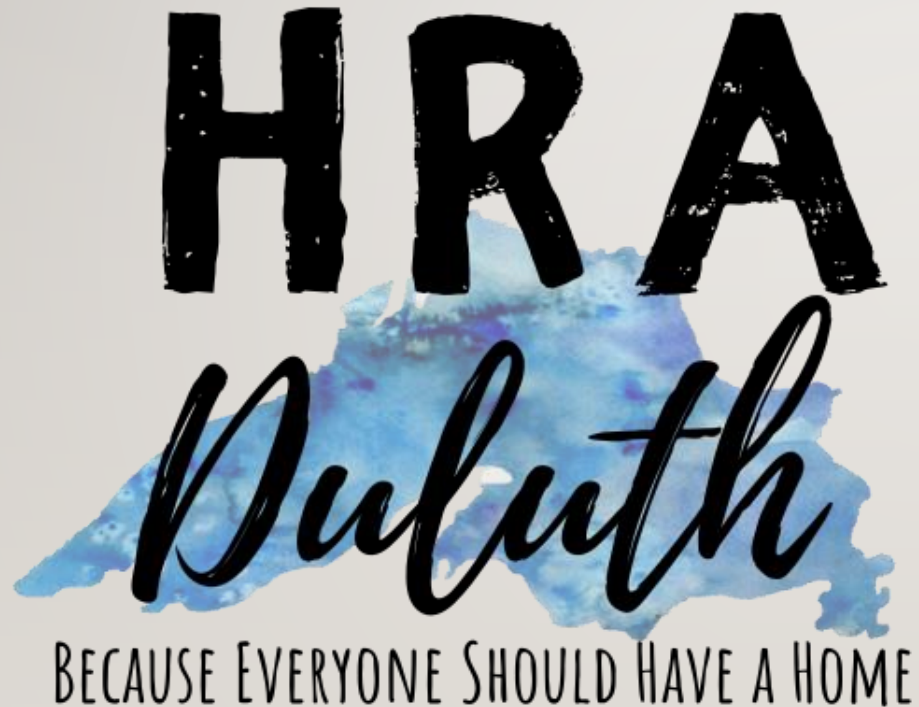


The background of the image is a textured, light-colored concrete wall. Three large, empty rectangular frames with thick black borders are arranged horizontally across the wall. The frames are positioned in the upper half of the image. The text is overlaid on a dark grey horizontal band that spans across the first two frames.

COMMUNITY CONSTRUCTION PROGRAM

A PARTNERSHIP FOR CHANGING LIVES

Jill Keppers, Executive Director
Jacob Morgan, Director of Rehab and Real Estate
Housing and Redevelopment Authority of Duluth, Minnesota



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 (July, 2023, realtor.com) - \$315,000
- Median days on Market – 24 (July, 2023, realtor.com)
- 94 Listings as of September 7, 2023 (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

LAUNCH DURING COVID



HIRING

- Needed a licensed contractor

SELECTING THE SCHOOL

- Lake Superior College (technical school in Duluth) is now the education partner for the program

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?

CONSIDERATIONS

- Educational Institution
 - Lake Superior College
 - Construction Essentials Certificate
- 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
 - YEAR FOUR (1-year contract extension)
 - ~\$20,000 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?

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

- Much improved budget management.
- 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
 - Still over budget but getting closer.
 - This house came with a number of other issues as well (neighbors...).
- Other Houses
 - Repossessed a number of homes from HRA-managed homeownership programs and were able to use dollars from those programs for rehab of those homes.

*Total of 7 homes so far that have been touched by this program

RESULTS



LOOK AT THESE FACES!!!

- We are now in our 5th cohort; so far:
 - 14 out of 20 students have successfully completed the program (one who did not complete left to take a full-time job; others either quit or had a substance use relapse)
 - 15 obtained a carpentry certification
 - 8 obtained a drivers license through the program, 2 others pending.
 - 9 employed in construction trades (so far)
 - 5 GED's obtained, one high school diploma
 - 1 General Contractor's License obtained, 2 in process of obtaining
 - 2 purchased homes upon obtaining full-time employment.



PARTICIPANTS' STORIES



RON



CHEYENNE



D.J.

RON

- Former Public Housing Resident
- Has two children
- Almost 7 years sober
- Purchased first home recently
- 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.
- Took and passed the MN Licensed Contractor exam



CHEYENNE

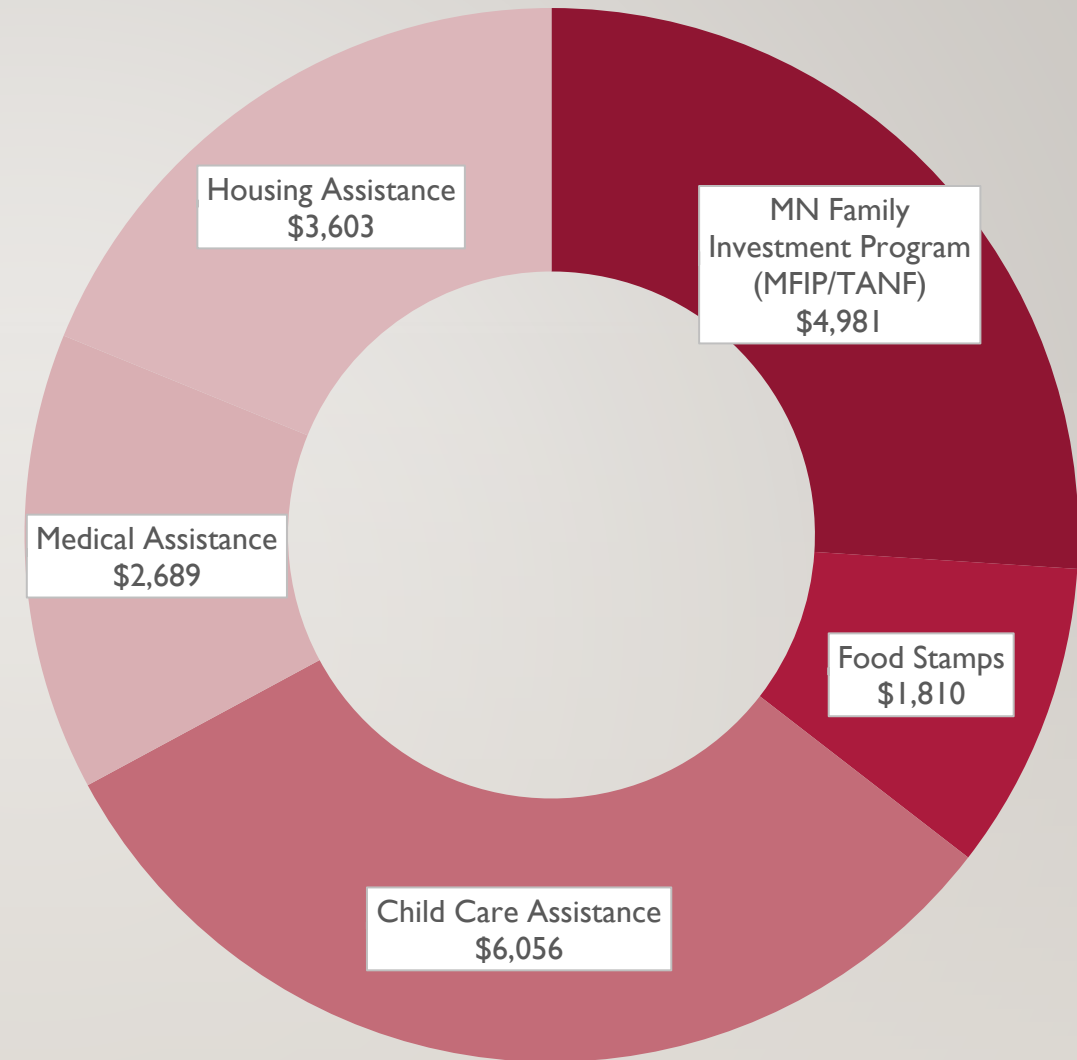
- Grew up in Public Housing
- She and her son were homeless
- Worked at Life House (shelter for homeless youth)
- Brought in to the second cohort
- Promoted to team lead
- Obtained a GED through the program
- Now has her own apartment
- Working toward a General Contractor's License



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 in the midst of our fifth cohort. If one person from each cohort is lifted out of poverty through a living wage trade, it will save **\$3,349,325** in benefits.
- If the cycle of poverty is broken and each of those participants have one child, you save an additional **\$3,827,800** (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: \$224,460
- Sale Price: \$160,000

- THIRD HOUSE

- Goal: \$175,000
- Actual: \$230,000
- Anticipated Sale Price: \$175,000



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 cohort sizes
 - 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

- Now on our Sixth Cohort of students
 - Crews are working on a number of different houses at once right now depending on their workload.
 - 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!!!
 - We have a number of houses currently to keep the crew busy, but eventually we will need to find some new projects.
- 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
 - This has slowly begun to happen. Rehab department keeps an eye out for jobs that the crew may be suited for and makes an effort to encourage the crew to bid on those jobs.

HRA

Duluth

BECAUSE EVERYONE SHOULD HAVE A HOME

THANK YOU!

JILL KEPPERS & JACOB MORGAN

QUESTIONS?