

A-MILL Artist Lofts

2017 Colvin Case Study Challenge



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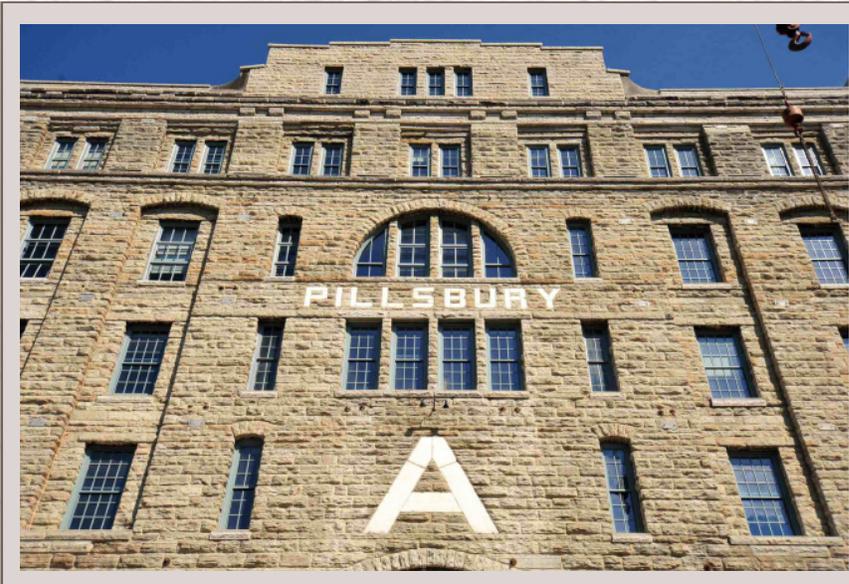


November 2017

Team 9

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Introduction



The A-Mill Artist lofts are located in the historic Pillsbury flour mill building; in the heart of downtown Minneapolis, Minnesota. Originally constructed by Charles Alfred Pillsbury in 1880, the Pillsbury flour mill was one of the largest flour mills located in the U.S for over 40 years. Powered by water from the St. Anthony Falls, the Pillsbury flour mill produced over 17,500 barrels of flour per day with the use of two large hydro-powered turbines located in raceways under the mill. This flour was shipped from the heart of the mid-west, along the mighty Mississippi, to consumers throughout the U.S.

Recently this historic building experienced a rebirth as a LEED certified affordable artist lofts building anchoring the cities Mills District.

Dominion, a Plymouth, MN based developer, spent \$150 million dollars restoring the original construction of the mill into a gathering place for both local artists and the community.

The buildings 250 artist lofts, artist workshops, and social spaces, are sustainably designed utilizing hydrothermal heating and cooling, roof water irrigation, and LED lighting. The building also includes a conversion of the old neon “Pillsbury’s -Best Flour” sign.

Awards

- Business Journal - Best in Real Estate- Adaptive Reuse Multifamily
- NAHB - Multifamily Community of the Year
- Affordable Housing Finance - AHF Readers' Choice Awards
- Novogradac - Historic Rehabilitation Awards
- NAHMA - 2016 Affordable Housing Vanguard Award Historic
- MFE Awards – Project of the Year: Green
- NH&RA- Timmy Award -Best Historic Rehabilitation



Historical Context

In the 19th century, as the Western Frontier began settlement, Charles Pillsbury was attracted to an area in Minnesota alongside the Mississippi river. Pillsbury was drawn to a piece of land in Minneapolis directly alongside the only waterfall on the entire river; Saint Anthony Falls. What Historians now refer to as “The waterfall that built Minneapolis”, Saint Anthony Falls was the foundation of the Twin Cities. The site became home to the Pillsbury A-Mill in 1881, which would serve as the world’s largest flour mill for many decades. The 6-story building was constructed with local materials: timber which floated down the Mississippi

from Northern Minnesota and Platteville limestone from a local quarry. Pillsbury insisted that the building have a style, which was uncommon for a factory building in that era, and commissioned well-respected Minneapolis architect Leroy Buffington to design the complex.

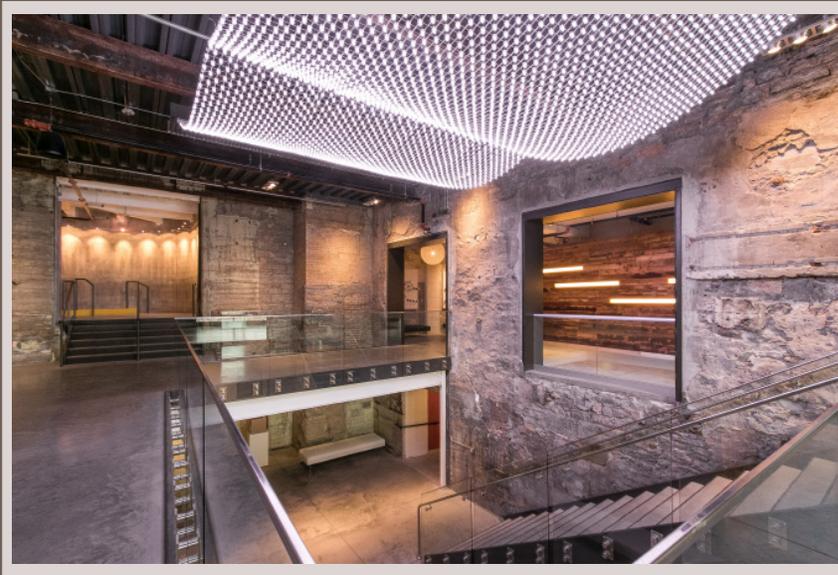
Charles Pillsbury started his career by making technological improvements to the middlings purifier, which allowed a more efficient process of producing flour for production. After the completion of the A-Mill, Pillsbury made another technological advancement with the plansifter, which filtered out



stems and seeds and further refined the flour. This improvement resulted in an increase in capacity and energy savings. The A-Mill’s flour production would steadily grow from 4,000 barrels per day in 1882 to 17,500 barrels a day in 1905. James J Hill, another Twin Cities mogul, provided rail service and tracks directly into the mill where rail-cars were loaded before being shipped across the United States. In 1950, the plant was modernized to use the old water raceways to create power and generate electricity. The mill was eventually phased out of operation in 1975.



In 1966, the Pillsbury Milling Complex was added to the National Register of Historic places. The Pillsbury A-Mill became a National Historic Landmark, and is a contributing property to the Saint Anthony Falls Historic district.



The availability of affordable rental housing has become a problem for our country. Within the past 8-10 years, the availability of natural occurring affordable rentals, has been diminished due to the reinvestment and refurbishment of older apartment buildings. Largely a function of investors seeking better returns in a low interest rate economy, this trend has forced many lower-income households further away from urban cores. As a result, families are often strained with additional commute times to their jobs, children are often forced to change school districts, and families are relocated further away from the urban cores that often provide critical support.

As a company, Dominion has

confronted the affordable rental problem head-on as one of our country's largest affordable housing operators.

Dominium owns and operates over 26,000 apartment units throughout the continental U.S. Originally founded in 1972, by Mr. David Brierton and Mr. Jack Safar, Dominion has expanded rapidly under the initial vision of these early founders. In 1999, this initial vision was extended with the formation of Dominion Development & Acquisition LLC; under the additional leadership of Mr. Armand Brachman and Mr. Paul Sween. With the formation of the Dominion Development & Acquisition LLC, Dominion spun-off their initial property management group, and utilized

their new development & acquisitions LLC for the sole focus of acquiring and developing apartment communities.

Dominium expanded this vision, under the leadership of Mr. Mark Moorhouse, Mr. Owen Metz, and Mr. Neal Route, by investing in the A-Mill project in downtown Minneapolis. **Aligning with local stakeholders, Dominion painted the vision of what is today the historic A-Mill Artist lofts community.** As an anchor cornerstone to the Historic Mills district, the A-Mill artist lofts provide not only affordable housing for our community, but encourage the development of entrepreneurial artists; by providing them with an inviting housing community where they may work and live.

As a community, the city of Minneapolis, alongside Hennepin County and Dominion partners, have been at the forefront when investing in the arts, and preserving the historical past of our Mills district. This common investment, not only provides the necessary foundation for the upward mobility of our citizens, but preserves our historical past.

Vision

During the peak of operations, the Pillsbury Flour mill used innovative technologies and was a vital component to American growth. Over time technologies evolved, and the one-time nationally significant A-mill lost importance. What had once been an impressive structure had become a vacant and deteriorating limestone building. Disregarded and passed over by many, Dominion had a vision, and identified an opportunity with the A-mill. Dominion, a leader in low-income housing, energy and environmental design, and historical redevelopments, identified the A-Mill project as aligning perfectly with its core competencies. By re-purposing the use of the building to adapt

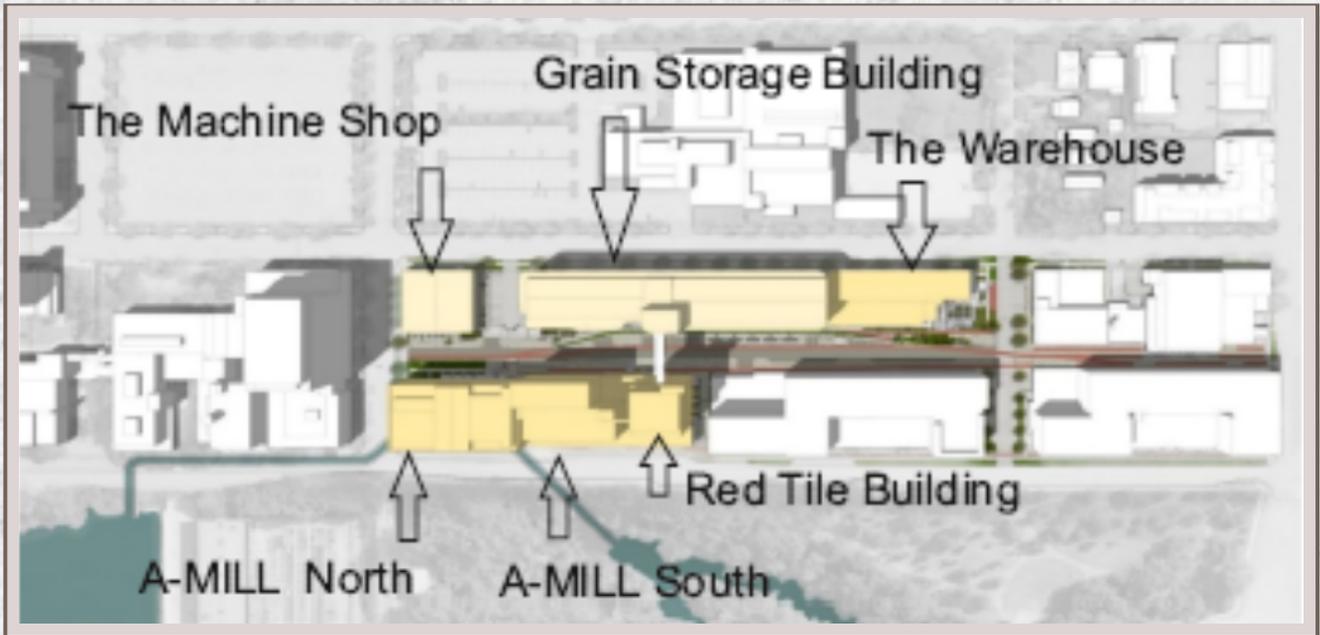
needs, Dominion is addressing the national shortage of affordable housing, creating local jobs, and acting environmentally responsible by restoring and improving sustainable features within the building. Dominion has created a unique space which will be a breeding ground for innovative thinking and artistic expression for the city of Minneapolis. Dominion has put their stamp on the A-Mill apartment lofts, but have done so with respect for tradition and without compromising historical integrity.

The A-Mill bridges the past with the future, and is a passing of the torch between two great Minnesota companies and leaders of their respected fields



and eras. Dominion's sustainable and socially responsible actions have produced positive economic effects, and has kept the tradition alive. The A-Mill will once again have a positive and meaningful impact on society.





Site Plan

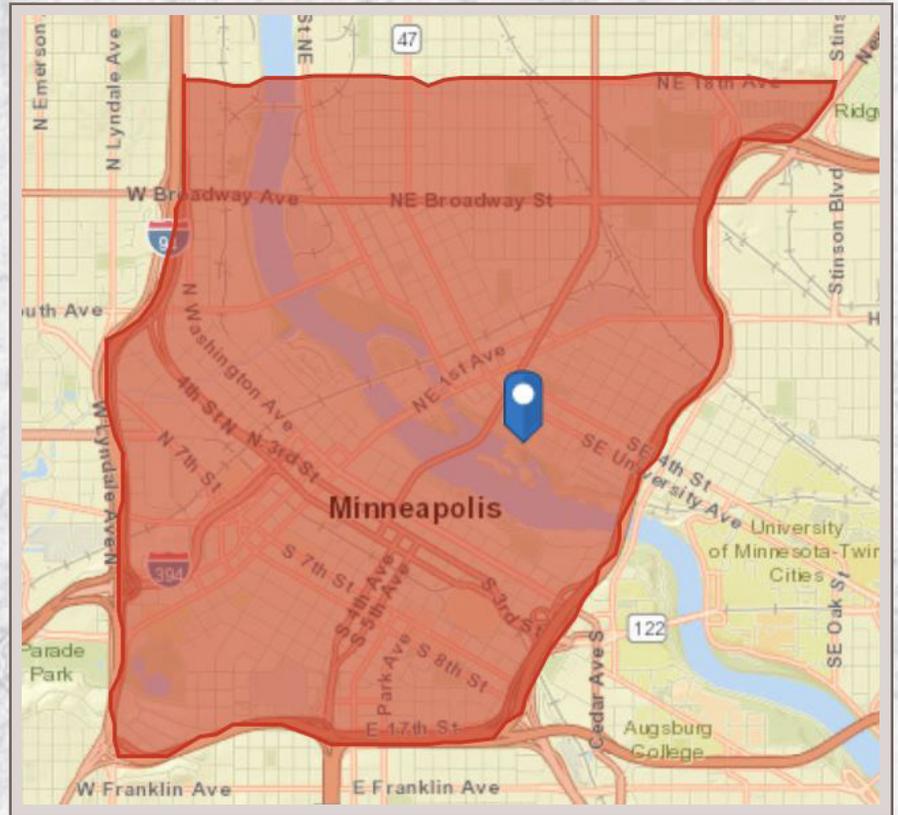
The site is located East of Southeast 3rd Ave and North of Southeast Main and consists of the following buildings: A-Mill North, A-Mill South, Red Tile building, the Warehouse building are the building on the site map in dark yellow. The grain storage building and the Machine shop are the building in light yellow. All buildings have residential units with the exception of the White Elevator grain storage building on Lot 3 and the Machine shop, which are both behind the A-Mill North, A-Mill South and Red Tile Building.

Amenities

The A-Mill project is a low-income housing tax credit development with rents fixed to 60% of the area median household income (AMHI), and includes the following amenities: in unit Washer/Dryer, Central Air Conditioning, Rooftop Deck, Galleries, Concierge, Fitness Center, Yoga/Pilates Room, Music, Dance, Painting, Pottery, and Photography Studio. Hydrothermal electric heat and trash removal are also included in the tenant’s rent. There are also 209 underground parking garage spaces.



Two market studies were commissioned by Dominion to measure demand for the proposed 251 unit low income housing project. A market feasibility study was prepared by Vogt Santer Insights (VSI), which revealed strong demand for the proposed project, and indicated that the proposed site would compete very well in the market. A survey report was prepared to measure market interest among regional artists by a non-profit organization called PLACE (Projects Linking Art, Community & Environment). The results of the survey report indicated a high level of interest among Twin Cities artists; and also their support for the project.



The data for the Market study prepared by VSI was collected from the Area Chamber of Commerce, The 1990 and 2000 Census on Housing, US Department of Labor & Commerce, ESRI, and interviews with local planning and building officials. VSI used the data collected in the report to define the primary market area, evaluate economic and demographic characteristics, analyze the rental market, identify competing properties, make rent recommendations, predict the length of lease-up periods, as well as estimate occupancy levels. Absorption

projections were based on the analysis of the following factors:

The Primary Market Area

Typically defined as the smallest geographic area which is expected to generate the majority of support for the project. The area is defined by evaluating demographic and socioeconomic factors, and also involves a drive-time analysis to the site, rather than being defined by a radius. The Primary Market Area defined by the VSI study included a total of 5.3 square miles and included the neighborhoods of Marcy-Holmes, St. Anthony

West, Sheridan, Downtown Minneapolis and Downtown West. The boundaries of the site PMA included I-94 on the south and west, I-35 West on the east and Northeast 18th Ave on the north.

Demographic Trends/ Economic Trends/ Site Evaluation

At the time of the report in 2012, Population in the site PMA was projected to grow, and 72.5% of occupied housing units were renters, which was very high, and represented great potential. In terms of economic trends, the Hennepin County

economy is better positioned than other MN counties, and the nation as a whole, given its lower unemployment rate. The city of Minneapolis is home to large employers such as: The University of Minnesota, Target Corporation, Fairview Health Services, and Wells Fargo Bank. The site evaluation was also strong, with nearby walking trails, a park, and luxury condos and apartments. The site is less than 2 miles from shopping, recreation, employment, and entertainment opportunities. Strong economic and demographic factors are supportive of affordable housing and the site's location and proximity to community services also has a positive effect on its marketability.

Overall Rental Housing Market Conditions

There were 8,219 total units within the site PMA, tax credit units were 98.3 % occupied,

and market rate units were 97.6% occupied. Interviews with city officials and local realtors revealed 97 tax credit units were under construction, and 437 market rate units were under construction. Tax credit vacancies were lowest among high quality projects and with an anticipated quality rating of A, the site was expected to compete well in the market.

Competitive Property Analysis

There were ten comparable LIHTC buildings with an overall combined occupancy rate of 97.8%, and all were inferior or equal in location, overall quality, and amenities. The amenities of the proposed site are considerable: in unit washer/dryer, walk-in closet, central AC, a rooftop deck, and studio spaces for music, dance, painting, pottery, and photography. Based on the analysis of proposed rents, unit sizes, amenities, location, quality, and occupancy

rates of existing LIHTC within the market, VSI predicted the subject development would be very competitive with existing tax credit properties and would have distinct advantages over almost all the existing tax credit properties. Proposed rents would be set at maximum allowable levels.

Market Rate Comparable Properties

There were five market rate comparable buildings with a total of 650 units, and an average overall occupancy rate of 95.8%. These buildings were all inferior or equal to the subject property in location and quality, however, two buildings had superior amenities. Based on the rent levels of these comparable market rate buildings, the proposed collected rents (maximum allowed) are 49.8%-74.2% of achievable market rents.

Proposed Tax Credit Rents							
Total Units (251)	Bedroom Type	Square Footage	Collected	U.A.	Gross	Percent AMHI	2013 Maximum Allowable Rent
8	Studio	560-676/ 633 Avg.	\$853	\$12	\$865	60%	\$865
162	1-Br.	675-1,105/ 845 Avg.	\$914	\$13	\$927	60%	\$927
44	2-Br.	885-1,414/ 1,116 Avg.	\$995	\$19	\$1,014	60%	\$1,111
31	2-Br.	885-1,414/ 1,116 Avg.	\$1,092	\$19	\$1,111	60%	\$1,111
6	3-Br.	1,386-1,738/ 1,661 Avg.	\$1,263	\$21	\$1,284	60%	\$1,284

Depth of Market

Under the LIHTC program, eligibility is based on household income not exceeding the targeted percentage of area median household income (AMHI), depending on household size. The subject property would be restricted to households with incomes of up to 60% of AMHI of Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA). This maximum income calculation was based on a three person household. Minimum income requirements were determined using a 35% rent-to-income model, making the income-appropriate range required to live at the proposed site between \$29,657- \$44,460. Based on this range there were an estimated 2,257 income eligible renter households in the site PMA in 2014. With the proposed 251 units, an 11.1% capture

rate would be required, which is moderate. This capture rate indicates that for a project with so many units, an extended lease up period of more than 1 year would be likely.

Vogt Santer Insights had concluded that all factors were indicating strong demand, and that the proposed site would compete very well in the market. Based on the location, overall quality, and amenities, the site was determined to have a distinct advantage over all existing tax credit properties in the PMA. Assuming the recommended rent gaps would be used for the studios, one-bedroom, and two-bedroom apartments, VSI projected the proposed site to reach stabilized occupancy of 96% within 12-13 months of opening. Assuming the recommended rent gaps were not used, the anticipated occupancy rate was 94%, with a lease-up period of 15-17 months after opening.

The purpose of the PLACE survey was to study the market interest, space needs, and amenity preferences for the A-Mill artist lofts, as well as collect demographic and household income data among the target audience, which is the Twin Cities Artist community.

This information was collected through a survey, which was aggressively advertised to private and public regional arts organizations and also advertised through social media, email blasts, flyers, and neighborhood newspapers. The number of artists that responded to the survey was 572, which was lower than expected. PLACE believed that the number of respondents represented a very small percentage of the total number of artists in the Twin Cities and surrounding areas. However, the results of the survey were encouraging nevertheless:

- 65% would relocate to the A-Mill Artist Lofts
- 66% would be willing to be on the waiting list
- 56% would secure space via a letter of interest and/or deposit
- ~60% would qualify based on the income profile required

A breakdown of artist type revealed performing artists were the most prevalent group of artists and the survey also revealed that *natural light was the most important amenity for the artists*. This information provided valuable insight into the type of space and design the artists were looking for.

Both market studies indicated strong demand, and fully supported the proposed project.

2013 Total Household Income Limits	
1 Occupant	Less Than \$34,620
2 Occupants	Less Than \$39,540
3 Occupants	Less Than \$44,460
4 Occupants	Less Than \$49,380
5 Occupants	Less Than \$53,340
6 Occupants	Less Than \$57,300

Land Contract

The existing A-Mill / Pillsbury property was originally proposed to have luxury condos as far back as the early 2000's. This initial proposition by another developer however got side-tracked in 2003 when the initial condo project failed and the project was foreclosed on by BNC Bank. Following foreclosure, the property sat vacant for an extended period of time; causing the National Trust for Historic Preservation to eventually intervene. The National Trust for Historic Preservation designated the Pillsbury A-Mill structure one of the top 11 most endangered sites in America. This designation drew the attention of both the local community and area developers. In 2012, Dominion stepped-in and purchased the property after completing its entitlements.

- **Appraisal** - Dominion had Integra Realty Resources conduct an appraisal for the fee simple interest Pillsbury A-Mill property on December 7th.
- **Historical Preservation** - Dominion planned to use Historic Tax Credits as a means to support the A-Mill project. The Tax credit program is a three-part process. Part I required that the building be designated as historical, which had occurred in 1966 once it was put on the National Register of Historic Places.

Part II required that the architect's plans encompass the preservation of the facility. Part III involved an inspection, to confirm that the preservation was in fact completed following construction.

- **Geotechnical** - A planned underground garage required excavation. The Geotechnical soil conditions were a "Type C" soil containing gravel and sand that does not stick together. To prevent a cave-in during excavation. A more expensive temporary soil retaining shoring was required to hold back the soils to build the parking garage then the soils are back-filled against the parking structure.
- **Environment** - Dominion hired Braun Intertec for a Phase I Environmental Site Assessment. The assessment provide by Braun Intertec determined that there was a high probability of hazardous materials onsite. After Phase II testing confirmed positive, this assessment resulted in the creation of a Hazmat Response Action and Construction Contingency Plan. This plan included the application for approximately \$1 million dollars in asbestos and lead abatement; as well as \$700 thousand dollars in soil remediation.
- **Zoning** - The A-Mill property was originally zoned I2 industrial and changed to C3A (Community Activity Center District) back in 2004. This zoning and the several adjacent overlay

districts, required engaging stakeholders to minimize negative development impacts. The stakeholders involved were the Shoreland, Mississippi River Critical Area, and University Area overlay districts. These overlay districts identified challenges in preventing damage to the river/shoreline, and conforming to the University master planning goals. These challenges were discussed with the stakeholders during an appeal of Dominion's application. However, the application was approved on the condition the development comply with; historic preservation, conservation of environment, and refurbish the "Pillsbury's Best Flour" red neon sign. Variances were granted for a Floor Area Ratio from 2.7 to 3.6, and a historic variance on parking allowed an underground garage for the development to proceed.

- **Construction Documents** - The BKV Group was retained under contract by Dominion to design and engineer the A-Mill project. This included providing plans and specifications as part of the proposed project scope. Weis Builder's was also retained as the projects General contractor. As part of the initial planning process, Weis Builder's originally estimated that the project would cost approximately \$90 million dollars and have a scheduled timeline of approximately two years.

Project Financing

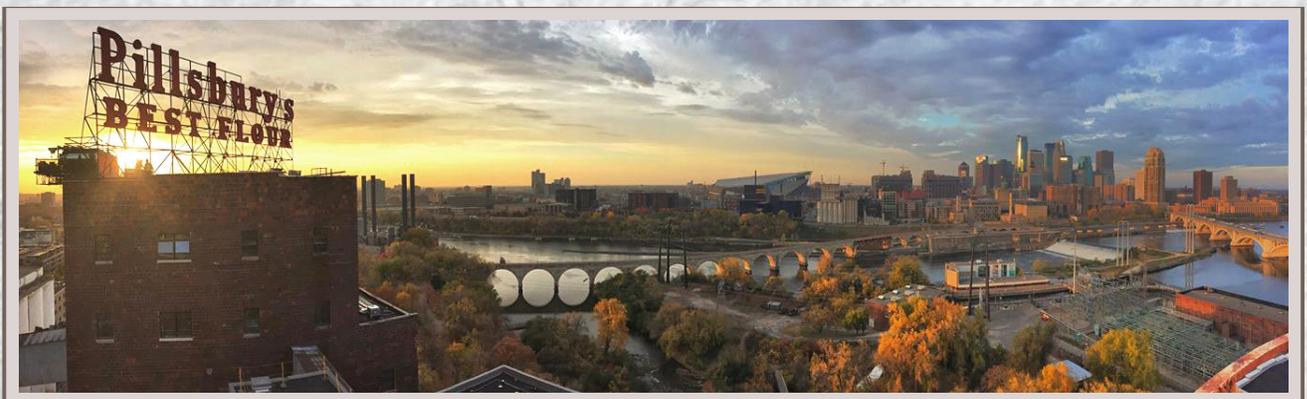
The financing of the \$150M A-Mill Artist lofts entailed a combination of debt and equity through the Minneapolis Lease Housing Associates IV, LLC (MLHA4) Partnership that included Federal and State government agencies; as well as both public and private banking and investment firms. As an industry leader in affordable rental housing, Dominion partnered with the Berkshire Hathaway Company, the Federal National Parks Service, US Bank, Hennepin County, the city of Minneapolis, and Cornerstone Real Estate Advisors (Mass Mutual) for the financial structuring of this project. As a team, the project entailed more than three Limited Liability Corporations (LLC) including an entity of the Dominion partners, Federal historic tax credit / affordable housing partners, and Minnesota state historic tax credit partners.

Equity Financing

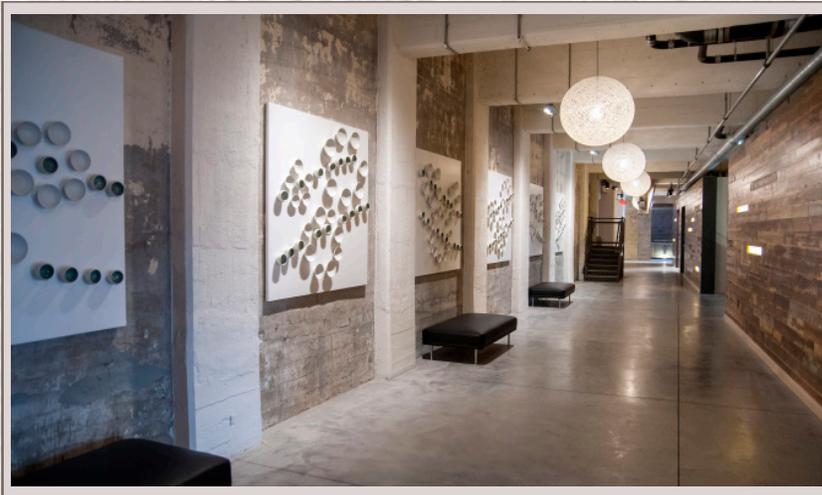
The equity financing for the

project entailed approximately \$98M of both Federal and State funding realized at various different project milestones. The Federal funding of approximately \$80M was provided in the form of Non-competitive (4%) Housing Tax Credits (NHTC), and federal Historic Tax Credits (HTC); with the goal of providing both affordable rental housing, and preserving the historic nature of the existing A-Mill structure. For the Federal tax credits, Dominion worked together with both the Federal historic registry and Berkshire Hathaway when utilizing the associated federal HTC. As part of this partnership, the Federal National Parks Service provided tax credits for 20% of the projects qualified rehabilitation expenditures. The \$80M in tax credits were split with Berkshire Hathaway receiving 99.99% of the tax credits and the primary Dominion partners receiving 0.005% of the tax credits. As compensation for this exchange, Berkshire Hathaway compensated the

Dominium partners with approximately \$74M in capital equity financing. The equity was provided to the Dominion partners over six payment installments based on predetermined milestones set forth in the general partnership agreement. These initial equity payments allowed the MLHA4 Partnership to procure both short-term construction financing, letters of credit, and mortgage related financing. The state of Minnesota provided similar state HTC; that mirrored the Federal HTC. Similar to the Federal tax credits, the state provided reimbursement for 20% of the qualified construction costs utilized to preserve the structure. For these credits, Dominion worked with the Federal National Park Service and State Historic Preservation Offices, when procuring \$27M in state HTC. These credits were distributed in the form of a one-time tax certificate that was issued to a Historic tax credit partners LLC formed by Dominion. In this case, the



Project Finance



Historic tax credit partners LLC sold the \$27M tax certificate to U.S. Bank, with the \$24M sale proceeds dispersed to the MLHA4 Partnership. Initially, 12% of this amount was funded at project closing, with the remaining balance funded to MLHA4 Partnership once the project received approval of the Part 3 from the National Park Service. This equity funding over time is distributed to the NLHA4 Partnership and utilized to offset project related construction costs.

Debt Financing

The debt financing for the project consisted of approximately \$80M in Tax-Exempt Bond financing; with Hennepin County issuing \$60M in bonds, and the city of Minneapolis issuing \$26M in bonds to the borrower. As a prerequisite for receiving Federal low-income housing tax credits (LIHTC), the tax-exempt bonds issued by both the city

of Minneapolis, and Hennepin County, are issued and resold on the open market by a representative of Dominion, with any profit margins going back to the borrower, and the bond proceeds being paid back to both the city and county.

The construction phase was financed with \$86M in short-term credit provided and guaranteed by U.S. Bank. This credit was provided in the form of \$50M in short-term bonds with variable interest rates, \$4M in short term bank notes, and a \$26M letter of credit between

the developer and U.S. Bank. The majority of these short-term notes were paid-off following construction. Following substantial completion, Cornerstone Real Estate Advisors (Mass Mutual Life Insurance) issued the development team their first \$25.6M mortgage (5.20% APR) based on the \$26M letter of credit provided by U.S. Bank. The conditions of this first mortgage and subsequent letter of credit included meeting specific lease-up vacancy rates of 5% debt service coverage sustainable occupancy. Additional funding sources for the project included \$940K in environment clean-up and remediation grants, \$200K for storm-water and interior demo, and \$555K for site redevelopment and public realm improvements.

The financial Pro Forma entails a 15-year project payback period with a cap rate of 5.5%. Also, as the developer, Dominion plans to hold the A-Mill as a long-term investment.



Design & Construction

The design and renovation of the 1880 flour A-mill required a strong design and construction team, that not only understood the facets of new facility design, but understood how to deal with the preservation of existing historic structures. BKV Group, an Architectural and Design consulting leader in the apartment housing market, rose to this significant challenge. Working in conjunction with neighborhood residents, and state and county officials, BKV Group restored the charm of the original structure, well creating a contemporary and inviting living environment for the A-Mill's future tenants.

As part of the design process, BKV group followed a very fluid design process, due to the existing unknown conditions of the existing facility. As the architect and interior designer, BKV Group was initially presented with the challenge of restoring the existing building structure, and developing a space planning program that was acceptable for all impacted stakeholders.

The existing building structure required an extensive design effort due to the limited available as-built documents available, and the deterioration of the existing structure. **After initially taking ownership, it was determined that the seven-story limestone structure was leaning over two feet.**

This was largely attributed to erosion of the limestone block structure over time; with the effects potentially caused by freezing and thawing in the cold Minnesota climate. BKV Group took on the challenge of repairing the structure by reinforcing the exterior building envelope, replacing grouting between the limestone blocks, and replacing the insulation around all main entries. ***This was followed by the replacement of the original blue-grey windows prominently located throughout the structure.*** The replacement of the existing windows required working with various vendors when procuring the unique window measurements, paint colors, and glass types.



The space planning for the interior spaces was another challenge the BKV Group was presented with. The interior spaces needed to be inviting for not only the art focused tenants; but the public that would frequent the building following completion. Following an extensive programming process, the various stakeholders arrived at spaces that included artist focused living spaces, dramatic performance-focused gallery spaces, various art studio spaces (paint, clay, sound, and dance), as well as state of the art amenities including a fitness center, a clubroom with kitchen, and a 7th floor rooftop deck with panoramic views of the downtown Minneapolis skyline. The design of the exterior envelope and preliminary space planning was followed by the design of the interior spaces. The interior design focused on a sustainable contemporary design. When designing the interior, the BKV Group implemented sustainable strategies including Hydro-electric power generation, high efficiency water-source heat-pumps, LED lighting, low-flow plumbing fixtures, and daylight harvesting skylights. ***These sustainable strategies were recognized by the U.S Green Building Council with the project receiving LEED Gold certification.***



The A-Mill received high marks in the LEED certifications category of “energy and atmosphere” achieving 28 points out of 35 points. *The hydroelectric generator is expected to provide over 70% of the entire complex’s electrical power;* and contributed to the projects optimize energy performance and onsite renewable energy goals. Additionally, the project site received high marks on the LEED certification scorecard due to providing a dense and large volume site that incorporated several diverse means of public transportation.

The project team experienced a list of challenges when repairing the exterior building envelope. These challenges included replacing grouting

between the limestone blocks (tuckpointing) and repairing extensive limestone spalling. In regards to spalling, the west façade experienced heavy erosion over the years; above the sixth-floor window heads, and at the water table bearing ledge. This erosion caused cracks, concave voids, and the expansion of the limestone lintels.

Hydroelectricity, was the largest sustainable endeavor envisioned on the project; and was subsequently a project within itself. The implementation of the hydroelectric system required renovating the old water diverting raceways that rerouted the river under the A-Mill. The original underground structure built in the 1880’s allowed the water to travel through

the tunnels and power a water turbine attached to a shaft that spun and turned the gears that drove the pulleys, conveyer belts, and elevators that operated this historic milling structure.

The existing turbine shaft and turbine was retrofitted with a modern mechanical turbine after an extensive federal approval process. The new mechanical turbine powers a new electrical power system and is controlled by an updated Building Automation System (BAS). This new system allows the facility staff to not only monitor energy usage in real-time, but allows for predictive monitoring of potential power system faults. As a result, the system is highly efficient, and provides long-term energy savings for both the tenants and Dominion.

Design & Construction

The soil on the A-Mill property was tested and found to have sediments that needed to be remediated. This remediation project required trucking the contaminated soils offsite; and subsequently allowed for the excavation of the current parking garage. This new underground parking garage was covered with the current walkable park area; as well as the replacement of the existing railroad tracks that weaved between the silos and the main A-Mill structure. *The historic*

railroad tracks were a significant aspect of this project as they remind us of the historic past of the milling structure. The A-Mill is not just an apartment building; but a museum of artifacts. *The interior is similarly significant, built around historic machinery that describes a story of discovery.* Inside, the design & construction teams left the existing conveyor belt elevators, pulleys, and silos as-is preserving some of the existing milling process. The grain chutes were flour dropped from one

processing center to the next floor down are still visually present. The pulley wheels are still in place and convey that the hydro power machinery must have traveled up through all the floors to loop back down into the processing equipment. All of this conveys the important history of this Mill district structure and the importance of our flour milling past. The Owl Eyes that watch over the A-Mill was incorporated into the construction of the building by outreach to local artists.



Dominium decided to set rents at the Maximum Allowable amounts at 60% of AMHI, and no rent gaps were put into place.

When PLACE conducted their Twin Cities Survey Report for the A-mill they created initial awareness within the artist community through the survey, social media, email blasts, flyers, and outreach to press. Relationships were also established with leaders of private and public regional art organizations such as Springboard for the Arts, The Guthrie Theatre, The State Arts Board, MCAD, Juxtaposition, The Walker/MNartist.org, and the Cultural Affairs leaders for the cities of Minneapolis and St. Paul. This leadership group met with Dominium for a focus group meeting to discuss details of the project and to ask questions. These leaders served as ambassadors to the artist community. However, not much marketing

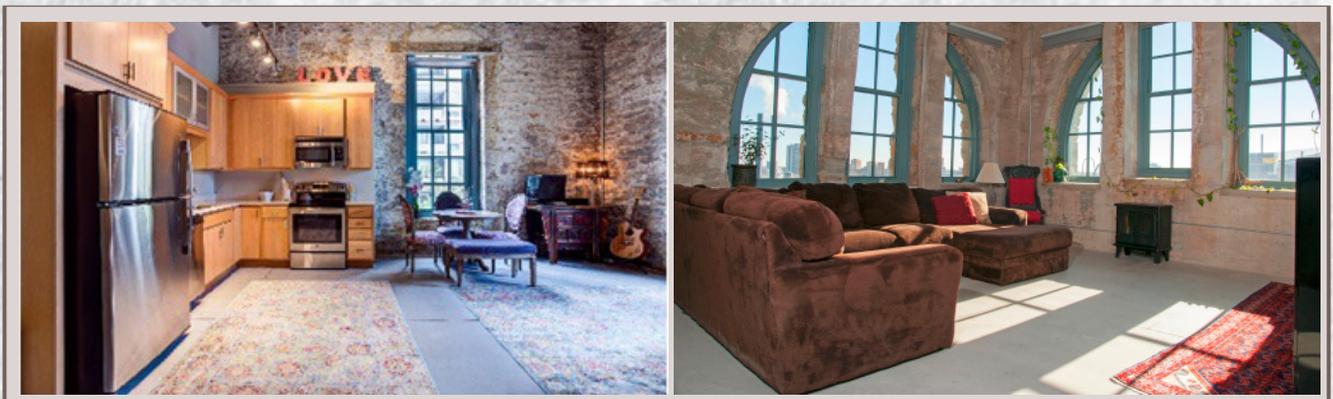


was actually needed. ***Dominium was already tapped into the community because of the Schmidt Artist lofts created in the neighboring city of St. Paul.*** Word spread very quickly organically throughout the artist community. The Artist lofts offered many desirable features and amenities which made the space highly coveted. Through experience and the insights gained from the market Survey report, Dominium knew what the artists wanted. Due to the location, price, amenities, and uniqueness of the building, buzz quickly circulated throughout the artist community. Dominium

also attended multiple artist events such as the Stone Arch bridge festival and Northern Spark.

The website also proved to be a valuable marketing tool which provided prospective tenants with pictures and information regarding the building and amenities, rent and income guidelines, and an opportunity to request more information.

By opening day Dominium had the entire A-Mill Apartment Loft fully leased. These leasing results exceeded expectations. The market clearly liked what they saw.



On opening day, Dominion had managed to pre-lease the entire building and achieve 100% occupancy. With rents set at a maximum allowable amount of 60% AMHI, Dominion had exceeded leasing expectations without having to implement any rent gaps. Lease terms are a standard 12 months and rents will continue to be raised to meet the maximum allowable amount. Below is a history of A-Mill rent levels and qualifying total household gross income levels.



2017 Monthly Rent Levels	
Studio	\$936
1- Bedroom	\$1,003
2- Bedroom	\$1,068- \$1,200
3- Bedroom	\$1,387

2017 Total Household Income Limits	
1 Occupant	Less Than \$37,980
2 Occupants	Less Than \$43,440
3 Occupants	Less Than \$48,840
4 Occupants	Less Than \$54,240
5 Occupants	Less Than \$58,620
6 Occupants	Less Than \$62,940
7 Occupants	Less Than \$67,260
8 Occupants	Less Than \$71,640

In addition, to meeting income guidelines, prospective tenants must also meet the artist qualifications, which involves an application requesting a resume and portfolio, a history of creative and career goals, and the desire to engage in a creative community.

Dominium has internal property managers that put high priority in the quality of artists that enter the A-Mill.

Dominium has not experienced any operational issues with the A-Mill with the exception of the high heating expenses. However, this was expected due to the age of the building and the high amount of common areas. Dominion's current plan is to hold the property and continue to manage it. *With 100% occupancy rates and a current interest list of roughly 1,600 people, the market clearly liked what it saw.*

Impact of Development

Dominium's redevelopment project of the A-Mill in Minneapolis was an incredible success, with seemingly flawless execution. The project did not experience any major unexpected setbacks, was completed ahead of schedule, was financially sound, and produced better than expected leasing results. Utilization of the federal and state tax credits was a creative way to help finance the project. There were many constituents involved with the project such as: government officials and agencies, business partners, neighborhood groups, the artist community; and ***Dominium was able to effectively align them all to a common vision.*** Dominium's experience with LIH, energy efficiency, and historic redevelopments re-enforces their position as one of the top development companies in the nation.

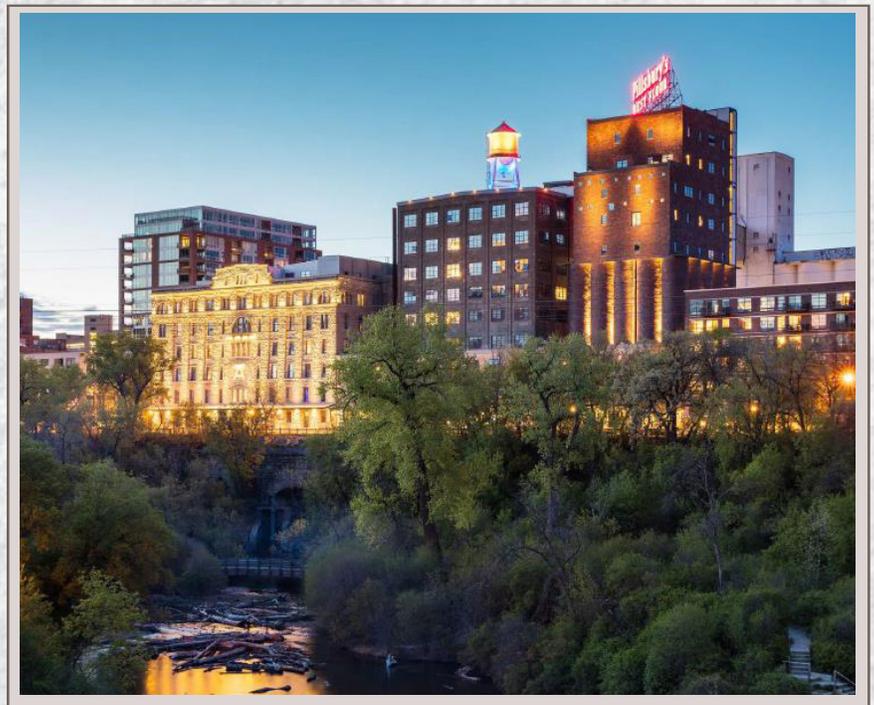
In 1881 Charles Pillsbury created more than just a flour mill; he created a true contribution to society. The A-Mill not only supplied our growing nation with flour, but also stimulated the local economy by providing employment opportunities. Environmentally friendly and energy efficient methods utilized in operations were progressive, and the beautiful façade on

a factory building created an industrial elegance which was unheard of for that era. Charles Pillsbury was a great American pioneer, and was truly ahead of his time.

Over 130 years later, Dominium has continued the tradition, and added another chapter to this historically important, and beautiful, monument. Dominium had taken a crumbling building which had been vacant for years, and artfully restored this historic masterpiece. Dominium has also lead in a socio-economically responsible manner by building artist lofts and helping the city of Minneapolis retain talented local

artists. Artists that contribute to the pulse of the city, but often struggle financially are now provided the space, resources, and inspiration to help them continue to enrich the Minneapolis art scene.

Dominium's socially responsible, and environmentally friendly, masterful restoration of the A-Mill is a great contribution to the city of Minneapolis, and is an extension of the vision Pillsbury created in 1881. The redeveloped A-Mill will serve as a reminder of Minnesota's rich history for many years, and is one of the finest and most unique historical renovations in the United States of America.



Sources and Uses

A Mill Complex & Warehouse		
301 Main St SE, Minneapolis, Hennepin County, MN		
Series B1 Bonds - Construction/Bridge Bonds	\$ 55,000,000	\$ 219,124
Source and Use Of Funds		
Sources of Funds:		
Series A Bonds - Tax-exempt - 1st Mortgage	\$ 25,310,000	\$ 100,837
<<NOT USED>>	-	-
<<NOT USED>>	-	-
<<NOT USED>>	-	-
GP HTC Loan	25,605,780	102,015
1.a Installment - CLOSING	8,158,095	32,502
1.b Installment - 70% Completion (Month 18)	7,678,091	30,590
1.c Installment - 80% Completion (Month 24)	10,525,000	41,932
1.d Installment - 90% Completion (Month 30)	-	-
2nd Installment - 100% Completion, CO, Ph	13,202,308	52,599
3rd Installment - Part 3, Cost Cert, Submit	19,569,237	77,965
4th Installment - Stab./Conv./8603 (No "I")	15,904,299	63,364
<<NOT USED>>	-	-
Capitalized Expenses During Construction	1,246,809	4,967
<<NOT USED>>	-	-
GP Equity Contribution (Only to show City)	1,000,000	3,984
DEED Redevelopment & LCDA (GP Capital)	939,000	3,741
Environmental (GP Capital Contribution)	1,517,328	6,045
Deferred Construction Manager Fee	5,184,844	20,657
Deferred Developer Fee (i.e. Borrower Cash)	23,247,900	92,621
Total Source of Funds	\$ 159,088,692	\$ 633,819
Uses of Funds:		
Acquisition Costs	\$ 3,550,000	\$ 14,143
Construction Costs	102,682,070	409,092
Capitalized Expenses During Construction	1,246,809	4,967
Cash Accounts	7,426,769	29,589
Professional Services	4,361,500	17,767
Bond Costs	3,515,204	14,005
Financing Costs	123,690	493
Historic Costs	285,000	1,135
Borrower's Counsel	550,000	2,191
Closing costs	174,012	693
Tax Credit / Bond Fees Payable	254,367	1,013
Developer Fee	24,247,900	96,605
Additional Townhome Costs	-	-
Contractor Fee	10,071,371	40,125
Total Use of Funds	\$ 159,088,692	\$ 633,819
Salient Facts		
Soft Funds Request	\$ 3,456,328	\$ 13,770
Annual Tax Credits Requested	\$ 4,983,677	\$ 19,879
Development Fee Summary		
Developer and Contractor Fees	\$ 34,319,271	\$ 136,730
Borrower Cash (Credit)	28,432,744	113,278
Developer and Contractor Fees	\$ 5,886,527	\$ 23,452

LEED Scorecard

1000024198, Minneapolis, MN			
A-Mill Artist Lofts			
LEED BD+C: New Construction (v2009)		GOLD, AWARDED JUL 2017	
SUSTAINABLE SITES	AWARDED: 23 / 27	MATERIAL & RESOURCES	CONTINUED
SSc1 Site selection	1 / 1	MRc6 Rapidly renewable materials	0 / 1
SSc2 Development density and community connectivity	5 / 5	MRc7 Certified wood	0 / 1
SSc3 Brownfield redevelopment	1 / 1		
SSc4.1 Alternative transportation - public transportation access	6 / 6	INDOOR ENVIRONMENTAL QUALITY	AWARDED: 3 / 15
SSc4.2 Alternative transportation - bicycle storage and changing rooms	1 / 1	EQc1 Outdoor air delivery monitoring	0 / 1
SSc4.3 Alternative transportation - low-emitting and fuel-efficient vehicles	3 / 3	EQc2 Increased ventilation	0 / 1
SSc4.4 Alternative transportation - parking capacity	2 / 2	EQc3.1 Construction IAQ Mgmt plan - during construction	1 / 1
SSc5.1 Site development - protect or restore habitat	0 / 1	EQc3.2 Construction IAQ Mgmt plan - before occupancy	0 / 1
SSc5.2 Site development - maximize open space	1 / 1	EQc4.1 Low-emitting materials - adhesives and sealants	1 / 1
SSc6.1 Stormwater design - quantity control	1 / 1	EQc4.2 Low-emitting materials - paints and coatings	1 / 1
SSc6.2 Stormwater design - quality control	1 / 1	EQc4.3 Low-emitting materials - flooring systems	0 / 1
SSc7.1 Heat island effect - nonroof	1 / 1	EQc4.4 Low-emitting materials - composite wood and agrifiber products	0 / 1
SSc7.2 Heat island effect - roof	0 / 1	EQc5 Indoor chemical and pollutant source control	0 / 1
SSc8 Light pollution reduction	0 / 1	EQc6.1 Controllability of systems - lighting	0 / 1
SSpc121 Solar Access to Green Space	REQUIRED	EQc6.2 Controllability of systems - thermal comfort	0 / 1
		EQc7.1 Thermal comfort - design	0 / 1
WATER EFFICIENCY	AWARDED: 8 / 10	EQc7.2 Thermal comfort - verification	0 / 1
WEc1 Water efficient landscaping	4 / 4	EQc8.1 Daylight and views - daylight	0 / 1
WEc2 Innovative wastewater technologies	0 / 2	EQc8.2 Daylight and views - views	0 / 1
WEc3 Water use reduction	4 / 4		
ENERGY & ATMOSPHERE	AWARDED: 28 / 35	INNOVATION	AWARDED: 4 / 6
EAc1 Optimize energy performance	19 / 19	IDc1 Innovation in design	3 / 5
EAc2 On-site renewable energy	7 / 7	IDc2 LEED Accredited Professional	1 / 1
EAc3 Enhanced commissioning	2 / 2		
EAc4 Enhanced refrigerant Mgmt	0 / 2	REGIONAL PRIORITY	AWARDED: 4 / 4
EAc5 Measurement and verification	0 / 3	EQc8.1 Daylight and views - daylight	0 / 1
EAc6 Green power	0 / 2	MRc2 Construction waste Mgmt	1 / 1
		MRc5 Regional materials	0 / 1
MATERIAL & RESOURCES	AWARDED: 6 / 14	SSc6.1 Stormwater design - quantity control	1 / 1
MRc1.1 Building reuse - maintain existing walls, floors and roof	2 / 3	SSc6.2 Stormwater design - quality control	1 / 1
MRc1.2 Building reuse - maintain interior nonstructural elements	0 / 1	WEc1 Water efficient landscaping	1 / 1
MRc2 Construction waste Mgmt	2 / 2		
MRc3 Materials reuse	0 / 2	TOTAL	76 / 110
MRc4 Recycled content	1 / 2		
MRc5 Regional materials	1 / 2		
		40-49 Points	50-59 Points
		CERTIFIED	SILVER
			60-79 Points
			GOLD
			80+ Points
			PLATINUM

Comparable Map



Comparable Quality & Rent

Comparability Matrix (Compared with Subject)							
Map ID	Project Name	Year Built	Occup. Rate	Target Market	Location	Overall Quality	Amenities
Site	Pillsbury Mills	2014	-	Families; 60% AMHI	-	-	-
5	Creamette Historic Lofts	1920 / 2000*	100.0%	Families; 50% & 60% AMHI	Inferior	Inferior	Inferior
6	East Village Apt. Homes	2001	100.0%	Families; 50% & 60% AMHI	Inferior	Equal	Equal
9	Heritage Landing	2000	100.0%	Families; 60% AMHI	Inferior	Equal	Equal
24	Artspace Jackson Flats	2013	35 U/C	Families; 30%, 50%, & 60% AMHI	Inferior	Equal	Inferior
25	The Elms Apts.	1950 / 1991*	87.7%	Families; 60% AMHI	Inferior	Inferior	Inferior
26	Stradford Flats	1950 / 2013*	62 U/C	Families; 60% AMHI	Inferior	Inferior	Inferior
33	Elliot Park	1918 / 2007*	100.0%	Families; 60% AMHI & Section 8	Inferior	Inferior	Inferior
36	East Bank Village	2001	96.7%	Families; 60% AMHI	Equal	Equal	Inferior
42	Slater Square	1932 / 1993*	100.0%	Families; 35% & 60% AMHI	Inferior	Inferior	Inferior
46	St. Anthony Mills Apts.	2007	98.9%	Families; 50% & 60% AMHI	Inferior	Equal	Inferior
51	The Adams Apts.	1888 / 1991*	96.0%	Families; 60% AMHI	Inferior	Inferior	Inferior
67	Stone Arch Apts.	2003	100.0%	Families; 50% & 60% AMHI	Equal	Equal	Inferior

Map I.D.	Project Name	Gross Rent/Percent of AHMI (Units)				
		Studio	One-Br.	Two-Br.	Three-Br.	Four-Br.
Site	Pillsbury Mills	\$865/60% (8)	\$927/60% (162)	\$1,014/60% (44) \$1,111/60% (31)	\$1,284/60% (6)	-
5	Creamette Historic Lofts	-	\$743/50% (4) \$873/60% (16)	\$889/50% (6) \$1,094/60% (14)	-	-
6	East Village Apt. Homes	-	-	\$903/50% (25)	\$1,070/50% (13)	\$1,329/60% (30)
9	Heritage Landing	-	\$888/60% (46)	-	-	-
24	Artspace Jackson Flats	-	\$462/30% (3*) \$771/50% (2*) \$927/60% (2*)	\$555/30% (4*) \$926/50% (6*) \$1,111/60% (6*)	\$1,070/50% (6*) \$1,284/60% (6*)	-
25	The Elms Apts.	\$452- \$537/60% (26)	\$613- \$703/60% (55)	-	-	-
26	Stradford Flats	\$509/60% (32*)	\$556- \$610/60% (30*)	-	-	-
33	Elliot Park	-	-	\$962/60% (19)	\$1,314/60% (10)	-
36	East Bank Village	-	\$793/60% (7)	\$931-\$952/60% (15)	\$1,284/60% (8)	-
42	Slater Square	\$430- \$450/35% (42) \$510- \$560/60% (79)	\$621- \$661/60% (16)	\$782/60% (1)	-	-
46	St. Anthony Mills Apts.	\$628- \$717/50% (15)	\$737/50% (28) \$921/60% (34)	\$895/50% (2) \$1,105/60% (14)	-	-
51	The Adams Apts.	\$442- \$467/60% (75)	-	-	-	-
67	Stone Arch Apts.	\$644/50% (4) \$865/60% (4)	\$758/50% (20) \$927/60% (21)	\$923/50% (21) \$1,111/60% (22)	-	-

- Historic American Building Survey: Addendum to Pillsbury Milling Complex, Pillsbury “A” Mill (HABS No. MN-29-5-A), National Park Service – Midwest Region
- Vogt Santer Insights (vsi): Market Feasibility Study of Pillsbury Mills 116 3rd Avenue South dated January 25th, 2013
- BKV Group: A-Mill Artist Lofts Basis of Design document and site renderings received October 13th, 2017
- Dominion: A-Mill Artist Lofts Case Study, A-Mill Artist Housing Brochure, & A-Mill Bond Model dated August 28th, 2013
- Dominion: Acquisition of the Pillsbury A-Mill to be renovated into Affordable Artist Lofts memo dated October 10th, 2013
- Dominion: A-Mill Artist Lofts Grand Opening, Agenda & Talking points dated June 8th, 2016
- Dominion: University of St. Thomas A-Mill / Affordable housing PowerPoint presentation.
- Dominion: A-Mill Artist Lofts letters of support: Friends of the Mississippi River, Preservation Alliance of Minnesota, Marcy Holmes Historic Neighborhood, National Historic Trust For Historic Preservation, & Soap Factory.
- Twin Cities Artist Survey Report For The A-Mill Artist Lofts."Prepared by Projects Linking Arts Community & Entertainment (PLACE). June 15,2012.