

Attachment A

Letter from Hess Roise

Re: General information about historic tax credits

Historical Consultants

The Foster House  
100 North First Street  
Minneapolis MN 55401

January 24, 2014

612 338-1987 phone  
612 338-2668 fax  
[www.hessroise.com](http://www.hessroise.com)

Roxanne Young  
Senior Project Manager  
Planning and Economic Development  
City of Saint Paul  
25 West Fourth Street, Suite 1100  
Saint Paul, Minnesota 55102

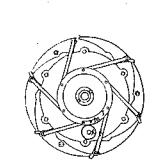
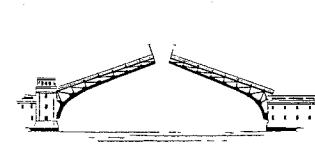
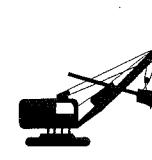
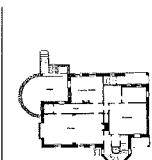
**Hess Roise**

Dear Ms. Young:

As we discussed on the phone, the National Register eligibility of the Euclid View Flats building at 234–238 Bates Avenue had been assessed a number of years before we were hired to prepare the National Register nomination. An inventory form prepared as part of a historic sites survey in 1982 called 234–238 Bates “a sophisticated apartment building” and “the largest and most costly of its type ever erected on Dayton’s Bluff.” It also noted that Euclid View “remains a fine example of a transitional building showing the change from the Queen Anne Style toward the Romanesque Revivalism of the late 1890’s and early 1900’s.” As a result, the State Historic Preservation Office (SHPO) had made a “Considered Eligible Finding” (CEF) based on the building’s architectural design. This finding, indicating that the SHPO believed the property qualified for the National Register, made us very confident that we would be able to officially nominate the property for that designation. The SHPO database of inventoried properties is very large, but most of the properties have not been evaluated. A majority of the inventoried properties do not qualify for the National Register, so simply being in the database has little meaning if the SHPO has not made a finding.

We nominated the Euclid View property under National Register Criterion C for its architectural significance. While we also considered the property’s relationship to the Dayton’s Bluff neighborhood and its role as a modern, multifamily alternative to the single-family houses that were more common in the city, we concluded that it was not of sufficient historical interest to qualify under Criterion A. In addition, it was not important for its relationship to a significant person (Criterion B).

For any of these criteria, the bar to qualify for listing in the National Register is very high. For Criterion A, it is necessary to evaluate a property in relation to others that might also represent the same historical trend; the property must stand out in that cohort. For Criterion B, the building must have a significant



association with a significant person. It must, in other words, be the best physical representation of someone who made a noteworthy historical contribution. Criterion C requires the building to be an outstanding example of an architectural style.

You had some questions about the nomination process. I recommend anticipating that the process will take about a year. Sometimes it goes more quickly, but this depends on a number of factors including how much research is required, how lengthy the document must be to make the case, and the timing of the State Review Board, which considers all nominations and meets only four times a year. A basic nomination usually costs \$15,000-\$20,000 for us to prepare.

Although I do not get involved in the financial side of historic tax credit projects, I understand that when only the federal credits were available, the rule of thumb was that a project had to be at least \$5 million to justify syndication costs. With the introduction of the state historic tax credits, I have heard that the minimum size has dropped to around \$3 million.

Sincerely,

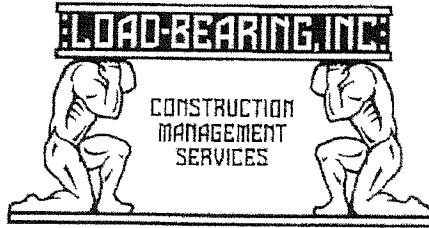
A handwritten signature in blue ink that reads "Charlene Roise". The signature is fluid and cursive, with "Charlene" on top and "Roise" below it.

Charlene Roise

Attachment B

Letter from Load Bearing

Re: Structural Conditions at 216 Bates and 716 Wilson



January 24, 2014

Roxanne Young  
Project Manager, City of St. Paul PED  
25 West Fourth Street  
Saint Paul, MN 55102

Dear Roxanne:

I'm writing in response to your request for information regarding the costs of proposed work related to the structural and civil engineering requirements in the renovation of 208-210 Bates, 216-218 Bates and 716 Wilson in St. Paul.

It's my hope that this letter will provide a more thorough understanding of the nature of these properties and their current condition, along with the resulting engineering which was required in developing a plan for their renovation, and ultimately the construction work that will be associated to the engineering needs to these properties. If you need further information, I'm happy to provide it. I can also direct you to the engineers who have provided services to the project to date:

Structural Engineer  
Joe Cain  
Mattson Macdonald Young  
612-827-7825

Civil Engineer  
Jonathan L. Faraci  
Lake & Land Surveying, Inc.  
Land Surveying – Civil & Geotechnical Engineering  
651-776-6211 ext 222

#### 716 Wilson

This single-family dwelling has a full basement which has deteriorated over time due to water infiltration. The structure is built into a hillside, and water movement within this topography has caused the masonry foundation to disintegrate. It was the consensus of the architects, engineers, consulting contractors and me that the damage was so extensive that repairs were not an option, and that even if repairs to the foundation were possible, that water infiltration would continue to be an issue at this particular site, given its topography.

The original plan called for the house to be shored up while a new foundation was installed. On the east elevation, the new foundation was engineered to resist both water infiltration and

lateral pressure (from hydrology). The civil engineer designed a system to capture water moving through the ground and manage this water by directing it into catch basins, which are in turn to be connected to the nearest city storm drain in the street north of 216-218 Bates.

During the bidding process, it was recognized that installation of this system would be costly, as it would require temporary shoring to OSHA standards. Excavators bidding the work recommended shifting the house to the west (while leaving the old wall in place) to avoid these shoring costs. This suggestion was ultimately incorporated into the project plans.

As the home has no garage, a new garage was engineered to sit behind the home at the southeast corner of the lot. This location, against the hillside, necessitated a similar footing design as the main house.

In order to facilitate the new garage and adjacent drive, a catch basin system was engineered to manage surface water runoff and direct the water to the storm sewer. The original plan called for the driveway to extend southward to provide access to a new garage a 208-210 Bates; when 208-210 Bates was eliminated from the overall project, the drive was altered so that it would terminated at the Wilson garage.

#### 216-218 Bates

This building has extensive rot and mold from years of water infiltration. The architects and engineers determined that the entire length of the east wall, and the roof of the one story section of the building, should both be demolished.

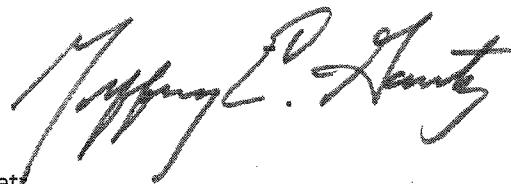
The existing usable space in the building was not sufficient to successfully adapt the building to accommodate two dwelling units. Given this fact, and the deterioration of the existing structural members, the architects devised a plan that modified the building to both improve its structural integrity while increasing its usable space.

The building has a basement at its north end which can only be accessed via a ladder; after investigating, the architects determined that there was no way to accurately assess that structural integrity of the formed and poured concrete that make up the ceiling of this basement. As a result, their plan calls removal of the concrete ceiling, and infilling and repouring of the first floor once gas, sewer and water lines are installed in the basement.

On the north and west elevations, 216-218 Bates is constructed right up to the public sidewalks. This fact makes storm water management at the site difficult. The plan calls for all water at both addresses to be captured by a new catch basin system, and/or directed offsite via pipes connected to the underground storm sewer system.

Thank you,

Jeffrey Garetz



CC: Jim Erchul, Dayton's Bluff Neighborhood Housing Services

LOAD-BEARING, INC.  
PHONE 612-721-8747 FAX 612-721-1419  
3010 MINNEHAHA AVENUE, MINNEAPOLIS, MN 55406

## Attachment C

### Structural Analysis and Mold Evaluation of 208 Bates



LSA Design, Inc.  
One Financial Plaza  
120 S. Sixth Street  
Suite 1700  
Minneapolis, MN 55402  
T: 612.339.8729  
F: 612.339.7433  
[www.lsadesigninc.com](http://www.lsadesigninc.com)

Planning  
Architecture  
Urban Design

May 7, 2010

Mr. Jim Erchul  
Executive Director  
Dayton's Bluff Neighborhood Housing Services, Inc  
823 East 7th Street  
St. Paul, MN 55106-5016

**RE: Executive Summary of Structural Assessment, 208 Bates Avenue**

Dear Mr. Erchul:

LSA Design, Inc. and our sub consultant, Erickson Roed and Associates have completed our preliminary assessment of the four-plex structure located at 208 Bates Avenue. The preliminary assessment is based on visual observation of the existing condition of the interior and exterior of the building. The extent of these observations is noted on the attached report. The conclusion of the preliminary assessment involves a number of recommendations that relate to the failures of two elements:

1. The brick façade was attached to the wood framed structure via square steel nails that have deteriorated over time. Two structural remedial options are identified in the attached report. The option selected will need to consider much more than the structural implications due to existing environmental contamination as well as constructability of vapor barriers and insulation. The suitability of the existing brick for re-use would also need to be determined since it appears to be porous and soft.
2. There appears to be significant differential settlement of the foundation creating sloping floors and bowed walls. The majority of the interior walls have been remodeled recently which removed much of the resulting distressed elements. The source of the movement would have been easier to identify prior to this occurring. Without construction documents, the walls and footings will need to be exposed in order to design the remedial foundation work necessary to limit the ongoing settlement.

The attached report identifies other structural elements that require additional information to analyze. If requested, we can also assist with demolition and restoration documents that address the environmental and life safety requirements, although they appear to be more significant than the property would warrant.

Please let me know if you have any questions or comments on this report, and how you would like to proceed.

Thank you,

William Fossing, PE  
Principal

Enclosure ERA May 07, 2010 Assesment  
CC. Jeffery Garetz, Load-bearing Inc  
Mike DeSutter, Erickson Roed and Associates

# Erickson Roed & Associates

Structural Engineers

2550 University Avenue West, Ste 201-S  
Saint Paul, Minnesota 55114-1901  
Telephone: 651-251-2570  
Facsimile: 651-251-2578

May 7, 2010

William Fossing  
LSA Design, Inc.  
120 South Sixth Street  
Suite 1700  
Minneapolis, MN 55402

Re: **208 Bates - Structural Assessment**  
St. Paul, MN  
ERA Commission Number: 2010-096

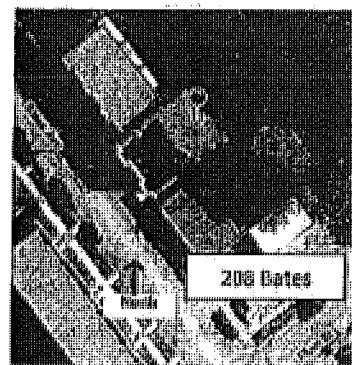
Mr. Fossing:

We have conducted a structural assessment of the four unit residential building at 208 Bates on the east side of St. Paul, MN. This assessment is based on a visual walk-through on May 3, 2010. Existing finishes were not removed, interior walls and ceilings were sheathed and generally not available for observation, and the roof was not accessed.

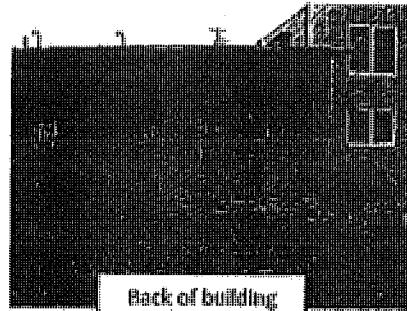
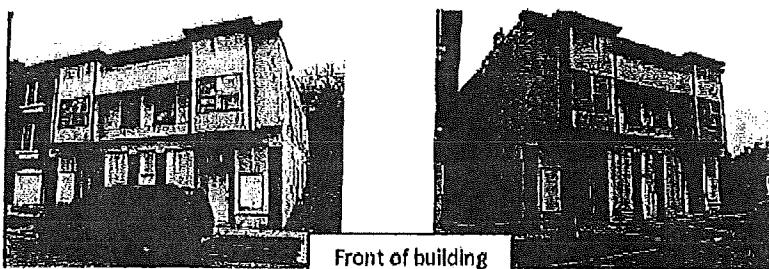
The intent of this report is to address the structural condition of the building as observed. It is not the intent of this report to address conditions that were not accessible. It is also not the intent of this report to address environmental issues or contamination; however, these items are noted where observed.

## **Existing Building Description**

The existing building is estimated to have been built in 1880. The building has a basement and two floors. Each floor has two units for a total of four. The exterior grade is near the first floor elevation at the front of the building and slopes up to the second floor elevation at the back of the building.



The roof structure is generally flat and sloped slightly to drain. The exterior bearing walls were observed to be 2x4 wood framed in one location where the interior wall was opened. The exterior finishes are a mixture of brick and wood paneling.



### **Structural Condition**

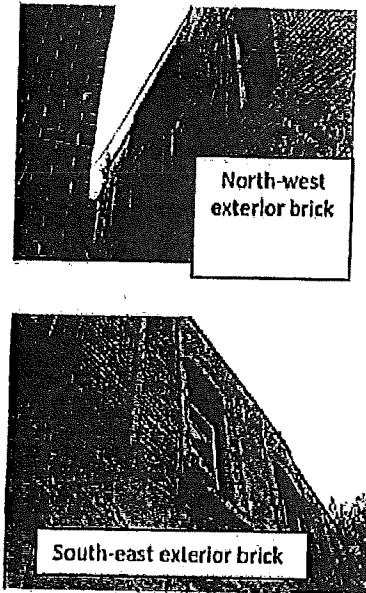
#### **A. Exterior brick**

##### **Observations:**

- 1) A large portion of the brick along the north-west wall has fallen off from the wall. The exterior wood sheathing was still in place.
- 2) The south-east wall brick has been secured with wood planks securing the brick from falling off the building.
- 3) Wall sheathing boards were pulled away from the 2x4 wall studs in one location observed.

##### **Discussion:**

The existing brick was originally secured to the sheathing with box nails working as ties. Over the years these nails have deteriorated and vanished, thus leaving the brick with no lateral support. Without lateral support, the brick is susceptible to falling from the building, creating a hazardous situation for anyone in the vicinity.



##### **Recommendations:**

- 1) The brick should be completely removed from the building and a new brick wall should be built with galvanized ties for lateral support to the building structure. Prior to installation of new brick veneer, the exterior wall sheathing boards should be securely fastened to the wall studs.
- 2) Alternatively, a post installed re-securing system for the brick could be used; however, the existing wall sheathing boards would have to be fastened to the existing wall studs from the inside. This would require all interior sheathing on the exterior walls to be completely removed.

#### **B. Exterior walls**

##### **Observations:**

- 1) There are a number of large openings and cracks in the exterior walls that have allowed moisture and critters into the walls over the years. Deterioration and damage may have occurred, but could not be observed at this time. It is reasonable to assume that infiltration by water or critters is causing deterioration of the structure.

##### **Recommendations:**

- 1) All interior sheathing will need to be removed in order to assess the damages further.
- 2) Structural members that have been damaged should be replaced or repaired.
- 3) Vapor barrier and waterproofing should be adequately designed in order to prevent further damage.

#### **C. Interior floors levelness / foundation settlement**

##### **Observations:**

- 1) The floors in each unit are visibly not level. Generally the floors slope down towards the centerline of the building. Upon observation of the basement, it appears that this is due to settlement of the interior bearing walls.

- 2) Interior stairs are sloping from side to side indicating differential settlement at the center bearing walls.
- 3) First floor joists at the centerline of the building are not level due to the settlement of the interior bearing walls.
- 4) Existing floor joists observed in the basement appeared to be in good condition.

**Recommendations:**

- 1) Improvements to the foundations at the interior walls along with jacking and leveling of the floor and roof structure will be necessary in order to achieve levelness of the floors. The wall sheathing on all walls within the interior of the building will need to be removed in order to do this, otherwise they will crack and work against the jacking effort.
- 2) Without improving the foundations there is no indication that the settlement will stop.

**D. Basement foundation walls****Observations:**

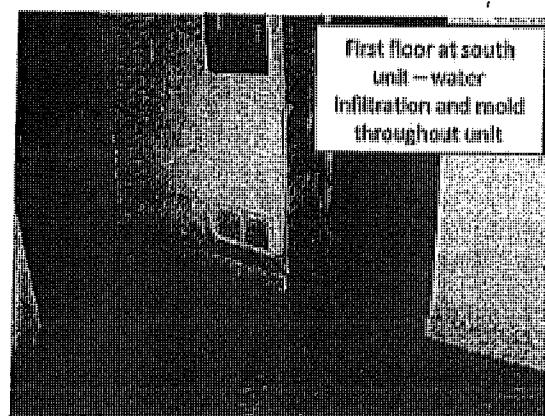
- 1) The basement exterior foundation walls were generally made of limestone. The walls appeared to be plumb and straight. Moisture and mold is observable throughout the basement. This indicates that water is infiltrating through the walls, likely on the back side where the grade is high. Due to the irregular nature and inherent cracking of limestone walls, it is difficult to identify specific locations where the water is infiltrating.

**Recommendations:**

- 1) These walls were not observed to be in distress; however, if waterproofing is applied to the exterior face of the foundation wall, the existing wall may not be adequate to support the additional hydrostatic lateral pressures.

**E. Interior walls and ceilings****Observations:**

- 1) The walls and ceilings were covered with drywall and painted white, so the structure was not observable. However, it was apparent that there has been moisture in the walls and ceilings. Interior finishes have been damaged by water and mold.
- 2) Most of the windows appeared to have mold around the base of the window.
- 3) The first floor units in the back of the building had large amounts of water damage and mold growing on the walls, ceilings, and floors. Since the back of the building at first floor is below grade, it is likely that ground water is seeping through the wall.
- 4) Some walls are noticeably out of plumb and slightly sagging.



**Recommendations:**

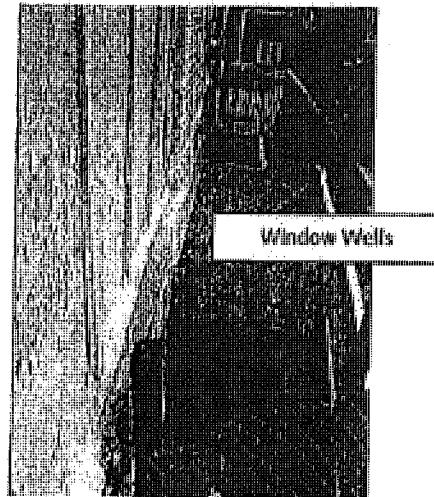
- 1) If water proofing is applied to the exterior face of the below grade walls, the existing wall may not be adequate to support the additional hydrostatic lateral pressures.
- 2) In order to assess the condition of the bearing walls and the damage that the moisture infiltration has done to the structure, it will be necessary to remove the interior sheathing on the ceilings and walls throughout the building.
- 3) Remove or reinforce any structural framing that has deteriorated due to water damage.

**F. Window wells****Observations:**

- 1) Window wells have been constructed with plywood and 2x wood framing retaining the earth pressures. This construction is not code compliant.

**Recommendations:**

- 1) Remove and replace non-compliant construction.

**G. Exterior concrete at building entrances:****Observations / recommendations:**

- 1) Some minor removal and replacement of concrete slabs at the front entrances will be necessary.

**H. Front second floor cantilevered structure:****Observations:**

- 1) The second floor at the front of the building that cantilevers out over the front wall was observed to deflect at the end of the cantilever. The structural framing members were not visible.

**Recommendations:**

- 1) In order to level the framing, the floor sheathing would need to be removed and a structural analysis and retrofit design will need to be provided for the cantilevered framing.

Please advise if you have any questions or comments.

Sincerely,

Terri J. Quimby, P.E., LEED AP  
Structural Engineer  
Erickson Roed & Associates

# **MOLD EVALUATION**

**Quadruplex  
208 and 210 Bates Avenue  
St. Paul, MN 55108**

**AllPhase Companies, Incorporated  
#1596-12S-U**

**May 10, 2012**

**Reported To**

**City of St. Paul, Planning & Economic Development**

**AllPhase Companies, Incorporated  
404-A St. Croix Trail North, Lakeland, MN 55043  
Phone: 651-436-2930 Fax: 651-436-3918**

# MOLD EVALUATION

Quadruplex  
208 and 210 Bates Avenue  
St. Paul, MN 55106  
AllPhase Companies, Incorporated  
#1596-12S-U

## Introduction

AllPhase assessed the property for mold and water damage on May 4, 2012. The building is a two-story quadruplex plus basement with what appears to be a flat roof. The ground slopes upward to the east so that the eastern end of the building is below ground level. Window wells exist below ground level.

The building on the property has significant water damage, and mold is present on a significant amount of building materials. Following is a summary of the site conditions:

## Findings

### First-Floor Units

1. Mold was observed to be pervasive over the majority of the rooms in both units of the first floor with heavy mold near the basal portion of the walls and flooring. Mold was observed on the walls, ceiling, window wells and floor.
2. The eastern portion of the building, at the time of inspection, had observable standing water, saturated carpet and walls that were wet at the base. Water damage was evident throughout the majority of the first floor with water damage being evident on the flooring and lower portions of the walls.

### Second-Floor Units

1. Localized areas of mold were observed on the ceiling of the NE-central room of Unit 210 (2<sup>nd</sup> Floor). The presence of mold was significantly less in Unit 208 (2<sup>nd</sup> Floor)—that is, concentrated areas of mold were not observed to have caused damage to building materials in this unit.
2. Water intrusion was evident on the ceiling of the NE-central room of Unit 210 (2<sup>nd</sup> Floor) and is associated with the mold discussed above. Also, water intrusion was observed on the window sill of that room—soft wood. Evidence of significant water intrusion was not observed in Unit 208 (2<sup>nd</sup> Floor).

### Basement

1. Mold was observed to be over a significant area of the wall and ceiling sheetrock. Mold was also observed along the first floor—floor joist and underside of the first-floor decking.
2. A significant area of water intrusion was evident on sheetrock both at the base of the wall and on the ceiling. Evidence of water intrusion was observed as water stains and wetness observed at the base of support beams and on the rafters and underside of the decking.

**AllPhase Companies, Incorporated**

**Report of:** Phase I Environmental Site Assessment  
208 and 210 Bates Ave., St. Paul, MN 55106  
**Reported to:** City of St. Paul  
Planning & Economic Development, St. Paul, MN 55102

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**Date of Report:** May 10, 2012  
**AllPhase File No:** 1596-12S-U

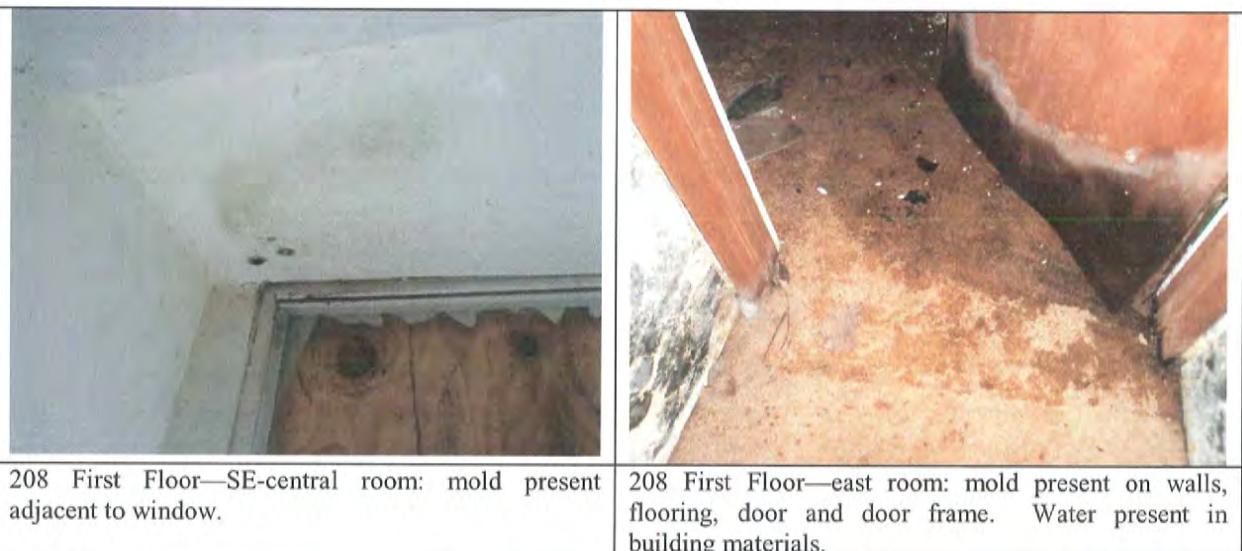
**Photographic Documentation**

Photographs of site conditions are attached.



208 First Floor—kitchen: standing water on floors and saturated carpet plus mold were present on the kitchen floor and walls.

208 First Floor—SE-central room: saturated carpet and wet floors were present with mold located on the lower portion of the walls.



208 First Floor—SE-central room: mold present adjacent to window.

208 First Floor—east room: mold present on walls, flooring, door and door frame. Water present in building materials.

**AllPhase Companies, Incorporated**

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208 First Floor—east room: ceiling and wall mold.

208 First Floor—east room: mold around window area.



208 First Floor—mold present along lower portion of walls, east room. Floor and wall base were wet at time of visit.

208 First Floor—mold present along bathroom walls.

**AllPhase Companies, Incorporated**

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208 First Floor—saturated sheetrock present near furnace in utility room. It was wet at time of visit.

210 First Floor—floor in utility room wet at time of visit.



210 First Floor—mold present on the lower portion of the walls in NW-central room.

210 First Floor—NW-central room window well: mold

AllPhase Companies, Incorporated

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210 First Floor—mold present on the lower portion of the wall NE-central room.	210 First Floor—mold present on the lower and mid portions of the walls in the room off kitchen. Floor was wet at time of visit.

	
210 First Floor—East room mold present around window.	210 First Floor—East room: mold on walls. Note evidence on walls of wet studs. Floor was wet at time of visit.

**AllPhase Companies, Incorporated**

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210 2<sup>nd</sup> Floor—NE-central room. Staining and mold present on ceiling.

Basement south side—SW area: water damage to sheetrock.



Basement south side—Mold present on table and other materials.

Basement north side—Mold present on the lower and mid portion of the wall as well as water damage to sheetrock.

**AllPhase Companies, Incorporated**

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Basement north side—Mold and water damage present on the ceiling sheetrock.	Basement central corridor—mold present on floor joist.
 Basement central corridor—water saturated on support beams	

**Conclusions/Recommendations**

All three levels of the building had mold and water damage issues. The first floor had pervasive mold and water damage. The basement also had significant areas of mold and water damage. The second floor had the least observable mold and water damage issues with mold and water damage present in Unit 210 that appears to be extending into the space between the flat roof and ceiling.

Based on our observations and physical evidence, there is significant water intrusion in the first floor and to a lesser degree in the basement area. The roof and some window wells also appear to be compromised based on evidence of the damage to the ceiling area of the second floor and the mold and water intrusion around the windows. We recommend the following:

1. Roof should be repaired or replaced to prevent water infiltration.

**AllPhase Companies, Incorporated**

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2. Windows appear to be damaged and/or leaking. The windows should be assessed for damage or integrity problems and repaired or replaced, including appropriate flashing to prevent water infiltration.
  3. The exterior siding and flashing should be assessed to confirm that the building has integrity. Any suspect locations should be assessed and repaired in accordance with building codes.
  4. The perimeter below-grade walls should be inspected and assessed to determine if water infiltration is occurring and addressed if it is determined that water is seeping through foundation walls.
  5. The foundation below grade should be repaired and/or designed such that water does not seep through the foundation. Surface drainage should be away from the foundation, and/or that foundation drainage is captured by a drain tile system and discharged to an appropriate location.
  6. Window wells should be inspected to confirm or correct any runoff problems in order to prevent water infiltration.
  7. Warning signs should be posted at all access points to the building to warn individuals that mold is present and appropriate personal protection equipment should be used while in the building.
  8. All materials saturated or having elevated moisture content should be removed and/or dried out.
  9. All carpet and porous materials should be removed from the subject site and disposed of.
  10. Water/mold-damaged ceiling, walls, flooring should be removed, including any underlayment or structural items that are impacted by mold or having elevated moisture content.
  11. The HVAC system should be cleaned to remove mold. The HVAC system is a forced-air system, and mold may be present in the duct work and associated circulation system.
  12. Filters on the furnace should be replaced since it likely contains some of the mold structures.
  13. Containment areas should be constructed to separate out areas decontaminated/clean zones from contaminated zones. Negative air pressure utilizing HEPAAs should be used to contain mold within the remediation area and to prevent contamination entering remediated/cleaned areas.
  14. HEPA air filters should be installed and operating during the removal of materials and during the removal and decontamination of the subject site.
  15. Individuals should be protected and decontaminated during the removal process and when they leave the subject site.
  16. After compromised materials have been removed, the entire building interior, including structural items, should be cleaned and followed by an application of dilute bleach to kill the mold then applying a mold inhibitor.
  17. An assessment for the presence of water damage and mold should be made after work has been completed and periodically thereafter to confirm that water/mold issues have been resolved.



---

David Jenkins, P.G.  
Project Manager

Date 5-10-12



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Rennie Smith, P.G.  
Project Manager

Date 5-10-12

## Attachment D

Photographs and background information regarding  
project analysis

216 BATES, 716 WILSON,  
208 BATES

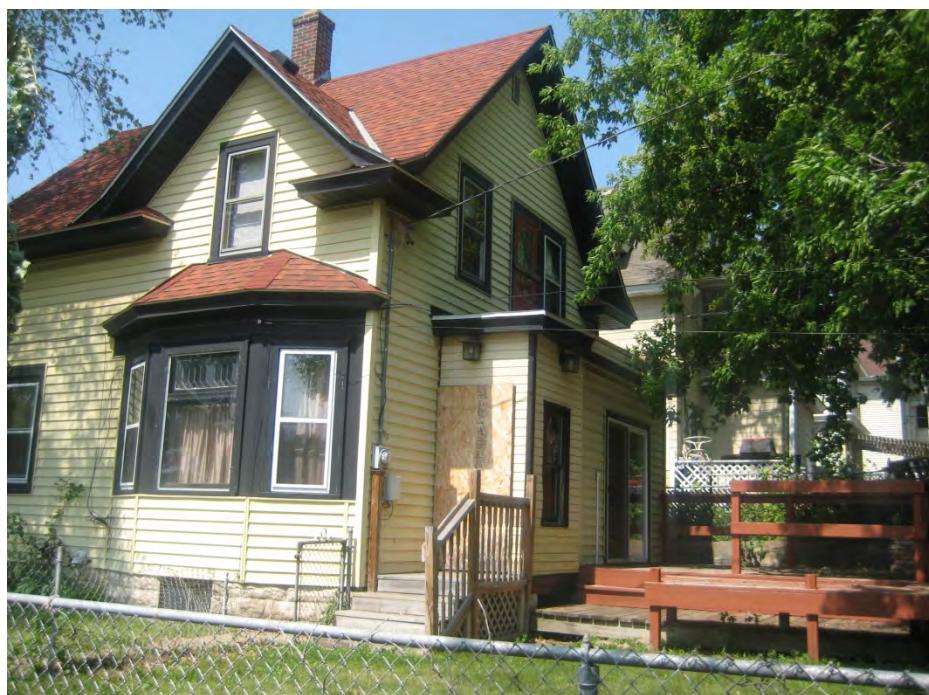
# 208 Bates

2



# 716 Wilson

3



# 216 Bates

4





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# Background

- History of nuisance complaints and neglect
- Properties condemned and/or registered vacant for 2-4 years before HRA acquired
- HRA acquired to ensure public control of redevelopment

*South elevation of 208, 216 Bates*

	<b>208 Bates</b>	<b>216 Bates</b>	<b>716 Wilson</b>
Previous owner bought in	1977	1974	2004
Condemned/vacant	2001	2005	2005
HRA Bought	2005	2007	2007



*716 Wilson South elevation*

# Rehab Concept

- DBNHS was engaged in 2010; the original proposal was demo and new construction.
- HRA staff and the city councilmember requested rehab as the preferred alternative.
- A concept to develop 5 units of housing with 4 Bedrooms was approved by the HPC in August 2012 and competitively bid in December 2012.
- 4 bids were received – the highest was \$1,992,300, the lowest is analyzed below

Costs	208 Bates	216 Bates	716 Wilson	Site Work	Total
Hard Costs	\$622,230	\$539,237	\$263,360	\$216,711	\$1,641,541
Finished Square Feet	3,651	4,090	1,807		
Cost per square foot for construction*	\$170	\$132	\$145		

\*New construction hard costs are typically ~\$125-150/sq ft

# Why is rehab cost high?

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- **Water damage:** 216 and 208 Bates have compromised roof
- **Site topography:** 216 Bates and 716 Wilson require extensive regrading
- **Storm sewer requirements:** to address water seepage issues
- **Foundation condition:** 208 Bates and 716 Wilson require a completely new foundation
- **Environmental remediation:** Lead, asbestos, mold, and radon at the properties
- **Structural integrity:** Most interior structural framing is compromised at 208 and 216 Bates



208 Bates East elevation

216 Bates water damage

216 Bates basement

# Total costs for original concept: 5 rental units

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	<b>Original proposal</b>
Acquisition	\$1.00
Land Sale Write Down	\$585,000
Hard Costs	\$1,641,540
Contingency (15%)	\$246,230
Architect/Design	\$78,500
Other Soft Costs	\$71,250
Developer Fee	\$163,960
<b>Total Development Cost</b>	<b>\$2,786,481</b>
<b>Cost per unit (5 units)</b>	<b>\$557,296</b>



**216 Bates:** current heat pictured to left

**208 Bates:** interior condition pictured below



DBNHS was requesting HRA financing for the full TDC. HRA staff decided to explore additional options to try to bring the needed HRA investment down.

# Additional options explored

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Options Explored	Result
<b>Historic Tax Credit Financing</b>	HRA staff discussed the project with the SHPO office and staff that certified Euclid Flats. The small size of the projects does not justify the additional time and expense of certification, and it is doubtful the projects would qualify for the national register.
<b>Minnesota Housing Finance Agency Financing</b>	The project is too small to be competitive and the timing of the application cycle does not meet redevelopment requirements.
<b>Owner occupied instead of rental units</b>	716 Wilson could be sold instead of rented. It would not be reasonable to condo 208 Bates and 216 Bates because of the limited units and lack of market demand.
<b>Reducing square footage developed</b>	716 Wilson could be reduced to a 2 Bedroom instead of a 4 Bedroom, which results in an additional \$30,000 savings. Reducing the size of 208 Bates or 216 Bates also reduces the rental income generated, resulting in a negative rental cashflow.
<b>Demolition of 208 Bates: total demo or retaining façade</b>	Demolition costs \$60,000 instead of the estimated \$622,231 to save the property. Retaining the façade adds cost and is also of concern to DBNHS for safety/liability reasons. In both scenarios proposed the HRA intends to demolish 208 Bates.

# Economic Development Option

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- 716 Wilson and 208 Bates were originally constructed as housing units; therefore an economic development option is not recommended
- 216 Bates was historically a commercial building
- Staff analyzed subsidy need based on current market trends for small commercial buildings and known rehab needs
- It is estimated \$700,000 of subsidy would be needed for a commercial concept (current concept is for \$1,140,000 at 216 Bates)
- There is high risk that zoning approvals necessary for a commercial project would not be approved
- There is high risk that a suitable tenant would be challenging to find
- If the entire building was used as a commercial building as it has historically been used, the \$700,000 subsidy would result in one unit

# Revised costs

	<b>Scenario A) Original proposal: 5 unit rental all 4 BD units</b>	<b>Scenario B) Revised proposal: Demo 208 2 units 4 BD rental 1 unit 4 BD owner</b>	<b>Scenario C) HRA Revisions: Demo 208 2 units 4 BD rental 1 unit 2 BD owner</b>
Acquisition	\$1.00	\$1.00	\$260,000
Land Sale Write Down	\$585,000	\$585,000	\$325,000
Hard Costs	\$1,641,540	\$1,005,378	\$975,378
Contingency	\$246,230	\$150,806	\$91,537
Architect/Design	\$78,500	\$104,000	\$54,992
Other Soft Costs	\$71,250	\$49,200	\$49,200
Developer Fee	\$163,960	\$96,470	\$110,243
<b>Total Development Cost</b>	<b>\$2,786,481</b>	<b>\$1,990,855</b>	<b>\$1,866,350</b>
<b>HRA Cost*</b>	<b>\$2,786,481</b>	<b>\$1,880,855</b>	<b>\$1,716,350</b>
<b>HRA Cost per Unit</b>	<b>\$557,296</b>	<b>\$626,951</b>	<b>\$572,116</b>

\*HRA cost is lower for the two revised proposals because of sale proceeds for 716 Wilson.

# Timeline Considerations

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- 216 Bates and 716 Wilson were each funded with CDBG.
- There is a requirement that the properties meet a national objective by the end of summer 2014.
- A national objective could be met by either:
  - ▣ Rehabilitating the properties for housing that serves households at 80% of area median income
  - ▣ Declaring the properties as slum/blight and demolishing them

# New construction option

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- DBNHS proposal for new construction is 8 units across the three project sites.
- 4 units would be 3 bedroom and 4 units would be 4 bedroom.
- Demolishing the existing buildings and doing a denser development allows the expenses for acquisition and site conditions to be spread across more units of housing.

# New construction costs

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	<b>New Construction Cost</b> <b>Demo 208,216,716</b> <b>4 units 4 BD rental</b> <b>4 units 3 BD rental</b>	<b>HRA Revisions:</b> <b>(From Slide 10)</b> <b>Demo 208</b> <b>2 units 4 BD rental</b> <b>1 unit 2 BD owner</b>
Acquisition/Land Write Down	\$585,000	\$585,000
Hard Costs	\$1,760,000	\$975,378
Contingency	\$88,000	\$91,537
Architect/Design	\$105,600	\$54,992
Other Soft Costs	\$100,000	\$49,200
Developer Fee	\$205,360	\$110,243
<b>Total Development Cost</b>	<b>\$2,843,960</b>	<b>\$1,866,350</b>
HRA Cost	\$1,716,350	\$1,716,350
HRA Cost/unit	\$214,543	\$572,116

# New Construction

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- Demolishing 208 Bates, 716 Wilson, and 216 Bates provides an opportunity to leverage outside funds.
  - Minnesota Housing Finance Agency: an 8 unit project can generate more leverage from this agency
  - More units could also result in the ability to leverage private financing
  - Demolition meets the timeline requirements for CDBG, allowing opportunity for multiple funding application rounds if needed

# Public Purpose Analysis

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Public Purpose	New Construction	Rehab option
HRA investment	<b>\$1,716,350</b>	<b>\$1,716,350</b>
Affordable Housing created	<b>High:</b> 8 units	<b>Moderate:</b> 3 units retained
Leverage Investment	<b>High:</b> \$1,000,000 leverage from public/private sources	<b>Low:</b> No leverage
Increase tax base	<b>High:</b> 8 units of new housing likely significant tax base increase	<b>Low:</b> Tax base of three rehabbed units diminished by 208 Bates demolition
Historic Preservation	<b>Low:</b> Homes demolished	<b>Moderate:</b> Two addresses rehabbed, one demolished
Reduction of slum/blight	<b>High:</b> Slum blight demolished	<b>High:</b> Slum/blight demolished and rehabbed

# Which option is most reasonable?

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## **Rehab Option:**

Rehab 216 Bates and 716 Wilson and demolish 208 Bates

- The HRA has identified \$1.7 million to offer to the project
- Result is 3 units of housing and yard space for Homes for Learning, 716 Wilson and 216 Bates are preserved as historic resources

## **New Construction Option:**

Demolish all three buildings and construct 8 units of new housing

- Increased density is likely to result in an ability to leverage sources from MHFA and private bank financing
- Blight would be immediately removed, providing time to leverage the remaining sources needed