

# Sawbill Village

Presentation for the Committee of the Whole Meeting—Cook County

September 21<sup>st</sup>, 2021



# Agenda

1. Overview of Sawbill Village—a multi use development project
2. Financial Overview of the Project
3. Support Request

# Objective

## **Mission**

Build community infrastructure which empowers life, growth and new opportunities for people in the 'west end' of Cook County, Minnesota.

## **Vision**

Establish Sawbill Village as a destination setting where locals can live, play and work, and visitors can eat, shop, and enjoy a meaningful North Shore experience.

## **Location**

The 2.2-acre development site is located on Highway 61, across from the Holiday gas station and AmericInn.



# What is Sawbill Village?

## OVERVIEW

- Two-story building with workforce housing and commercial retail/restaurant space, including:
  - 6 modern ADA accessible two-bedroom apartments for year-round workforce housing\*
  - Detached garage with one covered stall for each apartment + storage
  - 3 retail spaces & 1 restaurant space for rent
  - Approximately 12,000 finished sq ft + basement area for storage
- Total investment estimated at \$2.5 to \$2.9M
- Target timeframe: Build in 2022 and Open in 2023

**\* Housing is non-affiliated with employment and open to all Cook County residents.**



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# Why am I prioritizing a multi-use development?

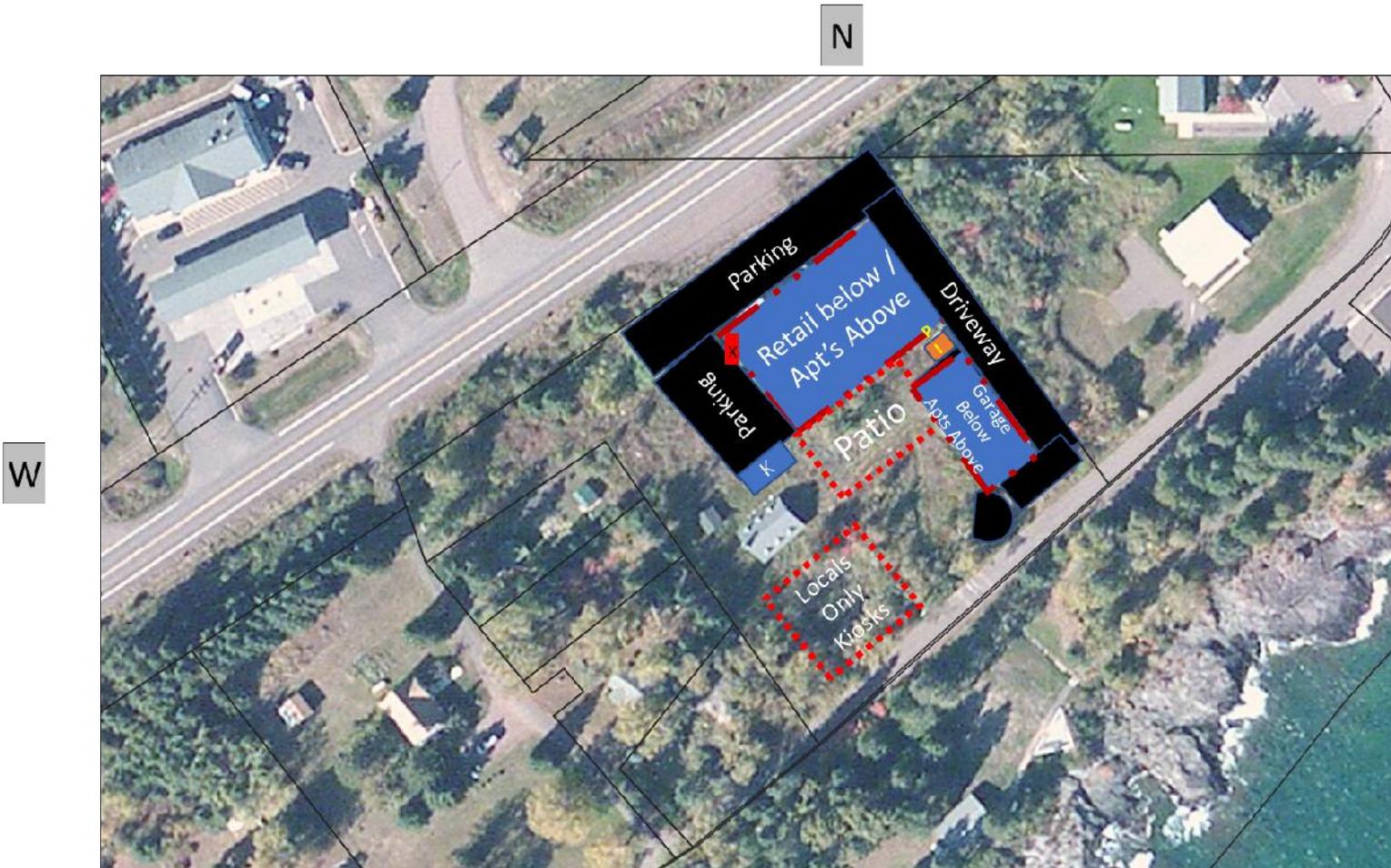
- Represents the broader voice of people living in the ‘west end’:
  1. We want quality places to live at affordable rents.
  2. We want a restaurant.
- Addresses two critical needs of Cook County: workforce housing + job growth. Housing shortages stifle job growth and limit personal and professional mobility.
- New business development is stifled by limited locations—this restricts new ownership.
- Of the multiple options on how this space could be developed, this opportunity provides the greatest return for the local community.



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# Layout of Sawbill Village Development



- Access only from Hwy 61.
- Parking on N & W side of building.
- 60' x 100' on three levels.
- Eco-friendly and Sustainable.
- Patio area for outdoor seating.
- Large space for “Locals Only” sales kiosks for residents.
- Detached garage for residents.
- Dedicated storage for residents.

■ = Existing well or wellhead   ■ = Concrete Pad

\*Actual layout may vary per architect plans and civil engineering study.

Tax Parcel ID: 25-028-1200

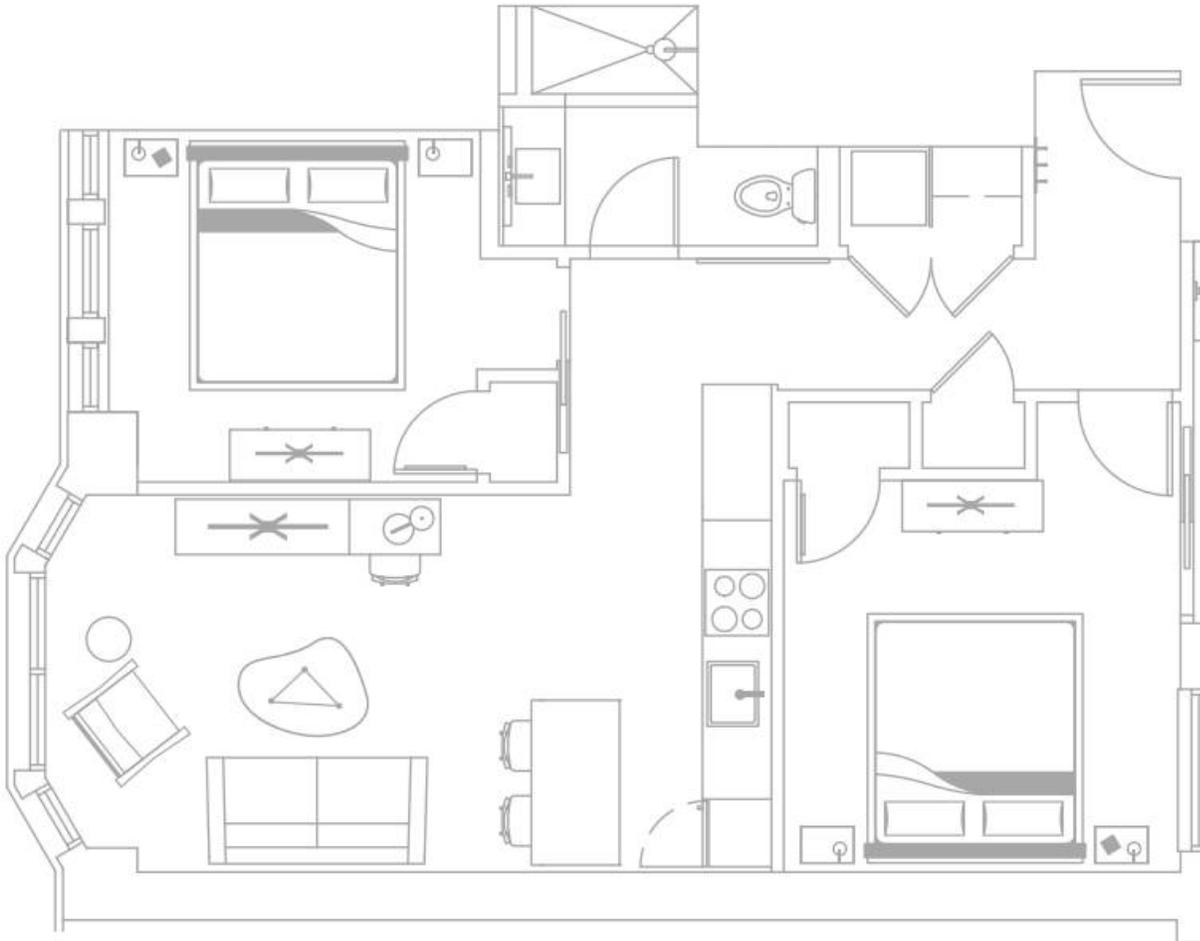
Property Address:  
7226 W HWY 61



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Proposed housing includes: 6 modern two-bedroom units with washer/dryer + **garage + dedicated storage** in basement



The philosophy of Sawbill Village:

We are **building places for people to live**, not sleep.

Year-round housing should meet basic **useability** requirements.

Housing with transient amenities leads to transient renters.



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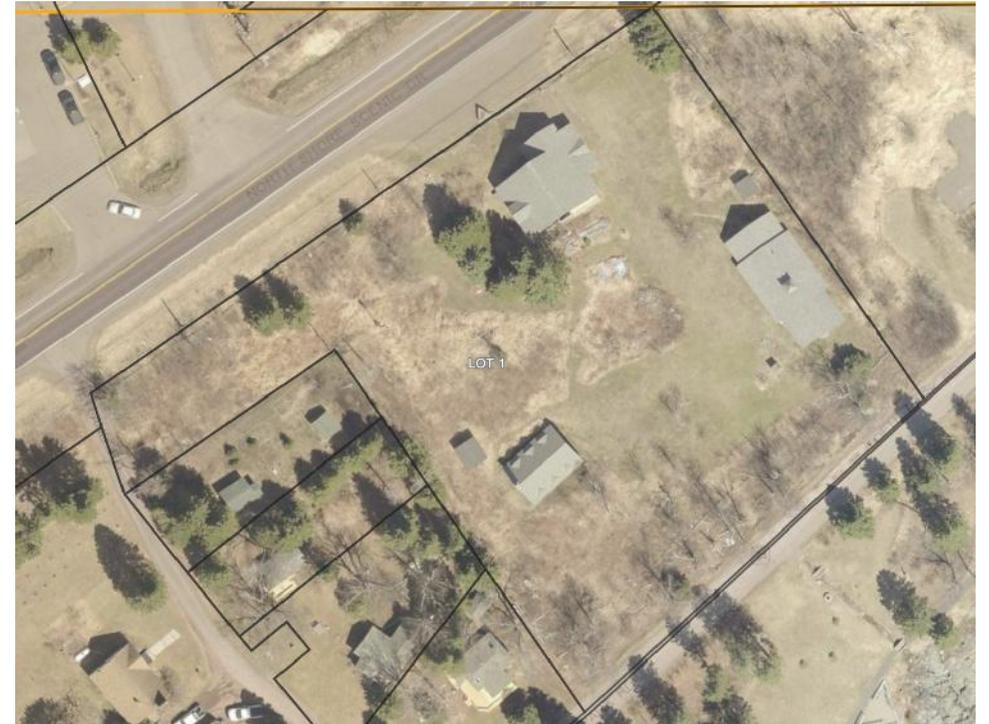
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\* Final layout, design and proposed features are pending. Actual project may vary based on final funding available.

# Project Cost Summary—Estimate

<b>COST</b>	
Land & Reclamation/Demo	\$ 295,100
Building Construction	\$ 1,822,000
Site, Septic & Utilities	\$ 194,400
Administrative Costs	\$ 171,378
Contingency	\$ 200,000
<b>Total</b>	<b>\$ 2,682,878</b>

<b>FUNDING--A</b>	
Equity--Developer	\$ 670,720
Grant	\$ -
% Equity	25%
% Grant	0%
% Debt Service	75%
Debt	\$ 2,012,159
Debt Service 25yr @4.25%	\$ 130,812





# Operating Costs—Without Support

		<b>SCENARIO A</b>	
CATEGORY	DESCRIPTION	RETAIL & APARTME	
		25% Equity (4.25%)	
			\$
INCOME	Apartment Rent		\$ 108,000
INCOME	Retail Rent		\$ 92,736
INCOME	Retail Common Facility Utilization		\$ 20,064
INCOME	<b>TOTAL REVENUE</b>		<b>\$ 220,800</b>
	<b>Total Revenue</b>		<b>\$ 220,800</b>

Rent Revenue pegged to Cook County wage levels and targeting % of gross income to housing at 33% or less.

If goal is to maintain fair rents(i.e. pegged to average county wage indexed income)—development costs exceed revenue.

Debt service + Tax burden make project untenable.

Options: 1) Raise support, 2) Raise rent, or 3) Raze the idea.

OPERATING EXPENSES	Expense
Property Tax--Estimated	\$ 22,359
Property Insurance	\$ 9,000
Liability Insurance (1%)	\$ 2,222
Licenses & Permits	\$ 500
Professional Fees--Legal & Accounting	\$ 2,400
Services & Inspections (Elevator,Furnace, Pest)	\$ 6,000
Replacement & Repair Reserve	\$ 16,665
Office Supplies, Office Equipment Lease	\$ 1,590
Property Management	\$ 13,332
Other Expenses	\$ 4,500
Snow Removal & Lawn	\$ 6,000
Septic Pre Treatment & Annual Maintenance (\$375/mo)	\$ 4,500
Well System Annual & Water Filtration	\$ 1,200
Utilities (Electric/Gas--TBD Included Apts Only)	\$ 21,600
Internet	\$ 1,200
Security Management System	\$ 1,200
Trash--Apartments ONLY	\$ 1,200
Supplies	\$ 300
Website	\$ 600
Total Operating Expense	<b>\$ 116,368</b>
OPERATING INCOME	\$ 85,834
Debt Service	\$ 130,812
<b>NET INCOME</b>	<b>\$ (44,978)</b>

# Potential Solutions to reduce Debt Burden

We need options to help reduce the amount of debt and achieve sustainable cash flow for the project.

Working with EDA—we have reviewed multiple options over past 18 months.

- ✓ Two eligible options for grant funding:
  - MHFA
  - IRRRB
- ✓ Tax abatement for duration of debt service period.
- Low interest rate loan (lower than estimated 4.25%).
  - No options identified to date.



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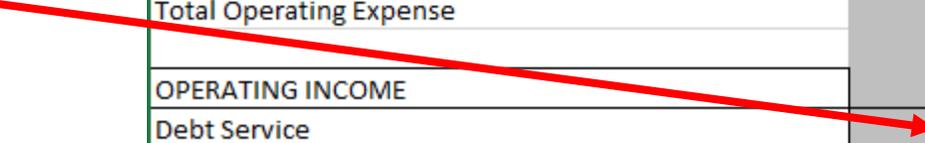
# Grant Support + Tax Abatement makes the difference.

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			\$
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INCOME	<b>TOTAL REVENUE</b>		<b>\$ 220,800</b>
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Snow Removal & Lawn	\$ 6,000
Septic Pre Treatment & Annual Maintenance (\$375/mo)	\$ 4,500
Well System Annual & Water Filtration	\$ 1,200
Utilities (Electric/Gas--TBD Included Apts Only)	\$ 21,600
Internet	\$ 1,200
Security Management System	\$ 1,200
Trash--Apartments ONLY	\$ 1,200
Supplies	\$ 300
Website	\$ 600
<b>Total Operating Expense</b>	<b>\$ 116,368</b>
<b>OPERATING INCOME</b>	<b>\$ 85,834</b>
Debt Service	\$ 81,300
<b>NET INCOME</b>	<b>\$ 4,534</b>



**With Tax Abatement & MHFA, Sawbill Village is viable!**



# Key enablers

1. Obtain tax abatement support

Cook County

2. Obtain MHFA grant

Minnesota Housing Financial Authority

3. Obtain Local Match grant

IRRRB / Other

**MHFA Grant is the key.**



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# Minnesota Housing Financial Authority (MHFA)

## WHAT IS MHFA?

- MHFA provides grants to support Workforce Housing in small communities across Minnesota.
- Funded with \$4M statewide to support projects in 2022-23—all \$4M to be allocated in December 2021.

## HOW IT WORKS?

- Applications are submitted by end of 2021. Decisions to be made in Dec 2021 / Jan 2022.
- MHFA will Grant up to 25% of the Housing Expense for qualified developments.
  - Ex: If Housing costs \$1.6M—the MHFA would grant up to \$400k.
- Projects MUST HAVE LOCAL SUPPORT
  - A Local Match of \$1 for every \$2 of MHFA funds must be made.
    - Ex: If MHFA grant is \$400k, local support would be required of \$200k (Total of \$600k support).
  - The higher the Project Cost, the higher the grant and the higher local support is required.

## WHO QUALIFIES AS LOCAL SUPPORT

- Local support is any combination of: EDA, Cook County, IRRRB, Tax abate etc.



# Overview—MHFA Process to determine Grants

- MHFA will release the Rules and Guidelines for the process in September.
- All Grant Requests must be completed and turned in by mid-December.
- All Grant Requests are scored, ranked, and prioritized by MHFA using a 5-point system.
- MHFA funds are allocated for the top-scoring projects until the funds are used up:
  - If the # of projects is MORE than the \$ available, **some** projects will go **unfunded**.
  - If the # of projects is LESS than the \$ available, **all** projects will be **funded**.
  - If multiple projects are submitted from one community (ex Tofte) **AND** the # of projects is MORE than the \$ available—it is likely only ONE project would be funded—UNLESS...
    - The \$ ask for both combined projects is ‘reasonable.’ I.e. both projects asking for \$200k vs \$1M
- There is no good way to determine what the # of projects will be in advance.



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# Scenarios if multiple projects are submitted to MHFA from Cook County

A: Joint County-City EDA **supports BOTH projects EQUALLY** and lets MHFA scoring determine priority.

PRO: Merit based; Possible both projects may be funded if joint request is low and/or # of requests is low.

CON: One project will likely not be funded.

B: Joint County-City EDA **supports BOTH projects UNEQUALLY** and sends MHFA preference of 1 project as priority.

PRO: County-City /EDA ensures their preference is voiced while allowing the chance for both to be funded.

CON: One project will likely not be funded.

C: Joint County-City EDA **supports ONE project** and sends MHFA clear message of 1 project as priority.

PRO: County-City / EDA ensure their preference will get maximum support—lowest risk level.

CON: One project will NOT be funded.



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NOTE: There is a 'D Scenario': Joint County-City EDA supports neither project.

For full list of  
Qualifications—  
see MHFA  
website for  
information on  
2020 process.

# Key qualifications for MHFA Grant

- ✓ The project must be in an area supported by a Joint county-city Economic Development Authority (EDA).
- ✓ The MHFA grant must be matched by Local donors—50 cents on the Dollar.
- ✓ The Developer must open 100% of the units to the community—they cannot hold back ANY units for their private business. This is unlawful for both the notification or acceptance of applicants.\*

\*MHFA and the Fair Housing Policy, require 100% of units be accessible to population. Preferential renting is unacceptable.

\*Both Sawbill Village and Bluefin must meet this requirement for MHFA grant. If either needs to hold even 1 unit for their own employee's housing, they should not petition for the MHFA grant.

The EDA should build assurances in their agreement with both Developers to ensure 100% unit access.



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# What does Sawbill Village need?

Combined grant support of \$536,300

Grant support keeps the housing portion viable, and with affordable rents.

SOURCE	AMOUNT	% of Total
Developer—Equity	\$671,130	25.0%
Developer—Loan	\$1,239,737	46.2%
MHFA—Grant	\$469,790	17.5%
IRRRB--Grant	\$253,800	9.5%
EDA—Grant	\$50,000	1.9%

FINANCIAL SUMMARY--WITH ABATEMENT & GRANT SUPPORT		
Project Cost	\$ 2,684,518	
Developer--Equity 1		\$ (295,100)
Subtotal	\$ 2,389,418	
Developer--Equity 2		\$ (376,030)
Subtotal	\$ 2,013,388	
MHFA Grant*		\$ (469,791)
Subtotal	\$ 1,543,597	
Local--EDA Grant		\$ (50,000)
Subtotal	\$ 1,493,597	
Local--IRRRB / Other**		\$ (253,800)
<b>Developer--Bank Loan</b>	<b>\$ 1,239,797</b>	
*MHFA Grant = 25% of \$1.89M housing cost		
**Other includes IRRRB, Non-developer donations		



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# One path to meet the Local Match requirement

**\*MHFA requires a minimum Local Match of \$234,895 from all local sources to win the MHFA Grant**

1. MHFA Grant*	\$469,790
2. EDA Sponsorship & Grant	\$ 50,000
3. <b>Local Match—annual County tax abatement</b>	<b>\$ 35,000</b>
4. Local Match—IRRRB / Other	\$253,800

Any combination to achieve the Local Match Requirement is required. Tax abatement counts towards the requirement!

# My Request:

1. Cook County: a) write letter in support of Sawbill Village for the MHFA grant.
2. Cook County support Sawbill Village application for Tax Abatement program during debt service period of 25 years.
  - Note: These \$ count towards required Local Match requirement necessary for MHFA grant
3. Cook County lend voice of support of Sawbill Village for other MHFA Local Match grant initiatives—specifically IRRRB.

Sawbill Village must meet the Local Match requirement to be eligible for MHFA Grant.



# Progress Status of Sawbill Village

- ✓ Project Equity Secured
- ✓ Bank Financing Secured
- ✓ Contractor(s) Identified—Pending final bids & GMP.
- ✓ Geo Tech Survey complete.
- ✓ Civil Engineering Survey (Oct)
- ✓ Utilities: Water + Electric Complete. Septic locations identified & tested.
- ✓ Design plans: Final architect plans pending funding outcomes.



# Timeline

- Request COW for Tax Abatement Sep-Oct 2021
- Apply for MHFA & IRRRB grants Oct-Dec 2021
- Grant Award Decisions Jan-Feb 2022
- Break ground Jul-Aug 2022
- Apartments Open Jan 2023
- Retail/Restaurant Jun 2023

Workforce housing available  
12/31/22 comes down to:

1. Tax Abatement
2. MHFA Grant support
3. Local Match support  
(IRRRB/Other)



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Q&A

Thank you!

