



COMMUNITY CONSTRUCTION PROGRAM

A PARTNERSHIP FOR CHANGING LIVES

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A LITTLE ABOUT US...

JILL

- Not my first program:
 - Family Nutrition Program
 - Women's Way
 - Heartland Kids



JAKE

- Jill made me do it!



WHERE WE LIVE



A LITTLE ABOUT DULUTH

- On the north shore of Lake Superior, the largest in-land Port in the U.S.
- Population approximately 87,000.
- 34% of households make less than \$35,000 per year.
- Tourism, Aviation, Healthcare, and Education are the main employers.
- It is a BEAUTIFUL place to visit (in July) and is known for its year-round, outdoor recreation.
- In Minnesota, HRAs may levy a tax, giving us some unrestricted money to further housing related activities in our communities.



DULUTH'S HOUSING MARKET

- Median sale price for a home in Duluth (April 2022, realtor.com) - \$245,000
- Median days on Market – 40
- Fewer than 50 listings total on May 16, 2022 (single-family homes)
- Greater than 50% of the homes in Duluth are over 50 years old
 - 80% are at least 35 years old.
 - This creates a large need for housing rehab programs



WHY A COMMUNITY CONSTRUCTION PROGRAM?

NEED

- Lack of contractors for HRA Rehab projects
- Few contractors and they are BUSY
- Contractors have trouble finding employees



IDEA

- Start a construction training program



PROGRAM AND PROCESS

PROGRAM

- Create a construction training program that would be able to bring people into the workforce:
 - Employees for contractors
 - New construction contractors
 - Bid on HRA Rehab jobs

PROCESS

- Determine funding availability
- Get Board approval
- Request for Proposals for a partner
- Start up costs
- Administration costs
- Education costs
- Construction costs

CONSIDERATIONS

- Educational Institution
- Budget – What will it take?
 - \$75,000 start-up costs (supplies, PPE, tools,)
 - YEAR ONE
 - \$75,000 administration
 - YEAR TWO
 - \$50,000 administration
 - YEAR THREE
 - \$25,000 administration
- What other funds are out there?
 - DEED – adult economic opportunities grant
 - Northland Foundation
 - Ordean Foundation
 - Duluth/Superior Area Community Foundation
- Finding the right mix
 - How big of a cohort is best?
 - How do we expand?

LAUNCH DURING COVID



HIRING

- Needed a licensed contractor

SELECTING THE SCHOOL

- The Duluth Technical College (Lake Superior College) did not want to participate
- The Superior Technical College (Northwood Technical College) was on board for the six-week construction essentials course – YAY!!!

RECRUITING

- Needed a pipeline for participants

BUYING THE FIRST HOUSE AND GETTING STARTED!

- Tax Forfeit?
- Condemned?
- Foreclosed?
- For Sale at a low cost?

FINDING OTHER PARTNERS

- Unions?
- SOAR?
- Life House?

WHAT ELSE IS IT GOING TO TAKE?

- LIFE SKILLS COACH
 - Managing life crises
 - Importance of coming to work
- TRANSPORTATION
 - Rides
 - Bus passes
 - Driver's License
- CHILD CARE
- FAIM PROGRAM (Family Assets for Independence)
- GED

MEET RICHARD!



CHALLENGES

- FIRST HOUSE

- Over Budget... by A LOT!
- WHY?
 - Our first cohort had zero experience, the labor costs were a lot more than anticipated
 - Attention to detail – redo, redo, redo....
 - Unexpected issues with the sewer line
 - Started cohort two halfway through and had too many people...too much standing around time
 - Large fluctuations in cost of materials

- SECOND HOUSE

- On budget (really close)
- Watching the budget very carefully
- Teaching about change orders on line items that have unexpected increases
- Smaller team with experience from the first house

CHALLENGES

- THIRD HOUSE
 - Very hot market even for homes in need of substantial rehabilitation
 - Balancing purchase price and rehab costs
 - Third? Third and fourth? Fifth?
 - 2 houses at the same time?



RESULTS



LOOK AT THESE FACES!!!

- FIRST COHORT
 - Aaron – did not finish
 - Jason – completed, hired at Menards
 - J.J. – completed, hired at a local construction company
 - Ron – completed, promoted to team lead and then to construction manager with the Community Construction Program
- SECOND COHORT
 - Cheyenne – promoted to team lead with the Community Construction Program
 - Darrin – completed the certificate, but then had a relapse with drugs
 - Dakin – completed, hired at Economy Garages
 - D.J. – accepted into a carpentry union apprenticeship
 - Bobby – completed the certificate, but then had a relapse with drugs
 - Javi – did not finish
 - Brett – completed, working as a handyman

PARTICIPANTS' STORIES



RON



CHEYENNE



D.J.

RON

- Former Public Housing Resident
 - Has two children, second one just born last month
 - Almost 5-years sober
 - Purchased first home in December
-
- Started with the first cohort
 - Promoted to the team lead and then to the construction manager
 - Continues to work with a mentor on learning all the details of construction, budgeting, preparing scopes of work, etc.
 - Takes his Licensed Contractor exam at the end of May



CHEYENNE

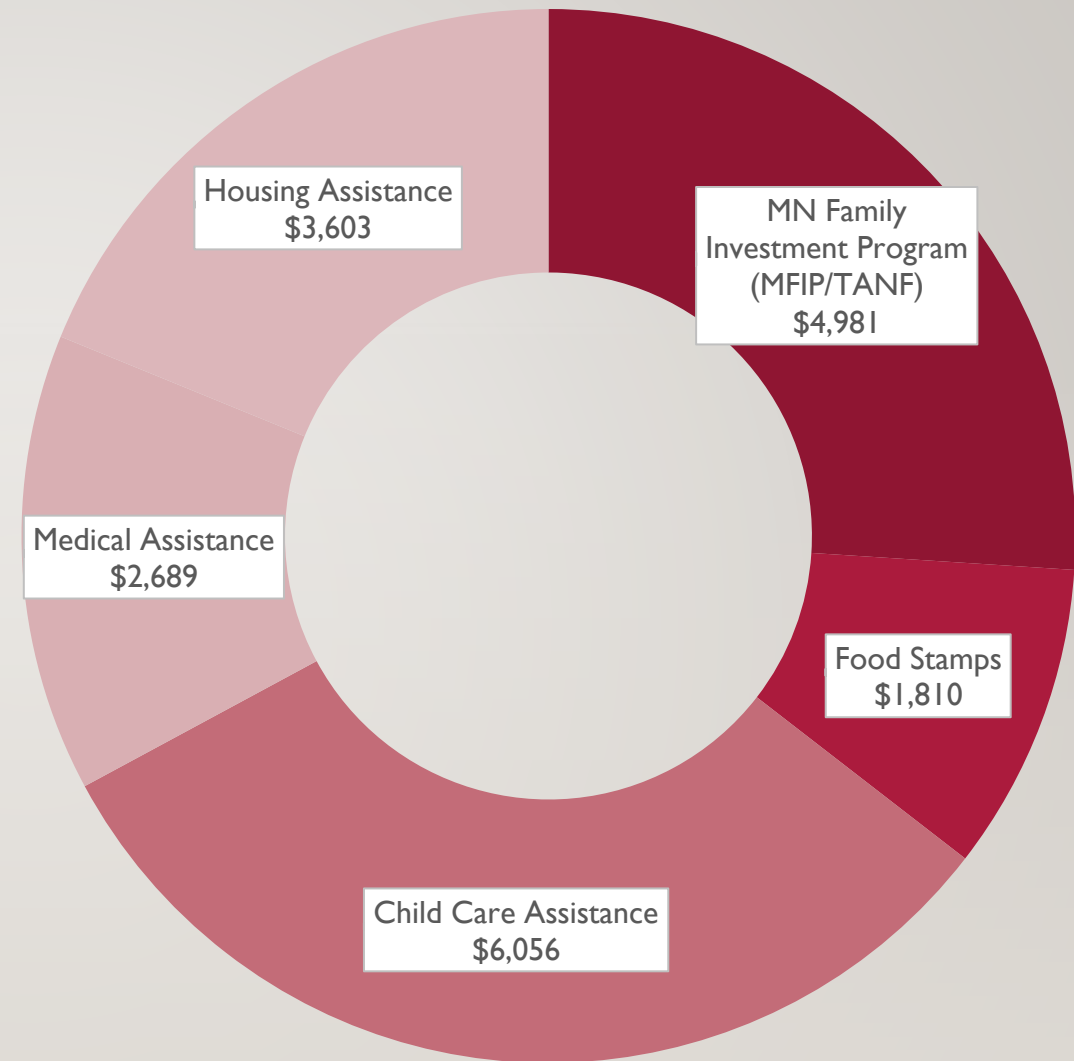
- Grew up in Public Housing
 - She and her son were homeless
 - Worked at Life House (shelter for homeless youth)
 - Two years sober
-
- Brought in to the second cohort
 - Promoted to team lead
 - Working on her GED (3 out of 4 tests passed)
 - Takes her driver's license test at the end of May
 - Has her own apartment



RETURN ON INVESTMENT

TOTAL PER YEAR PER RECIPIENT: \$19,139

- If you lift one person out of poverty at age 30, there is a savings of **\$669,865** from age 30 to 65.
- We are starting our third cohort. If one person from each cohort is lifted out of poverty through a living wage trade, it will save **\$2,009,595** in benefits.
- If the cycle of poverty is broken and each of those participants have one child, you save an additional **\$2,296,680** (assuming 40 years of benefits per person).



Source: Minnesota Office of Management and Budget; Government Assistance Programs for Low Income Families, 2000

AND... WE REHABBED HOUSES!

BEFORE



AFTER















COST

- SOURCES OF FUNDS

- HRA
- Other Grants

- USES OF FUNDS

- Administration
- Construction/Labor



- FIRST HOUSE

- Goal: \$175,000
- Actual: \$268,804
- Sale Price: \$180,000

- SECOND HOUSE

- Goal: \$175,000
- Actual (so far): \$188,223
- Anticipated Sale Price: \$

- THIRD HOUSE

UNINTENDED CONSEQUENCES

- ORIGINAL NEED

- Contractors for rehab projects

- WHAT ACTUALLY HAPPENED...

- Blight reduction
 - Providing decent paying jobs
 - Lifting people out of poverty – breaking the cycle
 - Affordable home ownership
 - Funneling qualified candidates into union apprenticeships
 - And...
 - Providing employees for contractors so they can bid on rehab jobs!

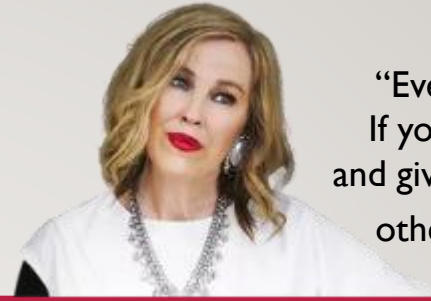


LESSONS LEARNED

- Oversight
 - Substantial hand holding at first
 - Monitor the budget carefully
 - Use change orders
- Less is more for the initial teams
 - Too much standing around and watching if the teams are too large
- Be prepared for the unexpected when buying inexpensive homes to rehab – understand the risk and be transparent about it
- It doesn't have to be perfect! BUT – the clean up and attention to detail need to be taught
- Keep your board informed
- Keep other stakeholders informed

*Our Board has made
this a permanent
program in our Rehab
and Real Estate
Department - no
longer just a Pilot
Program.*

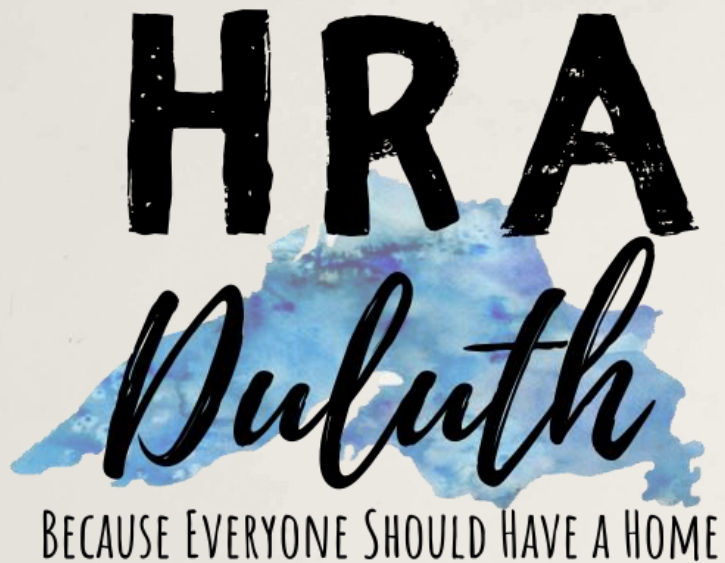
THE FUTURE



“Every project has potential.
If you allow yourself to see it,
and give it the respect it deserves,
others just may follow suit.”

-Moira Rose

- Next Cohort
 - Four new recruits are ready to start
 - Expand into two teams as we grow and have some experienced staff to lead the new staff
- Next House
 - Please see slide on challenges and pulling your hair out!!!
 - No worries, we will find one!
 - In the meantime, the participants will complete their schooling AND the experienced team has already bid on and was selected to do some work in our public housing turning units.
- New Construction
 - Maybe someday – but this is a ways out
- Bid on rehab jobs
 - We hope that as the cohorts continue to come in, that we can splinter off an experienced group to start bidding on rehab jobs.



THANK YOU!

JILL KEPPERS & JACOB MORGAN

QUESTIONS?