Developer Technical Assistance Program Review

November 2023

Updated 8/13/24

Executive Summary

565 emerging developers trained

since DTAP was founded in 2016

89 real estate projects advised

43% feasibility and 57% ongoing development support

94% BIPOC participants

Receiving project-specific technical assistance since 2022

$11MM+ secured with DTAP support

Through grants and deferred loan programs

10 affordable housing sites awarded

In 2023 to DTAP participants through Minneapolis Homes

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Introduction

The City of Minneapolis' Developer Technical Assistance Program (DTAP) aims to increase local and diverse real estate ownership by offering high quality technical assistance to emerging real estate developers and entrepreneurs. The program's expansion in 2021 increased resource accessibility and project-specific support for individuals seeking to develop real estate in Minneapolis.

This program is one piece of The City's broader economic development strategy, to support investment that grows businesses, jobs and the City's tax base, and ensure that Minneapolis residents are competitive for those jobs. Additionally, DTAP plays a vital role in achieving goals set in The City's Strategic Race Equity Action Plan to increase the number of Minneapolis-based businesses owned by Black, Indigenous, and People of Color.

Real estate ownership can be a tool to address racial wealth gaps and contribute to generational wealth building. However, most entrepreneur development initiatives only address conventional business ownership. DTAP bridges this gap by offering real estate-specific training and technical assistance to entrepreneurs seeking to pursue real estate as a line of business.

Context

Why now? Civil unrest following the murder of George Floyd by Minneapolis police left significant impacts to the built environment in Minneapolis, particularly within the Lake Street and West Broadway corridors. Extensive damage to commercial properties in these communities led to a decrease in leasable space, an increase in developable land, and an overall influx of commercial real estate on the speculative market. Additional economic factors including historic disinvestment and the impacts of the COVID-19 pandemic created unique development challenges as well as new opportunities for inclusive economic recovery.

Program Goals

In response to The City's strategic priorities, as well as the current social and economic context, DTAP has identified programmatic goals which guide the implementation of a variety of technical assistance strategies. Those program goals are:

- Support community wealth building through real estate development.
- Diversify the pool of real estate developers in Minneapolis.
- Increase local ownership of residential and commercial property.
- Build capacity for developers doing small and mid-sized projects.

Over the long-term, technical assistance in pursuit of these goals is anticipated to have a lasting impact by increasing community resiliency and bridging the racial wealth gap through real estate development and ownership.
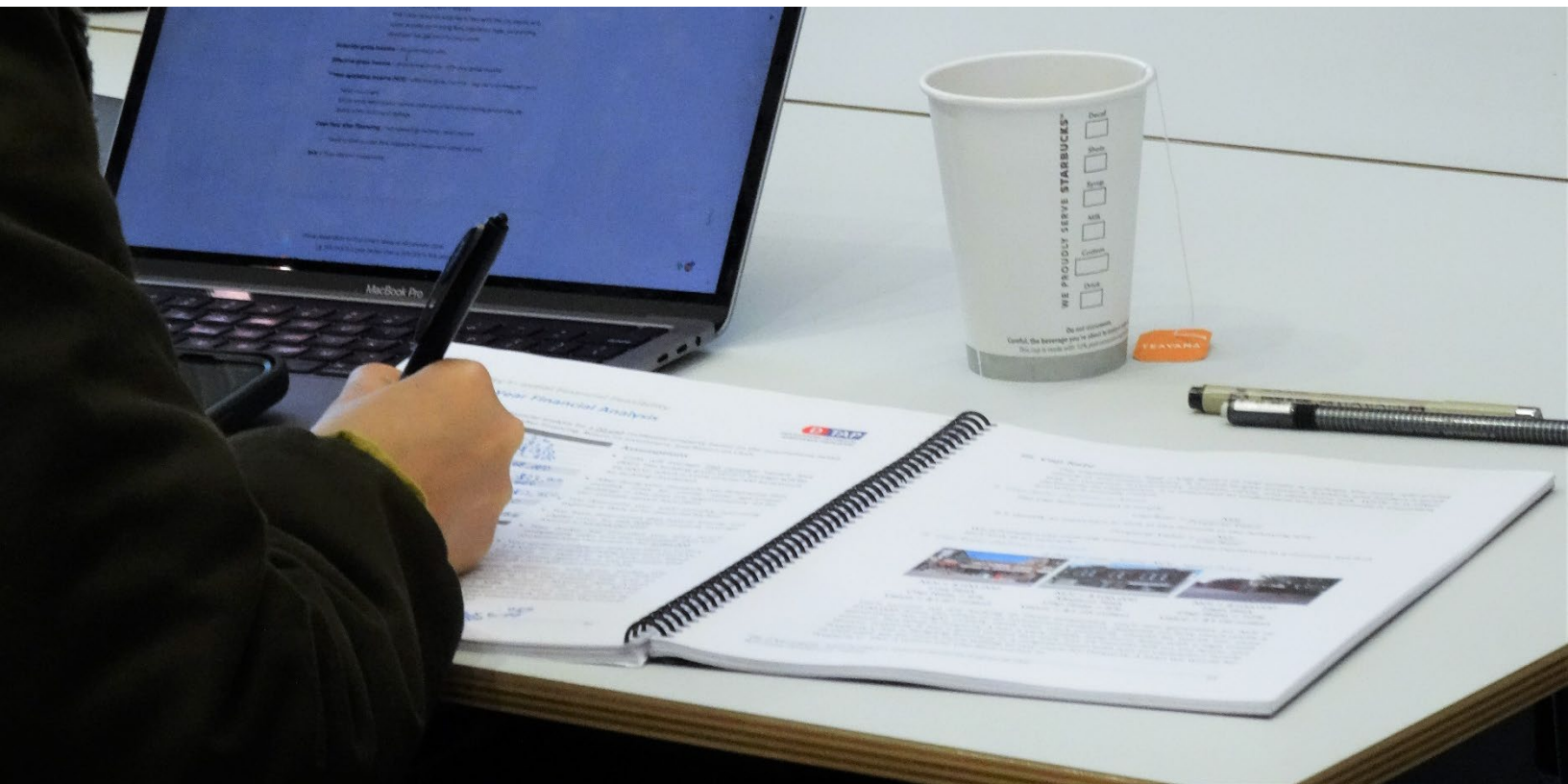
Model Overview

DTAP uses a variety of strategies to increase opportunities and project viability for emerging developers. These strategies fall under the following categories:

- group training,
- individualized technical assistance,
- systems navigation, and
- pathways to financing.

Each of these program areas addresses different challenges faced by individuals who are new to real estate development by increasing access to information and financial capital.

Group Training

Intro to Real Estate Development Training

DTAP's Intro to Real Estate Development Training is a free, 4 session training, amounting to 12 hours in total. This training addresses all stages of the real estate development process, with a lens specific to projects in Minneapolis. The City solicits curriculum development and instructional services through a request for proposals (RFP) process. Current course curriculum was developed in partnership with Varro Real Estate over the course of 7 years and is available for free online.

Pro Forma Workshops

Financial analysis is a critical skill for any potential investor in real estate. Training in pro forma skills is consistently identified as a priority by both emerging developers, DTAP advisors, and City

Staff. Since 2022 The City has hosted 4 workshops to support participants in evaluating their projects and creating documentation to pursue financing. These sessions include an overview of basic pro forma concepts, including time value of money and reversion value. Eligible participants must first complete DTAP Intro to Real Estate Development Training and be actively working on a Minneapolis-based project which can be used for the hands-on learning.

Individualized Technical Assistance Pilot

DTAP offers project-specific technical assistance for emerging developers pursuing buildings or sites located in Minneapolis. In 2021 The City hosted a competitive RFP to solicit proposals from real estate consultants and firms who would advise entrepreneurs on a 1-to-1 basis, throughout the real estate development process. Services offered through the program address a wide range of projects, from small residential to commercial to multifamily. The chart on the right shows a breakdown of types of projects receiving services through the program to-date.

Eligibility is broadly defined by two categories: projects with site control and those without. Developers without site control are eligible for up to 20 hours of feasibility support to evaluate the viability of a property. Developers who do have site control are eligible for up to 100 hours of ongoing development support. Approximately 57% of projects served to-date were in the ongoing developer support category, while 43% or projects were pre-site control, receiving feasibility services.

DTAP Projects by Type

- Commercial — 41%
- Small residential (<4 units) — 34%
- Multifamily (4+ units) — 13%
- Mixed-use — 12%

The DTAP 1:1 pilot was funded by American Rescue Plan Act (ARPA) dollars and has shown promising results to-date.

System and Resource Navigation

A significant aspect of the program's expansion was the addition of a full-time staff for the first time in 2021. DTAP is a part of The City's Small Business Team, which is housed in Community Planning and Economic Development (CPED). The Small Business Team and DTAP staff are uniquely positioned to offer support with real estate resource navigation, both within The City and through external partners.

A dedicated fulltime staff has strengthened the program's relationships to other ecosystem resources and emerging developers now have more opportunities to be connected to relevant partners. This has had a positive impact on Minneapolis-based emerging developers' participation in other real estate training programs. For example, in 2022 50% of developers selected for Twin Cities LISC's Emerging Developers of Color were DTAP participants, as compared to 30% in 2021. Similarly, 48% of developers selected for ULI Minnesota's Real Estate Diversity Initiative Program in 2023 were DTAP participants, as compared to 22% in 2022.
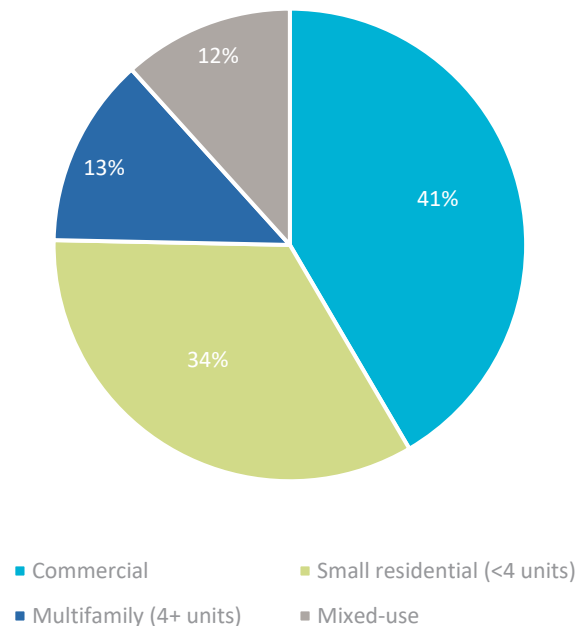
Pathways to Financing

City-sponsored financing programs

In 2021, staff added 3 additional hours of presentations to DTAP Intro to Real Estate Development training curriculum. These sessions cover City of Minneapolis financing tools, with an emphasis on programs that fund small and mid-sized projects. This strategy strengthened partnerships across multiple CPED divisions and City departments including Business Development, Residential Finance, and the Health Department. It also increased emerging developer awareness and participation in City-run financing programs.

Predevelopment pilot

In 2023 The City expanded its eligibility criteria for the Metropolitan Council's Livable Communities Act (LCA) Predevelopment Grant preapplication process to include DTAP participants receiving individualized technical assistance through the program. This pilot increased accessibility, technical support and coordination for emerging developers seeking predevelopment funds for Minneapolis projects. As a result, The City received 34 preapplications for this program and ultimately supported 8 DTAP participants in applying for the Metropolitan Council's LCA Predevelopment Grant program.

While all 8 projects put forward scored competitively in Met Council's review process, four projects were ultimately awarded at $150,000 each, maxing out the $300,000 per-city cap for both Spring and Fall rounds. All four projects selected are led by emerging BIPOC developers who are also DTAP participants. The City's 2023 preapplication process has demonstrated demand well beyond what current resources can accommodate, particularly for BIPOC and emerging developers who are less likely to have access to significant working capital or generational wealth.

Program Impact

DTAP impact is tracked in a variety of ways, including participant demographics and project location. Additionally, quality and effectiveness of DTAP training and services are measured through quantitative and qualitative feedback.

Participant Demographics

DTAP's goal of diversifying the pool of developers doing projects in Minneapolis is important to addressing racial and gender disparities in business (3) and property ownership (4). DTAP has successfully reached it's target audience, with 81% of training participants identifying as Black, Indigenous, or People of Color (BIPOC), and 94% of developers receiving technical assistance identifying as BIPOC. Below is a breakdown of DTAP participants by race.

Participant Race	Group Training	Technical Assistance
African Immigrant	12%	17%
American Indian or Alaskan Native	1%	0%
Asian	3%	4%
Black or African American	58%	65%
Other Pacific Islander	0%	2%
Multiracial	8%	6%
Other	3%	0%
White	12%	3%
(blank)	4%	2%
Total Participants 2022-23	**178**	**89**

In addition to racial disparities, women tend to be underrepresented in real estate and business ownership. Below is a breakdown of DTAP participants by gender.

Participant Gender	Group Training	Technical Assistance
Man	45%	44%
Woman	52%	53%
Nonbinary	1%	0%
Other	1%	0%
(blank)	2%	3%
Total Participants 2022-23	**178**	**89**

Women of color are one of the most underrepresented groups in both property and business ownership statistics. 43% of DTAP training participants are women of color and 48% individualized technical assistance participants are women of color.

Financing accessed with technical assistance

DTAP's investment in individualized technical assistance has been successful in helping emerging developers secure funds through a variety of sources. Participants working with DTAP advisors through the program have secured over $11 million dollars in grants and deferred loans since May 2022. This amounts to $22 secured through other sources for every $1 spent on technical assistance.

DTAP-Supported Awards 2022-2023

Funder	Program	Total Awards
Hennepin County	Community Investment Initiative	$2,675,000
City of Minneapolis	Affordable Housing Trust Fund	$2,260,000
City of Minneapolis	Ownership and Opportunity Fund	$1,825,000
Minnesota DEED	Mainstreet Revitalization Grant	$1,500,000
City of Minneapolis	Minneapolis Homes Financing	$1,350,590
Metropolitan Council	LCA Predevelopment	$600,000
Hennepin County	Affordable Commercial Incentive	$500,000
City of Minneapolis	Minneapolis NOAH Preservation	$480,000
Hennepin County	TOD Predevelopment	$129,050
	Grand Total	**$11,319,640**

Feedback and Recommendations

Participants

DTAP participants are surveyed at a variety of points throughout their involvement of the program, including after each training or workshop opportunity, and annually regarding their work with individual project advisors. Consistently, participants indicate strong support of the program and interest in increased opportunities or resources related to real estate development training. Below are some key themes identified in participant feedback:

- recommendations to increase trainer diversity,
- request for more group training relating to financing and pro forma analysis,
- a need for more resources to fund the predevelopment stage, including grants and loans.

"[My DTAP Advisor] has been instrumental in ensuring I have what I need for my project. Her expertise, insight and experience have given me the confidence and educational opportunity I would not have had otherwise if she weren't helping me on this project."

External Partners

Presently, DTAP contracts with 10 consultants and firms to provide individualized consulting services to emerging developers. All DTAP advisors were surveyed to gather information about current perspective of the program, and opportunities for future improvement. In survey responses, most partners indicated a strong desire to continue to participate in the program, and all respondents agreed that services were effective in advancing the projects of emerging developers.

"Others in the region are trying to replicate your model."

Feedback gathered from this survey included recommended changes in the following areas:

- 10 of 11 recommended maintaining or increasing the hourly cap for ongoing projects, to ensure emerging developers had long-term support through all stages of their project
- 7 of 11 indicated DTAP Intro to Real Estate Development Training should be a prerequisite to individualized technical assistance
- 6 of 11 encouraged maintaining the rolling deadline process to have services be available throughout the year, based on advisor capacity

City Staff

Overall feedback from City staff indicated that emerging developers interest and participation in City financing programs has increased in recent years. Consequently, this has caused additional workload for program staff. Administering funds to new and emerging developers takes more time and attention than to more seasoned developers, who often have more experience, resources, and staff capacity.

Generally, it seems that the availability of third-party technical assistance can reduce the workload of City staff by offering additional training and guidance at no cost. When emerging developers have experienced consultants or advisors to provide support throughout the financing process, staff can refocus their time on program administration. Overall, increased access to technical assistance is a benefit to emerging developers and to the City Staff who work with them.

Based on recent experience and current project challenges, staff had some recommendations around resources they believe would be most valuable to emerging developers. Key needs identified by City Staff included:

- Access to early-stage legal counseling and consistent attorney support throughout closing process.
- Continued investment in financial training and pro forma education.
- Additional training or guidance related to due diligence checklist items.
- Stronger referral network, so advisors can recommend consultants who have relevant experience (including title companies, attorneys, architects, and contractors).

Recommended Changes to Program Structure

Currently, support systems for emerging developers are in place at a variety of stages and carried out by several ecosystem partners. The stages of technical assistance available in the current ecosystem can be defined by the following categories:
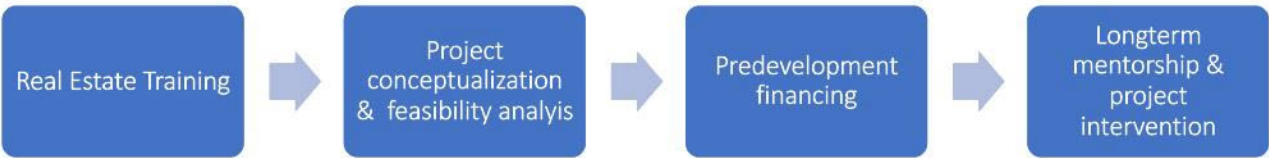
Each of these categories, or stages of development present specific challenges for emerging developers. Some of these challenges are best addressed by DTAP while others are best suited to have their needs bet by other programs. To maximize resources, the future of DTAP should improve coordination with key ecosystem partners, and target areas with the greatest need and highest impact.

Real Estate Training

Need	DTAP Offerings	Additional Ecosystem Support
Entrepreneurs need an understanding of the development process and associated risks to make informed decisions about investing in real estate.	• DTAP Intro to Real Estate Development Training • DTAP Pro Forma Workshops	• ULI Building a Foundation • ULI Real Estate Diversity Initiative • Other regional efforts

Recommendation: Continue existing DTAP Intro to Real Estate Development trainings and expand specialized workshops.

Rationale: Trainings run through DTAP are in extremely high demand, and consistently receive positive feedback from surveyed participants. DTAP trainings are also successfully reaching underrepresented groups, including women and BIPOC emerging developers.

Surveys indicate there is demand for additional training opportunities that focus on in-depth financial analysis and other specialized subject areas.

Strategies:

- Work with existing 1:1 advisors to identify consistent themes among projects and topic areas that can be addressed in a group training setting.
- Seek competitive applications for specialized workshop topics and curriculum development.
- Create a marketing strategy to promote specialized workshops to all past Intro training attendees.

Project Conceptualization & Feasibility Analysis

Need	DTAP Offerings	Additional Ecosystem Support
Emerging developers need early-stage coaching to develop feasible project concepts before they invest in property acquisition or predevelopment activities.	• DTAP 1:1 support – feasibility (20 hours)	• Hennepin County Predevelopment • GMHF Emerging Developers of Color

Recommendation: Improve definition of services and expectations for DTAP feasibility category and increase coordination with additional ecosystem partners.

Rationale: Some DTAP advisors are better positioned to address the unique needs of early-stage entrepreneurs than others. Emerging developers also often receive early-stage technical assistance from multiple sources. An integrated approach to this stage of technical assistance is not only important to avoid resource redundancies, but also to providing projects with consistent and supportive feasibility advice.

Strategies:

- Define early-stage feasibility as a specific response category in future RFPs.
- Recruit additional partners who have experience and comfortability with advising entrepreneurs with little to no experience.
- Implement Intro to Real Estate Development Training as a prerequisite for DTAP 1:1 services.
- Work with key partners to maintain a list of projects/emerging developers who are receiving support across multiple programs.

Predevelopment Financing

Need	DTAP Offerings	Additional Ecosystem Support
Emerging developers who often lack access to generational wealth need capital to get feasible projects in a competitive position to pursue financing.	• None.	• Metropolitan Council • Hennepin County • LISC • Nonprofit led, geographic specific opportunities

Recommendation: Formalize DTAP connections to existing predevelopment resources and improve coordination across programs. Long-term, consider a City-sponsored predevelopment program to offer resources for emerging developers pursing smaller projects and City or Minneapolis financing.

Rationale: Emerging developers with limited working capital often must secure grants and coordinate multiple funders to finance predevelopment costs. This can be time consuming and lead to conflict among funders, which is especially challenging for new developers who are less familiar with grant compliance. Coordinated technical assistance can improve emerging developers' abilities to secure and deploy funds.

Strategies:

- *Continue to include DTAP participants under eligible applicants in The City's preapplication process for LCA Predevelopment grants.*
- *Move application process for LCA Predevelopment grants under the management of DTAP staff for consistency and continuity with existing program infrastructure.*
- *Work with key ecosystem partners to host trainings for City staff (particularly project coordinators) and DTAP advisors to learn about predevelopment opportunities and program guidelines.*
- *Ensure all grant recipients are aware of DTAP 1:1 support and encourage partnerships whenever possible.*

Long-term Mentorship & Project Intervention

Need	DTAP Offerings	Additional Ecosystem Support
Developers who lack experience need long-term mentorship to address unanticipated but inevitable project changes throughout the course of development.	• DTAP 1:1 support – development support (100 hours)	• LISC's Emerging Developers of Color Cohort • Informal mentor relationships

Recommendation: Identify permanent funding source to allow for renewed access to consulting hours on an annual basis. Allow developers to access 100 hours of advice annually, rather than 100 hours total.

Rationale: Projects often take place over the course of multiple years. Capping hours on an annual basis allows developers to continue to receive support over the full course of their project, while maintaining reasonable expectations of advisors.

Strategies:

- *Adjust hourly cap for developers seeking support to 100 hours annually.*
- *Implement requirement for advisors to provide regular updates to emerging developers for hours spent on their projects to encourage participants to be more closely involved in the allocation of consulting time and planning around scopes of work.*