

**Development Costs  
and Gap Funding for  
New Construction Assisted by  
Minnesota Housing,  
2003-2005**

**Minnesota Housing  
Research**

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## **I. Introduction**

The purpose of this analysis is to enable the Board of Minnesota Housing to better understand the costs of development proposals submitted to Minnesota Housing and its funding partners for first mortgages or deferred funding. Based on available data, Minnesota Housing staff has developed a set of cost guidelines intended to be useful in evaluating proposals submitted to Minnesota Housing for the funding of new construction, as well as a set of conditions that may cause development costs to vary above or below the norm.

As a matter of effective stewardship of public funds, Minnesota Housing staff has reviewed the cost of new construction financed by the Agency on an ongoing basis. In 1995 and 1998, Multifamily staff led teams that studied the total development costs for new rental housing, particularly in relation to the New Construction Tax Credit Mortgage/Bridge Loan Program, and issued reports. In 2000, Policy and Research staff reviewed construction costs (only) of selected townhouse developments in the Metro region.

In spring 2005, the Board raised questions concerning the costs of new construction in development proposals submitted for funding, especially proposals requesting deferred funding to bridge the gap in value (between the builders' cost of construction and the value at sale) or affordability (between the cost of available housing and what income eligible households are able to afford). The gap funding that Minnesota Housing provides under Multifamily programs normally is deferred funding; under Community Revitalization (CRV), value gap funding is in the form of a grant and affordability gap, a deferred loan.

Minnesota Housing Research staff completed a brief preliminary analysis in August 2005 that suggested Agency costs did not appear to be inordinately high, recognizing that much further study was warranted. The current analysis identifies the costs and cost components of Minnesota Housing-funded new affordable housing as well as the costs and cost components of comparable housing developed through the private sector. It also identifies how gap funding has been used.

Given the nature and complexity of affordable housing development, Minnesota Housing staff sees this as the beginning of a process to better quantify, understand, and communicate the nature and cost of the development of affordable housing on an ongoing basis. Program and Research staff will work together to implement a more consistent approach to reviewing information on a regular basis.

### *Scope and methodology*

For multifamily rental housing, staff examined available data on Minnesota Housing-funded new construction for which funds initially closed from the beginning of Federal Fiscal Year 2003 through the end of Federal Fiscal Year 2005 (October 1, 2002 through September 30, 2005).

Data were reviewed on multifamily developments for which loans initially closed during the first six months of 2006 (comparable data for 2006 are not available for single-family funding); however, activity for six months does not provide an adequate basis from which to draw any conclusions.

Initial attempts were made to identify trends in rental housing by reviewing data on closings, annually; however, costs vary widely based on the characteristics of specific developments and the relatively small amount of annual data and this failed to provide meaningful information.

**Table 1: Multifamily Rental Housing Reviewed, 2003-2005**

	<b>Developments</b>	<b>Units</b>	<b>Total development cost</b>
Minneapolis/Saint Paul metro area	49	2,329	\$379,316,911
Greater Minnesota	35	923	\$109,799,636
Total	84	3,252	\$489,116,547

For single-family housing, the initial intention was to analyze activity funded through the Economic Development and Housing Challenge Fund (EDHC), the primary tool for funding new construction; however, it is not possible to distinguish between EDHC-funded projects and other projects that have received interim financing from Minnesota Housing under the Community Revitalization Program (CRV). Data reviewed include all CRV loans to homebuyers closed between 2003 and 2005. Detailed data on the cost components of these projects are not accessible at this time.

**Table 2: Homeownership New Construction Reviewed, 2003-2005**

	<b>Households</b>	<b>Total CRV loans closed</b>
Minneapolis/Saint Paul metro area	265	\$5,288,238
Greater Minnesota	591	\$17,576,824
Total	856	\$22,865,062

Three components of total development cost reviewed here are: 1) construction costs, 2) cost of land, and 3) “soft” costs. For purposes of the analysis of multifamily rental housing, soft costs are defined to include any of those costs listed in part VI C of the Minnesota Multifamily Rental Housing Common Application, such as fees and certain financing costs. For single-family funding, it would appear that administrators determine what and how they report CRV construction costs and cost components to Minnesota Housing.

For the purposes of this analysis, the Minneapolis/Saint Paul metropolitan area includes: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties; Greater Minnesota includes all other counties.

Data in tables are derived from Minnesota Housing program databases unless otherwise noted.

## II. Multifamily Development

Project information, including cost data, is available through the HDS loan processing system in great detail. Minnesota Housing staff use data collected from developers at the time of funding application and during loan processing to ensure that each development has an adequate cash flow for ongoing operations and meets the required Minnesota Housing rules such as income and rent restrictions. Detailed information is contained in the Appendix of this report.

**Table 3: Development Cost of Rental Housing Development Funded by Location, 2003-2005**

Project location	Construction costs	Cost of land	Soft costs	Total development cost	Average total development cost per unit
Minneapolis/Saint Paul metro area	\$271,905,378	\$21,158,482	\$86,253,051	\$379,316,911	\$162,867
Greater Minnesota	\$82,781,142	\$5,746,086	\$21,272,408	\$109,799,636	\$118,960
Total	\$354,686,520	\$26,904,568	\$107,525,459	\$489,116,547	\$150,405

**Table 4: Average Total Development Costs by Construction Type, 2004-2005**

Construction type	Number of units	Average square feet per unit	TDC per square foot	TDC per unit
Elevator	1,435	1,216	\$126.07	\$153,266
Walkup	212	1,047	\$111.67	\$116,924
Townhome	792	1,444	\$101.02	\$145,856

### *Per unit/per square foot construction costs*

Construction costs (e.g., materials, labor, hard costs) continue to comprise, by far, the largest component of total development cost; of the \$489,116,547 total development costs in 2003-2005 construction costs were \$354,686,520 (72.5% of the total development cost, see Table 3).

Average per unit cost in 2003-2005 was lowest in Greater Minnesota. The per square foot cost of developing townhomes is lower than that of other types of construction; however, due to larger units, the average per unit cost of townhomes is higher (as shown in Table 4).

Information from RS Means, based on a national survey of builders and their reported costs of construction, is widely recognized as an important source of information on construction costs. As stated in the *Construction Cost Data Book*, estimates "...include the contractors' overhead and profit, but do not generally include architectural fees or land costs."<sup>1</sup> RS Means' *Building Construction Cost Data, 2005* estimates median construction costs per square foot for a limited number of development types as shown in Table 5.

Construction types are mutually exclusive. (RS Means does not compile estimates for townhouse development.)

**Table 5: Median Per Square Foot Construction Costs, 2005**

<b>Location</b>	<b>One to three story apartment</b>	<b>Four to seven story apartment</b>	<b>Elderly housing</b>	<b>Public housing low rise</b>	<b>Assisted living</b>
Duluth	\$70.07	\$88.75	\$95.50	\$88.23	\$115.22
Mankato	\$66.83	\$84.65	\$91.08	\$84.15	\$109.89
Minneapolis	\$76.01	\$96.27	\$103.59	\$95.71	\$124.99
Rochester	\$68.85	\$87.21	\$93.84	\$86.70	\$113.22
Saint Paul	\$74.12	\$93.88	\$101.02	\$93.33	\$121.88
Saint Cloud	\$72.16	\$91.40	\$98.35	\$90.87	\$118.66

*Source: RS Means Construction Cost Data, 2005*

The average per square foot construction cost of Minnesota Housing-funded new rental housing between 2003 and 2005, not adjusted for inflation, was \$86.53 in the Minneapolis/Saint Paul metropolitan area and \$70.92 in Greater Minnesota (see Table 17, page A-1). Available data indicate that the average per square foot construction cost of supportive housing funded by Minnesota Housing in 2004 and 2005 was \$104.24 in the Minneapolis/Saint Paul metropolitan area and \$106.73 in Greater Minnesota. (Assisted living would seem to be the construction type most similar to supportive housing.) Based on this comparison of construction costs measured by RS Means in various parts of the state, Minnesota Housing construction costs appear to be reasonable.

The construction industry has not yet been able to adequately measure the effects of Hurricanes Katrina and Rita on costs of construction materials. According to Mark Anderson in "Construction Costs Pinch Minnesota Affordable Housing Developers," originally printed in *Finance and Commerce*, "Construction costs are generally estimated to have climbed 15% in 2005 – driven by increased global demand for construction materials as well as new Gulf Coast demand – and they will continue rising at close to that pace for several years, many analysts say."<sup>2</sup> Previously, cost for new construction in the U.S. increased an average of 7% per year according to Means cost indices (2003 through 2005).

Comparative local information is largely anecdotal and not necessarily available in the same level of detail as information for Minnesota Housing-funded projects; however, it seems to indicate that Minnesota Housing development costs are within reason at an average of \$162,867 per unit in the Minneapolis/Saint Paul metropolitan area (see Table 3).

Unpublished data from Dakota County indicate \$124.10-\$127.30 per square foot (\$161,915-\$163,610 per unit) total development costs for townhome developments they financed in the metro area<sup>3</sup>. A list of multifamily development proposals provided by the Greater Metropolitan Housing Corporation submitted for funding in 2005 indicates an average estimated total development cost per unit of \$178,000 at the time of fund application (\$236,000 for single family homes).<sup>4</sup>

An examination of other state housing finance agencies may be useful to this Minnesota Housing discussion of development costs. Minnesota Housing staff identified guidelines for the development of housing with tax credits in other states using unpublished information from the most recent National Council of State Housing Agencies' survey in 2004. Survey responses show that more than 50% of state housing finance agencies impose per unit cost limits for the development of housing with tax credits. HUD maximum mortgage limits for the 221 (d) (3) and 221 (d) (4) loan programs comprised the most common basis for limits, with state housing finance agency per unit limits frequently at 100% to 110% of HUD limits. The HUD limits for FHA-insured 221 (d) (3) mortgages, updated annually, vary by construction type and project location, and in 2005<sup>5</sup> were as follows:

**Table 6: Section 221 (d) (3) Maximum Per Unit Limits, 2005**

	0 BR	1 BR	2 BR	3 BR
<i>Minneapolis-Saint Paul</i>				
Elevator	\$111,041	\$127,286	\$154,781	\$200,232
Non-elevator	\$105,514	\$121,658	\$146,722	\$187,806
<i>Southeastern Minnesota (Rochester)</i>				
Elevator	\$103,175	\$118,270	\$143,817	\$186,049
Non-elevator	\$98,040	\$113,041	\$136,329	\$174,502
<i>Western Minnesota (Moorhead)</i>				
Elevator	\$98,549	\$112,967	\$137,368	\$177,706
Non-elevator	\$93,643	\$107,972	\$130,215	\$166,677
<i>Northeastern Minnesota (Duluth)</i>				
Elevator	\$107,339	\$123,044	\$149,621	\$193,558
Non-elevator	\$101,996	117,603	\$141,831	\$181,545
<i>Central Minnesota (Saint Cloud)</i>				
Elevator	\$103,175	\$118,270	\$143,817	\$186,049
Non-elevator	\$98,040	\$113,041	\$136,329	\$174,502

Source: U.S. Department of Housing and Urban Development, *Maximum Mortgage Limits & Capital Advance Limits FY2005*

The average per unit total development cost for Minnesota Housing-funded projects in the Minneapolis/Saint Paul metropolitan area (regardless of unit size) in 2005 was \$155,567 for developments with elevators and \$139,587-\$165,504 for non-elevator construction

types. In Greater Minnesota, the average per unit total development cost for Minnesota Housing-funded projects in 2005 was \$108,124 for developments with elevator and \$85,825-\$138,236 for other non-elevator construction types. Data are not currently available by bedroom size for this analysis of Minnesota Housing developments. While it is difficult to make a direct comparison of data based on what is currently available to us, it appears that Minnesota Housing 2005 total development costs per unit are within the range of 2005 per unit limitations on FHA 221 (d)(3) mortgages.

#### *Cost of land*

The aggregate cost of land comprised 6% of total development costs for all Minnesota Housing-funded rental developments reviewed. Information from funding proposals and closed loans for those developments for which land purchase was a component of total development cost shows that land comprised an average of 10% of development cost.

Anecdotal evidence is that land prices in Minnesota, especially in urban areas, have risen dramatically in the last several years. At the Minnesota Real Estate Journal 2006 Land Development and Redevelopment Conference a panel discussion of experts identified recent land prices of \$150,000 per acre or more in the Minneapolis/Saint Paul metropolitan area<sup>6</sup>. An informal review of funding partners indicates a wide range of current land costs, depending upon variables such as location and availability of utilities:

- Developer: \$110,000-\$435,600 per acre, Minneapolis/Saint Paul metro area
- Dakota County: \$106,000-\$346,000 per acre, metro area
- Developers: Mid to upper \$30,000 per acre in Greater Minnesota with local variations
  - \$17,000 per acre in Saint Joseph
  - \$25,000-\$40,000 per acre in the Saint Cloud area
  - \$37,500 in Sauk Rapids
  - \$51,000-\$87,000 per acre in the Fergus Falls area

As the supply of land for housing development diminishes, the cost of land per parcel or per acre is increasing. In 2005, the average cost of parcels for Minnesota Housing-funded development (not including improvements) was \$561,853 in the Minneapolis/Saint Paul metropolitan area and \$183,933 in Greater Minnesota or \$391,789 per parcel for all developments in the state. Though 2006 data are limited (closings on eight developments in the first six months of 2006), the current average is \$425,659 per lot with parcels in central city neighborhoods at even higher prices.

**Table 7: Current Land Prices in Minnesota for Developments Funded by Minnesota Housing**

	Minneapolis/Saint Paul metro averages		Greater Minnesota averages		State averages	
	Per parcel	Per acre	Per parcel	Per acre	Per parcel	Per acre
2005	\$561,853	\$134,619	\$183,933	\$55,088	\$391,789	\$103,157
2006	Insufficient data for details				\$425,659	\$228,695

Available information indicates that land costs on Minnesota Housing-funded developments have been reasonable; however, data on loans closed over the last three years do not demonstrate the effect of recent changes in land costs on total development costs.

*Soft costs*

Soft costs include items such as professional fees, environmental regulation, and financing costs listed in the Minnesota Multifamily Rental Housing Common Application Form (see Table 26 on page A-17). It is difficult to identify what proportion of total development costs soft costs reasonably should be. According to a University of Chicago analysis done in 2000, “standard industry guidelines budget soft costs for capital projects at...30% of the construction cost for new building....”<sup>7</sup> A review of other state housing finance agencies suggests that while most do not address the issue, MassHousing requires that “Soft costs shall not be greater than 28% of the residential construction line item” and developers are required to submit detailed explanation of costs that exceed that limit.<sup>8</sup>

Soft costs for Minnesota Housing-funded new construction rental housing were 22% of total development costs for the 84 developments reviewed and remained fairly consistent, annually, as a percentage of total development costs. A previous MHFA study of costs identified fees averaging “close to 20%” of total development costs in 1993-1994, similar to the current proportion; however, it is not clear exactly what was included in the earlier study.<sup>9</sup>

**Table 8: Soft Costs as Percentage of Total Development Costs, 2003-2005**

Housing type	Percentage
Not supportive	22.4%
Mixed	22.4%
All supportive	20.6%
Total units	22.0%

In general, soft costs were similar for all housing types. Data from this analysis fail to support the hypothesis that soft costs are higher for supportive housing than for other types of housing.

A review of detailed cost categories suggests that developers' fees, architects' fees, and legal fees comprise the largest dollar amounts spent among components of soft costs (41.8% of total soft costs, see Table 17 on page A-1); the collective costs of financing and miscellaneous other fees comprise the balance of total soft costs. Given the level of detail of available data, it would be difficult to measure how Minnesota Housing requirements may affect costs.

**Table 9: Distribution of Selected Soft Costs, 2003-2005**

<b>Soft costs</b>	<b>Total amount</b>
Developer fees	\$28,990,810
Architect fees	\$11,686,832
Legal fees	\$4,308,768

*Supportive housing*

Supportive housing is defined, for purposes of this review, to include rental housing with services provided to tenants. (To the extent that Minnesota Housing has funded transitional supportive housing or shelters, they will be included also.)

Some developments include only a small proportion of supportive units; these were reviewed separately from developments in which supportive services are available to occupants of all units. Data on Minnesota Housing projects indicate that the total development cost of new supportive housing has been, on average, nearly \$20 more per square foot than housing that is not supportive (see Table 19, page A-3). The higher construction costs of supportive housing may be necessitated by the need for more common space or a difference in the durability of construction materials used.

Minnesota Housing has established the following per unit cost guidelines for new construction to house people experiencing long-term homelessness (only). The original guidelines were contained in the *Business Plan of the Working Group to End Long-Term Homelessness in Minnesota*, updated based on additional information concerning the actual costs of funding proposals submitted.<sup>10</sup>

**Table 10: Per Unit Guidelines for Long-Term Homeless Development**

Type of unit	Original guidelines	Updated as of 2006
Family	\$194,250	\$210,240
Family, mixed income	\$147,000	\$176,300
Singles	\$126,000	\$117,000
Single, mixed income	\$99,750	\$161,000

*Source: Minnesota Housing Multifamily Consolidated Request for Proposal Guide*

Minnesota Housing has funded some proposals to develop housing for people experiencing long-term homelessness at costs that exceed these guidelines if the underwriters' analysis indicated justification for higher costs such as the use of sustainable building materials or adaptive reuse of structures (see Board report of October 2005).

#### *Gap funding*

For purposes of this analysis, gap funding includes all those resources other than amortizing first mortgage financing (or syndication proceeds) that are necessary to developing housing at rents or prices affordable to low-income households. Gap, which may be provided by other funding partners as well as Minnesota Housing, may include resources such as deferred loans, grants, owner contributions, or employer donations.

Variations in the amount of gap seem to depend upon not only project location but also the income level of households to be assisted. Projects targeted to extremely low income tenants require additional gap funding to achieve affordable rents. (For purposes of this analysis, supportive housing is a reasonable proxy for housing targeted to extremely low-income tenants.)

The average amount of total gap per unit for Minnesota Housing-funded rental housing generally was greater in the Minneapolis/Saint Paul metropolitan area than in the balance of the state, and greatest for supportive housing. All of the supportive housing developments in Greater Minnesota for which loans closed in 2005 were developed entirely through gap funding (see Table 21, beginning on page A-6). For all housing types, average gap ranged from 39.3% to 41.6% of total development cost.

**Table 11: Gap Funding in Minnesota Housing-Assisted Developments in the Minneapolis/Saint Paul Metropolitan Area, 2003-2005**

Housing type	Developments	Units	Total development cost	Gap funds only	TDC per unit	Gap per unit
<b>Minneapolis/Saint Paul metropolitan area</b>						
Not supportive	23	1,389	\$236,714,262	\$72,553,200	\$170,421	\$52,234
Mixed	6	309	\$52,368,101	\$18,439,588	\$169,476	\$59,675
100% supportive	20	631	\$90,234,548	\$58,104,404	\$143,002	\$92,083
Total	49	2,329	\$379,316,911	\$149,097,192	\$162,867	\$64,018
<b>Greater Minnesota</b>						
Not supportive	28	767	\$91,445,914	\$32,051,060	\$119,225	\$41,788
Mixed	1	38	\$5,541,377	\$792,897	\$145,826	\$20,866
100% supportive	6	118	\$12,812,345	\$12,812,345	\$108,579	\$108,579
Total	35	923	\$109,799,636	\$45,656,302	\$118,960	\$49,465

Minnesota Housing-funded developments traditionally serve tenants with incomes well below standard definitions of low income, as documented in annual *Housing Assistance in Minnesota* reports.

The National Multi Housing Council identified in a 2002 news release that, "...total development and construction costs would have to come in at no more than \$30,600 per unit to avoid any rent burden on VLI [very low income] renter – or \$51,000 per unit to avoid a severe rent burden. Unfortunately, there are few, if any, places in the country where new construction could be completed at costs like these."<sup>11</sup> If the discrepancy widens between what housing development costs and what households can afford to pay to occupy that housing, the need for gap funding, both frequency and amount, will increase.

#### *Conversions*

In the past three years, according to data in HDS, loans have initially closed for seven developments converting existing nonresidential facilities into affordable housing in an adaptive reuse of space. The total per square foot cost of conversion projects that Minnesota Housing has funded since 2003 appears to be at least 33% higher than for new construction in the state; however, more activity is necessary prior to making any conclusions about the actual cost of conversion.

**Table 12: Cost of Conversions, 2003-2005**

	<b>Develop-ments</b>	<b>Units</b>	<b>TDC per unit</b>	<b>TDC per square foot</b>
Minneapolis/Saint Paul metro area	5	183	\$184,847	\$176.58
Greater Minnesota	2	69	\$145,653	\$114.33
Total	7	252	\$170,448	\$150.75

*Cost reductions and donations*

In addition to the cost detail available for each funded project and the amount of resources contributed by funding partners, housing sponsors funded by Minnesota Housing report information on the estimated value of cost reductions such as local fees or regulations waived, as well as donations of land, labor, or materials contributed. While this information seems to be somewhat inconsistent in how it is reported, and cost reductions/donations clearly are not a continuously available resource, available data give some additional insight into the development process and the resources required to achieve affordable housing.

Sponsors of nearly 55% of the developments (58% of the units) reviewed reported receiving additional resources, primarily in the form of cost reductions, but also donations from merchants, nonprofits, churches, and others. In 2004, new developments received \$3.4 million in cost reductions, with flexibility in site development standards being the greatest value (\$905,400) and fast-track permitting and approvals the most common type of reduction. In 2005, new developments received \$2.6 million in cost reductions, with more than \$1.0 million in density bonuses being the greatest value among cost reductions and innovative building materials or techniques the most common reduction. During this two-year period for which data were available, the average total of cost reductions and donations was estimated to be \$7,300 per unit or \$238,000 per development for those receiving this type of additional assistance.

Further study is warranted to identify how cost reductions and donations affect the total development cost, affordability of rents, and the income distribution of tenants occupying developments with such additional assistance.

*Conclusion, Multifamily Development*

Comparing data on rental housing funded by Minnesota Housing between 2003 and 2005 with objective data from sources such as other state housing finance agencies, the Federal Housing Administration, RS Means, and local developers or partners, costs for Minnesota Housing-funded multifamily rental housing development appear reasonable, at or below development costs for other new multifamily rental housing built in Minnesota during that time.

This analysis of multifamily developments for which loans initially closed between 2003 and 2005 identifies costs for projects completed or under construction. Development costs

have increased based on data from objective resources, applications submitted to Minnesota Housing for funding, and loans that have closed in 2006. A periodic review of development costs and cost guidelines will be appropriate to ensure the wisest and most effective use of Minnesota Housing resources in an environment of rapid change.

### III. Single-Family Development

Two main sources for information are available on housing funded under the Community Revitalization Program (CRV), which includes Economic Development and Housing Challenge as well as some interim financing: a database of information on closed loans to homebuyers and a series of annual reports from administrators on CRV-funded projects for which loans may be committed or closed. The CRV database includes basic information on the amounts and sources of Minnesota Housing funding for closed CRV loans; however, detailed data on project costs are limited and existing information is not complete or reliable enough to use for this analysis. Existing annual reports include data on the cost components of new housing funded under CRV that is detailed for some projects, limited for others and, in general, inconsistent from one administrator to another. Due to how administrators report some data to Minnesota Housing, property characteristics such as the prices of homes sold do not link with borrower and loan characteristics. This is a preliminary analysis of the limited information available.

Funding for new construction under Community Revitalization is an allocation of resources to participating communities. As stated in the *CRV Procedural Guide*, the intent of the program is to maintain or increase the supply of affordable, owner-occupied housing and to assist communities to implement comprehensively-developed community housing plans.<sup>12</sup> Loans to individual homebuyers are not subject to underwriting by Minnesota Housing staff, and data on specific costs are estimated at the time of proposal, actual cost data being unavailable except in some administrator reports to the agency submitted at the end of every year.

#### *Gap funding*

Two types of gap funding are available under CRV: value gap assistance, generally in the form of a grant to the developer to fill the gap between the cost of construction and the price at which the housing can be sold; and affordability gap assistance, a deferred loan to the homebuyer to fill the gap between the price of housing and what the homebuyer could afford to pay.

**Table 13: New Construction for Homeowners, 2003-2005**

	<b>Households</b>	<b>Total CRV loans closed</b>	<b>Total gap funding</b>
Minneapolis/Saint Paul metro area	265	\$5,288,238	\$3,621,004
Greater Minnesota	591	\$17,576,824	\$4,862,905
Total	856	\$22,865,062	\$8,483,909

The following information from the CRV database of closed loans to homebuyers is for homes purchased between the beginning of 2003 and the end of 2005. In total, 81% of these projects benefited from CRV gap funding and 19% received no gap funding.

**Table 14: Community Revitalization and Gap Funding, 2003-2005**

Property Location	Affordability gap			Value gap		
	Number of loans	Average per household	% of total receiving gap	Number of loans	Average per household	% of total receiving gap
Minneapolis/Saint Paul metro area	58	\$17,510	21.9%	192	\$13,570	72.4%
Greater Minnesota	240	\$8,325	40.6%	231	\$12,348	39.1%
Total	298			423		

Minnesota Housing provided a large portion of the gap funding needed for affordable housing under CRV, e.g., an average of 75% of the affordability gap needed for homes purchased in Greater Minnesota as well as in the Minneapolis/Saint Paul metro area. In Greater Minnesota, Minnesota Housing appears to have provided a relatively large portion of total value gap funding. In the Metro area, the availability of other resources (not Minnesota Housing) appears to fill a significant amount of the need for affordability gap.

Some local entities, such as the Minneapolis Community Planning and Economic Development, have established guidelines on the amount of gap they consider acceptable in a single project. Under their Affordable Ownership Housing Development Program, which provides construction financing to developers of both single and multiunit ownership units in Minneapolis, guidelines suggest that the total combined gap should not exceed \$80,000 per unit (\$40,000 per unit of city assistance) for units affordable to households at 50% of area median income and \$40,000 per unit (\$20,000 per unit of city assistance) for units affordable to households at 60% of area median income.<sup>13</sup> (These guidelines have been updated to no maximum total combined gap and \$45,000 per unit at <50% or \$30,000 per unit at <60% of area median income.)

*Incomes and income limits*

Median annual borrower incomes in Greater Minnesota remained at \$30,000-\$31,000 between 2003 and 2005; however, median CRV borrower incomes in the Minneapolis/Saint Paul Metro area increased 11.6% over the years of the study (from \$38,357 in 2003 to \$42,750 in 2005).

**Table 15: Median CRV Household Incomes, 2003-2005**

Location	2003	2004	2005
Minneapolis/Saint Paul metro area	\$38,357	\$38,322	\$42,750
Greater Minnesota	\$31,328	\$30,000	\$31,343

Community Revitalization guidelines allow local programs to assist borrowers with incomes of up to 115% of median income to achieve local goals. To the extent that local programs are designed to serve people at the maximum allowable income, homes funded in the CRV program are likely to be higher priced than homes in other Minnesota Housing homeownership programs.

The U.S. Department of Housing and Urban Development (HUD) defines low-income households as having incomes at or below 80% of median; low incomes are presented below for comparison.<sup>14</sup>

**Table 16: Income Eligibility for Community Revitalization in 2005**

<b>Income level</b>	<b>Nonmetro Minnesota</b>	<b>Minneapolis/Saint Paul metro area</b>
115% HUD median	\$62,503	\$88,550
HUD median	\$54,350	\$77,000
80% HUD median	\$43,480	\$61,600
50% HUD median	\$27,175	\$38,500

*Source: U.S. Department of Housing and Urban Development*

*Cost of land*

As identified in the Multifamily Development section, anecdotal evidence is that land prices in Minnesota, especially in urban areas, have risen dramatically in the last several years. In an analysis of American Housing Survey data, researchers Morris A. Davis and Michael G. Palumbo found that in the Minneapolis/Saint Paul metropolitan area, land as a percentage of total home value has increased from 12% in 1984 to 46% of the total home value in 2004.<sup>15</sup> Minneapolis/Saint Paul registered the third highest increase in land value’s share of home value among 46 U.S. cities studied.

Davis and Palumbo also reviewed and compared data from the RS Means *Construction Cost Data Book, 2004* to conclude that “...all across the country, the price of residential land has risen faster than construction costs by a wide margin...”<sup>16</sup> No statewide or local data corroborates the Federal Reserve study; however, anecdotal evidence from the Builders Association of the Twin Cities Area and local developers support the finding of increased land prices. As the trend toward higher land prices continues, total development costs for new construction of single family homes and the need for gap funding will remain high as well.

*Conclusion, Single-Family Development*

A review of data concerning single-family homeownership projects funded through Minnesota Housing’s Community Revitalization Program shows that during the past three years the greatest number of loans and the greatest amount of assistance has been provided to projects located in Greater Minnesota. A majority of households assisted

under the program have benefited from gap assistance to bridge the difference between the cost, value and/or affordability of the housing.

As income eligibility limits and borrower incomes increase, higher prices are likely for homes constructed under Community Revitalization.

Staff is discussing how best to monitor the cost of construction and the use of gap funding requested under this program in order to more precisely measure the effect of CRV on homeownership among low- and moderate-income Minnesotans.

#### **IV. Issues for Discussion**

This section includes a brief discussion of additional issues related to the cost of housing development. Staff is working toward a greater understanding of these issues and how to measure their effects on total development costs.

##### *Brownfield development*

The U.S. Environmental Protection Agency defines brownfields as "...real properties, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant or contaminant."<sup>17</sup> Minnesota Housing has funded developments for which brownfield sites required cleanup prior to becoming usable for affordable housing. Site cleanup may occur either before a funding proposal is submitted to Minnesota Housing or be included as a cost component of a funding proposal submitted to Minnesota Housing. While no data now measure Minnesota Housing experience with brownfield development, it warrants further staff discussion of what information Minnesota Housing should collect for future understanding of the costs associated with this activity.

##### *Green design*

Green Communities is a partnership between the Enterprise Foundation, the Enterprise Social Investment Corporation, and the Natural Resources Defense Council to build more than 8,500 environmentally healthy homes for low-income families, nationally. The Minnesota Green Communities initiative to build 180 new environmentally healthy affordable homes between 2005 and 2007 is also funded by the Greater Minnesota Housing Fund and the Family Housing Fund. Developers of Green Communities projects have identified that using environmentally sound, high-performance energy efficient building materials and techniques, construction costs are approximately 5% higher than the former standard costs.<sup>18</sup> A recent study conducted by New Ecology, Inc. identified an average "green premium" of 2.42% added to the total development cost of highly energy efficient housing.<sup>19</sup>

Minnesota Housing has built housing to increased energy efficiency standards for at least three decades. In its most recent allocation of resources, the agency has given consideration or awarded points for the use of selected green design under CRV and rental housing proposals for which developers requested housing tax credits. For future development of housing with tax credits, data will be available from which to estimate the difference between green and more standard development costs; however, with standards implemented for funding proposals submitted in spring 2006, no data on developments built to green standards exist at this time.

##### *Wage requirements*

Federal Davis-Bacon wage requirements, which mandate that contractors and subcontractors pay prevailing wages and benefits on federally-assisted development, are frequently disputed but beyond the scope of this study. In "The Effects of Prevailing Wage

Requirements on the Cost of Low-Income Housing,” researchers at the University of California estimated an additional construction cost under prevailing wage requirements ranging from 9% to 37% for low-income housing development in California; however, since location and market conditions affect outcomes, additional analysis is necessary.<sup>20</sup>

A brief review of wage requirements on townhouse developments in the Minneapolis/Saint Paul metropolitan area with and without federal wage rate requirements found no real difference in the two, with anecdotal evidence that most construction jobs were paying prevailing wages at that time; however, that analysis was made in 2000.<sup>21</sup>

The Office of the Legislative Auditor is studying the prevailing wages required by state law to be paid to workers on all public works projects. This study, expected to be available in January 2007, may provide a better understanding of wage rates and requirements on publicly-funded housing development in Minnesota.

#### *Outcomes*

Some questions have emerged that are beyond the scope of this analysis but which merit further consideration:

- Are the current components of soft costs, e.g., fees, at appropriate levels?
- Is new construction taking place primarily in areas of Minnesota experiencing economic growth?
- How does the total cost of development reflect the cost of infrastructure that may be required to connect development to municipal utilities/services?
- How does the distribution of gap funding relate to households with targeted incomes, e.g., at or below 80% of median income? To the successful implementation of community housing plans?

## V. Summary

A review of data concerning Minnesota Housing-funded projects substantiates that costs for projects vary widely and for many different reasons. The nature of the development itself, the location and condition of the site, and the complexity of the funding sources are only a few of the variables that may affect total development cost.

Comparing data on rental housing funded by Minnesota Housing between 2003 and 2005 with objective data from sources such as other state housing finance agencies, the Federal Housing Administration, RS Means, and the National Association of Home Builders, costs for Minnesota Housing-funded multifamily rental housing development appear reasonable and at or below development costs for other new multifamily rental housing built in Minnesota during that time.

Community Revitalization is an important resource for housing development in Minnesota, providing nearly \$22.9 million in closed loans for new construction throughout the state between 2003 and 2005. Minnesota Housing staff is discussing ways in which to better identify the costs of construction under this program and to more accurately measure the effect of gap funding on the income distribution of the households assisted.

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<sup>1</sup> RS Means, *Building Construction Cost Data*, annual reports.

<sup>2</sup> Mark Anderson, "Construction Costs Pinch Minnesota Affordable Housing Developers," *Kansas City Daily Record*, April 14, 2006.

<sup>3</sup> Unpublished data from Cheryl Jacobsen, Dakota County CDA.

<sup>4</sup> Greater Metropolitan Housing Corporation lists of Predevelopment Revolving Loan Commitments and communications with President Carolyn Olson.

<sup>5</sup> U.S. Department of Housing and Urban Development, *Maximum Mortgage Limits & Capital Advance Limits, FY 2005* memo from the Minneapolis, Minnesota Field Office.

<sup>6</sup> Don Jacobsen, "Metro Land Prices Expected to Moderate Explosive Growth This Year," *Minnesota Real Estate Journal*, June 23, 2006.

<sup>7</sup> Memo from Meredith Mack, Director of Facilities Services, University of Chicago to Hank Weber, Vice President for Community Affairs analyzing development proposals.

<sup>8</sup> Home Builders Association of Massachusetts, *Meet the 40B Project Administrators, An Informational Forum with MassHousing*, May 2006.

<sup>9</sup> Minnesota Housing, *New Construction Family Rental Housing Total Development Cost Review*, December 1995.

<sup>10</sup> Minnesota Housing, Department of Human Services, and Department of Corrections, *Business Plan of the Working Group to End Long-Term Homelessness in Minnesota* available at: <http://www.mhfa.state.mn.us/multifamily/LTH.htm> (accessed September 2006).

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<sup>11</sup> National Multi Housing Council news release, "Housing Affordability: The Apartment Universe," August 27, 2002.

<sup>12</sup> Minnesota Housing Community Revitalization Procedural Guide (page 5) available at: [http://www.mhfa.state.mn.us/homes/CRV\\_Manual.pdf](http://www.mhfa.state.mn.us/homes/CRV_Manual.pdf) (accessed August 2006).

<sup>13</sup> City of Minneapolis Community Planning and Development, *Housing Development, Rehabilitation and Ownership Resource Guide* available at: [http://www.ci.minneapolis.mn.us/cped/housing\\_resource\\_guide.pdf](http://www.ci.minneapolis.mn.us/cped/housing_resource_guide.pdf) (accessed August 2006).

<sup>14</sup> U.S. Department of Housing and Urban Development median incomes at: <http://www.huduser.org/datasets/il/il05/index.html>.

<sup>15</sup> Morris Davis and Michael G. Palumbo, *The Price of Residential Land in Large U.S. Cities* (Federal Reserve Board), March 2006.

<sup>16</sup> See Davis and Palumbo, *The Price of Residential Land in Large U.S. Cities*.

<sup>17</sup> U.S. Environmental Protection Agency, *Cleanup Program Summaries* available at: <http://www.epa.gov/region02/cleanup/> (accessed August 2006).

<sup>18</sup> Green Communities see information at: <http://www.enterprisefoundation.org/resources/green/index.asp> (accessed August 2006).

<sup>19</sup> Bendix Anderson, "Green Building Comes of Age," *Green Building*, March 2006.

<sup>20</sup> Sarah Dunn, John M. Quigley and Larry A. Rosenthal, "The Effects of Prevailing Wage Requirements on the Cost of Low-Income Housing," *Industrial and Labor Relations Review*, October 2005.

<sup>21</sup> See Minnesota Housing, *New Construction Family Rental Housing Total Development Cost Review*.

**APPENDIX**

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**Table 17: Cost Components of Rental Housing Development Funded by Minnesota Housing, 2003-2005**

General characteristics				Construction costs (less land acquisition)		Cost of land				Total development cost	
Project location	Number of developments	Number of units	Average square feet per unit	Total cost	Average per square foot	Total cost	Average cost per parcel/ per acre	Soft costs	Soft cost as percent of total	Total cost	Average cost per unit
Minneapolis-Saint Paul	49	2,329	1,349	\$271,905,378	\$86.53	\$21,158,482	\$561,853/ \$134,619	\$86,253,051	22.7%	\$379,316,911	\$162,867
Greater Minnesota	35	923	1,265	\$82,781,142	\$70.92	\$5,746,086	\$183,933/ \$55,088	\$21,272,408	19.4%	\$109,799,636	\$118,960
Total	84	3,252	1,325	\$354,686,520	\$82.30	\$26,904,568	\$391,789/ \$103,157	\$107,525,459	22.0%	\$489,116,547	\$150,405

The Minneapolis/Saint Paul Metro area includes the seven counties of: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington; Greater Minnesota includes all other counties.

Data shown here is based on analysis of all loans for project-based assistance that initial closed between Federal Fiscal Years 2003 and 2005 (October 1, 2002 and September 30, 2005).

Data on land costs are based on developments initial closed in 2005, only.

Source: Minnesota Housing Multifamily HDS database

**Table 18: Total Development Costs by Construction Type, 2004-2005**

Construction type	Metro				Greater Minnesota				Minnesota, all			
	Number of units	Average square feet per unit	TDC per square foot	TDC per unit	Number of units	Average square feet per unit	TDC per square foot	TDC per unit	Number of units	Average square feet per unit	TDC per square foot	TDC per unit
Elevator	1,249	1,285	\$124.09	\$159,487	186	749	\$148.90	\$111,491	1,435	1,216	\$126.07	\$153,266
Walkup	95	1,083	\$129.56	\$140,330	117	1,018	\$96.22	\$97,920	212	1,047	\$111.67	\$116,924
Townhome	379	1,474	\$112.49	\$165,776	413	1,417	\$90.06	\$127,576	792	1,444	\$101.02	\$145,856
Combination	208	1,170	\$172.54	\$201,905					208	1,170	\$172.54	\$201,905
Other	12	498	\$166.93	\$83,060					12	498	\$166.93	\$83,060
Single Family					12	1,022	\$128.18	\$131,003	12	1,022	\$128.18	\$131,003
Duplex					6	1,005	\$113.17	\$113,770	6	1,005	\$113.17	\$113,770
Total	1,943	1,295	\$126.53	\$163,846	734	1,174	\$101.13	\$118,716	2,677	1,262	\$120.05	\$151,472

Notes:

Complete data were available for only two years.

Townhome units during this time were an average of 160-200 square feet larger per unit than other types of construction, which accounts for lower per square foot and higher per unit townhome costs.

Source: Minnesota Housing Multifamily HDS database

**Table 19: Total Development Costs of Supportive Housing, 2004-2005**

	Metro				Greater Minnesota				Minnesota, all			
Construction type	Number of units	Average square feet per unit	TDC per square foot	TDC per unit	Number of units	Average square feet per unit	TDC per square foot	TDC per unit	Number of units	Average square feet per unit	TDC per square foot	TDC per unit
Not supportive	1,192	1,440	\$122.37	\$176,161	578	1,243	\$95.71	\$119,003	1,770	1,376	\$114.50	\$157,496
Mixed	297	1,223	\$136.92	\$167,448	38	1,179	\$123.69	\$145,826	335	1,218	\$135.47	\$164,995
100% supportive	454	962	\$134.25	\$129,155	118	832	\$130.49	\$108,579	572	935	\$133.56	\$124,911
Totals	1,943	1,295	\$126.53	\$163,846	734	1,174	\$101.13	\$118,716	2,677	1,262	\$120.05	\$151,472

Notes:

Complete data were available for only two years.

Source: Minnesota Housing Multifamily HDS database

**Table 20: All New Construction Funded By Minnesota Housing in the Metro Area, By Housing Type and Unit Costs, 2005**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
The Boulevard	Hennepin	Minneapolis	Elevator	24	10	Acquisition/ Demolition/ New construction	Homeless or near homeless	Not supportive	\$285,512	\$127.45	\$107,499	26.1%
<i>Lindquist Apartments</i>	<i>Hennepin</i>	<i>Minneapolis</i>	<i>Elevator</i>	<b>26</b>	<b>26</b>	<i>New construction</i>	<i>Chemical dependency</i>	<i>Supportive, 24 SRO</i>	<b>\$229,321</b>	<b>\$255.75</b>	<b>\$128,303</b>	<b>28.8%</b>
<i>Visitation Place Apartments</i>	<i>Ramsey</i>	<i>Saint Paul</i>	<i>Elevator</i>	16	16	<i>Demolition/ New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	\$214,957	\$149.12	\$75,004	25.2%
<b>Model Cities Families First Phase II</b>	<b>Ramsey</b>	<b>Saint Paul</b>	<b>Walk Up</b>	<b>6</b>	<b>0</b>	<b>New construction</b>	<b>Chemical dependency</b>	<b>Supportive</b>	<b>\$199,859</b>	<b>NA</b>	<b>\$199,859</b>	<b>13.2%</b>
<i>Clare Apartments</i>	<i>Hennepin</i>	<i>Minneapolis</i>	<i>Elevator</i>	32	28	<i>New construction</i>	<i>Homeless, disabled</i>	<i>Supportive, 16 SRO</i>	\$198,393	<b>\$176.04</b>	<b>\$104,574</b>	<b>26.2%</b>
<i>Brandes Place</i>	<i>Anoka</i>	<i>Fridley</i>	<i>Townhome</i>	16	15	<i>New construction</i>	<i>MFIP incomes</i>	<i>Supportive</i>	\$198,186	<b>\$174.59</b>	<b>\$72,478</b>	<b>19.1%</b>
<b>Boone Avenue Apartments</b>	<b>Hennepin</b>	<b>New Hope</b>	<b>Elevator</b>	35	35	<b>Acquisition/ New construction (underground parking)</b>	<b>Families with children</b>	<b>Not supportive</b>	\$194,685	\$94.76	\$67,864	21.7%
<i>Wyngate Townhomes at Maplewood</i>	<i>Ramsey</i>	<i>Maplewood</i>	<i>Townhome</i>	50	50	<i>New construction (underground parking)</i>	<i>Families with children</i>	<i>Not supportive</i>	\$182,491	<b>\$114.51</b>	<b>\$7,510</b>	<b>21.0%</b>

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
Lakes Run Apartments	Ramsey	New Brighton	Elevator	52	0	New construction (underground parking)	General occupancy	Not supportive	\$168,906	\$101.08	\$35,523	18.3%
Stone Creek Village	Hennepin	Plymouth	Elevator	130	34	New construction (underground parking)	30% of 50%	Not supportive	\$163,375	\$130.30	\$49,260	27.0%
Home Free In Washington County	Washington	Stillwater	Walk Up	6	0	New construction	Chemical dependency	Supportive, 5 SRO	\$157,667	\$221.70	\$157,667	17.4%
University & Dale Apartments	Ramsey	Saint Paul	Elevator	98	79	Acquisition/Demolition/New construction	Female HH with children, homeless	Mixed	\$155,341	\$125.75	\$49,558	22.0%
Cedar Villas	Dakota	Eagan	Townhome	104	0	New construction	Families with children	Not supportive	\$152,310	\$112.39	\$29,372	24.1%
Crestview Community Expansion	Ramsey	Saint Paul	Walk Up	41	0	Acquisition/New construction/Demolition/Rehab	Female HH with children MFIP	Supportive	\$135,687	\$156.20	\$79,346	20.2%
East Metro Place II & Stabilization of East Metro	Ramsey	White Bear Lake	Walk Up	35	34	Acquisition/New construction/Rehab	Physical disability/homeless	Supportive	\$130,724	\$80.95	\$68,153	21.8%
Haralson Apartments	Dakota	Apple Valley	Elevator	36	36	New construction	Physical disability	Mixed	\$129,940	\$129.73	\$61,941	20.8%
Cruse-Miller Garrison (f/k/a Veterans & Community)	Hennepin	Unincorporated	Elevator	140	0	New construction/Rehab	Chemical dependency	Supportive, 138 SRO	\$87,781	\$115.78	\$87,781	13.3%

**Table 21: All New Construction Funded By Minnesota Housing in Greater Minnesota, By Housing Type and Unit Costs, 2005**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<b>Our Home Permanent Supportive Housing for Persons</b>	<b>Mille Lacs</b>	<b>Isle</b>	<b>Town-home</b>	<b>4</b>	<b>0</b>	<b>New construction</b>	<b>Chemical dependency</b>	<b>Supportive</b>	<b>\$165,408</b>	<b>\$80.05</b>	<b>\$165,408</b>	<b>5.3%</b>
<i>Morningside Townhomes</i>	<i>Stearns</i>	<i>Saint Joseph</i>	<i>Townhome</i>	<i>32</i>	<i>32</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$147,508</i>	<i>\$68.13</i>	<i>\$25,339</i>	<i>15.9%</i>
<b>Easten Townhomes</b>	<b>Clay</b>	<b>Moorhead</b>	<b>Townhome</b>	<b>38</b>	<b>30</b>	<b>New construction</b>	<b>Homeless</b>	<b>Mixed</b>	<b>\$145,826</b>	<b>\$123.69</b>	<b>\$20,866</b>	<b>22.9%</b>
<i>Grand Oaks Townhomes</i>	<i>Crow Wing</i>	<i>Baxter</i>	<i>Townhome</i>	<i>24</i>	<i>23</i>	<i>New construction</i>	<i>Other</i>	<i>Not supportive</i>	<i>\$143,867</i>	<i>\$125.80</i>	<i>\$39,384</i>	<i>23.4%</i>
<i>Harvest Ridge Townhomes (f/k/a Plainview-Greenwood)</i>	<i>Wabasha</i>	<i>Plainview</i>	<i>Townhome</i>	<i>20</i>	<i>0</i>	<i>Acquisition</i>	<i>Physical disability</i>	<i>Not supportive</i>	<i>\$133,954</i>	<i>\$132.01</i>	<i>\$50,181</i>	<i>18.9%</i>
Newstart I	Beltrami	Ponemah	Single Family	12	0	New construction		Not supportive	\$131,003	\$128.18	\$131,003	10.5%
<i>Georgetown Square</i>	<i>Olmsted</i>	<i>Rochester</i>	<i>Townhome</i>	<i>32</i>	<i>32</i>	<i>New construction</i>	<i>HTC large family priority</i>	<i>Not supportive</i>	<i>\$127,572</i>	<i>\$82.11</i>	<i>\$32,546</i>	<i>17.8%</i>
<i>Kestrel Pines Townhomes</i>	<i>Beltrami</i>	<i>Bemidji</i>	<i>Townhome</i>	<i>30</i>	<i>30</i>	<i>New construction</i>	<i>MFIP or former MFIP recipients</i>	<i>Not supportive</i>	<i>\$124,834</i>	<i>\$104.68</i>	<i>\$27,308</i>	<i>8.4%</i>

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
Country View	Kandiyohi	Willmar	Duplex	6	0	New construction	Chemical dependency	Supportive	\$113,770	\$113.17	\$113,770	17.8%
Central Square Apartments (f/k/a Washington Heights)	Nicollet	Saint Peter	Elevator	55	42	New construction	General occupancy	Not supportive	\$110,961		\$12,460	17.4%
Owatonna Senior Housing (f/k/a Owatonna Elderhousing)	Steele	Owatonna	Elevator	26	0	New construction	Elderly	Supportive	\$107,723	\$114.71	\$107,723	10.6%
Veterans & Community Housing Initiative - St. Cloud	Stearns	Saint Cloud	Elevator	61	0	New construction	Mental/cognitive	Supportive, 60 SRO	\$105,738	\$140.95	\$105,738	17.8%
Shelter House	Kandiyohi	Willmar	Walk Up (shelter)	16	0	New construction	Developmental disability	Emergency shelter	\$85,825	\$131.28	\$85,825	16.0%

**Table 22: All New Construction Funded By Minnesota Housing in the Metro Area, By Housing Type and Unit Costs, 2004**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<b>Collaborative Village Initiative</b>	<b>Hennepin</b>	<b>Minneapolis</b>	<b>Elevator</b>	<b>20</b>	<b>4</b>	<b>Acquisition/ Demolition/New construction</b>	<b>MFIP-level incomes</b>	<b>Mixed</b>	<b>\$292,526</b>	<b>\$139.53</b>	<b>\$150,415</b>	<b>23.5%</b>
<i>Burnsville Hoc Family Townhomes</i>	<i>Dakota</i>	<i>Burnsville</i>	<i>Townhome</i>	<i>34</i>	<i>34</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$218,074</i>	<i>\$104.81</i>	<i>\$98,752</i>	<i>14.9%</i>
<i>Heritage Park Phase III</i>	<i>Hennepin</i>	<i>Minneapolis</i>	<i>Combination</i>	<i>95</i>	<i>17</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$211,106</i>	<i>\$175.27</i>	<i>\$99,293</i>	<i>25.5%</i>
East Phillips Commons	Hennepin	Minneapolis	Elevator	34		Demolition/New construction	MFIP-level incomes	Not supportive	\$194,522	\$161.35	\$59,783	31.8%
<i>Heritage Park, Phase II</i>	<i>Hennepin</i>	<i>Minneapolis</i>	<i>Combination</i>	<i>113</i>	<i>56</i>	<i>Demolition/New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$194,170</i>	<i>\$170.11</i>	<i>\$112,033</i>	<i>25.7%</i>
<i>Van Dyke Village</i>	<i>Ramsey</i>	<i>Maplewood</i>	<i>Townhome</i>	<i>20</i>	<i>3</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$186,027</i>	<i>\$171.06</i>	<i>\$51,236</i>	<i>25.2%</i>
Kaposia Terrace	Dakota	South Saint Paul	Townhome	20	20	Acquisition/ Demolition/New construction	MFIP-level incomes	Not supportive	\$172,758	\$146.50	\$42,500	24.1%
Falcon Heights Town Square Apartments	Ramsey	Falcon Heights	Elevator	119	57	Acquisition/New construction	MFIP-level incomes	Mixed	\$170,849	\$152.02	\$51,003	21.8%

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<i>Gateway Village Apartments</i>	<i>Ramsey</i>	<i>Saint Paul</i>	<i>Elevator</i>	312		<i>Demolition/New construction (underground parking)</i>	<i>General occupancy</i>	<i>Not supportive</i>	\$166,043	\$114.98	\$34,761	22.6%
<b><i>Cedar Villas Family Townhomes</i></b>	<b><i>Dakota</i></b>	<b><i>Eagan</i></b>	<b><i>Townhome</i></b>	34	32	<b><i>New construction</i></b>	<b><i>Families with children</i></b>	<b><i>Not supportive</i></b>	<b>\$162,861</b>	<b>\$130.49</b>	<b>\$54,046</b>	<b>18.8%</b>
<i>Prairie Crossing Family Townhomes (f/k/a Lakeville D)</i>	<i>Dakota</i>	<i>Lakeville</i>	<i>Townhome</i>	40	2	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	\$161,916	\$122.27	\$49,029	22.0%
<b><i>Trinity On Lake (f/k/a Trinity Gateway Apartments)</i></b>	<b><i>Hennepin</i></b>	<b><i>Minneapolis</i></b>	<b><i>Elevator</i></b>	24	16	<b><i>Demolition/New construction</i></b>	<b><i>Homeless, disabled</i></b>	<b><i>Mixed</i></b>	<b>\$152,054</b>	<b>\$119.93</b>	<b>\$62,934</b>	<b>24.5%</b>
<b>Vail in the Park</b>	<b>Hennepin</b>	<b>Saint Louis Park</b>	<b>Walk Up</b>	7		<b>New construction</b>	<b>Mentally disabled</b>	<b>Supportive</b>	<b>\$149,661</b>	<b>\$161.32</b>	<b>\$134,661</b>	<b>22.9%</b>
<b><i>Maple Lakes Townhomes (f/k/a Weaver Lake Townhomes)</i></b>	<b><i>Hennepin</i></b>	<b><i>Maple Grove</i></b>	<b><i>Townhome</i></b>	40	40	<b><i>New construction</i></b>	<b><i>Families with children</i></b>	<b><i>Not supportive</i></b>	<b>\$148,563</b>	<b>\$67.20</b>	<b>\$33,646</b>	<b>22.4%</b>
St. Paul Upper Landing	Ramsey	Saint Paul	Elevator	90		New construction (underground parking)	MFIP-level incomes	Supportive	\$132,125	\$116.81	\$31,125	23.2%
<i>Bluff Heights Apartments</i>	<i>Scott</i>	<i>Prior Lake</i>	<i>Elevator</i>	39	39	<i>New construction</i>	<i>General occupancy</i>	<i>Not supportive</i>	\$126,390	\$79.61	\$25,170	27.7%
<b>Roselawn Village Apartments</b>	<b>Ramsey</b>	<b>Roseville</b>	<b>Elevator</b>	22		<b>New construction</b>	<b>Disabled</b>	<b>Supportive</b>	<b>\$113,614</b>	<b>\$110.71</b>	<b>\$113,614</b>	<b>15.2%</b>
<b>Wellstone Commons (f/k/a Elder Housing Development)</b>	<b>Hennepin</b>	<b>Rogers</b>	<b>Town-home</b>	21		<b>New construction</b>	<b>Elderly</b>	<b>Supportive</b>	<b>\$102,220</b>	<b>\$108.14</b>	<b>\$102,685</b>	<b>11.2%</b>

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
Living Works Lodge	Hennepin	Crystal	SRO	12		New construction	Homeless, disabled	Supportive, 12 SRO	\$83,060	\$166.93	\$83,060	17.2%

**Table 23: All New Construction Funded By Minnesota Housing in Greater Minnesota, By Housing Type and Unit Costs, 2004**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<b>Outreach Center Apartments</b>	<b>Carlton</b>	<b>Cloquet</b>	<b>Walk Up</b>	<b>5</b>		<b>New construction</b>	<b>Homeless or near homeless</b>	<b>Supportive</b>	<b>\$168,821</b>	<b>\$259.73</b>	<b>\$168,821</b>	<b>15.9%</b>
<i>Meadow View Townhomes</i>	<i>Sherburne</i>	<i>Zimmerman</i>	<i>Townhome</i>	22	18	<i>New construction</i>	<i>MFIP or former MFIP recipients</i>	<i>Not supportive</i>	\$147,378	\$114.85	\$53,802	25.7%
<i>Rolling Ridge Townhomes</i>	<i>Olmsted</i>	<i>Rochester</i>	<i>Townhome</i>	35	34	<i>New construction/other</i>	<i>Families with children (MFIP)</i>	<i>Not supportive</i>	\$126,063	\$105.64	\$22,194	22.6%
<i>Gateway Village Apartments</i>	<i>Wright</i>	<i>Delano</i>	<i>Elevator</i>	44	44	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	\$122,357	\$77.92	\$28,424	24.2%
<i>Paris Park Townhomes (f/k/a Parkway North)</i>	<i>Lyon</i>	<i>Marshall</i>	<i>Townhome</i>	30	24	<i>New construction</i>	<i>MFIP or former MFIP recipients</i>	<i>Not supportive</i>	\$118,241	\$69.71	\$41,934	21.8%
<i>Pheasant Crest Townhomes</i>	<i>Stearns</i>	<i>Sartell</i>	<i>Townhome</i>	42		<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	\$118,221	\$103.01	\$11,887	16.6%
<i>Willow Run Townhomes Phase II</i>	<i>Steele</i>	<i>Owatonna</i>	<i>Townhome</i>	32		<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	\$115,781	\$70.20	\$36,389	23.1%
<i>Dublin Road Townhomes</i>	<i>Blue Earth</i>	<i>Mankato</i>	<i>Townhome</i>	40	31	<i>New construction</i>	<i>MFIP or former MFIP recipients</i>	<i>Not supportive</i>	\$113,370	\$79.50	\$29,913	21.6%

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<i>Oakwood Terrace III</i>	<i>Itasca</i>	<i>Grand Rapids</i>	<i>Townhome</i>	24	24	<i>New construction</i>	<i>HTC rents 30% of 50% AMI</i>	<i>Not supportive</i>	\$107,122	\$65.00	\$48,750	10.1%
<i>Swisshelm Village Apartments One</i>	<i>Stearns</i>	<i>Saint Cloud</i>	<i>Walk Up</i>	32	32	<i>New construction</i>	<i>MFIP or former MFIP recipients</i>	<i>Not supportive</i>	\$104,435	\$108.13	\$19,290	23.8%
<i>Cedar Pointe Townhomes</i>	<i>Waseca</i>	<i>New Richland</i>	<i>Townhome</i>	8		<i>New construction</i>	<i>General occupancy</i>	<i>Not supportive</i>	\$103,606	\$75.40	\$78,515	9.8%
<i>Eagle Ridge Apartments</i>	<i>Goodhue</i>	<i>Red Wing</i>	<i>Walk Up</i>	48	47	<i>New construction</i>	<i>Physical disability, MFIP</i>	<i>Not supportive</i>	\$102,941	\$79.57	\$29,093	23.0%
<i>Picnic Bay Estates Phase III</i>	<i>Cook</i>	<i>Grand Portage</i>	<i>Walk Up</i>	16		<i>New construction</i>	<i>General occupancy</i>	<i>Not supportive</i>	\$59,767	\$77.40	\$59,767	8.1%

**Table 24: All New Construction Funded By Minnesota Housing in the Metro Area, By Housing Type and Unit Costs, 2003**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<b>Franklin-Portland Gateway Phase I</b>	<b>Hennepin</b>	<b>Minneapolis</b>	<b>Elevator</b>	<b>36</b>	<b>36</b>	<b>Acquisition/New construction (underground parking)</b>	<b>Families with children</b>	<b>Mixed</b>	<b>\$272,671</b>	<b>\$255.70</b>	<b>\$141,825</b>	<b>20.8%</b>
<b>Passages Apartments (f/k/a 7<sup>th</sup> Street Landing)</b>	<b>Ramsey</b>	<b>Saint Paul</b>	<b>Elevator</b>	<b>13</b>		<b>Acquisition/Demolition/New construction</b>	<b>Youth</b>	<b>Supportive, 12 SRO</b>	<b>\$222,629</b>	<b>\$212.79</b>	<b>\$222,629</b>	<b>21.2%</b>
<i>Families Moving Forward</i>	<i>Hennepin</i>	<i>Minneapolis</i>	<i>Townhome</i>	<i>12</i>	<i>12</i>	<i>New construction</i>	<i>Families, homeless, disabled</i>	<i>Mixed</i>	<i>\$219,668</i>	<i>\$128.76</i>	<i>\$63,753</i>	<i>25.5%</i>
Bottineau Lofts	Hennepin	Minneapolis	Townhome	37	37	Acquisition/Demolition/New construction	MFIP-level incomes	Supportive, 2 SRO	\$219,168	\$203.68	\$54,468	33.8%
<b>Lutheran Social Service Housing Opportunities</b>	<b>Hennepin</b>	<b>Minneapolis</b>	<b>Townhome</b>	<b>12</b>		<b>Acquisition/Demolition/New construction</b>	<b>MFIP-level incomes</b>	<b>Supportive</b>	<b>\$192,917</b>	<b>\$148.40</b>	<b>\$192,917</b>	<b>16.6%</b>
<i>Boulder Ridge Townhomes Phase II</i>	<i>Scott</i>	<i>Shakopee</i>	<i>Townhome</i>	<i>22</i>	<i>19</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$153,734</i>	<i>\$72.81</i>	<i>\$14,794</i>	<i>16.9%</i>
<b>Pondview Townhomes (f/k/a Tamarack Village Homes)</b>	<b>Washington</b>	<b>Woodbury</b>	<b>Townhome</b>	<b>40</b>	<b>40</b>	<b>New construction</b>	<b>Families, disabled</b>	<b>Not supportive</b>	<b>\$153,286</b>	<b>\$93.83</b>	<b>\$45,456</b>	<b>28.3%</b>
<i>River Bend Townhomes</i>	<i>Scott</i>	<i>Shakopee</i>	<i>Townhome</i>	<i>20</i>	<i>15</i>	<i>New construction</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$125,324</i>	<i>\$88.01</i>	<i>\$23,003</i>	<i>7.9%</i>

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<i>Sibley Cove</i>	<i>Ramsey</i>	<i>Maplewood</i>	<i>Elevator</i>	<i>80</i>	<i>40</i>	<i>New construction (underground parking)</i>	<i>Families with children</i>	<i>Not supportive</i>	<i>\$121,384</i>	<i>\$100.28</i>	<i>\$62,210</i>	<i>18.7%</i>
<b>Jeremiah Campus Community</b>	<i>Hennepin</i>	<i>Minneapolis</i>	<b>Walk Up</b>	<b>39</b>		<i>New construction</i>	<i>Families, homeless</i>	<b>Supportive</b>	<b>\$114,926</b>	<b>\$101.64</b>	<b>\$114.926</b>	<b>20.9%</b>
<b>Mounds View Supportive Housing Development</b>	<b>Ramsey</b>	<b>Mounds View</b>	<b>Elevator</b>	<b>20</b>		<b>New construction</b>	<b>Disabled</b>	<b>Supportive</b>	<b>\$107,610</b>	<b>\$104.20</b>	<b>\$107,610</b>	<b>12.7%</b>
<b>Sojourner Shelter</b>	<b>Hennepin</b>	<b>Minnetonka</b>	<b>Elevator</b>	<b>20</b>		<b>Acquisition/New construction</b>	<b>Single women</b>	<b>Shelter, 20 SRO</b>	<b>\$91,457</b>	<b>\$200.48</b>	<b>\$91,457</b>	<b>20.9%</b>

**Table 25: All New Construction Funded By Minnesota Housing in Greater Minnesota, By Housing Type and Unit Costs, 2003**

KEY: "Mixed" housing type includes both supportive units and units without support.

*Italics* indicates sponsor received LMIR, Challenge funding, or both.

**Bold** indicates sponsor received federal assistance

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<b>Violence Intervention Project</b>	<b>Pennington</b>	<b>Thief River Falls</b>	<b>Walk Up</b>	<b>4</b>		<b>New construction</b>	<b>Families, homeless</b>		<b>\$259,250</b>	<b>NA</b>	<b>\$259,250</b>	<b>9.5%</b>
Uptown Maple Commons (f/k/a North Branch Senior Housing)	Chisago	North Branch	Elevator	32	32	New construction	Elderly		\$124,063	\$99.25	\$28,125	19.5%
<i>Nicollet Meadows Townhomes (f/k/a St. Peter Townhomes)</i>	<i>Nicollet</i>	<i>Saint Peter</i>	<i>Townhome</i>	<i>20</i>		<i>New construction</i>	<i>General occupancy</i>	<i>Not supportive</i>	<i>\$115,293</i>	<i>\$73.12</i>	<i>\$82,371</i>	<i>10.3%</i>
Westwood Village Apartments	Stearns	Saint Cloud	Walk Up	32		New construction	MFIP-level incomes	Not supportive	\$110,757	\$110.76	\$22,638	23.7%
Roseau Court Townhomes	Roseau	Roseau	Townhome	24		New construction	Families with children	Not supportive	\$110,198	\$66.81	\$93,659	16.3%
<i>Grygla Family Housing</i>	<i>Marshall</i>	<i>Grygla</i>	<i>Townhome</i>	<i>4</i>		<i>New construction</i>	<i>Families</i>	<i>Not supportive</i>	<i>\$108,904</i>	<i>\$65.45</i>	<i>\$100,154</i>	<i>11.3%</i>
Sunshine Terrace	Polk	East Grand Forks	Combination	65		New construction	Elderly	Other, 3 SRO	\$85,501	\$83.85	\$85,501	17.4%
<i>Maplewood Terrace of Isle - Phase II</i>	<i>Mille Lacs</i>	<i>Isle</i>	<i>Walk Up</i>	<i>8</i>		<i>New construction</i>	<i>General occupancy</i>	<i>Not supportive</i>	<i>\$63,397</i>	<i>\$74.82</i>	<i>\$38,397</i>	<i>6.6%</i>

Property name	County	City	Construction type	Total units	HTC units	Activity type	Target population	Housing type	Average TDC per unit	Average TDC per sq. ft.	Average total gap funding per unit	Soft costs as % TDC
<i>Town's Edge Place</i>	<i>Rice</i>	<i>Faribault</i>	<i>Townhome</i>	<i>64</i>		<i>Acquisition/New construction/Rehabilitation</i>	<i>General occupancy</i>	<i>Not supportive</i>	<i>\$41,559</i>	<i>NA</i>	<i>\$5,058</i>	<i>51.1%</i>

**Table 26: Soft Costs, Multifamily Rental Housing Common Application**

I. Professional Fees and Other Soft Costs

- a) Architect's Fee - Design
- b) Architect's Fee - Supervision
- c) Marketing
- d) Surveys and Soil Borings
- e) Payment and Performance Bond Premium (if not included in construction)
- f) Building Permits (if not included in construction contract)
- g) Sewer-Water Access Charge
- h) Appraisal Fee
- i) Energy Audit
- j) Environmental Assessment
- k) Cost Certification/ Audit
- l) Market Study
- m) Tax Credit Fees
- n) Compliance Fees
- o) Furnishings and Equipment
- p) Legal Fees (syndication and permanent financing fees are not allowed in basis)
- q) Other Fees

II. Developer's Fee

- a) Developer's Fee
  - 1) Deferred Developer's Fee
  - 2) Developer's Fee Available at Closing

- b) Processing Agent
- c) Other Consultant Fee (includable as Developer's Fees)
- d) Other (specify)

III. Tax Credit Syndication Fees

- a) Organization Fees
- b) Bridge Loan
- c) Tax Opinion
- d) Other Fees

IV. Financing Costs

- a) Hazard and Liability Insurance
- b) Construction Int. at:
- c) Taxes during construction
- d) Agency Inspection Fee (MHFA first mortgage only)
- e) Other Inspection Fee
- f) MHFA Origination Fee (2% of net mortgage)
- g) Other Origination Fee (permanent financing fee not eligible for basis)
- h) Mortgage Insurance Premium
- i) Revenue Bond Premium
- j) Title and Recording
- k) MHFA DCE
- i) Other (specify)