



# NEW HISTORY

**PROJECT SUMMARY FOR REUSE DRAFT**

**JEFFERSON SCHOOL, HIBBING, MN**

**October 21, 2024 HEDA MEETING**

# AGENDA

## PROJECT GOAL:

Assess viability of multi-family housing and community uses at this site, including an adaptive reuse of the existing building

## OUR HYPOTHESIS:

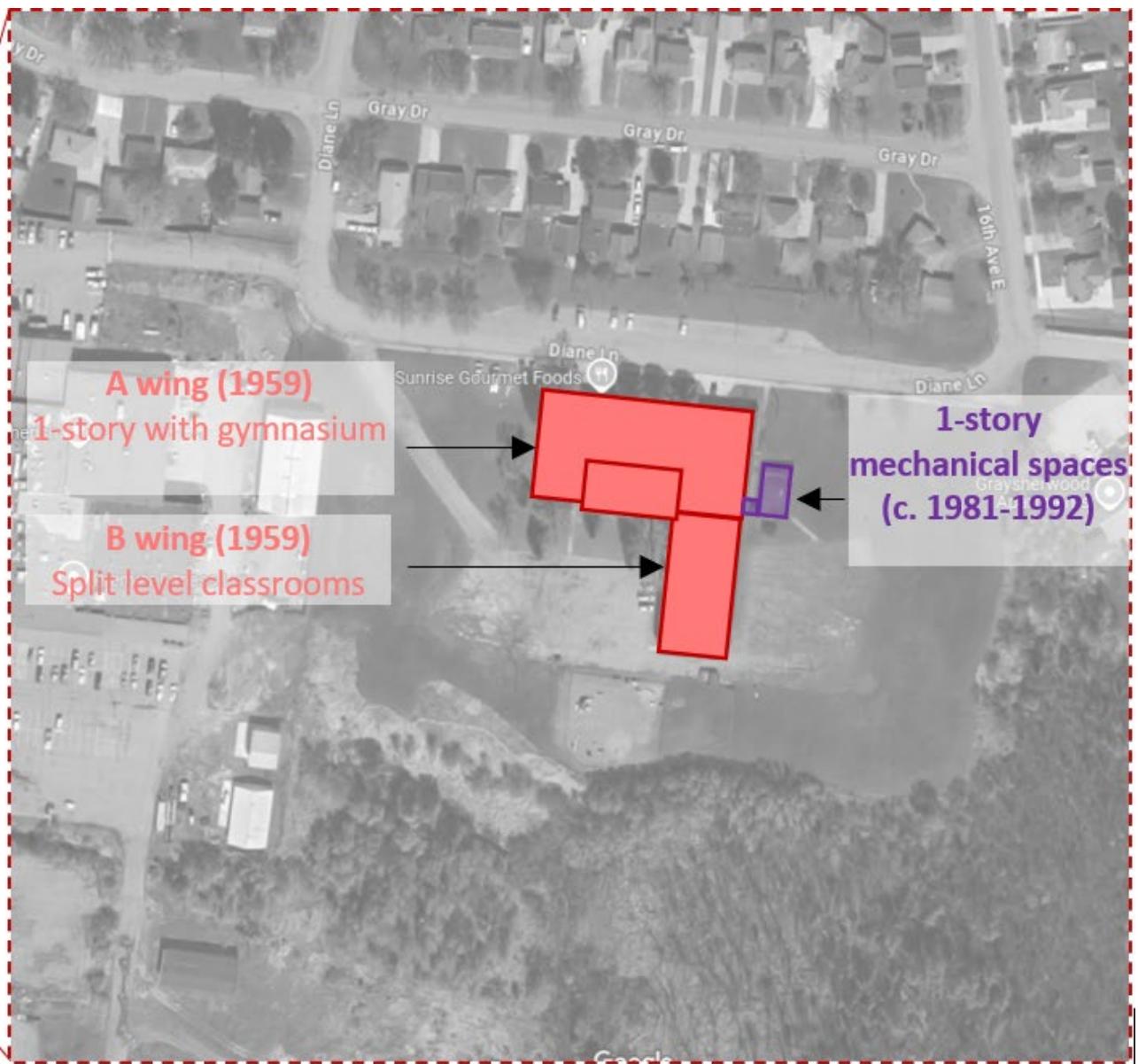
The building and site could be reused to accommodate housing/community needs

## TODAY'S PRESENTATION:

- Present findings and reuse options
- Develop consensus on HEDA's future involvement at the Jefferson School building



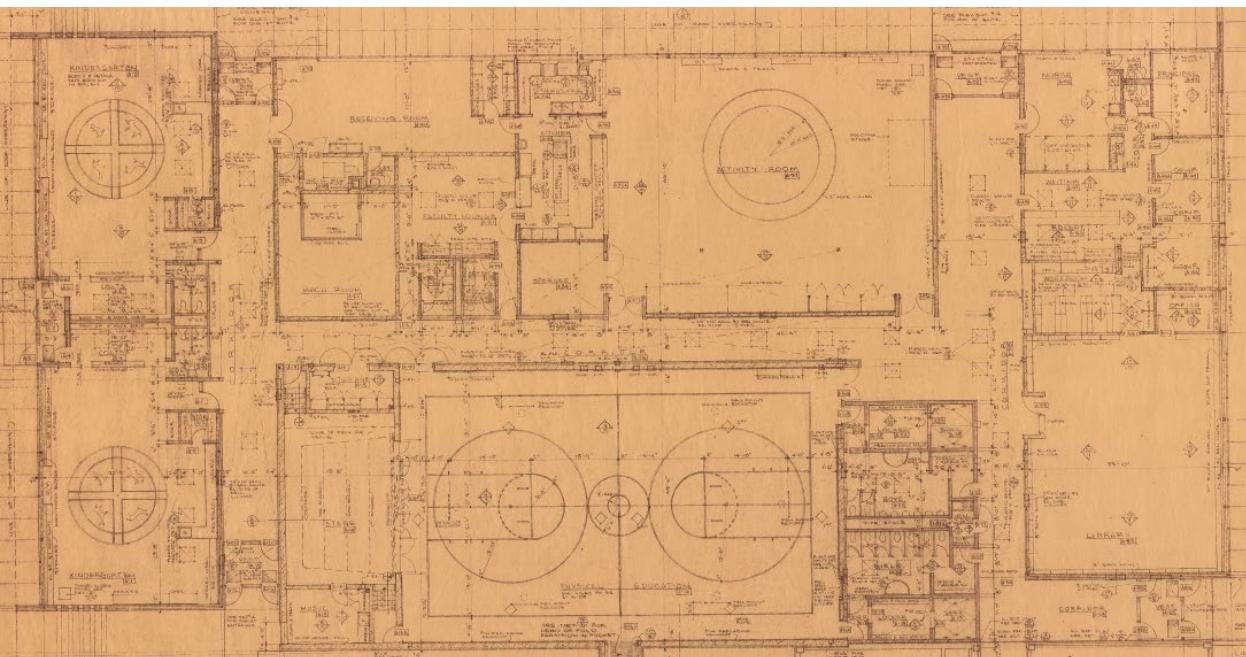
# PROJECT LOCATION AND SITE



# PROJECT UNDERSTANDING

## CONTEXT:

- Construction date and type: 1959, reinforced concrete structure with steel joist roof
- Ownership: Sunrise Bakery, LLC (private)
- Historic use(s): School
- Current use(s): Multi-tenant commercial building with bakery, childcare, and vacancy
- Historic status: not designated
- Ownership transfer by end of 2024





# NEW HISTORY SCOPE OF SERVICES

1. Documentation Review
2. Condition Assessment
3. National Register of Historic Places (NRHP) Eligibility
4. Reuse Options

# 1. DOCUMENTATION REVIEW

## DOCUMENTATION REVIEWED

- 1958 Drawings
- 2008 Childcare Preliminary Development Plan Rezoning Request and drawings
- 2008 and 2017 Building Permits
- **2023 Comprehensive Housing Needs Analysis for Hibbing** (MaxField Research & Consulting)
- 2024 Memorandum of Understanding and Access Agreement: Sunrise Bakery LLC and Hibbing EDA
- St Louis County property records
- Unit layouts (Larson Construction Inc.)
- Final Development Plan to amend and reclassify Planned Development District #PD08-01 to #PD11-1



# 1. DOCUMENTATION REVIEW

## KEY FINDINGS

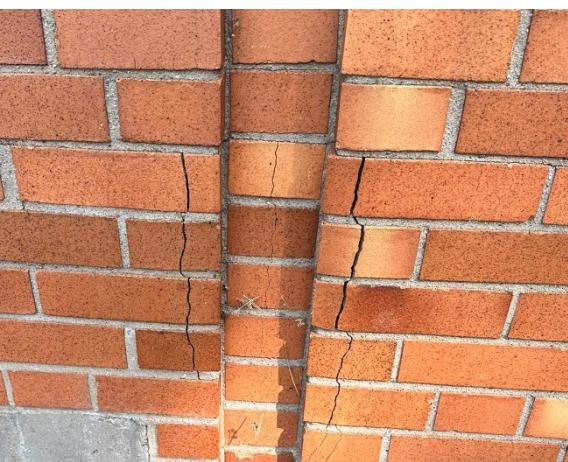
- **Memorandum of Understanding: Sunrise Bakery and Hibbing EDA**
  - 6-month agreement: 7/31/24 – 01/31/25
  - Building can be a potential property to repurpose for housing
  - Need scope and cost information + attract developer
- **2023 Strategic Planning Initiative**
  - Goal #2 Quality housing stock that is affordable and accessible
  - Goal #5 Safe place to live and raise family
- **2023 Housing Study**
  - Need for over 1200 new housing units through 2035
  - Target market is empty-nesters and retirees
  - Minimal quality lots available for new construction. Need additional buildable lots
  - Larger developments or multiple smaller buildings (i.e. 4 to 16 units)
  - New construction in Hibbing is difficult to achieve under \$300,000
  - For-sale market: record-low supply + strong appreciation
  - Senior: existing is mostly assisted living and affordable, strong demand for market rate/affordable/independent senior housing
- **Final Development Plan to amend and reclassify Planned Development District #PD08-01 to #PD11-1**
  - Existing Planned Development and Zoning do not support desired use of housing.



## 2. CONDITION ASSESSMENT

### KEY FINDINGS AND RECOMMENDATIONS

- Otherwise sound condition (overall)
- Water infiltration (roof)
- Structural integrity
- Accessibility needs to be addressed for reuse
- Potentially Hazardous Materials
- Windows are not original, or new
- Majority of original finishes appear to remain
- Vestibules in fair condition



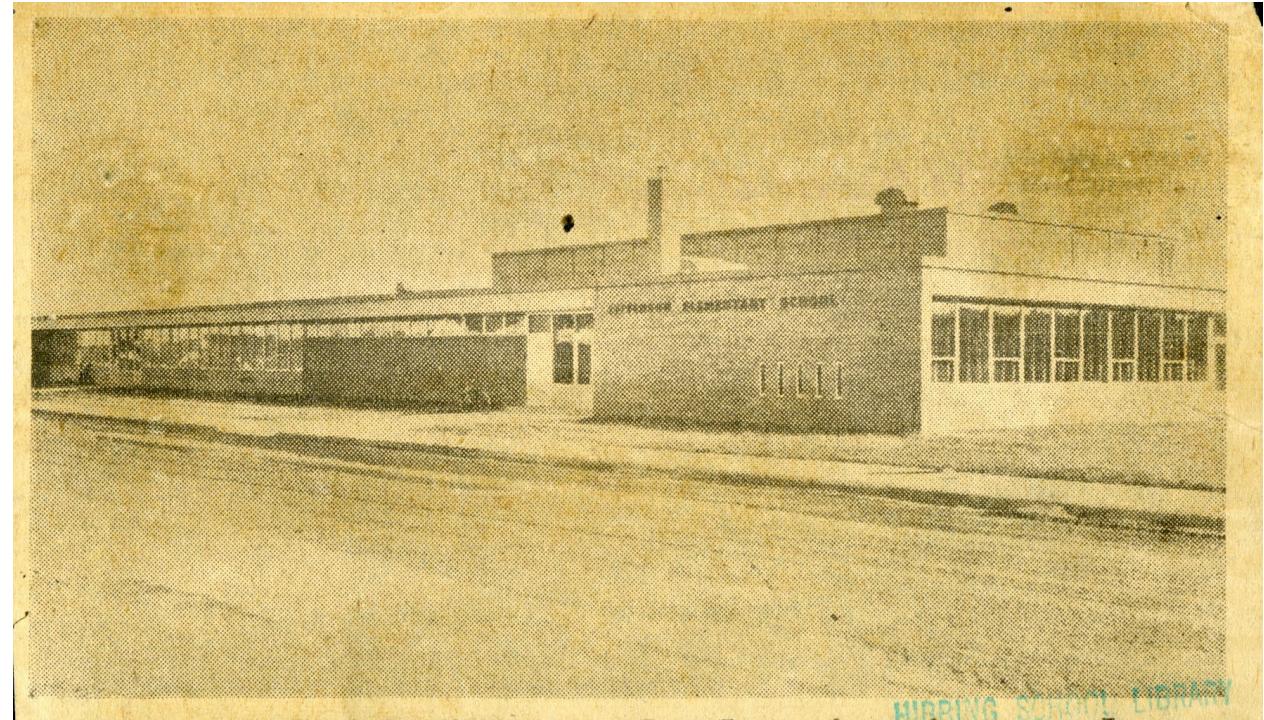
### 3. NATIONAL REGISTER OF HISTORIC PLACES (NRHP) ELIGIBILITY

#### NRHP ELIGIBILITY BASED ON:

1. Historic significance
2. Integrity

#### NRHP ELIGIBILITY FOR THE BUILDING:

- Low level of historic significance
- Medium to high level of integrity
- Overall, low likelihood of NRHP listing



Jefferson Elementary, 1959. Image courtesy of the Hibbing Historical Society

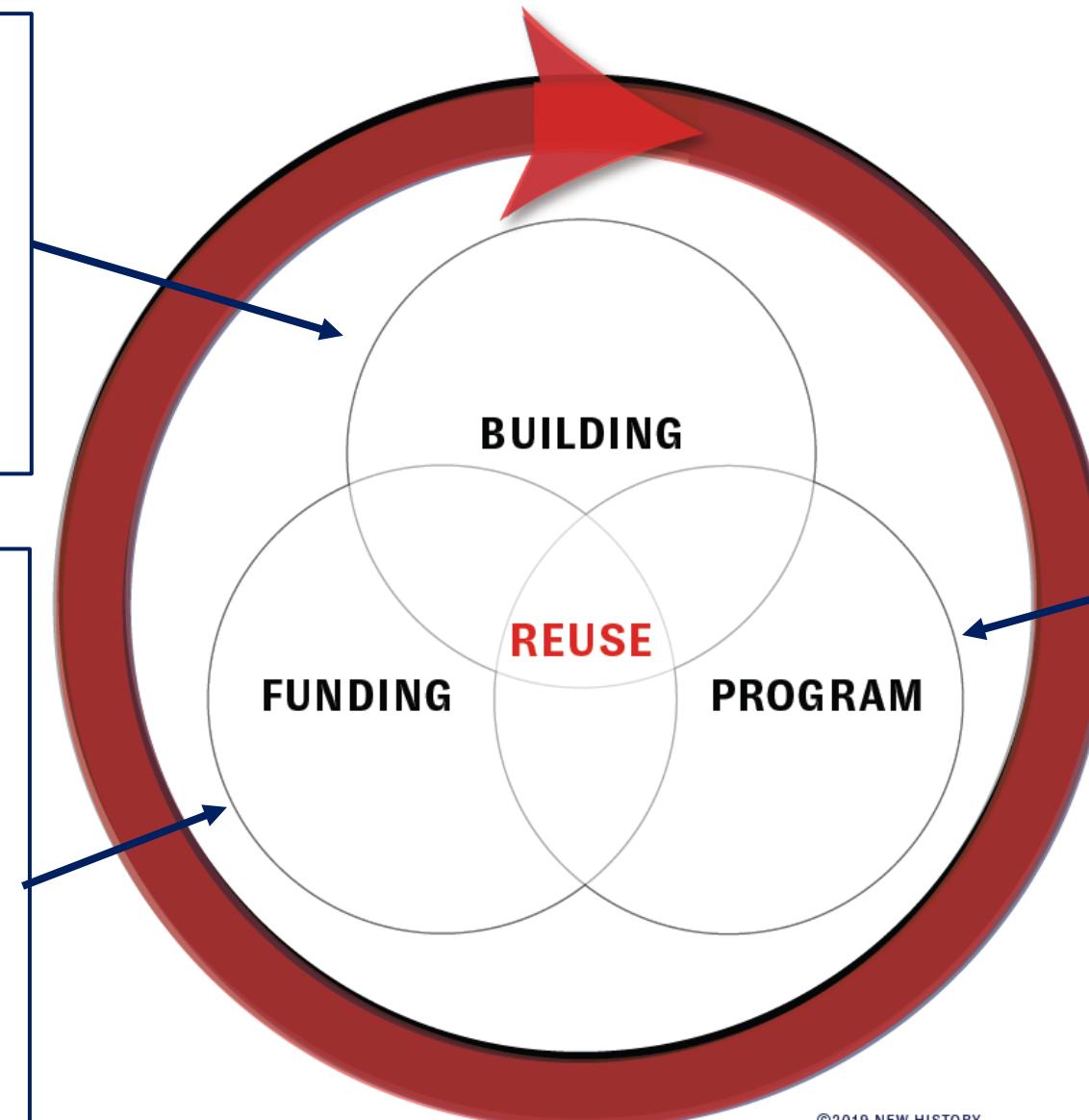
## 4. REUSE OPTIONS - FEASIBILITY AND REUSE STUDY PROCESS - REVIEW

### What you have:

- Approx. 46,000 SF
- Approx. 22 (class)rooms, 1 cafeteria, and 1 gymnasium
- Bakery (owner) and Childcare (tenant)
- Underutilized building and site
- Approx. \$210,000 est. market value
- Zoned for planned development

### Public vs. private ownership:

- Direct funding by City/EDA
- City Bond
- Energy/program-related tax incentives
- State-level support
- Federal/state clean-up loans/grants
- Private equity
- Debt
- TIF
- Others



### Program Needs:

- Housing
- Target market: empty-nesters and retirees
- One-bedrooms
- Increased childcare capacity
- Community spaces



## 4. REUSE OPTIONS TABLE

SCENARIO	Do Nothing (i.e. Property Owner sells directly to Private Developer)	City Acquisition + Sale to Private Developer	City Acquisition and HRA Collaboration (Public Housing)
Description	No action taken by the City. Current owner sells property to a developer.	City to acquire/stabilize the property, rezone the site, and secure a developer to provide housing	City and HRA collaborate to develop housing (market rate or tax credit)
Timeline Estimate	<ul style="list-style-type: none"> <li>2025: Sale of property</li> <li>Future plans for the site (TBD)</li> </ul>	<ul style="list-style-type: none"> <li>2025: City purchases and holds the property</li> <li>2026: Developer takes control of the property</li> </ul>	<ul style="list-style-type: none"> <li>2025: City purchases site and holds on property until a successful approach is determined.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>City resources not required in the near term</li> </ul>	<ul style="list-style-type: none"> <li>City has better control over the site redevelopment</li> <li>Property can become an equity transfer demonstrating local contribution for developers seeking MHFA funding.</li> <li>Developer has access to more funding sources</li> </ul>	<ul style="list-style-type: none"> <li>City controls the uses on site and provides more community services</li> <li>Could provide affordable housing or market rate</li> <li>City could profit from sale of undeveloped land</li> </ul>
Risks	<ul style="list-style-type: none"> <li>City of Hibbing cannot inform uses</li> <li>New owner may not allow childcare facility to remain</li> <li>Building may be demolished</li> <li>No guarantee of increased tax revenue</li> </ul>	<ul style="list-style-type: none"> <li>Public opinion</li> <li>Unknown timeline of property sale</li> <li>Holding cost during redevelopment</li> <li>May require public funding sources</li> </ul>	<ul style="list-style-type: none"> <li>Could be most costly and financially challenging</li> <li>Longest risk exposure</li> <li>Timeline may be impacted by the community engagement/public input</li> </ul>
Funding and Revenue	<ul style="list-style-type: none"> <li>Unknown demand for public funding and/or increase in tax revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Predevelopment funding sources to city (e.g. DEED, MPCA, IRRRB, Tenants rent)</li> <li>Private Development funding sources (e.g. TIF, MHFA, LIHTC, grants/gap funding)</li> </ul>	<ul style="list-style-type: none"> <li>Tax Credits</li> <li>HUD's Rental Assistance Demonstration (RAD)</li> <li>Housing Rental Income: +/- \$320,000/year (~26,800 RSF @ \$1/SF)</li> <li>Housing Purchase Option: \$3,750,000 total (\$150,000/Unit) + HOA fee</li> </ul>
Road Blocks and Questions	<ul style="list-style-type: none"> <li>What are the city's largest concerns about losing site control and can they be mitigated through any policy or ordinance?</li> </ul>	<ul style="list-style-type: none"> <li>City property acquisition and sale process</li> <li>Childcare relocation/consolidation</li> <li>Parcel configuration (division, access/roads)</li> <li>Reputable property management company</li> </ul>	<ul style="list-style-type: none"> <li>Capacity to develop in a timely manner given current workloads and staffing levels</li> <li>Potential for additional delays due to public ownership processes</li> </ul>



## 4. REUSE OPTIONS – GENERAL COST ESTIMATES (DRAFT)

SCENARIO	Do Nothing (i.e. Property Owner sells directly to Private Developer)	City Acquisition + Sale to Private Developer	City Acquisition and HRA Collaboration (Public Housing)
GENERAL	\$	\$\$	\$\$\$\$\$
ONE-TIME COSTS	\$0	\$300,000 - \$350,000	+/- \$11,500,000
Preliminary Consulting/Fees (Legal, Design, Environmental, Application Fees)		\$100,000	\$100,000
Survey / Haz. Mat		TBD	TBD
Acquisition Cost (tax assessed value)		\$206,900	\$206,900
Roof Stabilization		\$20,000	\$20,000
Development Costs (est. 5% escalation/year)			
Planned Development (design + zoning change)		TBD	TBD
Building renovation (25 units @ 300K/per)		-	+/- \$11,200,000
Others (staff time, childcare relocation)		TBD	TBD
ANNUAL CARRYING COSTS	No Responsibility	Holding Duration	\$TBD/year
Property Tax		\$0	\$0
Insurance		+/- \$330	TBD
Utilities + Garbage		TBD	TBD
Snow Removal / Lawn Care		TBD	TBD
Security		TBD	TBD
Ongoing Maintenance (average of 5% cost)		\$10,000	\$575,000
Others		TBD	TBD

## 4. NEXT STEPS FOR DISCUSSION

- Full report to be issued by Mid-November 2024
- Develop consensus on HEDA's future involvement at the Jefferson School Building

### Potential next steps for development of the property

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- Property Appraisal
- Site Survey
- Hazardous Materials Report
- Conversation with City Attorney (acquisition process)
- Assess timeline and carry cost
- Garner public support through community engagement
- Masterplan of site through Planned Development / Zoning
- Developers outreach
- Draft RFP for developers
- Schematic plan development to inform proforma
- Secure public funding sources





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