical College, there are currently single family home developments and open

farm fields. Akron Flats will help fill the gap for affordable apartments near Dakota County Technical College where the community is currently expanding.

Description of Akron Flats



Naming

The name “Akron” was pulled from the avenue directly next to the parcel (also known as county road 73). Akron Avenue is a strong connector to Highway 42 and is an anchor and connects the building to the community. The Flats part of the name originates from the Germanic term meaning floor or story and is commonly used in Great Britain. This evokes a modern feeling about the building which appeals to a wide variety of individuals including students, young professionals, and families.

Location

Akron Flats would be located on the corner of Connemara Trail West and Akron Avenue (Highway 73) in Rosemount, Minnesota. This land is currently owned by the Dakota County Community Development Agency and is slated to become affordable housing in the future. Akron Flats would work well on this location because it would be affordable housing sited near a major educational center, Dakota County Technical College (DCTC). DCTC is located ¼ mile south of the proposed site. The land directly surrounding the proposed site is medium density residential, community commercial, and low density residential. Currently, only the low density residential across Akron Avenue/ Highway 73 has been constructed. There are also recreational facilities located in close proximity to the proposed site. Southeast of the proposed site is Old City Hall Park which contains a baseball diamond. South of the site, across highway 42 is the Ames Soccer complex and UMore Ball Park. West of the site is Prestwick Place park, which is among the low density residential area. Future plans for this area include a pedestrian tunnel which would link DCTC to Akron Flats.

Amenities

In order to create an appealing housing development that will attract both short term and long term tenants, a host of amenities and design features will have to be implemented into the development. These design features/amenities would include short term leases (at premium pay), a business center with access to printers and internet, underground parking, large windows, in unit washer and dryer, pet friendly, hardwood floors, bike racks, outdoor grounds with places to gather, a small playground, and planned community events. A car share service may be considered. Students at the focus group that our development team conducted seemed concerned with cost. Typically, colleges have amenities that students are able to utilize. Therefore, Akron Flats include the essentials that help foster a learning community while keeping building costs down. One of the greatest amenities of this building is its location. Located near DCTC, the Vermillion Highlands trail, and highways, this structure will be highly accessible and convenient to residents.

Housing Style and Type

The building will be three stories tall with a mix of brick and clad siding in order to make the exterior low maintenance. It will also feature prominent pitched roof that will match the vernacular style of the region. In the front of the building will be a small number of parking stalls for visitors and handicapped access. In the rear will be a larger, attractively landscaped parking lot to accommodate the residents. Attractive landscaping will be utilized around the building to soften the impact of the structure and buffer the building from the nearby road and neighborhood across Akron Avenue.

Floor Plans

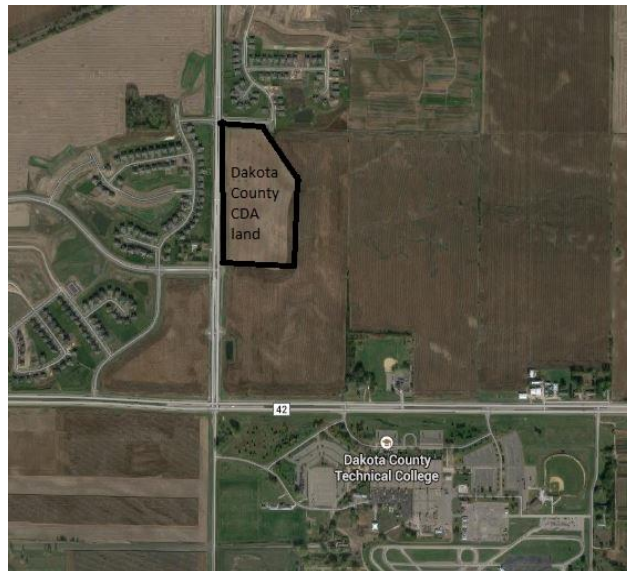
This building will contain a mix of studio to three bedroom units. The unit breakdown is **24** 0BR/1BA (studios), **26** 1BR/1BA, **20** 2BR/ BA, and **30** 3BR/BA. The floorplan examples are located below. Units with two bathrooms allow flexibility and appeal to students, professionals, and families.



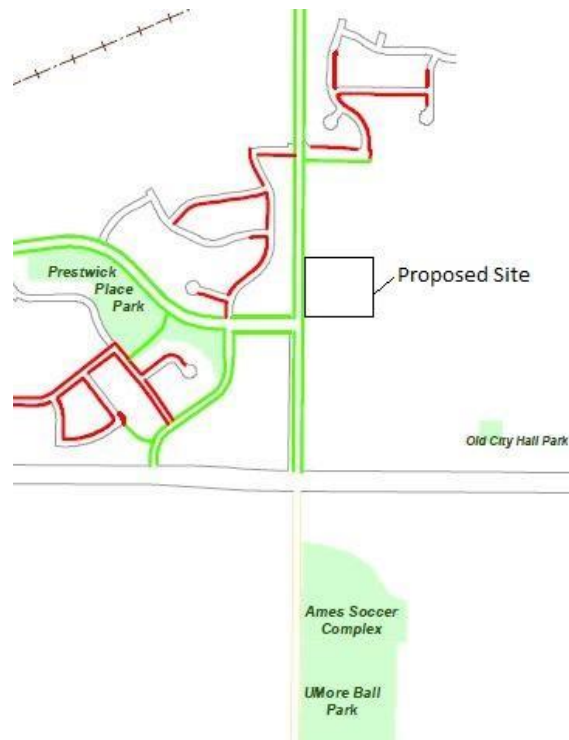


Site Layout and Context

Below are the maps of the surrounding area and the specific plot that this development will rest on in Rosemount. Dakota County has a greenway pedestrian connection planned which will include a tunnel underneath highway 42. This is part of the Vermillion Highlands greenway which will connect the property to downtown Rosemount, DCTC, Lebanon Hills Regional Park, Whitetail Regional Park and the UMORE park areas.



Aerial View of Site



Existing Nearby Parks & Paths

Environmental Sustainability

As shown in the financials, this property is slated to receive a grant for green sustainable features. These features include high efficiency heating and cooling equipment, Energy Star appliances, solar panels and passive solar heating design features. The open landscape surrounding the site lends itself to the use of solar panels. With enough rooftop surface area, installing solar panels will yield great cost saving while maintaining an aesthetically pleasing design. The passive solar design features will also prove to be beneficial in lowering the developments operating costs and adding unique design features to set the proposed housing development apart from other structures and set a high standard for other developments to live up to, ultimately promoting a more sustainable community in Rosemount. Quality insulation and energy efficient doors/ windows will further lower the proposed development's operating cost. Geothermal heating/heat exchangers may be another option that could be explored as a possibility to keep the heating and cooling costs down for the project.

Management

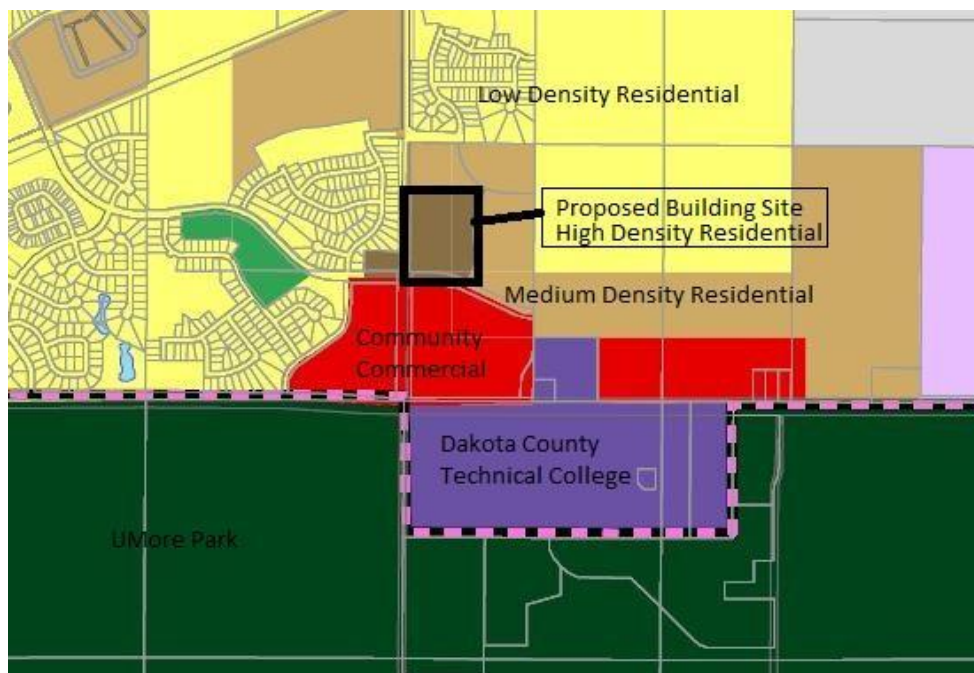
Once the development is built, an on-site property manager will be contracted to work with the residents and resolve any issues in a timely manner. Along with the property manager, maintenance staff will also be contracted and work on site. Their increased presence will help foster a positive relationship between staff and residents. Keeping everyone happy and helping maintain as low as possible tenant turnover rate. However, due to the unique target population of students, young professionals and families, having long term tenants to stabilize the development will be crucial to sustain the proposed development while the short term tenants, such as DCTC students, come and go according to their school schedule. The on-site staff will be responsible for light janitorial work around the building and property. Any tasks that cannot be completed by the staff on site can be subcontracted to other companies such as landscaping, cleaning, painting... etc. An emergency contact number to an outside property management firm will be provided to residents if they have any emergency situation that requires immediate attention when all other staff members are occupied.

Income

In the process of developing this proposal, it was discovered that full time students are not able to be the head of a household and live in a Low Income Housing Tax Credit unit. To alleviate this problem, and to create housing for students of all familial status, we included both market rate and affordable housing in this structure. Therefore, this building will contain 100 units with 40% designated as affordable. Those 40 units will be split evenly with 1/2 serving households at 40% Area Median Income (AMI) and 1/2 at 60% AMI. To determine the amount to be charged for each income category, a Minnesota Housing Publication *Multifamily Rent & Income Limits*, was consulted. This helped determine the Low Income Housing Tax Credit units. To guide the market rate price points, a Dakota County CDA publication, *Dakota County Rental Market Survey*, was consulted.

Entitlement & Zoning

As mentioned earlier, this project is located in a currently undeveloped parcel in Rosemount. Currently, the only neighbors to the proposed housing development are single family homes. The proposed site is already approved and zoned for high density residential so public approval should not be too difficult. Through several meetings it was discovered that some of the recently hired faculty cannot find adequate housing in Rosemount that they can afford or that meets all their needs. Faculty members have to be steered to other neighboring cities to find better housing options and commute to work because of the limited housing stock available in Rosemount. The proposed development will be the City's response to combat the lack of diverse affordable housing options offered to their citizens. If there are concerns that the community brings up, it must be made clear that the housing development will be of high quality with aesthetically pleasing landscaping. Along with this, the proposed housing development is seeking to meet the needs outlined by Erin Edlund Director of Institutional Advancement at DCTC and Eric Zweber Senior Planner with the City of Rosemount.



Site Zoning

Marketing & Financials

Market Analysis

The target population of the proposed housing project will be college students attending DCTC, working class households in need of affordable housing and young professionals who have recently graduated from college and are returning to Rosemount to find jobs. These three target populations were identified through several meetings with Rosemount's Senior Planner Eric Zweber. The three target populations previously mentioned have been the focus of a citywide initiative to provide life cycle housing for their citizens, where anyone who needs housing will be able to find it through a variety of housing options at an affordable rate. Students of DCTC were selected because the College wants to have housing available to their students and faculty staff members that is within walking distance of the College. Working class households were targeted because of the high rate of commuting required to go to work. In Rosemount, the mean travel of time to work is 26.7 minutes (US Census Bureau Table DP03). The City mentioned that they want to cut down the time that their citizens have to commute to get to work. Ideally they would live and work in the city of Rosemount. Young professionals were selected for the wealth of human capital that they bring with them and could contribute to the city of Rosemount.

Marketing Efforts

Marketing efforts to target such a broad group of people will need to be highly coordinated. These marketing efforts will have to promote community ties between each group and reinforce the positive circumstances that bring them together. Holding focus groups or community meetings to gain valuable insight as to what the community of Rosemount wants may help with informing marketing strategies. The information gathered from the focus groups could be used to inform more effective strategies to reach more potential tenants for the proposed housing development. A few effective marketing tools to be considered to promote the development would include Facebook,

Twitter, Instagram, the local newspaper, a website for the proposed development and Craigslist. Our firm will also partner with Dakota County Technical College to recruit students who are searching for housing near DCTC. Another resource to be considered will be the Dakota County CDA, who will be able to list the property on their website. They would also be able to provide valuable past experience working with the community at large and be able to better inform any marketing strategies with lessons learned from previous endeavors.

Funding

This project would be 40% affordable and utilize Low Income Housing Tax Credits, a HOME loan, Green Building Grant, Metropolitan Council Workforce Housing Grant, and a mortgage. If these sources were not available, it would be suggested to look at reducing the amount of underground parking spaces. In these financials, we have 100 spaces below ground at \$17,000 per space. To add this cost into the structure cost, the cost per square foot for the building was raised to \$130.00 this ensures 1.7 million in the budget for the underground parking. Listed below are the subsidies. These insert into the financials in the development cost subsidies line. If Akron Flats were developed by a for profit developer, then it would likely need outside investors (or the developer to invest). This is because a LTV (loan to value) ratio that would be needed is too high. Our financials infer that the land would be given in exchange for developing affordable housing (at zero cost). Akron Flats could possibly be developed by a non-profit if they are willing to work with market rate and affordable housing.

LIHTC Equity	\$ 3,816,280.00
HOME Loan	\$ 400,000.00
Green Bldg Grant	\$ 500,000.00
Met Council Workforce Housing Grant	\$ 300,000.00
Total	\$ 5,016,280.00

Financial Sustainability

To ensure that this development is a success, the property manager will need to carefully manage the income of the property and adjust to expenses in order to maintain an operational cushion. For example, a parking fee may need to be charged depending on how the other numbers are looking. Fortunately, the financial include buffers in the financials that allow for unexpected costs and variability. For example, an allowance is set aside for each unit for replacements. Excessive damage could be taken out of a deposit. Utilities could also be charged to residents. This would reduce the 500 dollar credit per year per unit. In addition, this development would likely reapply for Low Income Housing Tax Credits at the end of the term to overhaul and update the units. This could help keep the building in great condition for many years to come.

Appendix

Rental and Sales Revenue Summary

figure 4-3a
Stage 1a - Rental and Sales Revenue Summary

Apartment Unit Types	No. of Units	Rent/Ft ²	Area/Unit (ft ²)	Total Ft ²	Rent/Month/Unit	Total Annual Rent
Affordable 40% AMI 0 Bedroom, 1 Bath	2	\$1.13	535	1,070	\$607	\$14,568
Affordable 40% AMI 1 Bedroom, 1 Bath	3	\$0.90	725	2,175	\$650	\$23,400
Affordable 40% AMI 2 Bedroom, 2 Bath	6	\$0.69	1,132	6,792	\$780	\$56,160
Affordable 40% AMI 3 Bedroom, 2 Bath	12	\$0.70	1,285	15,420	\$901	\$129,744
Affordable 60% AMI 0 Bedroom, 1 Bath	2	\$1.16	535	1,070	\$620	\$14,880
Affordable 60% AMI 1 Bedroom, 1 Bath	3	\$1.08	725	2,175	\$780	\$28,080
Affordable 60% AMI 2 Bedroom, 2 Bath	4	\$0.83	1,132	4,528	\$936	\$44,928
Affordable 60% AMI 3 Bedroom, 2 Bath	8	\$0.84	1,285	10,280	\$1,082	\$103,872
Market Rate 0 Bedroom, 1 Bath	20	\$1.21	535	10,700	\$650	\$156,000
Market Rate 1 Bedroom, 1 Bath	20	\$1.23	725	14,500	\$890	\$213,600
Market Rate 2 Bedroom, 2 Bath	10	\$0.87	1,132	11,320	\$990	\$118,800
Market Rate 3 Bedroom, 2 Bath	10	\$1.09	1,285	12,850	\$1,400	\$168,000
Total Apartment Rental Revenue	100	\$0.98		92,880	\$87,236	\$1,072,032
Other Rental Revenue ^a						\$18,300
Other Miscellaneous Revenue ^b						\$2,400
Total Rental Revenue	100	\$ 0.98		92,880	\$87,236	\$1,092,732
^a Other Rental Revenue includes additional revenue derived from leasing space at the property. Examples of Other Rental Revenue include leases for parking, rooftop telecommunication devices, storage space, and billboards.						
^b Other Miscellaneous Revenue includes additional revenue as a result of conducting daily business activities. Examples of Other Miscellaneous Revenue include late fees and penalties, forfeiture of deposits, and lost key fees.						

Pro Forma (Net Operating Income)

Stage 1b - Pro Forma NOI

	Factor		Annual Revenue/ Cost
Revenue			
Gross Potential Revenue			\$1,092,732
Less: Vacancy	5.00%		(\$54,637)
Less: Bad Debt	0.50%		(\$5,464)
Effective Gross Revenue			#####
Expenses			
Property Management	3.00%	of Effective Gross Revenue	\$30,979
Controllable Costs ^c	\$ 1,950	per unit	\$195,000
Real Estate Taxes	1.36%	of estimated total project cost	\$135,000
Insurance	\$400	per unit	\$40,000
Utilities	\$500	per unit	\$50,000
Replacement Reserve	\$150	per unit	\$15,000
Total Expenses			\$465,979
Net Operating Income			\$566,653

Maximum Debt Calculation

Stage 1c - Maximum Debt Calculation

Pro Forma Net Operating Income (NOI) and Value

Pro Forma NOI ^a	\$566,653
Capitalization Rate	6.00%
Value of Income Property Only (NOI / Cap Rate)	<u>\$9,444,213</u>

Loan Terms

Interest Rate ^b	5.75%
Amortization (years)	30

Debt Based on Loan to Value (LTV)

Maximum LTV Percentage ^b	75.00%
Maximum Loan Based on LTV for Income Property	<u>\$7,083,160</u>

Using Debt Coverage Ratio (DCR)

Monthly NOI	47,221
Maximum DCR	1.20
Maximum Monthly Payment (NOI/DCR/12)	<u>\$39,351</u>
Maximum Loan Based on DCR for Income Property	<u>\$6,743,098</u>

Maximum Loan (Lesser of LTV or DCR Result)

Maximum Loan for Income Property ^c	\$6,743,098
Add: Loan for For-Sale Property ^d	<u>\$0</u>
Total Initial Project Debt	<u>\$6,743,098</u>

Development Costs

Stage 1d - Development Costs

			Total	
	Gross		Usable	Apartments
Number of Units	100		100	100
Square Footage (Input Gross)	92,880		92,880	92,880
Percentage of Total Square Footage			100%	100%
Development Costs				
Land	\$0.00	per gross ft ²	\$ 0	\$ 0
Land Carry	0.00% rate	12 months	0	0
Approval Fees	\$1.17	per gross ft ²	108,959	108,959
Environmental Remediation	\$1.46	per gross ft ²	135,676	135,676
Construction Hard Cost	\$130.00	per gross ft ²	12,074,400	12,074,400
Soft Costs:				
Architecture & Engineering	5.06%	of hard cost	610,443	610,443
Legal & Other Fees	\$228,910	estimate	228,910	228,910
Appraisal & Title	\$10,883	estimate	10,883	10,883
Marketing	\$500	per total units	50,000	50,000
Taxes during Construction	\$50,000	estimate	50,000	50,000
Insurance during Construction	\$19,800	estimate	19,800	19,800
Total Soft Costs			970,036	970,036
Contingency	2.82%	of hard cost	340,468	340,468
Total Development Cost before Interest and Operating Reserve			\$ 13,629,538	\$ 13,629,538
Estimate of Construction Interest				
Construction Loan	\$6,743,098			
Construction Interest	12.00%			
Construction Period (months)	12			
Average Draw	65.00%			
Estimated Construction Loan Interest			525,962	525,962
Total Project Cost before Operating Reserve			\$ 14,155,500	\$ 14,155,500
Estimate of Operating Reserve				
Gross Potential Rent (monthly)	\$91,061			
Lease-Up Period (months until stabilization)	6.0			
Average Occupancy during Lease-Up	65%			
Estimated Rent during Lease-Up			355,138	
Estimated Op. Expenses during Lease-Up			232,989	
NOI during Lease-Up			122,148	
Construction Interest during Lease-Up			404,586	
First-Year Operating Reserve Required			282,437	282,437
Total Project Costs			\$ 14,437,938	\$ 14,437,938
Less: Development Cost Subsidies			(5,016,280)	(5,016,280)
Total Project Costs after Subsidies			\$ 9,421,658	\$ 9,421,658

Summary Analysis and Simple Ratios

Stage 1e Summary Analysis & Simple Ratios

Net Operating Income (NOI)	566,653
Total Project Cost	14,437,938
<i>Less: Development Subsidies</i>	<u>(5,016,280)</u>
Project Cost after Subsidies	9,421,658
<i>Less: Development Cost of For-Sale Condominiums</i>	<u>0</u>
Total Adjusted Cost for Income Property Only	9,421,658
Overall Return, Overall Cap Rate (NOI/Total Adjusted Cost)	6.0%
Net Operating Income	566,653
Annual Debt Service ^a	<u>472,211</u>
Cash Throw-Off (CTO or BTCF)	94,442
Total Adjusted Cost	9,421,658
Permanent Mortgage ^b	<u>6,743,098</u>
Equity	2,678,560
Cash-on-Cash Return (CTO/Equity)	3.5%
Development Profit for Apartments	
Net Operating Income	566,653
Overall Cap Rate at Sale	6.0%
Capitalized Value (NOI/Cap Rate)	9,444,213
<i>Less: Total Adjusted Cost</i>	<u>(9,421,658)</u>
Development Profit	22,556

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