ULI Minnesota

ULI MINNESOTA HOUSING STUDY | 2021

Missing Housing for Middle Incomes

CASE STUDY
TECHNOLOGY PARK

Project Summary

Technology Park is a 164-unit multifamily rental apartment development located on the north side of Rochester, MN. Technology Park piloted several innovative design, materials and financing approaches to deliver housing quality and affordability without direct government subsidies. The project delivers first class in-unit finishes and features attractive to market rate renters while keeping the costs of construction and operations lower through trade-offs including smaller scale common area amenities and surface parking as opposed to underground parking.

Key Innovations

Creation of New Affordable Housing with No Subsidy

The project partners developed Technology Park with the goal of creating a replicable model to produce no-subsidy affordable housing. To achieve this goal, the project utilized a combination of design strategies, cost effective materials, low-cost land, a favorable local regulatory environment, low-cost debt and equity capital and long-term affordability agreements to achieve a 164-unit mixed income development that provides for 40% of the units to be affordable at 60% area median income, 35% of the units are affordable to households between 60% and 80% AMI, and 25% of the units have market rate rents.

Design Features

Simple exterior and interior building designs significantly contribute to cost savings but requires flexibility by local municipalities is required during the design approval process.

Exterior

- Minimized exterior articulations and bump outs and a simple flat roof design.
- Fiber cement siding & quality window systems are comparable to market rate.
- Limited penetrations and thus limited flashing at openings.
- Utilized contrasting materials to enhance appearance.
- Not all units had balconies.

QUICK FACTS

Location
Rochester, MN

Project address
3731/3745 Technology Drive NW
Rochester, MN 55901

Developer
Real Estate Equities
579 Selby Avenue
St. Paul, MN 55102

Co-Developer & General Contractor
Stencil Group
332 Minnesota Street, Suite W120
St. Paul, MN 55101

Architect
Kaas Wilson Architects
1301 American Blvd East
Bloomington, MN 55425

Interior

- Minimally size lobby and entrance area.
- Smaller sized unit square footage:
  - Efficiency SF: 551
  - 1 BR SF: 661
  - 2 BR/1BA SF: 754
  - 2BR/2BA: 1,059
- Limited amenities:
  - Modest size community room.
  - Smaller fitness facility with limited equipment.
  - Minimal outdoor play facilities. The outdoor facilities were limited to grilling areas and seating, dog run, playground, and a fitness trail.
  - All units have in-unit washers and dryers.
  - Minimal common areas (halls, lobbies).

Lessons Learned

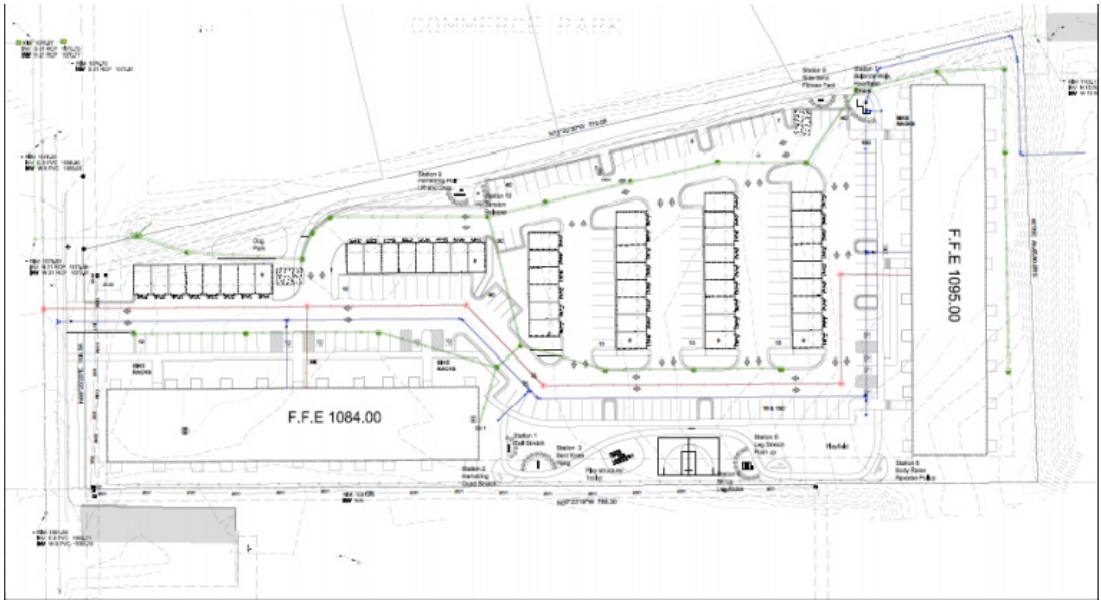
Bedroom and Bathroom types. Include more 1BR/1BA units. Eliminate the 2BR/1BA unit type given the lower demand for these units.

Exterior. Limit number of balconies. Include walk out patios, which are much more cost effective than the balconies on upper levels.

Amenities. The limited amenity menu allowed for reduced costs, but for future projects would increase size of the chosen amenity spaces.

Regulatory requirements. Flexible regulatory environment allowed for higher density and more surface and garage parking, which in turn allowed for reduced construction costs and lower rents charged. Many urban locations require a minimum ratio of underground parking spaces at $20,000 - $25,000 per stall, adding to total housing production costs per unit; whereas, surface parking runs about $3,000 per stall, and ground level garages run approximately $10,000 per stall.

Social equity capital. The lower cost of capital in exchange for the affordable units made this type of project feasible and scalable. This type of project and affordability would not be able to achieve traditional equity investor return requirements.



SOURCES & USES / FLOW OF FUNDS

Sources	Construction	Permanent	Per Unit	% TDC
Merchants Bank Construction Loan	14,966,000			
Permanent Loan - Freddie Mac		14,966,000	91,256	76.00%
GMHF Construction Loan	3,400,000			
GMHF Equity		3,400,000	20,732	17.30%
Developer Equity	1,327,598	1,327,598	8,095	6.70%
Total sources	**19,693,598**	**19,693,598**	**120,083**	**100.00%**
Uses				
Land & Site Work	1,115,185	1,115,185	6,800	5.70%
Hard Costs	14,734,082	14,734,082	89,842	74.80%
Soft Costs	1,372,472	1,372,472	8,369	7.00%
Developer Fee	1,000,000	1,000,000	6,098	5.10%
Financing & Legal Fees	367,947	367,947	2,244	1.90%
Interest & Reserves	968,822	968,822	5,907	4.90%
Contingency	70,728	70,728	431	0.40%
Reserves	64,362	64,362	392	0.30%
Total Uses	**19,693,598**	**19,693,598**	**120,083**	**100.00%**

Construction Related Variables	Traditional Multifamily	Value Engineered	Cost Differential (per unit)	Notes
Scale	50-120 units	164 units	$1,500-$3,000	discounts for higher volume
Labor & Negotiated Bidding	$8,000-$12,000 (per unit)	$1,000-$4,000 (per unit)	$4,000-$11,000	
Parking	$20,000-$30,000 (per unit)	$8,000-$10,000 (limited garages)	$10,000-$17,000	standard assumption is underground parking
Building Design	$120,000 - $150,000 (per unit)	$100,000-$110,000 (per unit)	$15,000-$50,000	
Limited Amenities	$350,000-$650,000	$150,000-$200,000	$1,000 - $3,000 *	* assumes project size of 164
Mechanical	$8,000-$10,000 (per unit)	$2,000-$3,000 (per unit)	$5,000-$8,000	PTAC vs. Magic Pak

164-unit new construction development in Rochester, MN developed by Real Estate Equities. No subsidy affordable housing achieved through smart building design and innovative financings. Total development costs $19.7 million or $120,000/unit. Affordability: 40% units @ 60% AMI; 35% units @ 80% AMI.

Project amenity: community room and mailroom.

Typical kitchen with granite countertops and island, open to the living room.

Bathroom with granite countertops.

Bedroom with attached bathroom and walk-in closet.

In-unit washer and dryer.

Garages for the units.

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