

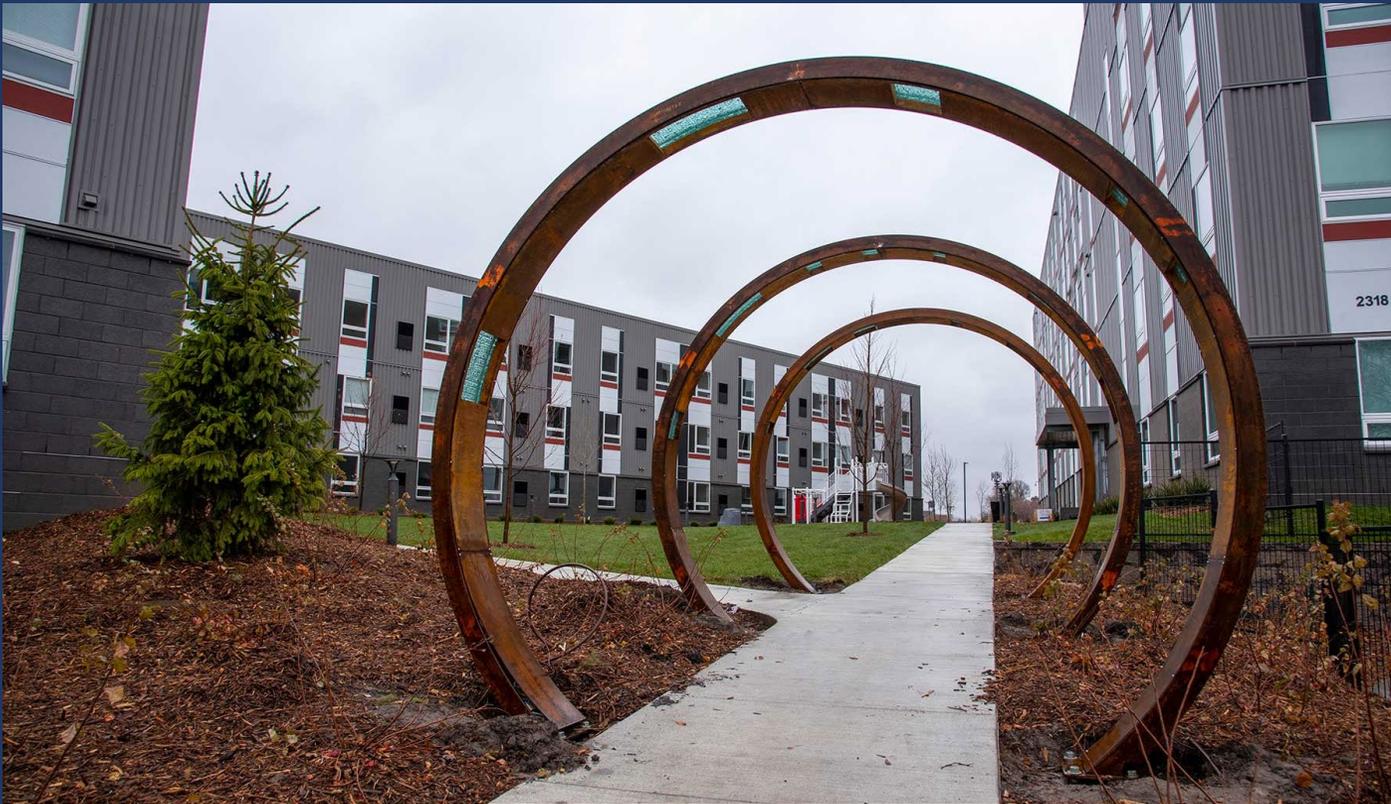
2020 NALHFA Awards of Excellence

Category: Multifamily Excellence

**Minneapolis Community
Planning & Economic
Development**

Hook & Ladder Apartments

HOOK & LADDER APARTMENTS



- Innovative, new construction affordable rental project in Minneapolis
- Completed in 2019
- 118 affordable units in two buildings:
 - 59-unit building: Enterprise Green Communities standard
 - 59-unit building: Passive Housing certification
- Northeast Minneapolis Arts District features
- Affordable at 30% & 60% AMI through innovative Minneapolis Public Housing Authority/Hennepin County partnership
- Meets City goals:
 - provides long-term and deeply affordable housing for families
 - reduces greenhouse gas emissions
 - supports energy efficiency
 - redevelops substandard properties and eliminates blight
 - increases the City's property tax base

Hook & Ladder Apartments - Summary

Hook & Ladder Apartments in Minneapolis, Minnesota is an innovative new construction affordable rental project located in Northeast Minneapolis. Completed in 2019, this workforce housing project developed by Newport Midwest includes 118 affordable units in two buildings: a 59-unit building constructed to the Enterprise Green Communities standard, and a 59-unit building built to Passive Housing certification. City Council Member Kevin Reich was a strong advocate for the project.

The majority of the units are affordable at 60% AMI, with 10 deeply affordable, large family units with rental assistance vouchers from the Minneapolis Public Housing Authority to reach families at 30% AMI.

The creation of workforce housing is needed within this market area. While the City has seen significant new multifamily construction in the last 5 years, a limited amount has been in Northeast. Rents are rising and displacement pressures growing. This project will guarantee affordable housing for decades to come.

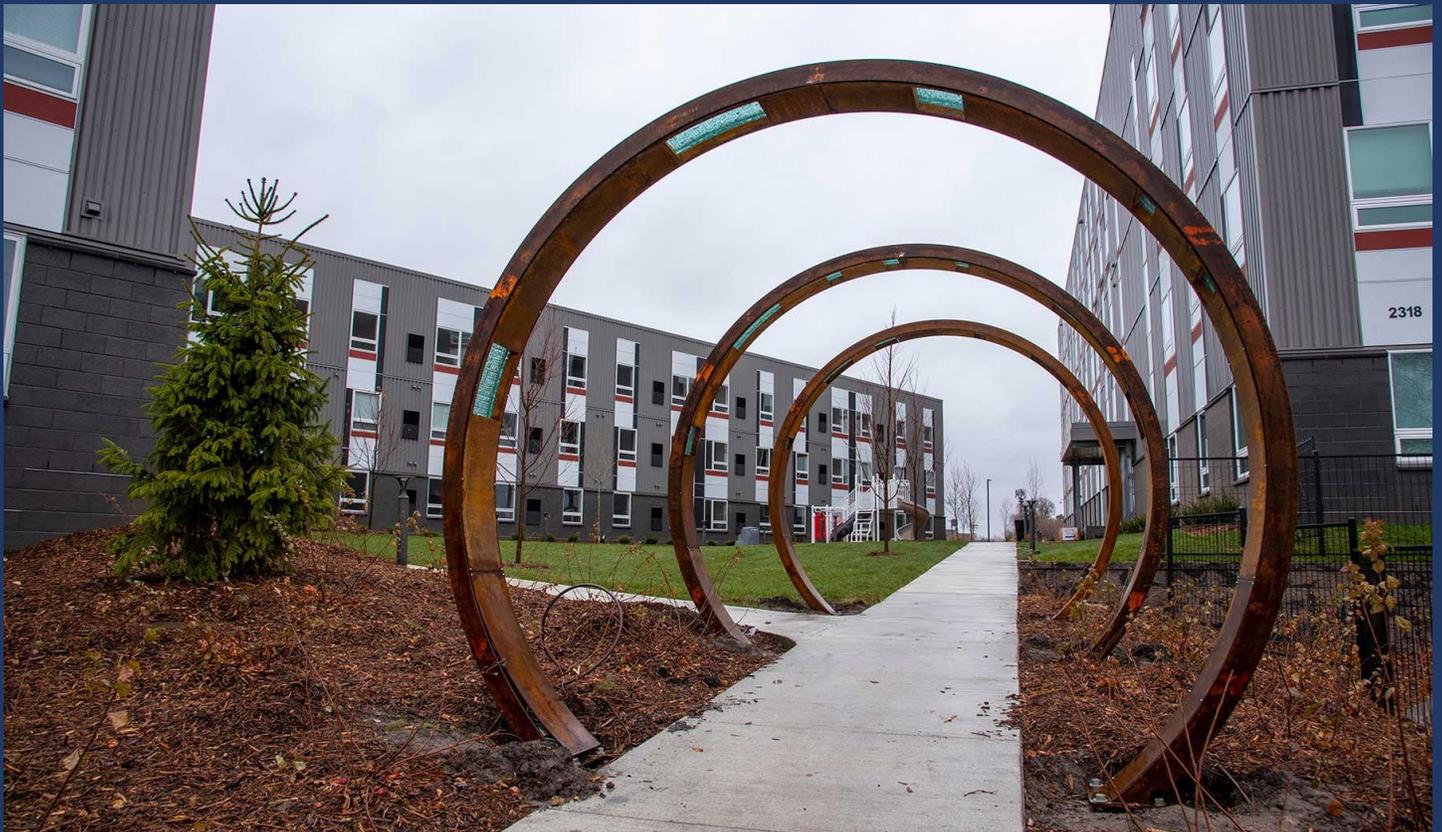
In addition, Hook & Ladder embraces the arts influence of the area. The Holland Neighborhood is in the heart of the Northeast Minneapolis Arts District, and the art-themed elements included in this project mesh with other public art in the neighborhood.

Hook & Ladder meets numerous City goals, including providing long-term and deeply affordable housing for families, reducing greenhouse gas emissions, supporting energy efficiency, redeveloping substandard properties and eliminating blight, and increasing the City's property tax base.

Hook and Ladder Apartments is a demonstration project that will help inform sustainable building practices throughout the Twin Cities for years to come.

HOOK & LADDER APARTMENTS

Nomination for Multifamily Excellence Award



Submitted by: Minneapolis Community Planning & Economic
Development Department

March 6, 2020

Nomination Contents

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Photos provided courtesy of the developer, Newport Midwest.

Project Description

Extraordinary Benefit to the Community

- Meets the needs of low-and moderate-income segments of the community
- Achieves member/community public purpose goals at low cost to the member
- Targets particular neighborhood(s) for revitalization

Hook & Ladder Apartments (name inspired by the nearby Firefighters Hall and Museum) is an innovative new construction, affordable rental project located in the Holland neighborhood of northeast Minneapolis. Completed in 2019, this workforce housing project developed by Newport Midwest includes 118 affordable units in two buildings. The first is a 59-unit, three story building constructed to the Enterprise Green Communities standard, and the second is a 59-unit, five story building built to Passive Housing certification. In addition, the extraordinary sustainable elements of this development build upon the environmentally innovative elements incorporated in nearby public spaces.

The majority of the units are affordable at 60% AMI, with 10 deeply affordable, large family (3 bedroom) units with sponsor-based rental assistance vouchers from the Minneapolis Public Housing Authority to reach families at 30% AMI.

Redevelopment of the site has been a goal of the neighborhood since 2003 under the leadership of Kevin Reich, then a neighborhood project coordinator and now the City Council member for the area. Council Member Reich was a strong and passionate advocate for the Hook & Ladder project.

The creation of workforce housing is needed within this market area. While the City of Minneapolis has seen significant new multifamily construction in the last 5 years, a limited amount has been in Northeast. Naturally occurring affordable housing has traditionally been located in the area, but rents are rising and displacement pressures growing. Most tenants work in retail, service, and office occupations. The average annual wages of the industries most likely to employ the project's residents range from \$25,000 to \$55,000. This rent-restricted project will guarantee affordable housing for the local workforce for decades to come.

In addition to creating new affordable housing and environmentally sustainable units, Hook & Ladder embraces the arts influence of Northeast Minneapolis. The Holland Neighborhood is in the heart of the Northeast Minneapolis Arts District, and the art-themed elements included in this project mesh with other public art in the neighborhood. The development team conducted extensive community engagement as the site design came together to ensure the project aligned with community goals. As a result, the vibrant exterior of the building reflects the neighborhood character, comprised of an aesthetic unique to the Arts District. The building interior includes exhibit space for artists residing at Hook & Ladder. Tenant common spaces include an exercise room, management office, and both indoor and outdoor gathering spaces. Outdoor elements are accessible to the community at large through art installations and quasi-public pathways and trail connections in an area currently divided by a railway.

Hook & Ladder meets numerous goals of the City of Minneapolis. Specifically, the development provides long-term affordable and deeply affordable housing for families, protects and enhances air quality and reduces greenhouse gas emissions, supports energy efficiency and resource conservation, utilizes sustainable planning, construction and operating practices, is within comfortable walking distance to transit, exhibits compact, efficient use of available space, redeveloped substandard properties and

eliminated blighting influences, supports neighborhood retail services, commercial corridors and employment hubs, and increases the City's property tax base.

Innovation

- In financing mechanisms, financing sources, partnerships
- In use of land or buildings
- In exceptional physical design components

Hook and Ladder Apartments is a demonstration project that will help inform sustainable building practices throughout the Twin Cities for years to come. The Center for Sustainable Building Research at the University of Minnesota is documenting metrics, and Xcel Energy has provided research funds. This project is the first multifamily Passive House building ever built in the Twin Cities' climate zone.

Hook & Ladder incorporates sustainable, energy-efficient building techniques far beyond conventional affordable housing projects. As noted, the development includes two buildings: one built to comply with Enterprise Green Communities requirements, the other to Passive House (PH) certification. Passive House standards call for an ultra-tight building that requires little energy for heating or cooling, as well as improved ventilation to improve air quality. The PH building optimizes energy efficiency, resulting in as much as 70% reduction in energy consumption. The buildings are nearly identical in floor plans, unit mixes and tenant populations, providing the opportunity for long-term, side-by-side analysis of the cost benefits of PH certification.

The PH building is taller, allowing the second building to "step down" the project to the adjacent neighborhood which is primarily 2-story residential homes. The buildings surround a courtyard, playground, and numerous public art installations for community gathering.

Waste reduction and recycling efforts began during construction and remain a long-term priority. Residents are involved in this effort in a number of ways, starting with recycling being encouraged and collection bins throughout the building. A butterfly-friendly landscape featuring native plants, and two large rain gardens were installed in two different areas on site to filter stormwater.

The site includes both private and public open space. The southern portion of the site features green space set back from the buildings and adjacent to a new pedestrian trail through the site, connecting 22nd and 24th Avenues, leading to the Central Avenue Bus Rapid Transit line.

The buildings' exterior aesthetic embraces the neighborhood's emphasis on arts, innovation, and sustainability. The rectangular buildings provide a contemporary, modernist appearance, with metal panels and cladding conveying a unique look.

The variable refrigerant flow (VRF) system used in the Passive House building shares energy across the entire building, reducing the need to turn on the heating or cooling during temperate days in the fall and spring. Superior air quality is achieved through a whole-building energy recovery ventilation system that provides a consistent supply of fresh air, without drafts, in a carefully controlled, airtight structure. The triple-glazed windows give the building incredibly quiet interiors, even adjacent to a rail line.

Funding

Hook & Ladder utilized a variety of public and private funding sources including housing revenue bonds and 4% tax credits, City deferred loans, Hennepin County environmental remediation funds, Holland Neighborhood Association funds in partnership with the City's Public Works Department to help design and build the walkway through the property, Metropolitan Council deferred loans, and a deferred developer fee of \$1.5 million. See attached Project Data Worksheet for all sources and uses. The total cost of the project was just under \$31 million, or about \$260,000/unit. It is notable that the project still delivered the Passive House component at development costs that are typical of traditional affordable housing costs.

The Hook & Ladder ownership entity also entered into a first of its kind local partnership with the Minneapolis Public Housing Authority and Hennepin County to provide sponsor-based Section 8 vouchers for 10 units to serve large family households experiencing homelessness with incomes at or below 30% AMI. These units are filled through the County Coordinated Entry system. Supportive services are provided by a third party contracted by the County at no cost to the development.

Transferability

- Extent to which the program or project could serve as a model or demonstration for other members, or could/will be replicated within the community

Hook and Ladder's primary demonstration value is in its unique cold climate sustainability approach described above, and its ability to document differences in operating costs over time between the two design approaches.

Hook & Ladder also:

- Creates important new pedestrian and bicycle infrastructure and connections
- Pursues the removal of barriers that prevent residents from holding living wage jobs and achieving economic self-sufficiency
- Supports the local Northeast Arts Action Plan
- Promotes multifamily development along the City's commercial corridors
- Provides appropriate physical transition and separation using green space, setbacks or orientation, stepped down height, or ornamental fencing to improve the compatibility between higher density and lower density residential uses; and
- Restores and maintains the traditional street and sidewalk grid as part of the new development

Affordability

- Percentage of units with rents affordable to low- and moderate-income tenants
- Degree to which program or project serves households at relatively low percentages of area median income
- Tenure of affordability

All 118 of Hook & Ladder's units are affordable to households with incomes at or below 30% and 60% AMI. An uncommonly high percentage of the units (46%) are two- and three-bedroom units, thereby

responding to the critical lack of affordable housing options for families. Rent and income restrictions on the project will keep it affordable for a minimum of 30 years.

Hook & Ladder also markets to local artists who wish to live and work in the Northeast Arts Community.

Serving Needs of Special Groups

- Physically or mentally disabled
- Elderly
- Single-family households
- Large families
- Homeless
- Minorities
- Other groups targeted for assistance in its community

As noted, ten units are set aside for Hennepin County's Human Service and Public Health Department (HSPHD) clients at 30% AMI in partnership with the Minneapolis Public Housing Authority. Through their Affirmative Fair Housing Plan, Newport Midwest and Pinnacle Management target the units to populations historically underserved as well as those in most critical need of affordable housing: single-headed households with minor children, people of color, and households with a disabled member.

HSPHD delivers a variety of services to individuals or families that need assistance with basic needs including: social programs (safety net services such as food support, emergency shelter and cash assistance); help for people who are developmentally disabled; services for seniors; services for veterans; behavioral and chemical health.

Sources & Uses

Sources	Funder	Amount
First Mortgage	TCF Investments	\$12,375,000
Syndication Proceeds	Alliant Capital, LTD	\$10,571,648
Affordable Housing Trust Fund	City of Minneapolis	\$3,625,000
Development Improvement Program	City of Minneapolis	\$200,000
Tax Base Revitalization Account	Metropolitan Council	211,600
Livable Communities Demonstration Account	Metropolitan Council	\$1,300,000
Environmental Response Fund Grant	Hennepin County	\$371,994
Neighborhood Revitalization Program	Holland Neighborhood Improvement Association	\$400,000
Energy Rebate	Xcel Energy	\$75,000
Deferred Developer Fee	Newport Midwest, LLC	\$1,507,377
Total		\$30,637,619

Project Uses	Amount
Land	\$985,000
Construction	\$21,814,280
Construction Contingency	\$1,090,714
Construction Interest	\$1,182,589
Developer Fee	\$2,325,000
Legal Fees	\$100,000
Architect Fees	\$840,000
Other Costs	\$1,575,036
Reserves	\$725,000
Total Development Costs (TDC)	\$30,637,619
TDC/Unit	\$259,640

Rents & Operating Budget

Unit Type	# of Units	Rent	Rent Limit/ Income Limit (AMI)	Program
1 bedroom	64	\$1,048	60%/60%	HTC
2 bedroom	2	\$1,068	60%/60%	HTC
2 bedroom	30	\$1,252	60%/60%	HTC
3 bedroom	12	\$1,448	60%/60%	HTC
3 bedroom	10	\$1,524	60%/50%	HTC/Rent Assist
Total	118	\$1,672,608		

Income & Expenses	Amount
Income	
Housing Income	\$1,672,608
Other Income	\$20,000
Total Rental Loss	(\$101,560)
Net Rental Income	\$1,591,108
Expenses	
Administrative	183,300
Maintenance	142,655
Utilities	80,000
Insurance ³	35,000
Reserves & Escrows	284,400
Effective Gross Expenses	\$727,355
Net Operating Income	\$863,753

Visual Aides

Site Plan and Perspective Drawing



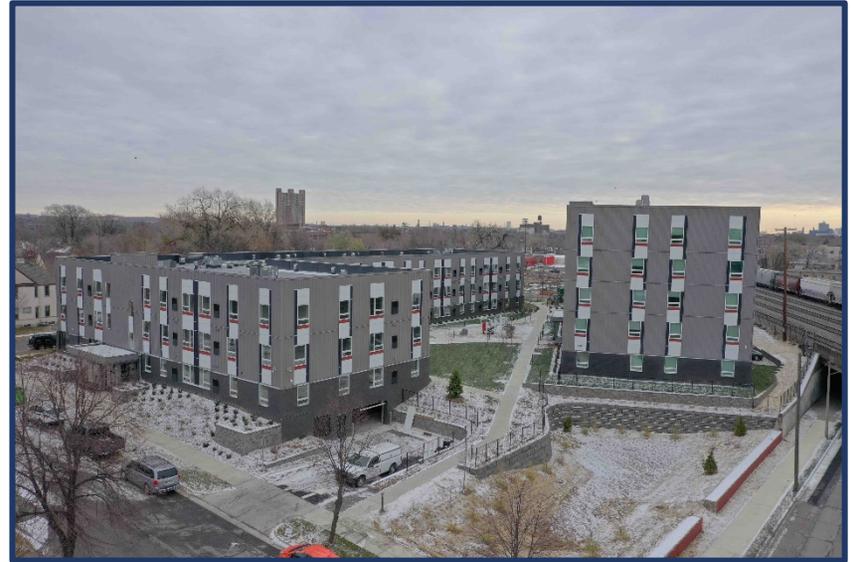
HOOK AND LADDER NE MINNEAPOLIS

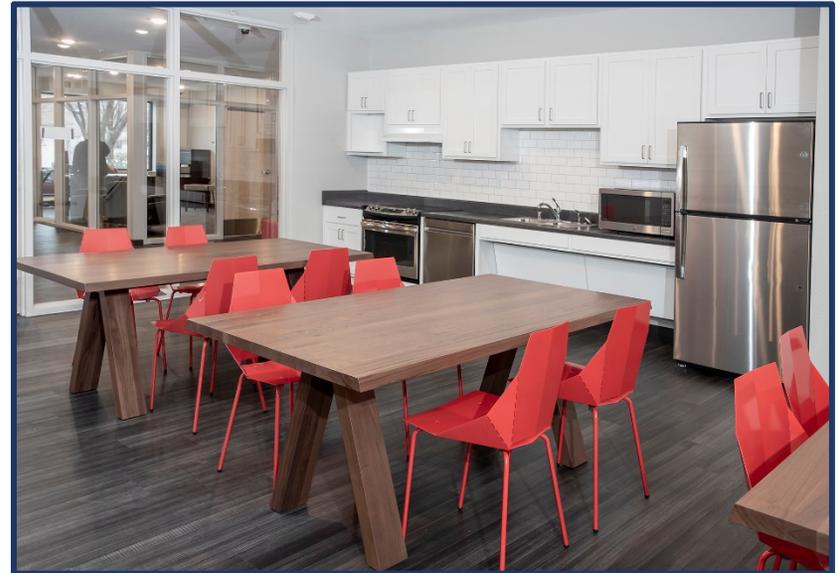
Before Development



After Development (exterior)



After Development (interior)



Supporting Document

Newspaper Article

BUSINESS

Minneapolis apartment project makes airtight case for sustainability

A northeast Minneapolis apartment building appears to be meeting expectations for extremely low energy use.

By Jim Buchta (<http://www.startribune.com/jim-buchta/10644536/>) Star Tribune |

OCTOBER 13, 2019 — 8:32AM

Just a few weeks before residents start moving into the new Hook & Ladder apartments in northeast Minneapolis, a team of building experts from Chicago is testing one of two buildings for air leaks through doors, windows and unintended passages as landscapers plant bushes and workers sweep up behind the contractors.

So far, they say, it's one of the tightest buildings they've seen, but there's more monitoring and research to be done. The buildings will serve as a demonstration project aimed at showing other developers that it's possible to build an apartment building that uses virtually no energy.

"This is meant to be a testing zone for the industry," said Claire VanderEyck, senior development associate for Newport Midwest, a division of a California company.

Just a year after the 118-unit project was announced, the architects, developer and builder are all eager to see how the building will function once it's occupied. So far, the project has met expectations, they say, but not without a few surprises.

Inside and out, the building that's being tested looks nearly identical to another new one that's across a grassy courtyard, but in many ways the two are dramatically different.

It's the first in the Midwest built to Passive House Institute US (PHIUS) specifications, which aim to make buildings 60 to 85% more energy efficient than conventional guidelines. The second building meets Minnesota Green Communities standards, which provides a road map for developers who want to build green, affordable housing.

From the outside, the buildings are nearly twins. Except for doors and windows, the PHIUS building has only one exterior penetration — a big square louver connected to an 8,900-pound air exchanger that brings fresh air into the building and exhausts stale indoor air. All of the apartments share a single heating and cooling system, which eliminates excess air gaps.

In contrast, the Green Communities building has an air-conditioning and furnace unit in each apartment, so the sides of the building are lined with rows of square metal louvers.

There's another critical difference: The Passive House building has covered parking below a portion of the building instead of a completely enclosed parking garage like the one under the Green Communities building.

Dave Einck, senior project manager for Frerichs Construction, said that forgoing the parking garage makes it easier to manage the building's complicated ventilation system, and by doing without the enclosed garage the developer saved enough money to help offset the 10 to 12% premium for the PHIUS upgrades.

To ready his crews for the project, Frerichs sent a team of contractors to Vermont for a weeklong PHIUS certification course.

The PHIUS building has also been super-insulated, and crews went to great lengths to make sure that all air leaks were sealed. One of the buildings also has a set of photovoltaic panels on its roof that will help produce as much energy as is used by residents, making it a net-zero energy building.

Minneapolis Star Tribune,

October 13, 2019



JIM BUCHTA • STAR TRIBUNE

A technician from Chicago used a blower door machine to monitor air infiltration.

The lead architect on the project, Kim Bretheim of LHB Corp. in Minneapolis, said that all of those upgrades should enable the PHIUS building to use at least one-third less energy than the other one.

Bretheim said while the project stayed within budget, there have been a few surprises. The plan called for triple-paned windows that were only commercially available in Canada, but proved too expensive to use. So the team worked with Iowa-based Pella to design windows that meet the PHIUS standards for the Midwestern climate but will also prevent noise from the nearby trains from being heard in the apartments. Those windows are now available commercially.

“This was a market niche created with a regional vendor,” said Bretheim.

Elizabeth Turner, a Passive House consultant and architect with Precipitate, said there was another problem: Traditional ducted clothes dryers don’t work in a nearly airtight building, and the specialized dryers that would work were too expensive. So until the cost of those dryers comes down, residents of the PHIUS building will use dryers in the Green Communities building.

In addition to reducing the carbon footprint of apartment buildings, there are financial incentives for developers to build to PHIUS standards. The developer of Hook & Ladder is able to finance the project using low-income housing tax credits that also require energy-efficiency upgrades, so all but 10 of the units will be for renters who earn less than 60% of the area median income.

VanderByk expects the building to be fully leased by the end of the year and hopes the project will make it easier — and less expensive — for her company and others to build more PHIUS projects.

“As we do more,” she said, “the additional costs will balance themselves out.”