

OCTOBER 2020

FEASIBILITY STUDY



Prepared for Amboy Area Community Club



REGION NINE

**DEVELOPMENT
COMMISSION**

ABOUT REGION NINE DEVELOPMENT COMMISSION

Region Nine Development Commission (RNDC) serves nine counties in South Central Minnesota: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan. RNDC takes great pride in working with and on behalf of these counties, their cities, townships, and school districts. Since 1972, being a partner for progress has led to the development of programs in the areas of economic development, business development, healthy communities, transportation, community development and leveraging regional resources. RNDC is governed by 40 regional leaders. These leaders include elected officials representing nine counties, 72 cities, 147 townships, 32 school districts, the Minnesota Valley Council of Governments, and public interest groups including, Health and Human Welfare, Minority Populations, and Youth.

RNDC receives an annual planning grant from the Federal EDA to conduct economic development planning activities within the district. Activities range from developing and maintaining the CEDS, leading regional-based economic development goals and strategies, facilitating the regional Community and Economic Development Planning Committee, hosting regional grant opportunities forums, workforce forums, and assisting communities who are interested in seeking Federal EDA funding.

ACKNOWLEDGEMENTS

RNDC would like to thank members of the Amboy Area Community Club for their participation in this feasibility study, and in particular the working group that has been tasked with making recommendations to the rest of the Club regarding the property. Also, thank you to community members and professionals that contributed valuable insights.

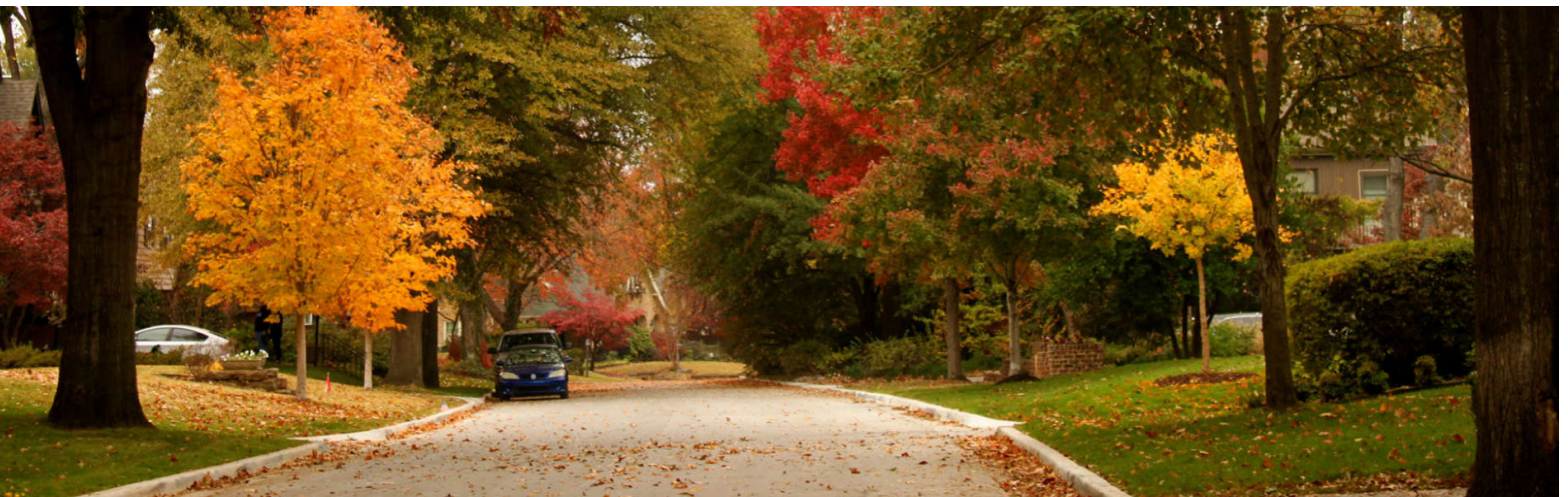
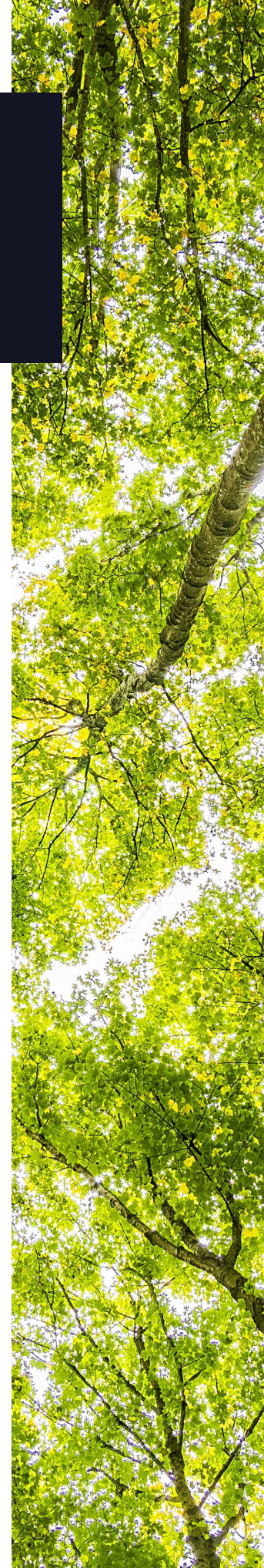


TABLE OF CONTENTS

3	Executive Summary
4	Background Information
13	Operational Feasibility
15	Economic Feasibility
17	Community Member Surveys
18	Recommendations
19	Appendix



EXECUTIVE SUMMARY

RNDC has been engaged by the Amboy Area Community Club (AACC) to evaluate the proposed redevelopment and use of the former U.S. Bank building (NEW PROPERTY) at 156 E. Maine Street in Amboy, Blue Earth county. The NEW PROPERTY is under consideration for purchase pending outcomes of this feasibility study and opportunities yet to be finalized.

The study uses demographic and socioeconomic data to assess market conditions in the Amboy – Good Thunder – Vernon Center area. Additionally, demographic data are accessed to display trends for the area over the next ten years. Further, traffic patterns are utilized to estimate the potential for customer acquisition, in addition to evaluation of potential funding sources for non-profit partnerships.

A thorough walk-thru was done to generate renovation estimates. Risk assessments were done in conjunction with the walk-thru. Following these analyses, operations and economic feasibility assessments were performed utilizing various industry criteria.

A survey was designed with the assistance of AACC members to assess community interest in a proposed community library and other potential services. The surveys were administered electronically. Surveys were completed and included in the analyses. Additionally, four interviews with local realtors were conducted over the phone. None of these were Amboy residents, and the respondents were asked about the City, its activities, real estate, and their ideas regarding the proposed plans. Additionally, three local real estate brokers and one real estate developer were interviewed to assess the potential market value of the NEW PROPERTY.

Finally, a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis was conducted based on the quantitative and qualitative data collected.

It is RNDC's opinion that the NEW PROPERTY should not be considered a viable operation for AACC unless certain partnerships are developed (further discussed in recommendations section). Although the AACC is uniquely qualified to operate a larger facility based on the community support that exists and the group's leadership, there would be major concerns whether the organization has the financial resources to meet the financial obligations of a redevelopment. It is also RNDC's opinion that the NEW PROPERTY could be partially utilized as library if the current property was purchased and the organization were to find a long-term tenant for portions of the NEW PROPERTY.

BACKGROUND INFORMATION

The Amboy Area Community Club, Inc. has evolved over the years from one of Minnesota's smallest Chamber of Commerce groups to a non-profit corporation as a 501 (3) (c) established in 2004. This group of local citizens has the primary focus of nurturing an environment that creates a sense of community. It has provided leadership and direction for projects that support cultural, historical, and educational opportunities for Amboy Area residents. ACCC organizes and promotes yearly Fall festivals and seasonal community events. More permanent and lasting projects have been successfully completed by community members, guided by the Club. The Ridge School is the historic restoration of a one room schoolhouse that was moved into a park setting in Amboy. It is used for educational purposes and represents a visible reminder of our shared history. Likewise, The Depot was restored at a location that tells the story of Amboy's founding and the influence of the railroad on rural agriculture. This building is now used as a hub for local art and craft sales and contributes to the Historic Maine Street.

AACC has been a communicator on several Minnesota Valley Action Projects that spurred renovation and updating of store fronts and housing. The Daniel Boone Trail has been promoted to connect other small communities along this stretch of Highway 169. The club used it's non-profit status to acquire the National Register of Historic Places designation on the 1901 Dodd Ford Bridge. AACC sponsored the Dodd Ford Bridge Preservation Society, and over 10 years' time, their involvement eventually lead to saving and restoring the steel pin-connected camelback bridge. Recent involvement has the club working with a Southern Minnesota Initiative Foundation Grant for \$10,000.00 to update the commercial and historic Maine Street businesses and housing. A facilitator has been guiding AACC through community priority and goal setting meetings and identifying resources and opportunities available to help meet the needs of Amboy's changing status as a bedroom community to the city of Mankato.

For the purpose of this study, it is assumed that the primary customer base for a rural library is drawn from a 15-20-minute drive-time/15-mile radius from the library's location. This excludes all Blue Earth County's current library conditions in Mankato, Lake Crystal, and Mapleton. Additionally, it is assumed that the proposed library will serve not only the City of Amboy, but also the neighboring communities of Good Thunder and Vernon Center. The next section includes background information, demographic information, and socio-economic indicators for each of these communities. Collectively the three communities are referred to as "COMBINED AREA".

Community Information

Amboy is a city in Blue Earth County, Minnesota. The population was 534 at the 2010 census. It is part of the Mankato–North Mankato Metropolitan Statistical Area. The city was founded in 1879. According to the United States Census Bureau, the city has a total area of 0.31 square miles (0.80 km²), all of it land. U.S. Route 169 and Minnesota State Highway 30 are two of the main routes in the community.

Good Thunder is also located in Blue Earth County, Minnesota, along the Maple River. The population was 583 at the 2010 census. It is also part of the Mankato–North Mankato Metropolitan Statistical Area. According to the United States Census Bureau, the city has a total area of 0.64 square miles (1.66 km²), all of it land. Former State Highway 66; and County Roads 1 and 10 are three of the main routes in the community.

Vernon Center is also located Blue Earth County, Minnesota, along the Blue Earth River. The population was 332 at the 2010 census. It is part of the Mankato–North Mankato Metropolitan Statistical Area. According to the United States Census Bureau, the city has a total area of 0.50 square miles (1.29 km²); 0.49 square miles (1.27 km²) is land and the remainder is water. U.S. Route 169 serves as a main route in the community.

Demographics

All three communities have experienced positive population growth over the last decade, with Vernon Center (21.1%) experiencing the percentage-wise greatest increase, with Good Thunder growing at the slowest rate (2.7%). The combined area grew at a rate of 10.7% between 2010 and 2018, which is significantly higher than the state's growth rate (5.4%).

Table 1: Population and Population Changes (2010-2018)¹

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Population (2018*)	661	603	356	1,620	5,527,358
Population (2010*)	582	587	294	1,463	5,241,914
Population Change (2010*-2018*)	79	16	62	157	285,444
Population Percent Change (2010*-2018*)	13.6	2.7	21.1	10.7	5.4

It is noteworthy that both Amboy and Vernon Center with double digit percentage growth rates have also become noticeably younger with median age changes of -22.2% (Amboy) and -7.4% (Vernon Center). These developments are unique for rural areas in Region Nine. Good Thunder is more in line with regional developments as the community's median age increased 22.9% between 2010 and 2018.

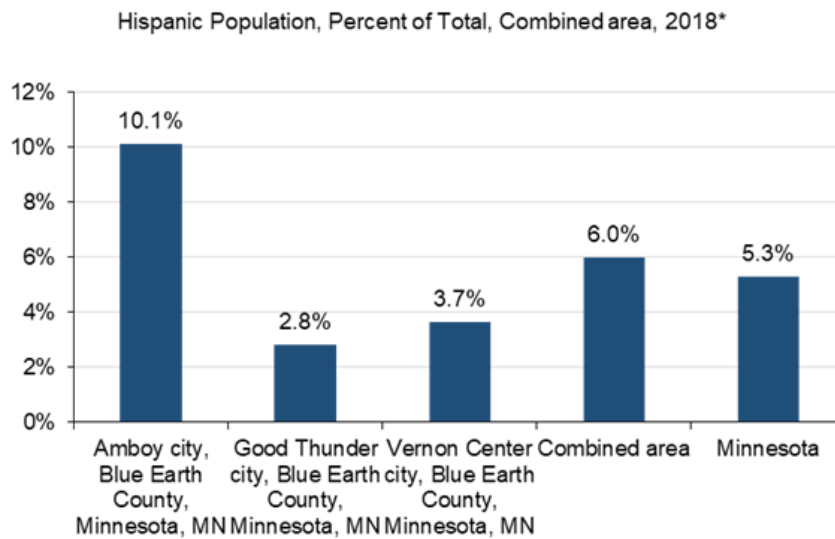
Table 2: Change in Median Age (2010-2018)²

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Median Age[^] (2018*)	37.2	36.5	37.3	-	37.9
Median Age[^] (2010*)	47.8	29.7	40.3	-	37.1
Median Age % Change	-22.2%	22.9%	-7.4%	-	2.2%

[^] Median age is not available for metro/non-metro or regional aggregations.

The most noticeable increases took place among the youngest demographics (under 18) and among 35-44-year-old residents, with net gains of +91 and +66 respectively. As a combined area, the only decreases took place among 45-64-year-old residents (-3) and those 65 and over (-16).

Amboy has a higher percentage of Hispanic residents than the state (10.1%), which helps the combined area (6%) have a percentage-wise higher rate of Hispanic residents than the state (5.3%), which is also higher than the region's cumulative figures.



Work and Commuting Patterns

Residents of the three communities are significantly more likely to work in the county of residence (Blue Earth) than Minnesota workers in general. The combined area figure of 77.8% is significantly higher than the state figure of 63.6%. They are also more likely to work within a short distance of their residence with one in three Amboy residents (33.3%) working within 10 minutes of their residence.

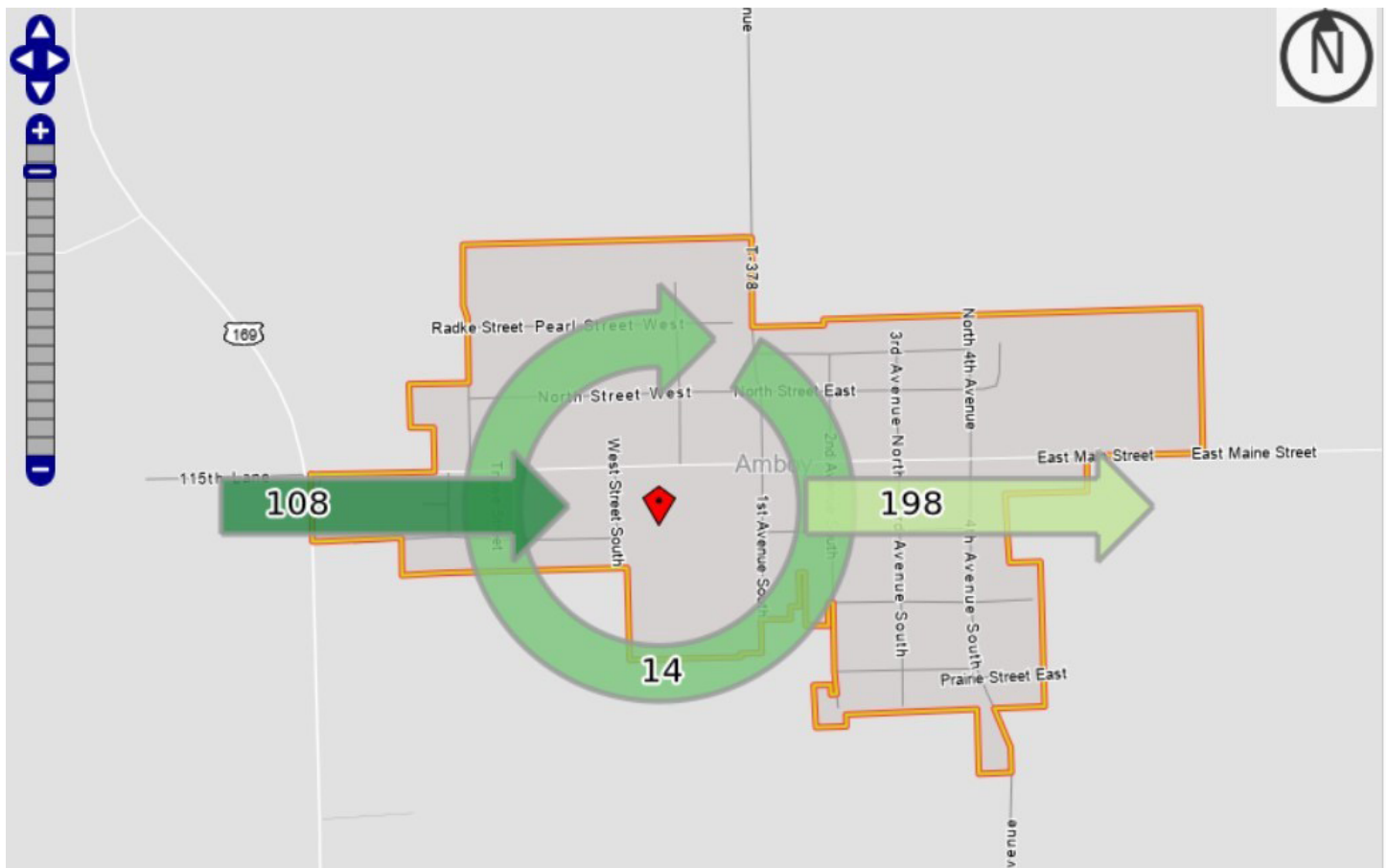
Table 3: Work and Commuting Patterns³

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Workers 16 years and over, 2018*	306	315	202	823	2,879,806
Percent of Total					
PLACE OF WORK:					
Worked in county of residence	82.0%	74.3%	76.7%	77.8%	63.6%
Worked outside county of residence	18.0%	25.7%	23.3%	22.2%	36.4%
TRAVEL TIME TO WORK:					
Less than 10 minutes	33.3%	12.4%	15.3%	20.9%	14.9%
10 to 14 minutes	9.2%	1.9%	2.0%	4.6%	13.8%
15 to 19 minutes	5.2%	16.2%	7.4%	10.0%	14.7%
20 to 24 minutes	5.6%	23.2%	10.9%	13.6%	14.0%
25 to 29 minutes	2.9%	14.6%	18.8%	11.3%	6.9%
30 to 34 minutes	12.1%	18.7%	21.8%	17.0%	11.9%
35 to 39 minutes	18.3%	1.0%	3.5%	8.0%	3.0%
40 to 44 minutes	7.5%	0.0%	1.0%	3.0%	3.6%
45 to 59 minutes	0.7%	5.1%	6.4%	3.8%	6.3%
60 or more minutes	2.0%	3.8%	5.4%	3.5%	5.2%

³ U.S. Department of Commerce. 2019. Census Bureau, American Community Survey Office, Washington, D.C.

The top work sites for Amboy residents were Mankato (22.6%), North Mankato (9.9%), Amboy (6.6%), and Fairmont (3.3%). The top ten locations also included Good Thunder, Lake Crystal, Mapleton, Minneapolis, St. Paul, and Vernon Center. However, four in ten workers were employed elsewhere, including some out of state locations. The Inflow/Outflow analysis performed indicate a net outflow of labor as indicated in the below illustration.

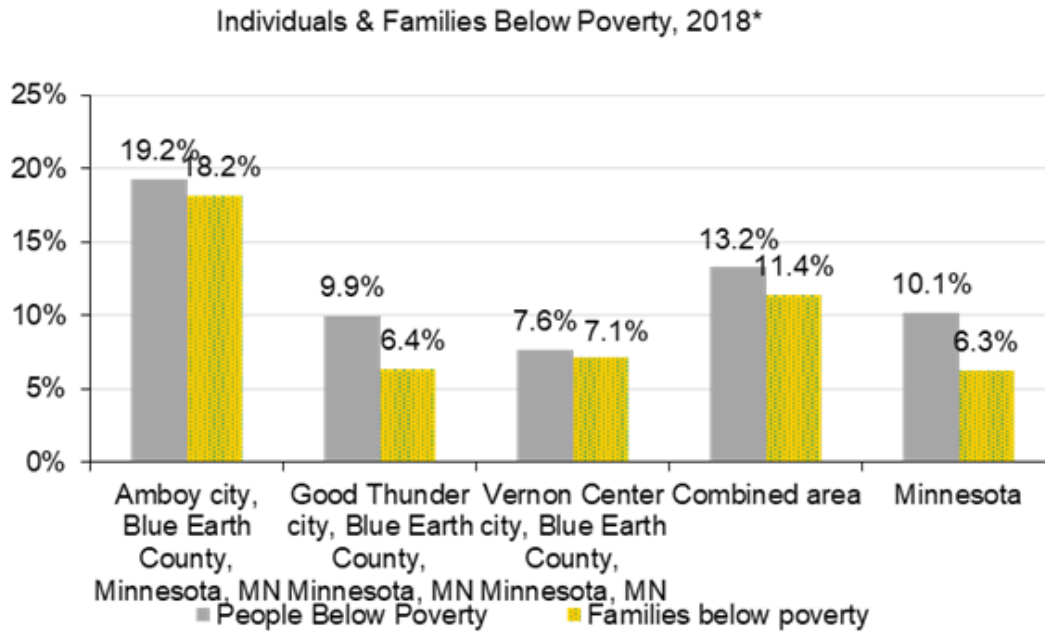
Figure 2: Inflow and Outflow of Labor to/from Amboy⁴



Poverty

Amboy's poverty rate is a major concern for the community. With nearly one in five individuals (19.2%) meeting the federal guidelines for poverty and 18.2% of all families living in poverty, the city has twice the Minnesota rate for individuals and three times the rate for families. Amboy also drags the combined area above state figures, despite Good Thunder and Vernon Center being below Minnesota's poverty rates. This is a concern for the community's economic prosperity.

Figure 3: Poverty Levels by Community (2018)⁵



Poverty rates are particularly high among single female households with children under the age of 18 (54.8%) compared with state figures (30.9%) and single female households with no children (48.6%). However, among “all families” the numbers are three times that of Minnesota families at 18.2% versus 6.3%.

Table 4: Poverty by Age and Family Type by Community

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
People, 2018*	19.2%	9.9%	7.6%	13.2%	10.1%
Under 18 years	24.4%	11.9%	4.3%	15.6%	12.9%
65 years and older	19.6%	6.5%	2.8%	12.4%	7.2%
Families, 2018*	18.2%	6.4%	7.1%	11.4%	6.3%
Families w/ related children < 18 years	27.8%	8.5%	12.3%	17.4%	10.4%
Married couple families	11.2%	2.5%	3.9%	6.4%	2.8%
w/ children < 18 years	16.4%	0.0%	8.3%	8.4%	4.0%
Female householder, no husband	48.6%	25.9%	25.0%	35.9%	23.6%
w/ children < 18 years	54.8%	31.8%	26.7%	41.2%	30.9%

~Poverty rate by age and family type is calculated by dividing the number of people by demographic in poverty by the total population of that demographic.

Race and ethnicity do not appear to skew the numbers as they relate to poverty. In fact, poverty rates among Hispanics or Latinos are lower than among Whites, with Vernon Center as the exception where Hispanics are disproportionately more likely to live in poverty.

Poverty by Race and Ethnicity

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Total Population in Poverty, 2018*	127	59	27	213	547,442
Percent of Total[^]					
White alone	91.3%	86.4%	100.0%	91.1%	63.0%
Black or African American alone	0.0%	0.0%	0.0%	0.0%	18.3%
American Indian alone	0.0%	0.0%	0.0%	0.0%	3.2%
Asian alone	0.0%	0.0%	0.0%	0.0%	6.8%
Native Hawaii & Other Pacific Is. alone	0.0%	0.0%	0.0%	0.0%	0.1%
Some other race	0.0%	3.4%	0.0%	0.9%	3.8%
Two or more races	8.7%	10.2%	0.0%	8.0%	4.8%
Hispanic or Latino (of any race)	8.7%	3.4%	33.3%	10.3%	10.4%
Not Hispanic or Latino (of any race)	82.7%	86.4%	66.7%	81.7%	57.4%

[^] Percent of total population in poverty by race and ethnicity is calculated by dividing the number of people in poverty in each racial or ethnic category by the total population.

Another concern in Amboy is the relatively low percentage of household earnings originating with Labor Earnings (70.2%). A disproportionate amount of earnings come from Social Security (30.2%) despite the population getting younger, and from SNAP (previously referred to as Food Stamps) at 17%, which is more than twice the state average (8.2%). Interestingly, social security and retirement income is significantly lower as household earnings in the much older Good Thunder.

Household Earnings

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Total households, 2018*	265	233	149	647	2,167,801
Labor earnings	186	203	126	515	1,740,494
Social Security (SS)	80	56	33	169	625,598
Retirement income	41	30	16	87	364,223
Supplemental Security Income (SSI)	26	6	7	39	90,113
Cash public assistance income	17	2	5	24	73,910
SNAP (previously Food Stamps)	45	16	10	71	178,604
Percent of Total[^]					
Labor earnings	70.2%	87.1%	84.6%	79.6%	80.3%
Social Security (SS)	30.2%	24.0%	22.1%	26.1%	28.9%
Retirement income	15.5%	12.9%	10.7%	13.4%	16.8%
Supplemental Security Income (SSI)	9.8%	2.6%	4.7%	6.0%	4.2%
Cash public assistance income	6.4%	0.9%	3.4%	3.7%	3.4%
SNAP (previously Food Stamps)	17.0%	6.9%	6.7%	11.0%	8.2%

[^] Total may add to more than 100% due to households receiving more than 1 source of income.

Education and Language

Amboy is a well-educated community, yet the community has a disproportionately higher percentage of residents without a high school degree than neighboring communities and the state. Similarly, Amboy is slightly lower on various levels of higher education than neighboring Good Thunder and Vernon Center.

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Total Population 25 yrs or older, 2018*	460	403	237	1,100	3,731,762
Percent of Total					
No high school degree	12.8%	7.4%	4.2%	9.0%	7.0%
High school graduate	87.2%	92.6%	95.8%	91.0%	93.0%
Associates degree	11.1%	14.6%	12.7%	12.7%	11.4%
Bachelor's degree or higher	15.0%	16.1%	20.3%	16.5%	35.4%
Graduate or professional	0.9%	6.5%	6.8%	4.2%	12.1%

There is also a significantly higher proportion of residents in Amboy that report speaking a language other than English (Spanish, 11.1%), than in neighboring communities. In fact, Amboy is very much in line with the rest of the state (11.7%) although the language distribution throughout Minnesota is only at 3.9% for Spanish and include other languages as well. The concern in Amboy's case is that 9.7% of residents over the age of 5 years old report speaking English less than "very well", which compares to 1.1% in Good Thunder, 2.1% in Vernon Center, and 4.7% statewide.

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Population 5 yrs or older, 2018*	606	559	330	1,495	5,175,618
Percent of Total					
Speak only English	88.9%	98.4%	97.0%	94.2%	88.3%
Speak a language other than English	11.1%	1.6%	3.0%	5.8%	11.7%
Spanish or Spanish Creole	11.1%	0.0%	2.7%	5.1%	3.9%
Other Indo-European languages	0.0%	0.0%	0.3%	0.1%	2.0%
Asian and Pacific Island languages	0.0%	1.6%	0.0%	0.6%	3.4%
Other languages	0.0%	0.0%	0.0%	0.0%	2.3%
Speak English less than "very well"	9.7%	1.1%	2.1%	4.8%	4.7%

Housing

The City of Amboy is comprised of low density, single-family residential housing, although there are some multi-family housing units in town. Lower residential densities are compounded by farms and scattered residents outside city limits.

Vacancy rates are on par with the region and the state (9.2%), but there is marginal or no inventory for rent or sale. Community members report that houses do not last long on the market, which real estate agents confirmed. The same appears to hold true for Good Thunder and Vernon Center. Accordingly, one may assume that the vacancy rate includes houses no longer for sale, abandoned, or deemed unsuitable for living. The housing stock is old, and only two homes have been reported built since 2010. Nearly half the homes were built before 1980, and nearly a quarter (24.7%) were built prior to 1970.

Housing Characteristics

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Total Housing Units, 2018*	292	250	161	703	2,420,473
Occupied	265	233	149	647	2,167,801
Vacant	27	17	12	56	252,672
For rent	7	5	0	12	27,318
Rented, not occupied	0	0	0	0	8,642
For sale only	0	7	4	11	16,423
Sold, not occupied	0	0	1	1	7,711
Seasonal, recreational, occasional	0	0	0	0	137,581
For migrant workers	0	0	0	0	321
Other vacant	20	5	7	32	54,676
Year Built					
Built 2010 or later	2	0	0	2	90,752
Built 2000 to 2009	7	14	2	23	348,694
Built 1990 to 1999	14	27	8	49	327,325
Built 1980 to 1989	2	21	1	24	311,737
Built 1970 to 1979	67	18	24	109	361,333
Built 1940 to 1969	72	49	50	171	583,964
Median year structure built[^]	1948	1944	1943	na	1976
Percent of Total Occupancy					
Occupied	90.8%	93.2%	92.5%	92.0%	89.6%
Vacant	9.2%	6.8%	7.5%	8.0%	10.4%
For rent	2.4%	2.0%	0.0%	1.7%	1.1%
Rented, not occupied	0.0%	0.0%	0.0%	0.0%	0.4%
For sale only	0.0%	2.8%	2.5%	1.6%	0.7%
Sold, not occupied	0.0%	0.0%	0.6%	0.1%	0.3%
Seasonal, recreational, occasional	0.0%	0.0%	0.0%	0.0%	5.7%
For migrant workers	0.0%	0.0%	0.0%	0.0%	0.0%
Other vacant	6.8%	2.0%	4.3%	4.6%	2.3%
Year Built					
Built 2010 or later	0.7%	0.0%	0.0%	0.3%	3.7%
Built 2000 to 2009	2.4%	5.6%	1.2%	3.3%	14.4%
Built 1990 to 1999	4.8%	10.8%	5.0%	7.0%	13.5%
Built 1980 to 1989	0.7%	8.4%	0.6%	3.4%	12.9%
Built 1970 to 1979	22.9%	7.2%	14.9%	15.5%	14.9%
Built 1940 to 1969	24.7%	19.6%	31.1%	24.3%	24.1%
[^] Median year structure built is not available for metro/non-metro or regional aggregations.					

The shortage of homes on market has generated a lack of affordable housing in Amboy, particularly in comparison to Good Thunder and Vernon Center. Mortgage costs exceed 30% of income for 27.7% of households compared with 13% in Good Thunder, 16.9% in Vernon Center, and 22.5% statewide. Renters are on par with the state (44%) as 42.9% of tenants pay more than 30% of their income to housing, compared with 20.8% and 17.9% of Good Thunder and Vernon Center residents. This is a major concern for the Amboy community.

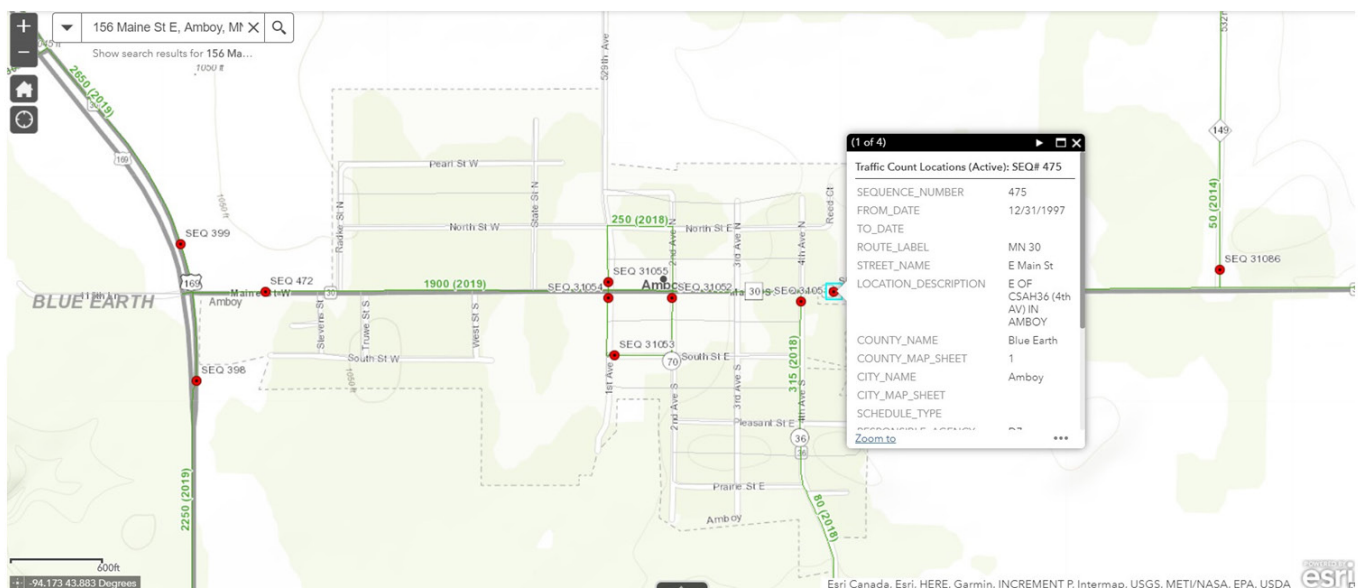
Housing Affordability

	Amboy	Good Thunder	Vernon Center	Combined Area	Minnesota
Owner-occupied mortgaged homes, 2018*	119	115	77	311	1,034,568
Cost >30% of household income	33	15	13	61	233,289
Specified renter-occupied units, 2018*	77	53	39	169	616,511
Rent >30% of household income	33	11	7	51	271,274
Median monthly mortgage cost[^], 2018*	\$1,063	\$1,099	\$996	na	\$1,547
Median gross rent[^], 2018*	\$592	\$538	\$850	na	\$944
Percent of Total					
Cost >30% of household income	27.7%	13.0%	16.9%	19.6%	22.5%
Rent >30% of household income	42.9%	20.8%	17.9%	30.2%	44.0%

[^] Median monthly mortgage cost and median gross rent are not available for metro/non-metro or regional aggregations.

Traffic Patterns

The NEW PROPERTY is centrally located on E. Main Street in downtown Amboy. Figures from Minnesota Department of Transportation (MnDOT) indicate that approximately 1,900 vehicles pass by the NEW PROPERTY on a daily basis. Highway 169, which runs north-south along the western edge of Amboy's city limits sees a daily volume in excess of 6,000 vehicles.⁶ Accordingly, the property is located in a very desirable area. Curbside parking is readily available on E. Main Street and adjacent roadways. Additionally, the building has two parking spaces immediately behind the residential entrance.



Source: Minnesota Department of Transportation, 2020

⁶ <https://dotapp9.dot.state.mn.us/tfa/Map>

OPERATIONAL FEASIBILITY

Proposed Operations

The AACC is considering purchasing the former US Bank building located at 156 East Main Street in Amboy from US Bank National Association for a purchase price of \$70,000. A letter of intent was submitted to the bank asking for a 90-day decision period pending a feasibility study.

The property was built in 1920 and has housed banking operations for nearly 100 years. The main floor includes a modern bank design, a functioning Automatic Teller Machine (ATM) in the foyer, offices, teller stations, and a large vault. A community library is the intended use of the first floor. The second floor, accessed via a separate entrance from a side street, includes three vacated apartments. All three apartments warrant major renovations, and two of the apartments have no kitchen. The finished basement also needs renovations and provide opportunities for communal space/use. US Bank has indicated an interest in paying the AACC \$100/month to operate the ATM in the building, and the apartments on the second floor would provide the AACC with opportunities for rental income.

Parking

The NEW PROPERTY includes ample curbside parking, and there are two designated spots in the rear parking lot. No concerns regarding parking are identified.

Building/Construction

The NEW PROPERTY sits on a corner lot adjacent to several other businesses. The community has maintained an active and attractive downtown despite regional developments that have made many small towns unattractive for future developments. Restaurants, craft and consignment stores, law offices, and other businesses fill the same block where the NEW PROPERTY is located.

It is assumed for the purpose of this feasibility study that only minor renovations are needed on the first floor with the removal of the teller stations to make room for the proposed library in partnership with Blue Earth County Libraries. There is adequate office space for library operations, and there is an additional office that could be utilized for lease. Potential uses include moving the City of Amboy offices to the NEW PROPERTY (currently located one block away) or utilizing the space for community tele-medicine access. This could potentially generate future revenues for the AACC, but as no plans exist this feasibility does not assume that such revenues are "guaranteed". Accordingly, the presented scenarios will identify these as "potential revenue" sources.

Break-even analysis for NEW PROPERTY

The AACC is a non-profit organization. Accordingly, the organization will be exempt from paying real estate taxes on the NEW PROPERTY. This also includes the space intended for rental to private parties (second floor). Renting out real estate is generally considered a passive investment, and is thus tax exempt, as the AACC would merely be operating as a landlord.

Projected Operating Costs

Average facility costs can vary widely based on a number of factors including building use. It is important to note that these numbers would be higher if the entire building was utilized. The previous owner did not utilize the basement for active purposes. It is also uncertain when the second floor was utilized for rental apartments, and to what extent the various apartments were used (i.e., how many tenants? Utilization of all three apartments, etc.)

Full utilization would lead to higher maintenance costs, code requirements, and miscellaneous costs associated with safety, workers' safety, etc. The below calculations provide estimates for "low", "average", and "high" costs.⁷ Average costs are based on historic and projected costs from the last three years of operations by the previous owner, with low and high estimates representing +/- 15% cost variations. Please note that Depreciation Expenses are NOT included in these estimates.

These operating costs do not consider initial renovation costs identified in separate sections, nor roof repairs or other up-front repairs needed. Operating costs include anticipated expenses based on daily occupation and utilization of the property.

Annual building services and maintenance:

(All calculations based on aggregate regional pricing standards and do not include up front renovation costs as indicated in renovation estimates)

Low: - 15% = \$ 2,371.09

Average: = \$ 2,789.52

High: + 15% = \$ 3,207.95

Annual building and facility cleaning services:

(All calculations based on aggregate regional pricing standards and do not include partial volunteer pricing for cleaning and janitorial services if applicable)

Low: -15% = \$ 930.04

Average: = \$ 1,094.16

High: +15% = \$ 1,258.28

Annual grounds maintenance costs:

(All calculations based on aggregate regional pricing standards and do not include partial volunteer pricing and include, but not limited to snow removal, exterior maintenance, etc.)

Low: -15% = \$ 3,125.58

Average: = \$ 3,677.15

High: +15% = \$ 4,228.72

Annual mechanical systems maintenance costs:

(All calculations based on aggregate regional pricing standards and includes maintenance of all mechanical systems and fire protection repairs)

Low: -15% = \$ 1,584.88

Average: = \$ 1,864.56

High: +15% = \$ 2,144.24

Annual utilities costs:

(All calculations based on most recent utility projections and will vary with occupancy and use – includes electricity, gas, water/sewer, and other miscellaneous services)

Low: -15% = \$ 4,193.42

Average: = \$ 4,933.44

High: +15% = \$ 5,673.46

Total expected operating costs:

Low: -15% = \$ 12,205.11

Average: = \$ 14,358.83

High: +15% = \$ 16,512.65

These estimates should be considered with the age of the property in mind. Additionally, one need to consider fluctuating local utility prices, seasonal differences, tenant volumes, etc. Either way, it is expected that the NEW PROPERTY would cost the AACC between \$12,000+ and \$16,000+ in general maintenance and utility costs per year. These estimates assume normal wear and tear and are typically not assumed to decrease drastically with lower activity levels. However, these industry standards are expected to increase with increased tenant volumes.

Mortgage Expenses

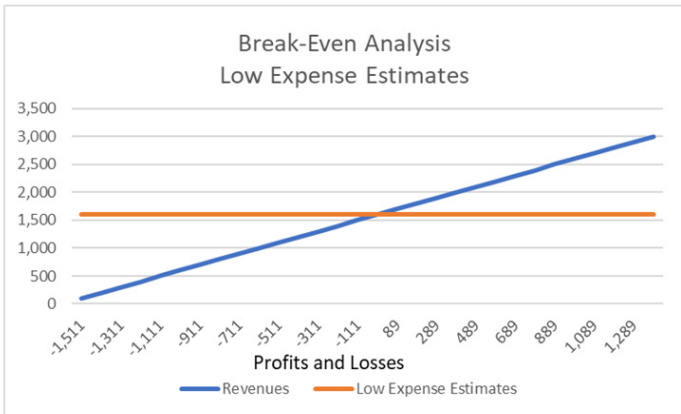
In addition to expected operating costs, a purchase price of \$70,000 would generate monthly mortgage payments of \$594 with a 15-year fixed loan at an assumed rate of 3.01%, including insurance, of which \$483 would be payments to principal and interest.

Assuming the “average” scenario above, this would yield **total monthly payments of \$1,790.57.**

ECONOMIC FEASIBILITY

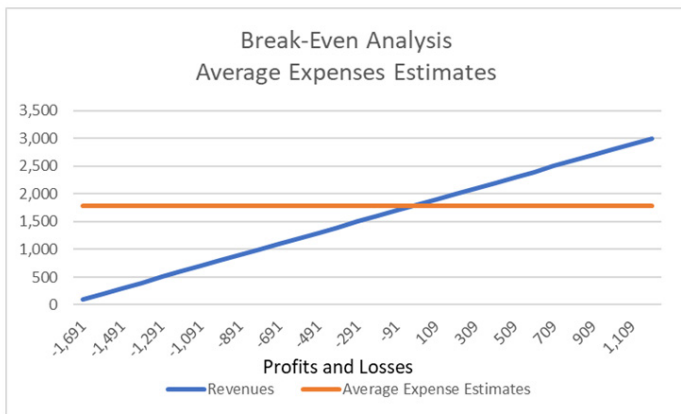
Break-Even Scenarios

As discussed in Section 3, the NEW PROPERTY is large and represents a few options for the AACC with respect to revenue generation. The second floor apartments provides the organization with the greatest potential for revenue generation. Following reviews of existing rental properties in the community, conversations with local developers, and real estate brokers, the three apartments could generate approximately \$1,600 per month in revenues collectively using an estimated \$9.15/square foot per year as the earning potential (the three apartments total approximately 2,100 square feet of usable space). ATM revenues of \$1,200 from US Bank is assumed for all scenarios. The below figure illustrates various break-even scenarios.



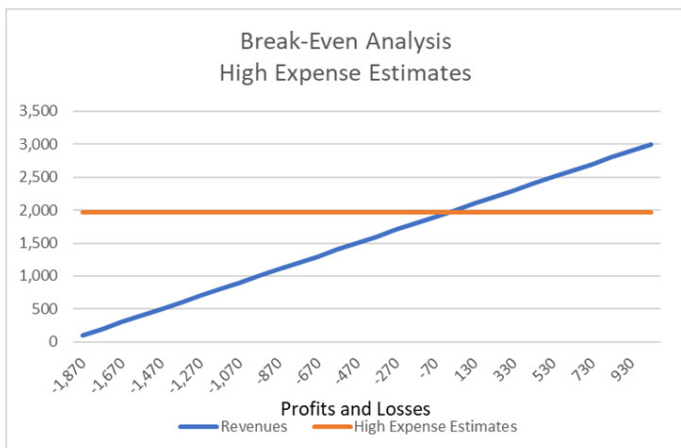
A best-case scenario, low expense estimates, suggest that the AACC would break even if total revenues from tenants' total \$1,611. Assuming that all three apartments rent for the anticipated monthly cumulative rent of \$1,600 and with an additional \$100 in ATM rent, this scenario provides the need for no additional tenants on the first floor or in the basement.

The average expense scenario, a most likely scenario, pushes the break-even point to monthly revenues of \$1,791. Assuming that all three apartments rent for \$1,600 for the anticipated monthly cumulative rent of \$1,600 and with an additional \$100 in ATM rent, the AACC would need an additional \$91 per month to meet monthly obligations. This could be recouped through rental agreements on the first floor or in the basement.



A worst-case scenario, high operating expenses, would bring the break-even point to \$1,970. This would require an additional monthly tenant revenue of \$270 from the first floor or the basement.

It is important to note that each of these scenarios assume that the AACC operate with 100% occupancy upstairs with rents of \$400/month for each of the small apartments and \$800 for the larger apartment. It also excludes any renovation costs as the funding for these should be considered separately and required for these estimates to be valid or reasonably. I.e., any revenue streams would be dependent upon all renovations having been completed. Please see the following section regarding apartment rental potentials.



“NEW PROPERTY” ASSESSMENTS BY LOCAL COMMERCIAL REALTORS

In order to assess the potential value of the NEW PROPERTY, three local realtors were engaged in the conversation in addition to one commercial real estate developer. All of these were familiar with Amboy and the surrounding communities, although each of them operates mostly in the Mankato/North Mankato MSA (Amboy is part of the MSA).

The brokers independently commented on the shortage of quality affordable rental properties in small communities like Amboy. Most rental properties in rural Blue Earth communities are either fully leased, under contract, or are currently not meeting quality standards for what these brokers would offer clients.

Rental prices could range from \$8 to \$10 per square foot in Amboy according to these brokers. The relatively large gap can be explained by the amenities a property offers, with fully renovated kitchens and bathrooms at the high end, and relatively modest older apartments at the lower end. However, each of the brokers and the developer pointed out that quick renovations could yield steady revenues with modest upgrades. However, estimates above \$10 per square foot would not be likely in Amboy due to its relative distance to the Mankato area.

When presented with hypothetical square footage, potential renovations, and location, the respondents provided estimates ranging from \$350-\$450 per month for each of the smaller apartments, and \$650-\$850 for the larger apartment. Each agreed that it would be reasonable to list the smaller apartments for \$400 per month, and the larger apartment at \$800, for a total of \$1,600 a month.

Each of the brokers warned that turnover tends to be higher in rural areas on the rental market as purchase prices are very reasonable which may lead tenants to purchase real estate when available. They also warned that maintenance costs could escalate with three separate tenants utilizing the same entrance. “You have to be a very active landlord and be prepared to manage the relationships” was the sentiment given. One of the brokers strongly urged the potential landlord to utilize a management company for the apartment rentals.

COMMUNITY MEMBER SURVEYS

According to a community engagement session held with residents of Amboy by the AACC, there is a need for the development of small businesses such as a recreation/fitness center and a grocery store in the area. A recreation or fitness center is thought to be most needed in Amboy and can be used to attract more people and business to the area. The development of industries and manufacturers is also suggested to help recruit new workers.

In response to what a community development block grant of \$1.4 million could be used for in the City of Amboy, the main answer was to recruit businesses to Amboy. The advantages that the community of Amboy has according to the residents are small town atmosphere near a big town, affordable living, low crime rate and the friendliness of people. Things that can be improved are the activities for adults and youth, the support services for the elderly, and public transportation. There is a desire to fill empty buildings within the community. Most residents answered that they travel outside of Amboy to get groceries and fresh food. Overall, the community of Amboy is advocating for a recreation/fitness center, grocery store, and development of industries to attract additional residents and families to the city.

RECOMMENDATIONS

RNDC provides three recommendations based on the research that went into this study. These recommendations are not presented in any particular order, and RNDC urges AACC to consider each of these carefully in conjunction with its strategic goals.

Recommendation 1: Do NOT purchase Bank Building

RNDC does not think the AACC would make a sound decision to purchase the NEW PROPERTY. Although the former bank building lends itself to be an attractive space, the downsides come with potentially debilitating potentials. One risk is associated with the sheer size of the NEW PROPERTY. The building is large and costly to operate, and although the property would provide the community with a great space for a community library in partnership with the Blue Earth County library system, the organization would have to be prepared to find tenants for the space not utilized by the AACC/library regardless of scenarios to break even. Having 100% occupancy at all times on the second floor may be a tall order, and grants or other funding sources would have to be accessed to pay for renovations as there is virtually no model that would generate sufficient revenues to cover anything but ongoing operating expenses.

Recommendation 2: Identify Investor and Rent Space for Library Space

A decision to move forward with the proposed library project could bring critical synergy to the community as it could be utilized as a multi-use facility as library, after-school programs, special interest programming, and possibly community health club. However, it is RNDC's opinion that this would best be accomplished if the AACC brings an investor on board, which would allow the AACC to develop the programming that takes place in the space and make it family friendly, engaging, and an attractive space for community groups.

RNDC recommends that the AACC reaches out to potential investors in the local community and possibly in the Mankato/North Mankato area. They may also work with the Small Business Development Center (SBDC) in Mankato to create a business plan that could help attract investors. RNDC have specific recommendations of SBDC coaches that would be able to work with the AACC free of charge upon request option.

Should the AACC move forward with these suggestions, RNDC strongly recommends that they develop a strategic plan with at least a ten-year focus. As mentioned earlier in the study, the NEW PROPERTY could lend itself to be an attractive space for the community and the AACC. However, the AACC should clearly articulate what they want the community and their organization to look like in ten years' time before they take on such a big project.

It would also be recommended that the AACC works with an entity that can help them conduct a strategic plan as they move forward, especially if the organization decides to purchase the NEW PROPERTY.

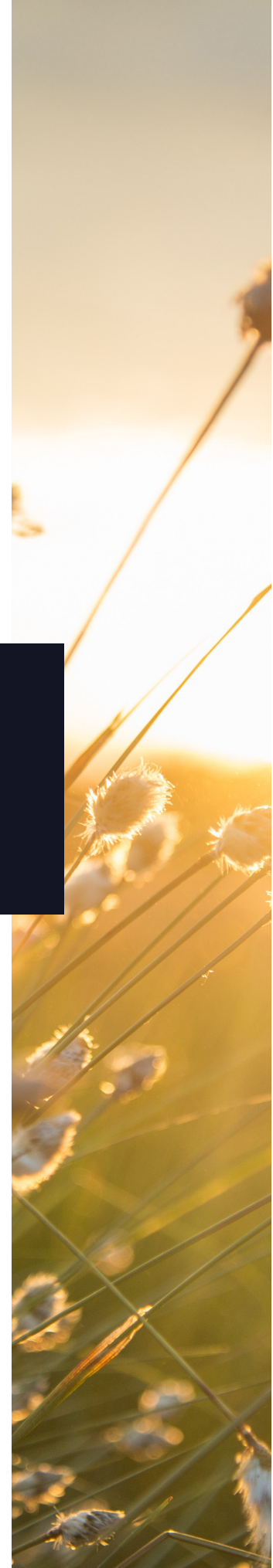
Additionally, a property management company would also be able to assist the AACC if they were to move forward with these plans. Managing tenants in a space of this size could become a financial drain for the organization, so it would make sense for the AACC to utilize entities that can assist with leases and the logistics of a landlord/tenant relationship.

**Recommendation 3:
Purchase building IF a contract is signed for renovations as part of a community project aimed at community skill building**

The AACC should have a discussion regarding the role of a “physical space” as the organization thinks strategically about the future role it will play in serving the local community. As many of the respondents indicated in their surveys, local residents are looking for ways to get more involved and RNDC suggest that the space can be utilized for community skill building, potentially as part of the renovation process. This may reduce costs, generate interest from residents, and create opportunities for further uses of the basement space for future workshops, a Makers Space, etc.

APPENDIX

- 20** APPENDIX I | Renovation Estimates
- 21** APPENDIX II | Survey Questions
- 22** APPENDIX III | Business and Community Resource Guide



APPENDIX I

Renovation Estimates

Second Floor Apartments - Remodel Budget					
Project Name: Amboy US Bank Building				SF: Square Feet SY: Square Yard	LS: Lump Sum EA: Each
Description of Work	Quantity	Unit	Unit	Total	Notes
General Conditions					
Dumpster rental - 30 yard	2	EA	\$ 625.00	\$ 1,250	
Rekey (entry doors to each unit)	3	EA	\$ 250.00	\$ 750	
Turn on Utilities	1	LS	\$ 150.00	\$ 150	
Final Cleaning	2100	SF	\$ 0.35	\$ 735	
General Maintenance	2100	SF	\$ 1.00	\$ 2,100	Includes Extra Work Not Covered Below
Demolition					
Remove trash, blinds, etc.	1	LS	\$ 750.00	\$ 750	Labor only (dumpsters included above)
Flooring: Vinyl and carpet	2100	SF	\$ 0.70	\$ 1,470	
Appliances					
Refrigerator	3	EA	\$ 550.00	\$ 1,650	one for each unit, 14-16 CF
Stove/Oven Combo with Vent hood	2	EA	\$ 500.00	\$ 1,000	Unit 3 to be reused
Stackable washer/dryer	1	EA	\$ 1,500.00	\$ 1,500	Unit 3 only
Construction					
Drywall - patch and repair	5700	SF	\$ 0.40	\$ 2,280	
Paint - walls, trim: surface prep, 2 coats	5700	SF	\$ 1.00	\$ 5,700	
ACT - patch and repair	1	LS	\$ 1,000.00	\$ 1,000	
Cabinets/Countertops - 2 Kitchenettes included in Subcontractor Quote Below				\$ -	
Flooring - Carpet	210	SY	\$ 35.00	\$ 7,350	
Flooring - Vinyl	255	SF	\$ 5.60	\$ 1,428	
Doors- sand, prep, paint, hardware,	17	EA	\$ 150.00	\$ 2,550	
Subcontractor Quotes					
Roofing Option 1: Patch and Repair Existing Roof	1	LS	\$ 12,000.00	\$ 12,000	Option 2: New Roof \$45,000
Plumbing- make operational	1	LS	\$ 10,000.00	\$ 10,000	install/hookup 3 units, the bid only includes 2 units
Mechanical Contingency Fund	1	LS	\$ 1,500.00	\$ 1,500	
				Total	\$ 53,663
Including Add Alternates					
Wood Floor refinish Unit 1 and 2	1000	SF	\$ 3.50	\$ 3,500	
Patch and Paint Entrance Stair	1	LS	\$ 1,250.00	\$ 1,250	
Roofing Option 2: New Roof \$45,000 - \$12,000 (patch price)	1	LS	\$ 45,000.00	\$ 33,000	
Washer dryer combos	2	EA	\$ 1,500.00	\$ 3,000	Units 1 and 2
Main Floor Demo and Clean	1	LS	\$ 4,250.00	\$ 4,250	(includes dumpsters and labor)
				Total Including Optional Alternates	\$ 94,413

APPENDIX II

Survey Questions

What is your age range?

What is your gender identity?

Which of the following best represents your racial or ethnic heritage?

What is the highest level of education you have received?

Do you regularly commute to a different municipality/city for work?

If you live in Amboy but work elsewhere, how long is your commute in minutes each way?

Would you be interested in the following educational/job related activities?

Do you have regular and reliable access to the Internet?

What activities do you participate in locally in Amboy?

How frequently do you patronize Amboy businesses?

If you answered “a few time per month” or less, what would help to increase that frequency?

What three destinations do you visit most frequently?

What three things do you like most about Amboy?

What is the biggest challenge Amboy faces?

What stores/businesses do you feel are missing that could be successful in Amboy?

What amenities, activities, or offerings would you like to see located here in the future?

APPENDIX III

Business and Community Resource Guide

There are multiple organizations and resources available to the Amboy Area Community Club however the organization decides to move forward. Some resources which may be particularly useful are provided below, grouped according to purpose and focus. Of course, many resources are also available locally within the community and should be utilized whenever possible.

Startups and Small Businesses

Small Business Development Center (SBDC):

<https://www.myminnesotabusiness.com/>

SBDCs, located in Mankato, provides expertise and guidance for business owners to flourish in today's competitive economy. SBDC is funded by the U.S. Small Business Administration and regional support partners, which allows the Center to provide professional services at no cost. The Center offers one-on-one, confidential consulting to established businesses and start-ups. It also helps to find and secure capital needed to operate and expand. Finally, SBDC offers an array of training sessions at no cost or nominal cost. Their consultants are experienced businesspeople, most of whom have owned their own businesses. They help identify, understand and overcome challenges of running a successful business and competing in the global marketplace.

Center for Innovation & Entrepreneurship:

<https://cob.mnsu.edu/center-for-innovation-and-entrepreneurship//>

Established in late 2016, The College of Business Center for Innovation and Entrepreneurship is the newest center at Minnesota State University, Mankato. Located on the second floor of the Hubbard Building in Old Town Mankato, the center is uniquely situated to foster relationships between students and local business members. The mission of the center is to facilitate the launch of the next generation entrepreneurs, innovators and dynamic organizations through education, research, and outreach. Resources include access to talented students, university faculty experts, a space for videotaping business pitches and presentations, open collaboration space where multiple groups can meet and work on projects, several meeting rooms, prototyping materials to help teams visualize and communicate ideas, 3D printer and scanner for prototype creation, and unique spaces and furnishings to stimulate creativity.

South Central MN SCORE:

<https://southcentralminnesota.score.org/>

South Central MN SCORE, Chapter 710, Counselors to America's Small Business, is part of a national nonprofit association dedicated to entrepreneur education and the formation, growth and success of the nation's small business. The experts at South Central Minnesota SCORE Chapter can help with no-cost

business counseling and low-cost workshops and small business classes. SCORE offers aspiring business owners and entrepreneurs with free confidential small business advice, entrepreneur training, business plan templates and more. Aspiring business people, as well as those with existing businesses, may schedule an appointment with a SCORE expert to discuss all varieties of business-related topics.

Downtown, Community Marketing and Local Arts & Retail

Greater Mankato Growth:

<https://greatermankato.com/>

Greater Mankato Growth (GMG) is committed to Advancing Business for a Stronger Community as the regional Chamber of Commerce and Economic Development Organization and is a business unit of Greater Mankato Growth, Inc. Greater Mankato Growth, Inc. also includes three other business units: Visit Mankato, which focuses on visitor attraction and servicing, the City Center Partnership, which focuses on development in the City Center and GreenSeam, which focuses to build on existing ag business prominence across southern Minnesota – northern Iowa maximizing a growing economic marketplace in order to be the premier ag business epicenter in the United States.

Minnesota Main Street:

<http://www.mnpreservation.org/services/minnesota-main-street/>

Minnesota Main Street is a 501(c)(3) nonprofit organization working statewide for the use of old buildings and sites. At the Preservation Alliance of Minnesota (PAM), the organization's core services help educate, motivate and strengthen communities. Board, staff, and partners protect and promote Minnesota's shared environment and culture. The Minnesota Historical Society and the Bush Foundation are just two of the many groups supporting the mission. Other organizations include neighborhood groups who need advice on historic designations or saving important structures; developers who support the need to work with legislators on the historic tax credits and for investment partnerships; homeowners who want to learn more through unique classes and experiential tours; and Main Street communities for a proven path to economic strength; and others.

Education, Training and Workforce Development

Minnesota State Engineering Center of Excellence:

<http://engineering.mnsu.edu/>

The Minnesota State Engineering Center of Excellence facilitates relationships by engaging academic institutions with industry and provides educational outreach by inspiring interest in science, technology, engineering, and math (STEM). These efforts shape the next generation of engineers who will solve real-world problems. The Engineering Center of Excellence fosters accessibility to the latest technologies, workforce programs, and post-secondary education. Collectively, advancing Minnesota's engineering innovation and competitiveness by enhancing education, engaging industry and inspiring students.

Pipeline Program:

<https://www.dli.mn.gov/pipeline>

The Minnesota PIPELINE (Private Investment, Public Education, Labor and Industry Experience) Program is an approach to address current and future workforce needs. The program works with employers to change the conversation from "How do we find workers with the skills we need?" To "How do we GIVE workers the skills we need?" PIPELINE exists to support employers in creating or enhancing a competency

based dual-training approach where workers receive a combination of related instruction strategically paired with on-the-job training. Dual-training grants through the Minnesota Office of Higher Education provide funding for employers to create new and expand existing dual-training initiatives. The program targets four, high-growth industries with limited history with Minnesota's apprenticeship system: advanced manufacturing, agriculture, health care services, and information technology.

South Central Workforce Council:

<http://www.workforcecouncil.org/>

The Workforce Council was incorporated in 1983 to administer job training programs in the nine-county area of South Central Minnesota and expanded its role to include welfare reform and oversight responsibilities for the WorkForce Center System. The Council is responsible for designing and marketing employment services, selecting organizations to deliver those services and monitor service delivery.

Business Finance & Grants

Region Nine Development Commission (RNDC) Revolving Loan Funds:

<https://www.rndc.org/what-we-do/revolving-loan-fund/>

RNDC administers a Revolving Loan Fund (RLF) to assist existing businesses, as well as new entrepreneurs, in securing financing they otherwise unable to secure through traditional channels. The primary goal of the program is to create new jobs, or retain existing jobs, in the nine-county region. Preference is given to businesses that add full-time skilled or semi-skilled positions. The source of the funding is the Federal Economic Development Administration (EDA). RNDC welcomes partnering with other lenders to assist local businesses to succeed and thrive.

Southern Minnesota Imitative Foundation (SMIF):

<https://smifoundation.org/>

Southern Minnesota Initiative Foundation is a regional development and philanthropic organization that fosters economic and community vitality in 20 counties of southern Minnesota through a culture of collaboration and partnership. SMIF collaborates widely to support community vitality through investments in early childhood, economic and community development. SMIF got its start in the farm crisis of the 1980s to help diversify Greater Minnesota economies and ensure vibrant communities for future generations. SMIF invests about \$5 million annually through loans and grants, in addition to specific programming.

Property Listings

CoStar:

www.costar.com

Free service for property owners to list properties. City may submit listings but must be confirmed by property owner at follow-up call.

LoopNet:

www.loopnet.com

Free service for City or property owners to list properties. Account can be setup online. Tracking information to view number of property hits and downloads.

Property drive:
www.propertydrive.com

Fee-based listing services for property listings commonly used by brokers.

Useful Guides for Business Information and Assistance

Minnesota Trade Office:
<https://mn.gov/deed/business/exporting/>

The Minnesota Trade Office helps turn opportunities into profits in foreign markets by providing the training and expertise that small and mid-sized companies need to export goods and services successfully worldwide.

Minnesota Department of Agriculture:
<https://www.mda.state.mn.us/exporting-and-international-trade>

The MDA helps companies and individuals export raw and processed ag products out of Minnesota. We provide needed certificates and paperwork, and help companies expand their reach through business and trade development.

Region Nine Development Commission:
<https://www.rndc.org/what-we-do/international-partnerships/>

Region Nine works closely with local industry to leverage comparative advantages in today's global markets. As the designated regional development organization in South Central Minnesota, Region Nine fosters partnerships with entities from both the public and private sections to strengthen everything from regional food clusters to medical device manufacturing.

Community Development Funding Resources

U.S. Department of Agriculture:
<https://www.usda.gov/topics/farming/grants-and-loans>

The USDA offers a variety of programs for assisting in community development, housing, and community facilities.

MN's Small Cities Development Program
<https://mn.gov/deed/government/financial-assistance/community-funding/small-cities.jsp>

Explore Minnesota/MN Department of Tourism:

<https://www.exploreminnesota.com/index.aspx>

Explore Minnesota offers assistance for event planning and associated marketing.

Minnesota Department of Natural Resources:

<https://www.dnr.state.mn.us/>

The DNR offers funding assistance for a variety of environmental initiatives from park and trail acquisition to water quality to cleanup of environmentally contaminated “brownfield” sites.

Minnesota Department of Transportation:

<https://www.dot.state.mn.us/>

MnDOT has programs for major street reconstruction projects and trail projects.



REGION NINE



**DEVELOPMENT
COMMISSION**

**3 CIVIC CENTER PLAZA, SUITE 310
MANKATO, MN 56001**

WWW.RNDC.ORG | 507.387.5643

A blue rectangular sign with the white text 'MTA' and the red and white 'Amtrak' logo to its right, mounted on a brick wall.

MTA Amtrak