

To: Northfield HRA
From: Rice County Habitat for Humanity
Re: Affordable homeownership opportunity in Kraewood
Date: September 26, 2024 (for October 3, 2024, HRA meeting) or for February 6, 2025 HRA meeting

We are asking for financial support to help make one affordable homeownership opportunity available in the Kraewood development in Northfield.

Rice County Habitat for Humanity is requesting the following:

1. A grant to us for \$43,900 to help us reach a household at 70% of Area Median Income. This would not be paid back. This could come to us in this fiscal year, or next.
2. \$25,000 of Down Payment Assistance that the homeowner would pay back upon a future title transfer. This would be needed out of next fiscal year (a closing around December, 2025)

Information about this whole development can be found on the city website,
<https://www.northfieldmn.gov/1471/Kraewood-Development>

While there was TIF support for the apartment rental building, the homeownership opportunities in Kraewood are market rate.

One home in that development is listed with Carol Hong with Coldwell Banker (image below). It's likely that the new single family homes in that development will be this price point (565K) or similar.

700 Kraewood Dr Northfield, MN 55057

\$565,000

For Sale | Active | Single Family | 2 Beds | 1 Full Bath | 1 Partial Bath | 1,874 Sq. Ft. | 2 Car Garage

2 Photos | Map & Location | Street View



Steve Schmidt, local builder, has approached Rice County Habitat for Humanity, with an interesting proposal. He wants to know if we are interested and able to move the original home (pictured below) to the adjacent lot and then rehab it. In this proposal, it's required the house get moved to a specific adjacent lot and the lot to be purchased (around 100K, but we will negotiate that).



Lot that it will be moved to

Original house



We have toured the house and believe the house to be in solid condition. Currently, it's a one bedroom, one bathroom home. Mary Schmelzer, with Vivus Design in Northfield, has two options for renovation. Both options take a one-bedroom house and turns it into a nice 4-bedroom with the option of one-level living. Neither option relies on the attic level. We could just insulate, put a door on the stairs, and leave the attic to someone else. The stairs are code in each version, so if someone wanted to make it an office/family room/study, they'd just have to insulate and make sure they've got ducting running up there.

The topography on the lot is per what Steve Schmidt gave us, so it is pretty accurate. I've got the garage at the actual grade height and we can walk from the garage to the house at the same level. (That's why we have a big stair at the front porch.) It also allows us to have nice escape windows for the basement bedrooms.

The two versions are attached.

A very rough budget has been worked on and is as follows:

PROJECT:	KRAEWOOD
ADDRESS:	515 KRAEWOOD DRIVE

CATEGORY	COST		
MOVING	\$	29,000	
DEMO OF EXISTING BASEMENT	\$	20,000	
LOT	\$	100,000	
UTILITIES	\$	5,000	
PERMIT	\$	4,500	
SURVEY	\$	500	
DRAFTING	\$	1,000	
DUMPSTER	\$	2,500	
FDTN	\$	42,000	
FLATWORK	\$	15,000	
DEMO INTERIOR	\$	8,000	
FRAMING	\$	18,500	
HVAC	\$	23,000	
PLUMBING	\$	22,000	
Elec fixtures	\$	1,500	
ELEC	\$	-	IBEW
FLOORING	\$	-	GO TO Crew
PAINT	\$	-	GO TO Crew
PAINT MAT.	\$	5,000	
DRYWALL	\$	15,000	
MATERIAL	\$	48,000	
MILLWORK	\$	15,000	
SIDING/SOFFIT	\$	17,000	
WINDOWS	\$	15,000	
ROOFING	\$	8,000	

SUBTOTAL \$ 415,500

Yes, \$415,900 seems like a big number, but here’s how we see it could be broken down to achieve affordability.

The following Down Payment Assistance programs MAY be available at the time of closing with the future Partner Family:

65,000	Impact Funds from Habitat MN (through Minnesota Housing Finance Agency)
25,000	City of Northfield HRA
<u>32,000</u>	<u>Potentially available if it’s a first generation homebuyer</u>
122,000	TOTAL potential DPA

IF all of those DPA program are utilized:

415,900	Cost of house
<u>122,000</u>	minus DPA
<u>293,900</u>	<u>amount needed in a first mortgage</u>

Without any further assistance and IF all that DPA is available, this is what the payment would look like for a mortgage of 293,900. The chart on the left is with a USDA mortgage and the chart on the right is current market rate.

Our current Area Median Income (by HUD) is 100,900

1st mortgage: 293,900

293,900, 4.625% interest (USDA), 33 years	
Principal/Interest	1448
Taxes	420
Insurance	140
TOTAL monthly payment	2008
HOUSEHOLD INCOME NEEDED	81,120
AMI	80%

293,900, 6.24% interest (market), 30 years	
Principal/Interest	1808
Taxes	420
Insurance	140
TOTAL monthly payment	2368
HOUSEHOLD INCOME NEEDED	93,600
AMI	93%

If we wanted to drive down the AMI of the household served, we would need some more subsidy/investment. Let's say, for example, we want to serve a household at 60% of AMI. We would need to get that 1st mortgage down to 195,000 for a USDA loan. That would mean instead of a mortgage of

293,900
195,000 mortgage to meet the needs of a 60% of AMI household
98,900 **additional funds needed, possibly from the HRA**

1st mortgage: 195,000

195,000, 4.625% interest (USDA), 33 years	
Principal/Interest	961
Taxes	420
Insurance	140
TOTAL monthly payment	1521
HOUSEHOLD INCOME NEEDED	60320
AMI	60%

The chart on the attached page shows the detail of, with different mortgage amounts, the different AMI's that could be served. A summary is below:

If the HRA contributed...	1 st mortgage	AMI with USDA Loan	AMI with Market rate
0	293,900	80%	93%
43,900	250,000	70%	82%
98,900	195,000	60%	70%
143,900	150,000	49%	58%

This chart assumes ALL DPA described is available

ADDED January 27, 2025: After a conversation with Jake Reilly on January 27, 2025, I am proposing the HRA provide assistance of \$43,900 as a grant (not to be paid back) in addition to the \$25,000 Down Payment Assistance (to be paid back by homeowner)

Habitat aims to serve households at 80% of AMI or below. The reality is, most of the people in need of housing are at 60% of AMI or below.

We request the HRA consider what AMI household they would like served through their resources. Habitat requests assistance in the range of \$43,900 – 143,900 for assistance on this property.

WHY this property?

Study after study shows that mixed income neighborhoods are better for people who live there. Separating out “affordable” homes from market rate homes creates a division that doesn't bring real

community. The neighborhood to the west (Highland) is a relatively modest neighborhood with houses valued at (roughly) 300-400K. The new single family homes are valued at 500K+. We believe that a) preserving this house is worth it and 2) making at least one single family home in the new development affordable is worth the effort.

The reality is.... Even Habitat new construction is approaching 400K. The five bedroom, two bath homes we're doing in Faribault have estimated budgets at 375K and that doesn't include the land.

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Habitat may not be able to consider the project without HRA support.

SD 01

**design
VIVUS**

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www.vivusdesign.com

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- General notes:
1. All construction to conform to current Minnesota State Building and Energy Codes.
 2. Verify all dimensions and existing conditions before construction.
 3. Contractor to coordinate related trades before construction.
 4. Review the drawing set in entirety and cross-reference.

Relocated/Remodeled Home

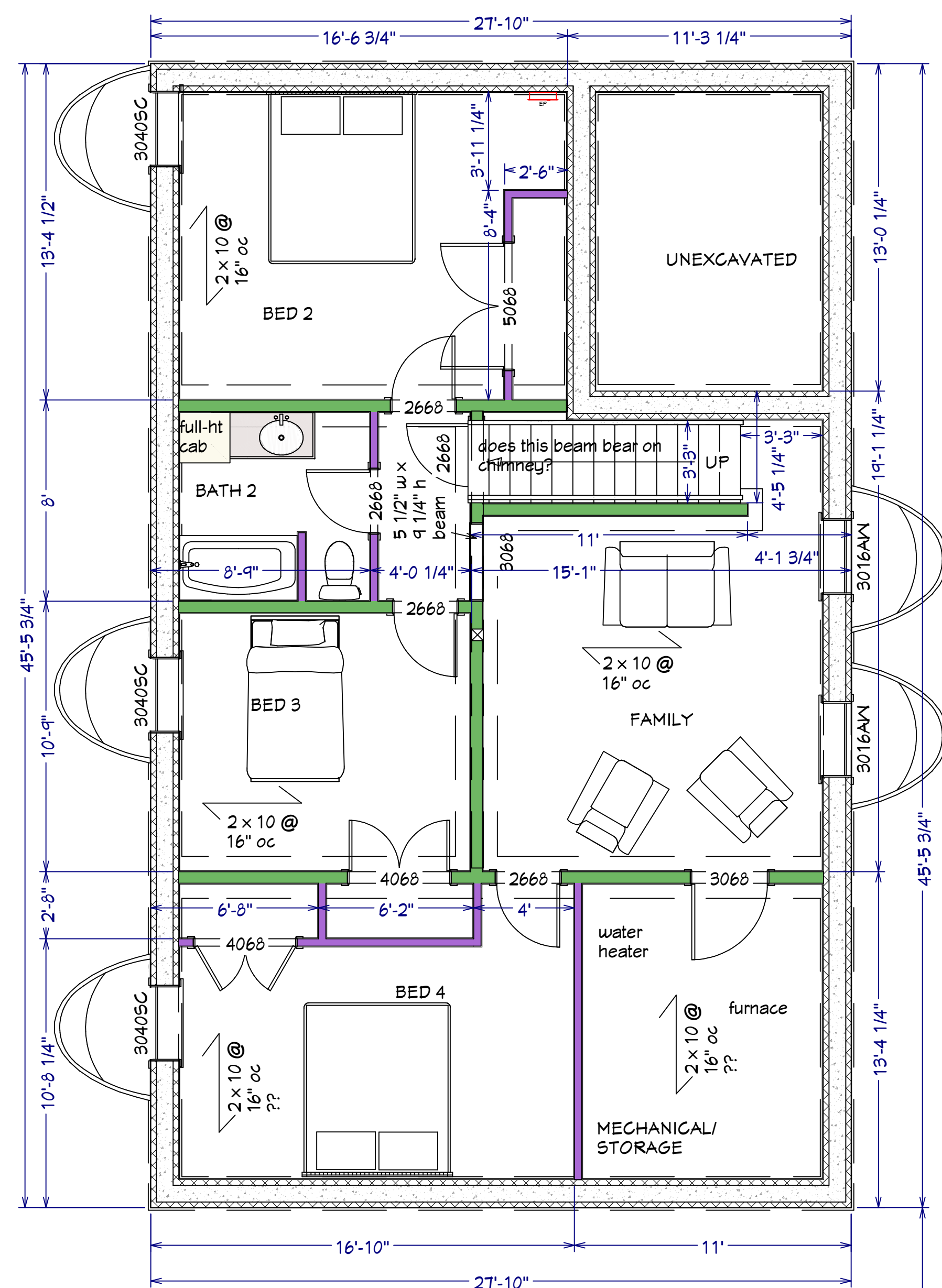
Rice County Habitat for Humanity Highland Ave (Kraewood Lot 4) Northfield, MN 55057

Schematic Design Drawings

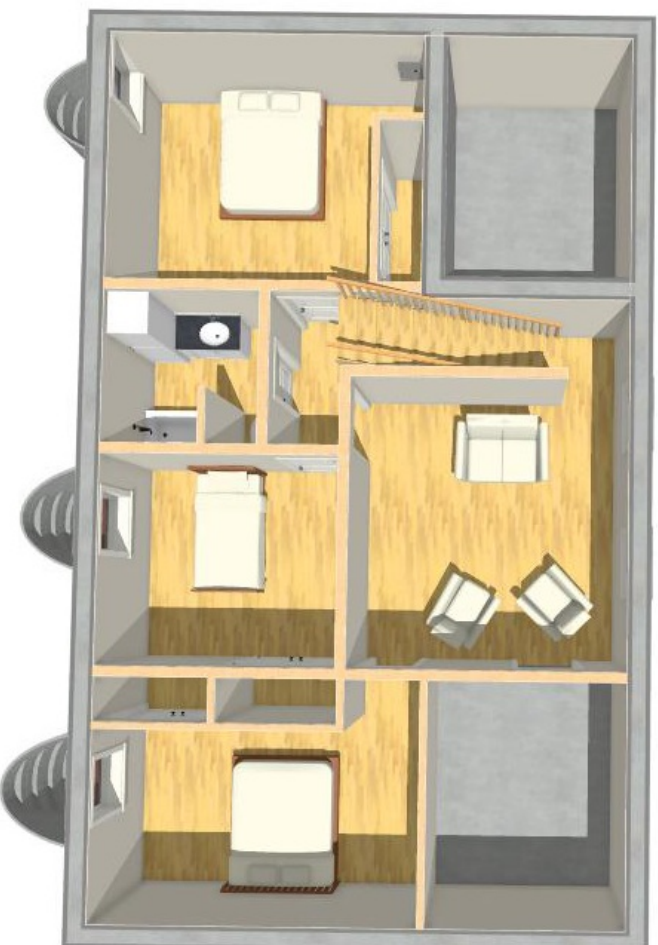
Schematic Design Drawings

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by: MS
chk: MS
date: 09.26.2024

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1 of 3



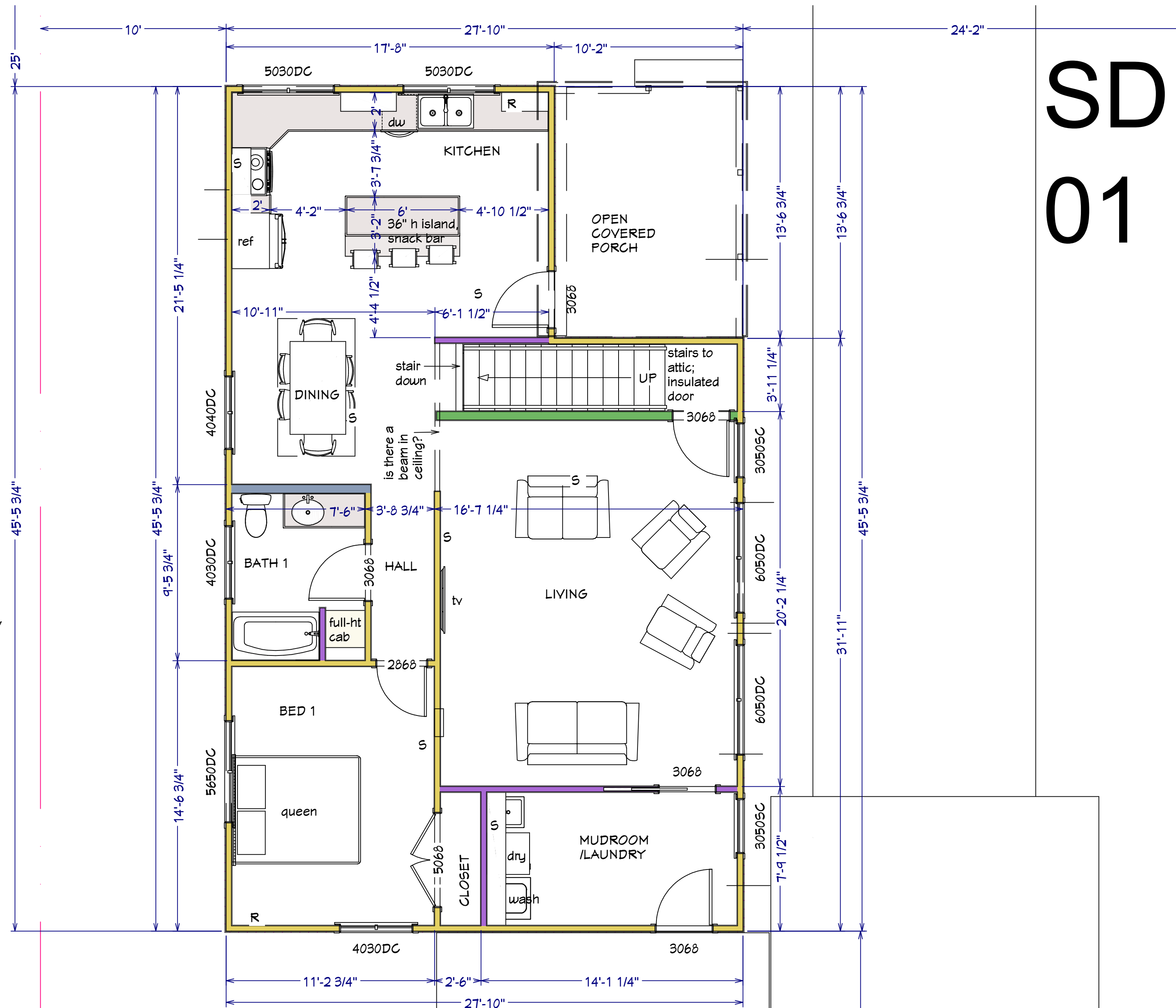
2 FOUNDATION PLAN
1/4" = 1' - 0"



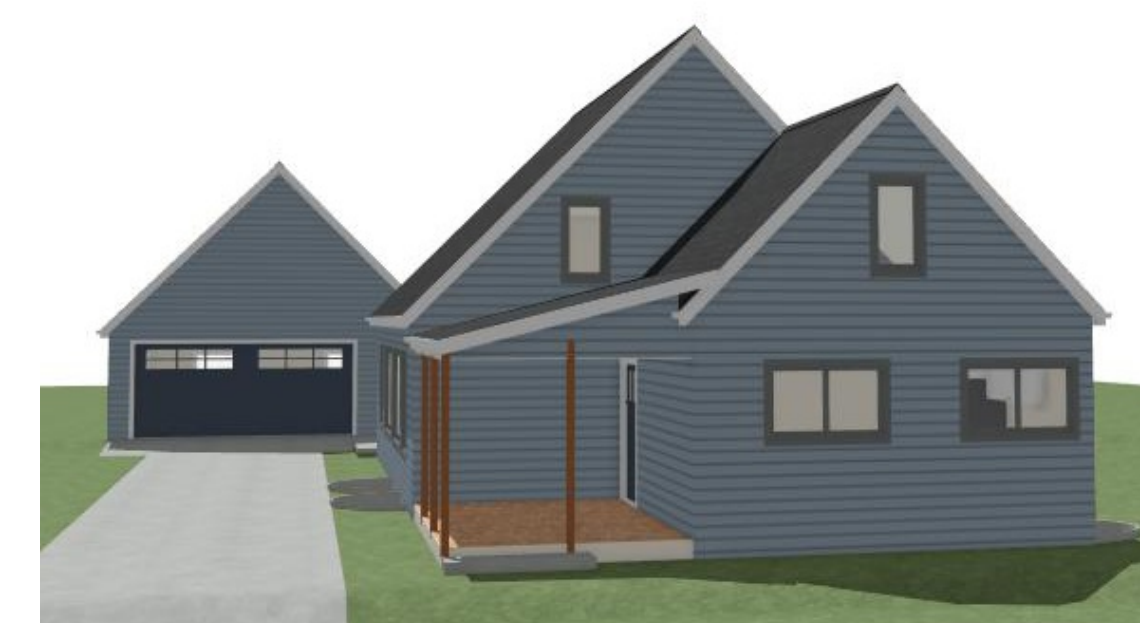
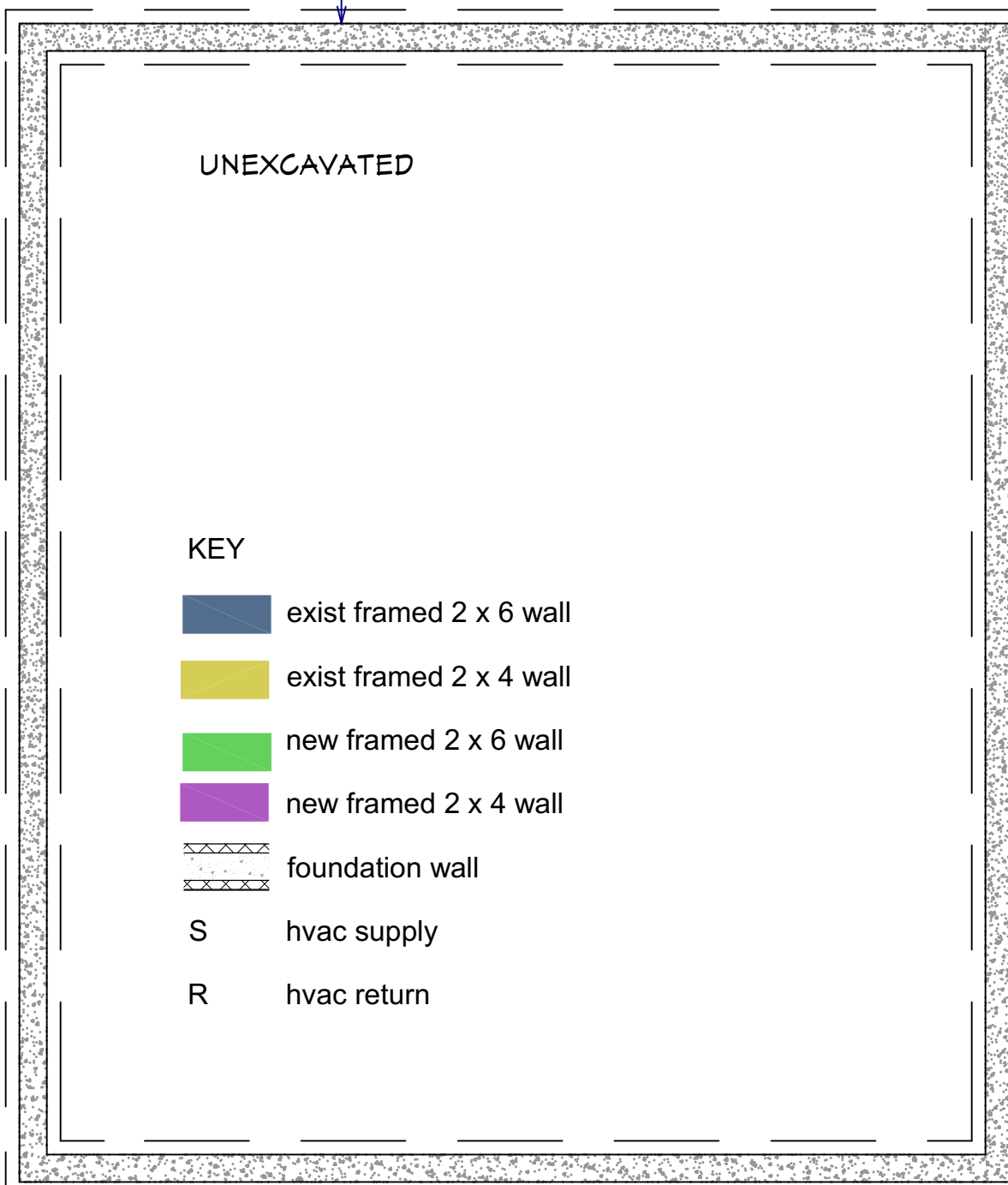
DOLLHOUSE BASEMENT



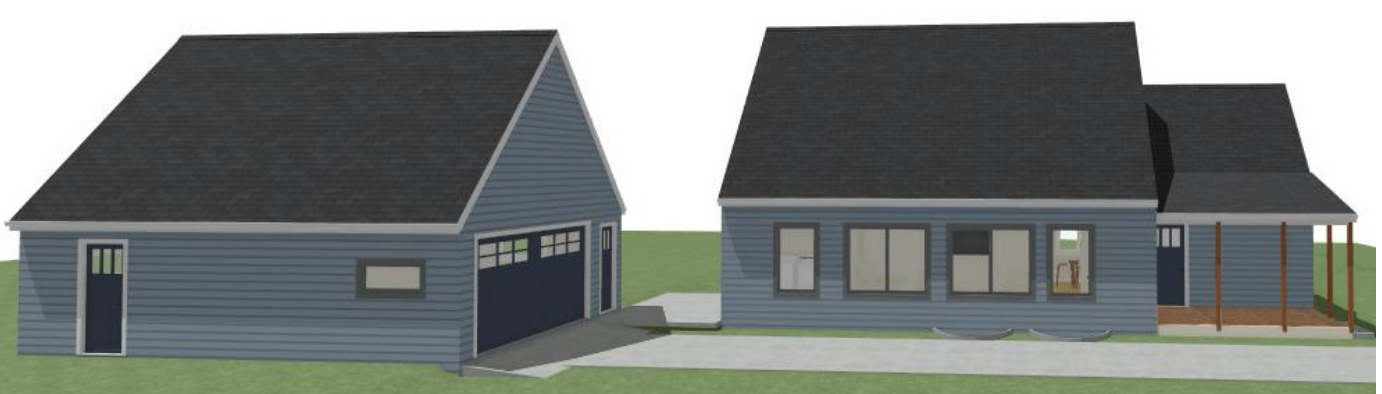
3D DOLLHOUSE, FIRST FLOOR



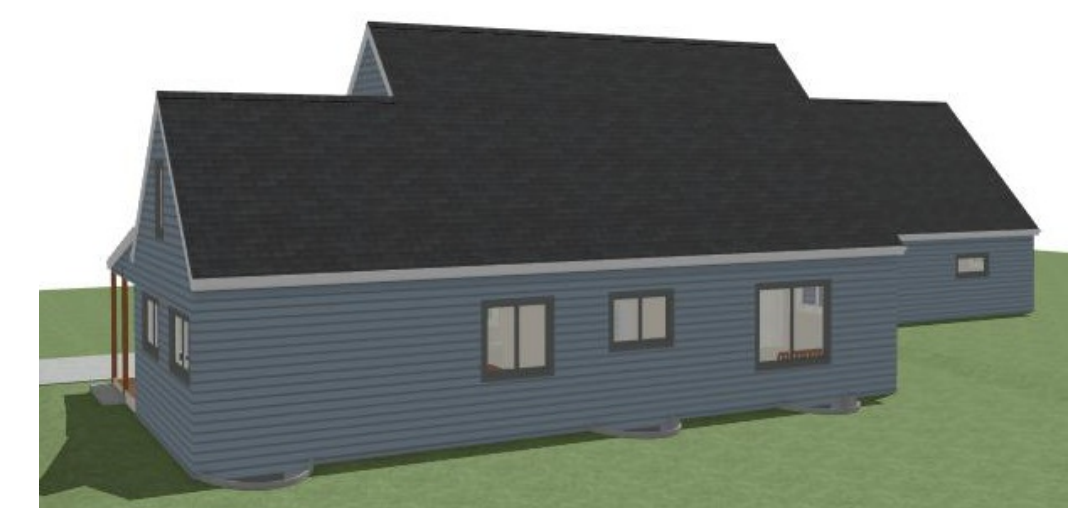
1 MAIN FLOOR PLAN
1/4" = 1' - 0"



FRONT/NORTHEAST



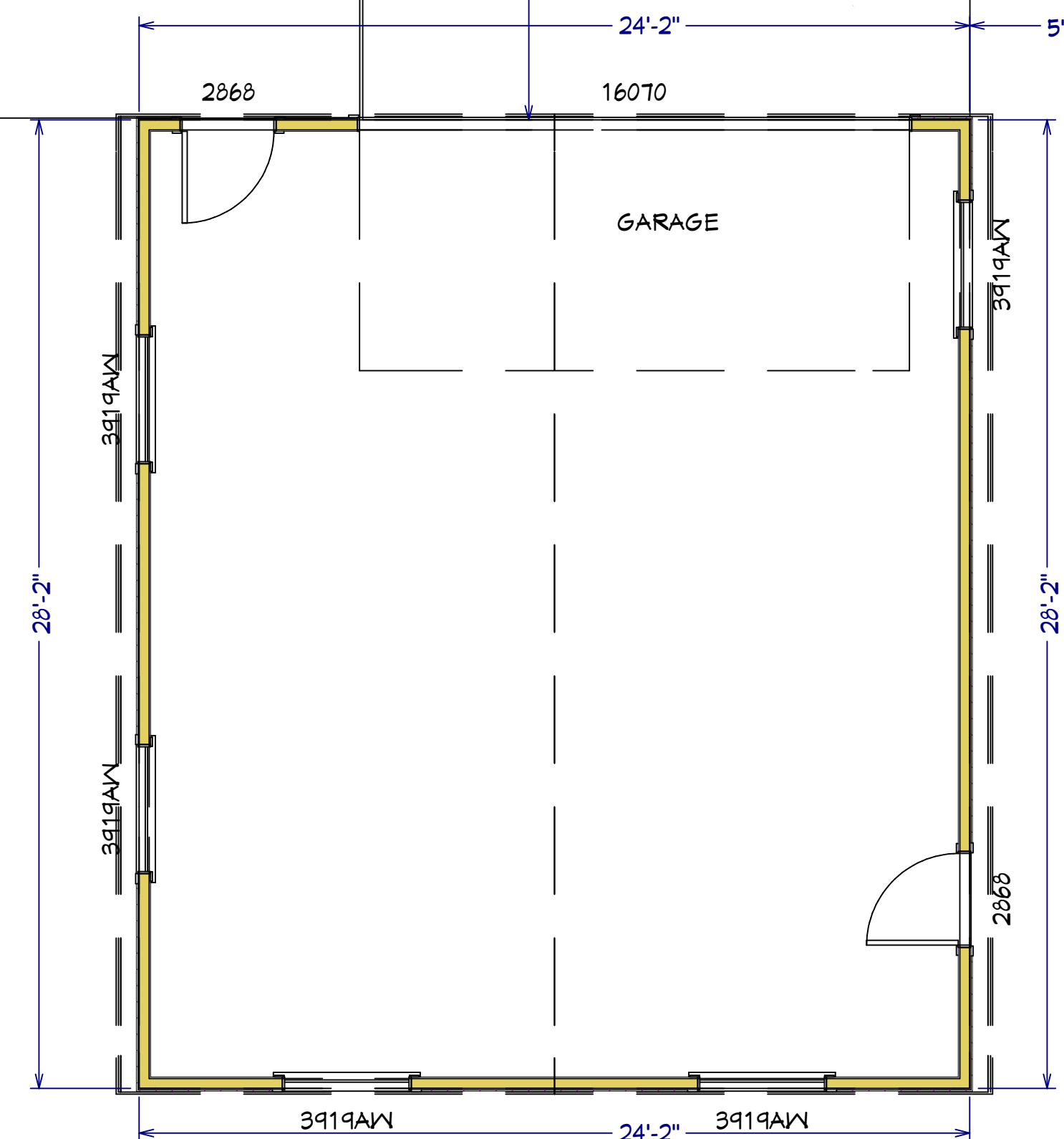
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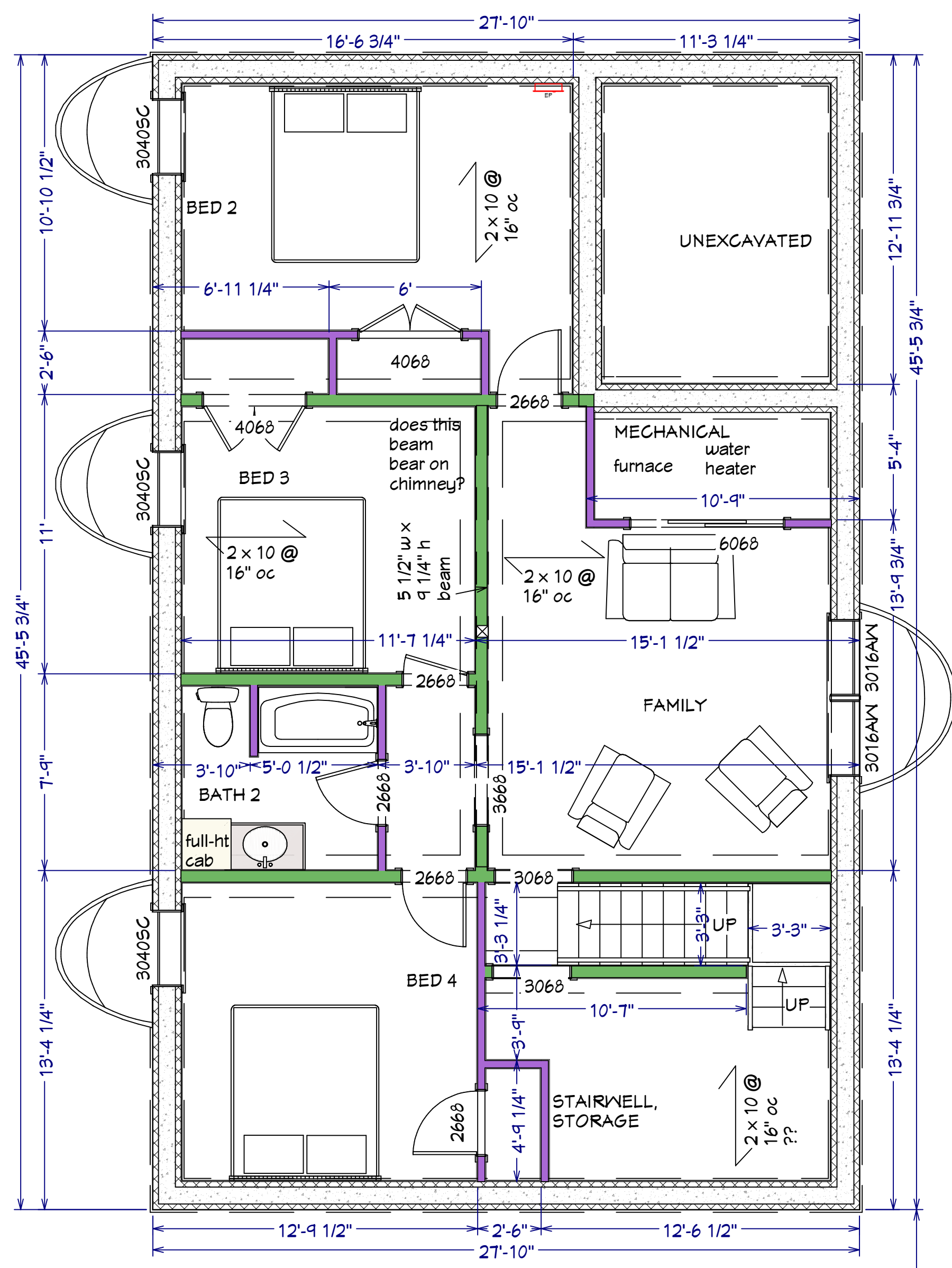
NORTHWEST



SOUTHWEST



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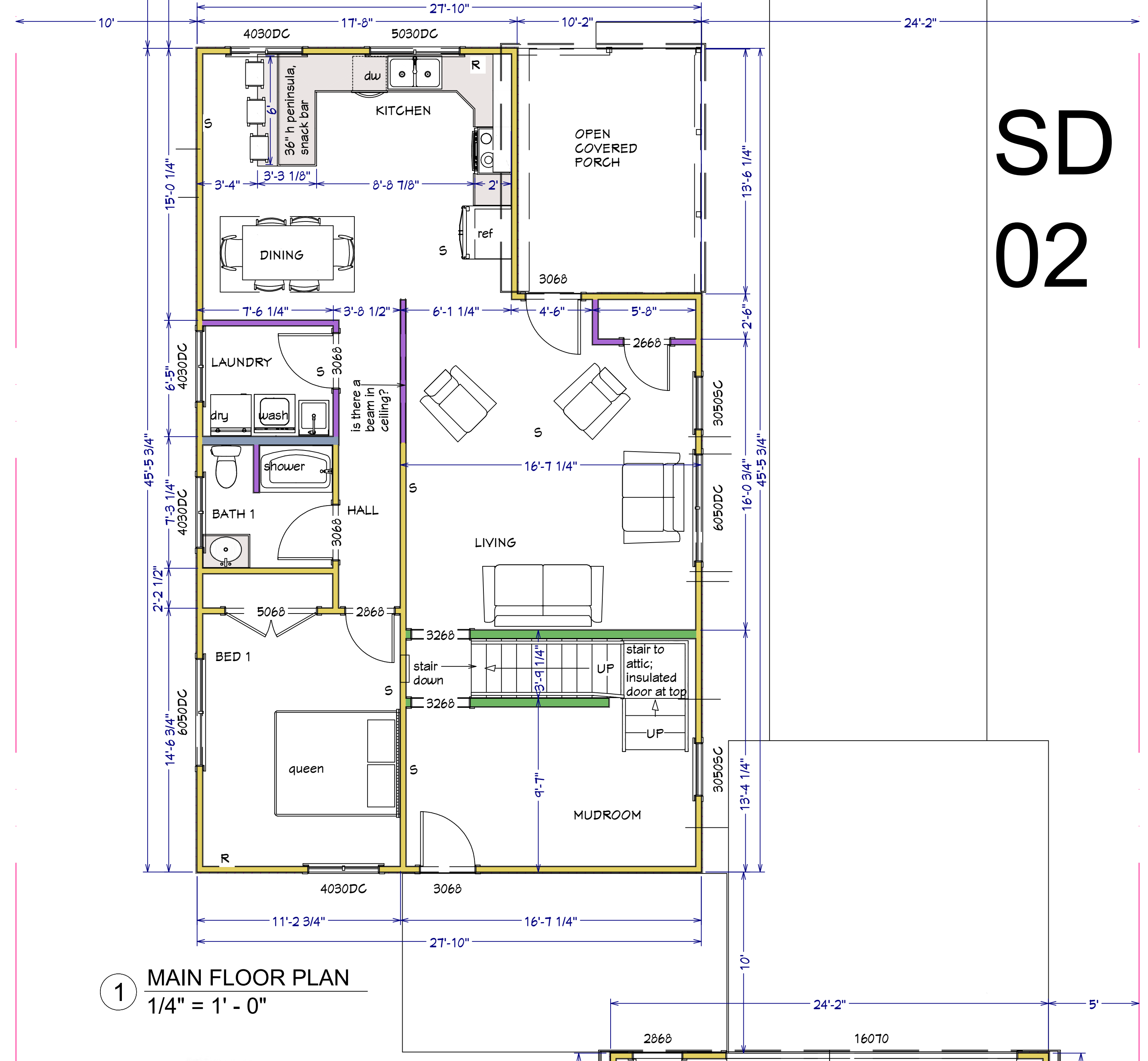
② FOUNDATION PLAN
1/4" = 1' - 0"



DOLLHOUSE BASEMENT



3D DOLLHOUSE, FIRST FLOOR



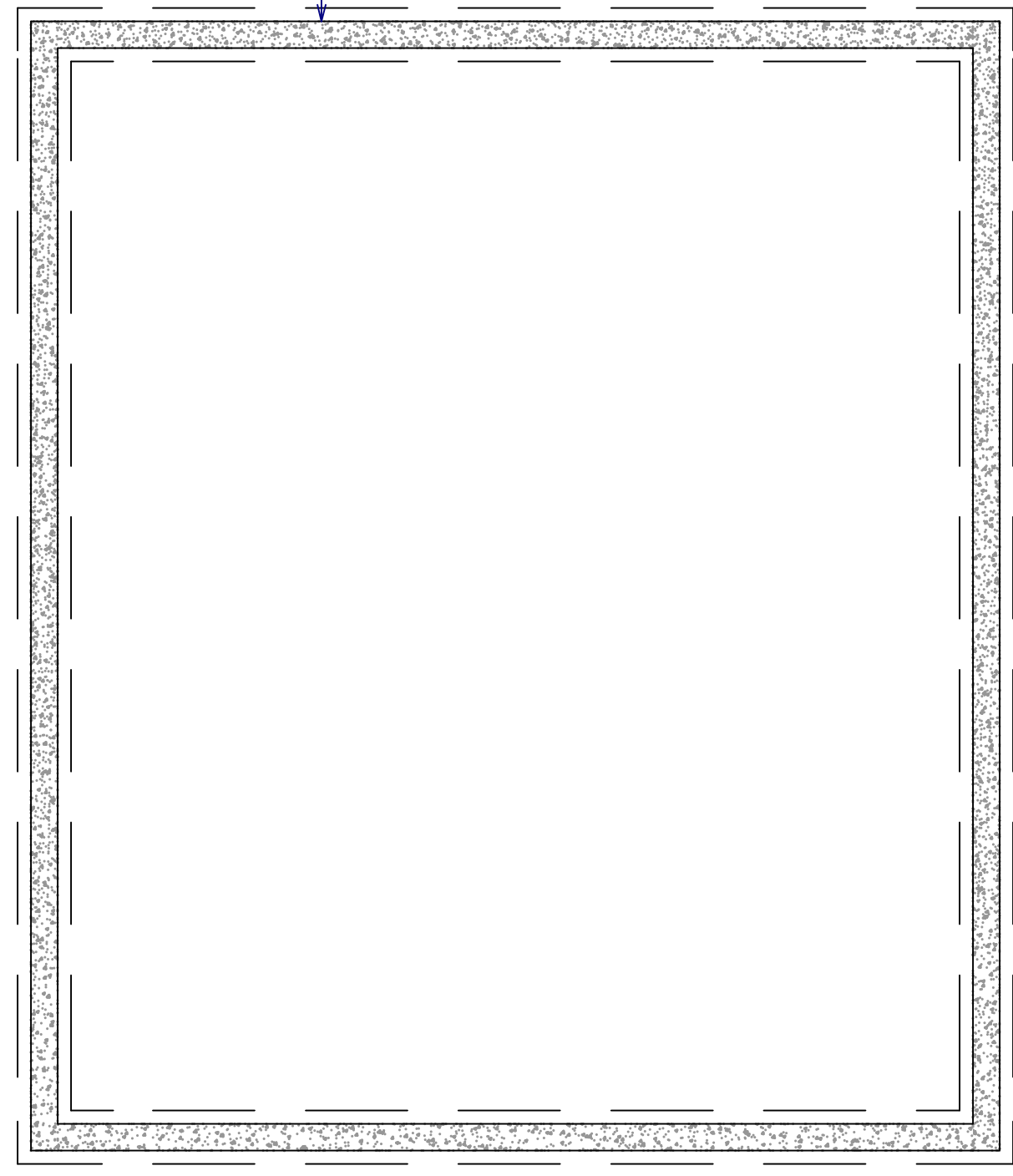
① MAIN FLOOR PLAN
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FRONT/NORTHEAST



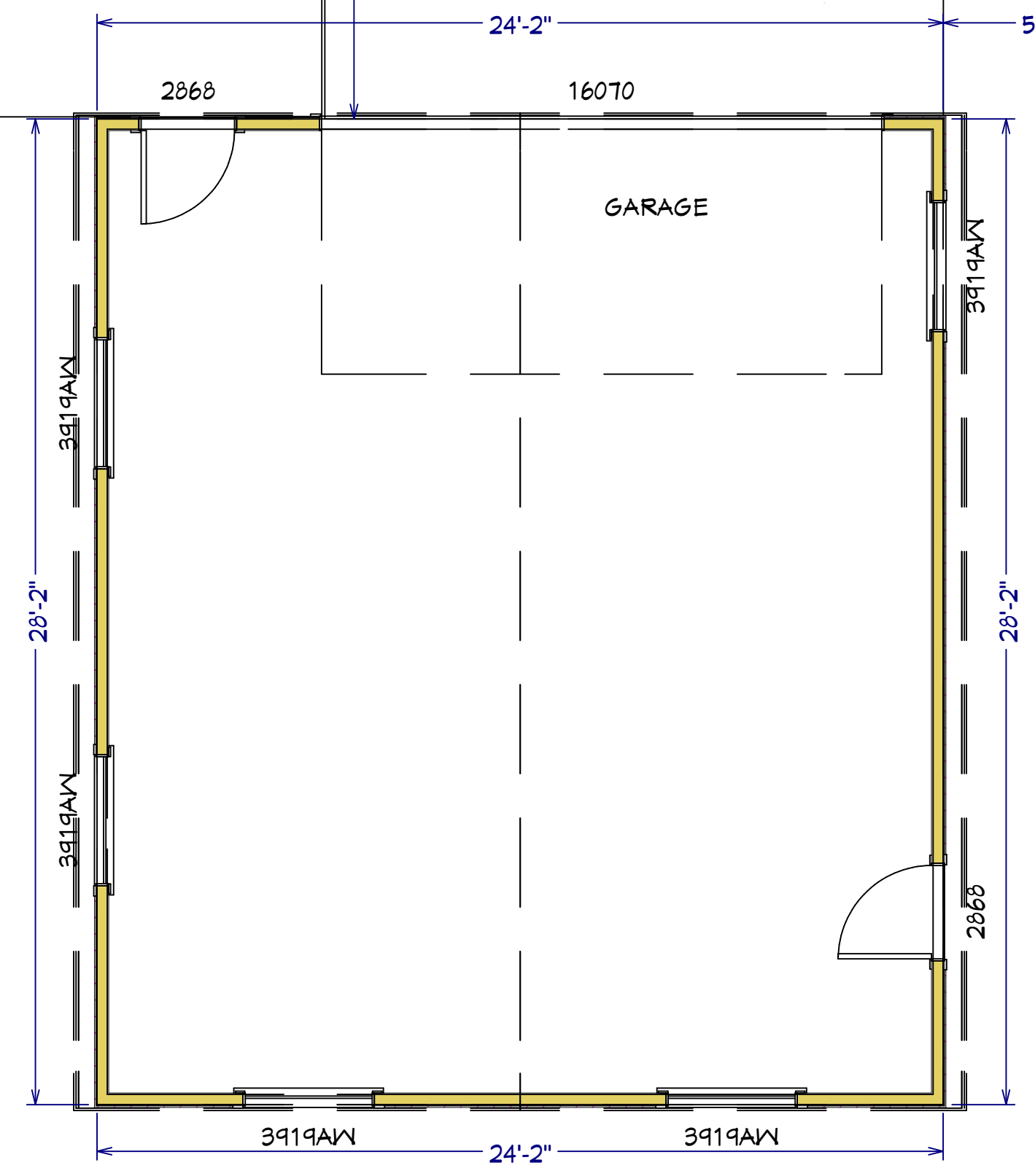
EAST



NORTHWEST



SOUTHWEST



SD
02

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Schematic Design Drawings

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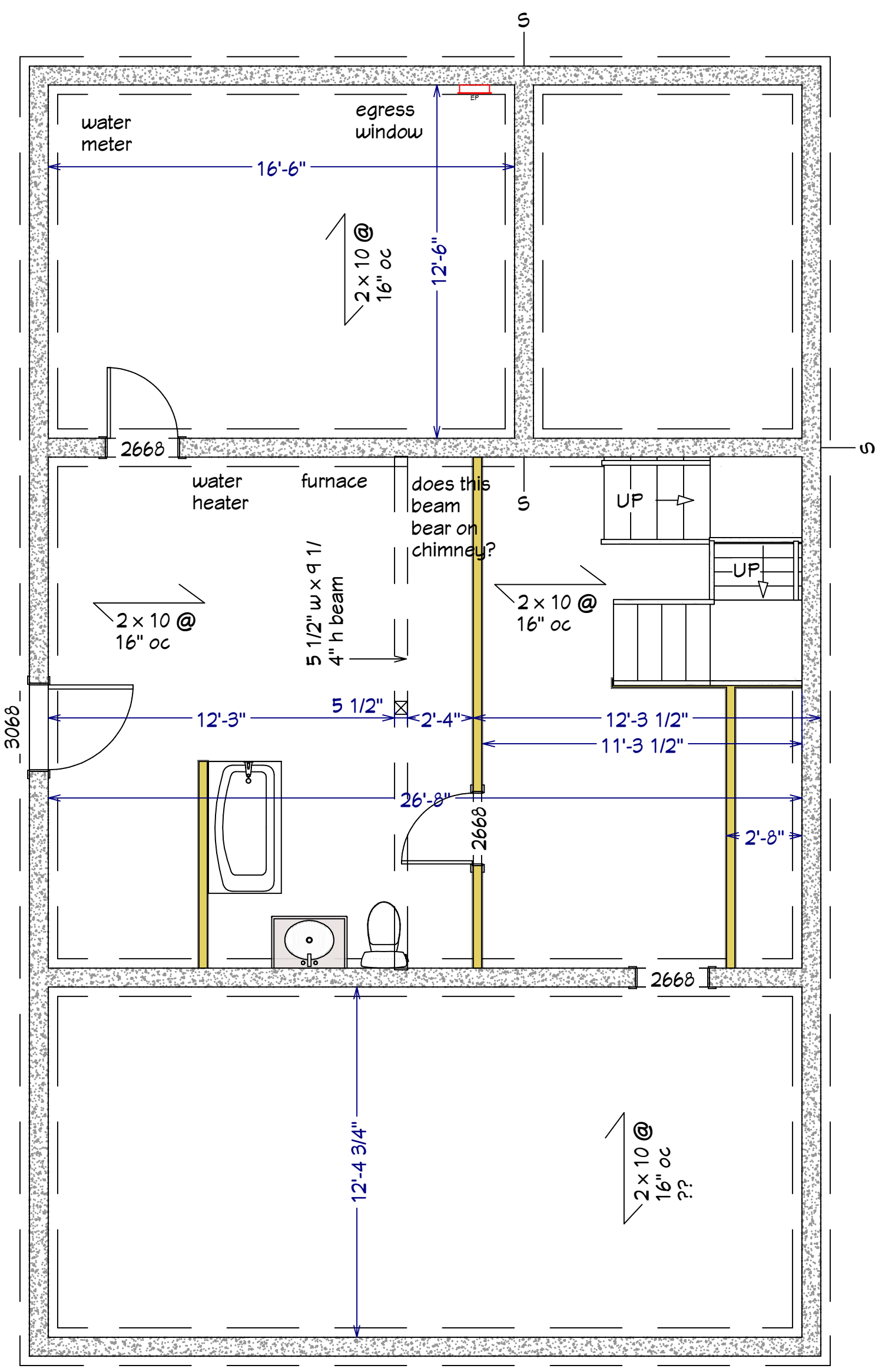
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chk: MS
date: 09.26.2024

9/30/2024 2:53:05 PM RCHF2402 Kraewood schematic design 24x36

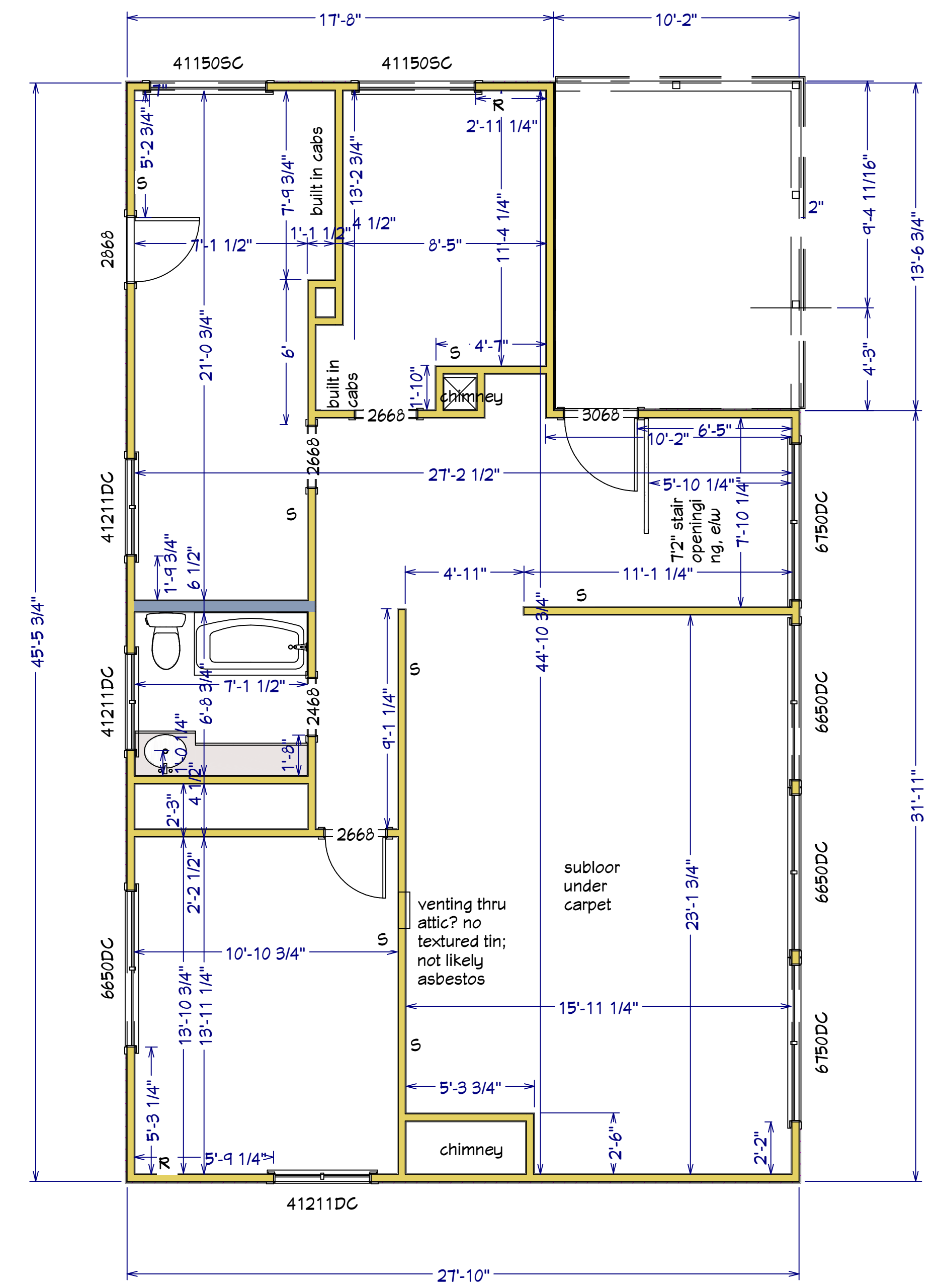
EXISTING

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