



Green Line Density Bonus Study: A Primer

March 2015

Background

On behalf of the Big Picture Project, and with funding from the Central Corridor Funder's Collaborative, the Local Initiatives Support Corporation (LISC) Twin Cities office commissioned a study of density bonuses that may be employed as a municipal tool to encourage production of affordable housing in the Twin Cities region. More specifically, the Density Bonus Study was commissioned to assess the viability of a potential policy tool that would incentivize private investment in the preservation and expansion of affordable housing options for residents living in and near Green Line LRT station areas, including its current route and planned route extension.

Today's Green Line connects the cities of Saint Paul and Minneapolis. Each are observing growth in the region's transit ridership, and evidence of increased market interest in areas with access to the line. Minneapolis and Saint Paul began Green Line land use planning in the mid-2000s, culminating in adoption of station area plans and rezoning prior to rail opening in 2014.

The Green Line extension will serve Minneapolis and four neighboring communities: Hopkins, St. Louis Park, Minnetonka, and Eden Prairie. The five cities involved in implementing the Green Line extension have undertaken comparable station area planning, as well as more intensive market and circulation analysis. These communities are currently formulating their housing strategies, and refining their zoning and land use policies in anticipation of the transit investment.

Inclusionary Zoning and Density Bonuses and Green Line Context

According to the Metropolitan Council forecasts, the Twin Cities region is projected to add 52,000 low- and moderate-income households needing affordable housing in the decade 2020-2030. Among the Minneapolis and Saint Paul neighborhoods currently served by the Green Line, the Big Picture Project has focused on a stretch goal of 4,500 new and preserved affordable units in the years 2011-20.

Density bonuses are tools that are often employed to advance affordable housing goals, but can be applied to organize production of a broad range of public benefits including parks and open space, active first-floor commercial uses, and structured or less-conspicuous parking facilities. When oriented to focus on affordable housing, density bonuses represent one form of inclusionary zoning, which cities use to offer and exchange entitlement of additional finished square footage of new development, in exchange for a private party's production of housing meeting given affordability criteria.

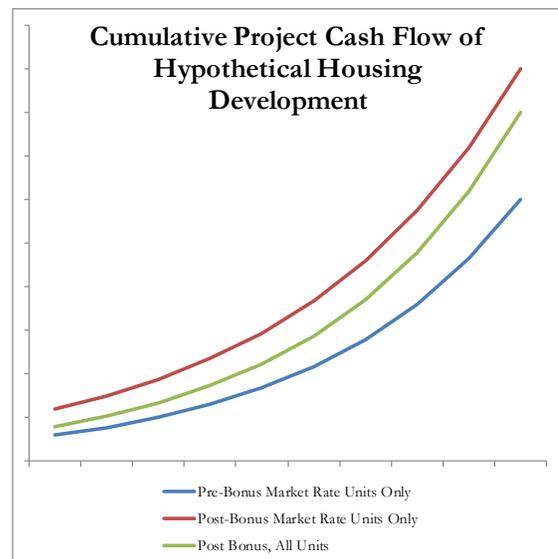
Study Conclusions

The process of examining density bonus strategies included quantitative and qualitative analysis, practitioner interviews and repeated discussion sessions with an advisory group. This process, supported by urban redevelopment consultant Donjek, led to multiple findings for application of density bonuses by communities linked by the Green Line. The top tier of findings are listed below.

Market strength is the most critical ingredient for a density bonus program to generate public benefits, including affordable housing. Given that public benefits of a density bonus are created by a city's consent to allow development beyond the typical, the interest of developers, investors and lenders in maximizing investment is the raw material for the success of the bonus. Property in Green Line station areas has demonstrated positive but varying levels of demand for land, indicating that an effective program needs to reflect the submarket of a city, or particular subareas within a city.

In tandem with strong markets, the most productive environments for successful density bonus programs have local controls that restrict the level of development entitled by right. For cities to invite private sector use of a density bonus, developers must find that potential on a site or within a station area exceeds what is entitled under existing zoning regulations. Through years of planning and construction for the Green Line now in service, the cities of Minneapolis and Saint Paul adopted zoning code changes that substantially increased the value of entitled development in station areas. The four cities planning for the Green Line extension as their first light rail line started with the core cities' process and built upon it for their planning. These cities are translating the body of analysis of market, circulation, and development potential into zoning and land use controls, while the market is beginning to respond to prospects shaped by the planned transportation investment.

Transforming the difference between market demand and entitled value into public benefits through a density bonus requires clear public expectations and process. At the national scale, cities demonstrating success with density bonus programs have established a clarity of objective for the program, and built accountability into it by committing to an approval process that reaches conclusion on a predictable time frame. These cities also effectively present the advantages of both the added entitlement and the predictable approval process. Each of these elements clarify city expectations and goals (including, fundamentally, which public benefits are the core of the matter), and strengthen the potential impact of the density bonus as a policy tool. To the extent the goal of the density bonus program is the production of housing units, public expectations should be clarified about which type of housing is contemplated: Rental or owned, larger versus smaller units, senior, housing for very low income households, for example.



Duration matters. Interviews and research each point to the importance of the length of commitment associated with additional square footage potentially granted under a density bonus. In particular, concerns about the long-term affordability of units entitled under a bonus, and about the validity of rights to replace "bonused" units in the event of property casualty, were raised as prospective

barriers by developers, lenders and other practitioners in interviews. Clarity regarding the duration of the bonus is critical to articulate the financial mechanics of the development, and the value of the public benefits to be delivered.

Couple a focus on public benefits with flexibility. Each of the cities involved in the study is distinguished by its location within a specific marketplace, as is each of the station areas. The Transitional Station Area Action Plans, for example, identify the individual land use, circulation and market characteristics of each of the stations comprising the Green Line extension. Cities with longer histories of urban development like St. Paul and Minneapolis, are comprised of sites more likely to have easements, odd shapes, or soil conditions that influence site planning and building options. Also, as demographics including household sizes continue to shift, an emphasis on affordable housing production may be best placed on square footage as opposed to quantity of units, to remain flexible to market change. For cities exploring density bonus programs, incorporating flexibility to reflect their market's characteristics will increase the likelihood of impact.

Further Information

Gretchen Nicholls, Program Officer
Twin Cities LISC
570 Asbury Street, Suite 207
St. Paul, MN 55104
(651) 649-1109
gnicholls@lisc.org

Jon Commers, Principal
Donjek, Inc.
2288 University Avenue West, Suite 204
St. Paul, MN 55114
(651) 645-4644
commers@donjek.com