Introduction – Russ Stark, St. Paul Council Member and President, Ward 4

The Big Picture Project’s goal has been to support a community along the Green Line that belongs to everyone; preserve community and add jobs and housing to the area.

Our question today is how do we create mixed-income communities? If we want the Green Line to contribute to economic development, we must approach this on many fronts. We want to talk about how to develop mixed income buildings, and what are the attributes of a community in which people of varying incomes live well together. How do we do this work in the context of both strong as well as soft markets?

Robin Snyderman, BRicK Partners

Robin is based in the Chicago region; she consults nationally, providing technical assistance and project management; BRicK Partners is focused on regional housing and community development strategies.

The collaboration of multiple partners along the Green Line has been crucial to its success.

Prior to her work in Chicago she had experience trying to build supportive housing in San Francisco; and found that what worked well for families and seniors did not work for adults who need supportive housing. Demonstrating the importance of understanding the need for a range of housing solutions.

The difference between being housed and being home is self-determination: local leadership is critical.

Mark Joseph at Case Western University is doing research on building successful mixed-income communities, using a case study in Chicago where they have been replacing public housing high rises with mixed income housing. They convened off-the-record roundtables of developers and working groups to discuss how to successfully achieve mixed income communities. They have been learning as they go; involving schools, parks, city economic development people in the discussions. It is critical to plan for both the housing AND the attributes of a community that are needed for a range of resident needs.

In Chicago it was important to have a range of housing options located near transit, and the goal was to have 10% of the commercial space bought by area businesses. The goal was to create mixed income neighborhoods and not just mixed income developments.

Robin is currently assisting a Twin Cities Regional Mobility Strategy, building regional collaboration among housing authorities, and trying to create permanent affordability for low income families in higher income neighborhoods. Research indicates that low income families find the most stability in scattered site housing, followed by mixed income housing; but it is difficult to manage and maintain scattered site rental housing; some non-profits are doing this successfully.

Brookings’ research has shown that poverty is increasing in the suburbs, and in many suburbs there are no supportive networks for people similar to those that are the City. This is an obstacle for creating successful and sustainable mixed income communities.
Observations about the Twin Cities:

- There are a lot of people here committed to these issues, trying to break down silos and collaborating around regional mobility;
- The region would benefit from a Fair Housing Equity Assessment; and
- The Twin Cities needs a regional vision

Nieeta Presley, Aurora St. Anthony Neighborhood Development Corporation

Aurora Saint Anthony Neighborhood Development Corporation (ASANDC) was a co-developer of the Western U Plaza, a mixed use, mixed income development at the Green Line / Western LRT Station. The project was inspired by the community’s desire to preserve the historic Old Home Dairy building on the site, and to incorporate other elements that reflected the community’s values.

ASANDC went through an intentional process to create a vision for the site. Light Rail was coming, so they were looking for sites along the corridor for accessible affordable housing. When the Old Home site (now called Western U) became available the community mobilized. Community members came together to discuss how to repurpose the site for the benefit of the community and maybe even create community ownership. They did a visioning process: community wanted to preserve the building for its history, beauty and connections to the neighborhood. The community drove the design and purpose, and brought a lot of partners to the table. The Western Station was not an original stop in the LRT plans, and the community was able to include it as an additional stop along the transit corridor.

They wanted safe and quality housing, but more than just housing. They wanted a cooperative model as well, and wanted to incorporate artists into the development; they created a variety of unit sizes – efficiencies, 1, 2 and 3-bedrooms; built a small playground; and put 6000 sf of commercial space.

Cars are a cost burden to economically-challenged people and residents don’t need a car here. ASANDC received a grant from Xcel Energy for solar panels which reduced utility costs for residents; and they worked to create access to rental housing for people with barriers, especially those needing a second chance (those with evictions or felonies on their records).

The historic preservation piece had many requirements and financing challenges caused the project to go from 1 to 2 projects. The first phase was all workforce housing, the second phase was a mixed use that included commercial space and market rate rental (and included the historic façade).

What worked:

- The private for-profit / non-profit developer partnership really worked well; the community chose the for-profit development partner, who was very open to the community’s ideas
- Financing opportunities were created through organizations coming together
- LISC provided a lot of technical assistance and resources to include elements that responded to community goals.

Tara Beard, Metropolitan Council, Housing Policy

Communities throughout the metro area are doing their Comprehensive Plans for 2040; how do we institutionalize mixed income communities in Comp Plans?
Encouraged cities to include a focus on smaller market rate development. How can communities get some affordable units into these private developments?

The Metropolitan Council, in partnership with the Family Housing Fund (FHF) and the Urban Land Institute of Minnesota/Regional Council of Mayors (ULI MN/RCM) have provided the MSP Mixed Income Housing Feasibility Education and Action Project which offers tools to help municipalities learn how they can work with the private and nonprofit developers to provide mixed income housing in the Minneapolis/St. Paul (MSP) Region. This project allows city staff to learn, experiment and, if they choose, develop policies to incentivize mixed income housing development in a collaborative environment (more information is available at www.HousingCounts.org).

What would a mixed income policy at the city level look like?

There are different markets in the metro area; what tools are available to help communities proactively support mixed income developments? What “light touch subsidies” from cities can help create affordable units?

Marie Franchett, City of Saint Paul, Department of Planning and Economic Development (PED)

The City of Saint Paul advocates for mixed income communities; when the City provides financial assistance to a project. The HRA’s City-wide goal for projects receiving financial assistance is: 30% of the rental units be at or below 60% of the area median income (AMI) with 10% of the units at or below 50% AMI and 10% of the units at or below 30% of AMI.

Often, financing mechanisms drive how projects are structured; for example the TIF (tax increment financing) law requires at least 20% of units be affordable at 50% of AMI or 40% of the units be affordable at 60% of median income; 4% tax credits have the same affordability requirements.

Two recent projects: West Side Flats Phase I and the planned West Side Flats III, together will be 23% affordable.

West Side Flats Phase I: this is located within an ACP50 Census Tract*; 80% of the units are market rate and 20% are affordable; the project used TIF, HOME $2,500,000 and MN Housing Fund $2,000,000.

West Side Flats III: this is located within an ACP50 Census Tract*. Of the two buildings, one has 182 units, all are smaller units with market rate rents; the other 82 unit building has larger units to accommodate families and is 78% affordable and 22% market rate

2700 University: 80% of units are market rate; 20% are affordable; creative use of 4% tax credits required separated legal entities within the project; the Met Council provided a TOD grant; it was the City’s influence (policies and resources) and creative lending tools by private lenders (BMO Harris and LISC) that enabled affordable units to be included in the project.

* An ACP50 is feature derived by the Metropolitan Council, where at least 50% of the residents are people of color and at least 40% of the residents have family incomes that are less than 185% of the HUD-defined poverty threshold (in 2015, 185% of the federal poverty threshold was $44,875 for a family of four or $22,352 for an individual living alone). The data is based on the 2011-2015 five-year American Community Survey estimates from the Census Bureau.
**Ryan Cronk, Flaherty Collins**

Developer of the 2700 University project (mixed income development)

Why pursue a mixed income project? Urban Works approached them; it’s great real estate, a TOD deal, between the two cities, and near the U of M campus

The vision for the project was already set by St. Paul: TOD with an affordable housing component

How do we execute this deal within these parameters? They brought their market rate team and their affordable team together; without their in-house affordable housing team this would have been much more difficult; this was their first mixed income deal

There are more mixed income development deals on the Coasts; harder to find investors interested in the Midwest; but they believe there will only be more of these kinds of projects in the future

Obstacles: entailed extremely complex financing; drew on lots of different pots of money; LRT was not open yet, which caused many unknowns

To do the financing, they condo’ed the affordable units; (all the units are rental, but the condo status pertains to how the developer owns them); the market rate units are indistinguishable from the affordable units; the affordable (condo’ed) units are scattered throughout the development

Worked with the City to close the gap: TIF, Met Council TOD grant (affordability requirement), LISC provided Mezzanine Loan, National Equity Fund

It takes lots of partners and a city policy willingness to figure out the financing

Parking is at less than 1 stall per unit which helped reduce construction costs; we will see how this smaller amount of parking works out

There are lots of features and amenities in the development

What could make this kind of deal easier in the future?

- Availability of 9% tax credits instead of 4%
- Publicly owned land; when the land has a private owner there are timeline issues; these properties take more time to develop than market rate deals; need a patient landowner
- City could provide credit enhancements to make the TIF bond less expensive
- Ability to finance this kind of deal without the condo structure

**Questions**

**What is it about 9% credits that make them easier to use?** (Ryan Cronk) The rates are less, easier to use and cheaper. However, there are more projects competing for 9% credits, so it’s not a guarantee that you can get them

**The Tax Credits Market has changed since the election. Would you do this project again?** (Ryan Cronk) Yes, would do it again. Most of their projects are public-private partnerships. Need opportunities where the City is supportive of a mixed income project in order to make it happen. A lot of downtowns want grocery stores now, so his firm is looking at some of these projects.
How has the leasing gone? (Nieeta Presley) A lot of people looking to lease units were denied – didn’t get through the screening – and this slowed down the leasing up of the buildings. The community targeted schools in the neighborhood and created a waiting list of people who wanted units. They wanted to vet the list and help people overcome any barriers they were likely to meet when trying to rent (for example criminal background issues, even for those whose records were 30 years old); tried hard to help people get into units: tried to get people’s records expunged; provided rent readiness training (didn’t want people to pay for the screening and then not pass it); advocated for people who did not pass the screening but who were working with the Community Stabilization Project; and worked to find people who did not pass screening other housing – there are some landlords in the neighborhood who are willing to give people second chances.

There’s a chicken and egg problem: how do we get investors more comfortable with mixed income projects? We are learning from communities who are getting these kinds of projects done, for ex. Edina and St. Louis Park. “Light touch” ideas for cities, like reducing parking requirements, can reduce project costs and make them more attractive. There hasn’t been much institutional money coming to Midwestern cities, but this will change. Rents in St. Paul and Mpls. are high enough to attract national investors.

What about manufactured homes and co-housing? And are there plans for mixed income housing along the Southwest LRT line and the Blue Line Extension route? (Tara Beard) The Met Council is working on water treatment strategies for manufactured housing parks, and trying to raise the profile of manufactured housing parks in the region. These contribute to mixed income communities. The Met Council hasn’t talked with cities too much about co-housing. It would be good to take a look at comp plans and make sure they allow co-housing.

Small Group Discussion report-outs:

- Unlink parking requirements from the development project; could even repurpose the parking in the future and it could be a resource to the project
- If investors have uncertainty about mixed income development, we need research on the outcomes of our mixed income developments – are they financially successful?
- How do we ensure long-term affordability?
- Educate people about mixed-income communities – who are we?
- Do more Rent-to-Ready programs; helps prevent homelessness too.
- Engage people (neighborhood groups, business owners) early in the process so that they can impact the project
- Need more understanding about institutional investors
- Use the HOME Fund to help counter the slowness of the process
SMALL GROUP DISCUSSIONS

What key strategies should be emphasized to strengthen and sustain mixed income development and communities?

- Including non-traditional stakeholders (current residents, low income, and minority communities)
- Connection points among the various aspects (income levels) of the community
- Be intentional in making space that is radically inclusive – feels inclusive to the entire community
- City support and incentives from land use planning that guides mixed income neighborhoods and funding mechanisms to help pay for affordability, zoning requirements that allow variation for affordability
- Longer-term affordability
- Regional consistency in housing policies
- Services / access (quality of life services, range of retail services)
- Changing the perception of “affordable”
- Education on tenants
- Preservation of small businesses
- Encourage cities to make it easier to see different housing types: Townhomes, ownership structures (co-op), building technologies, zoning issues (density, parking)
- Educate private sector: institutional investors, Home Fund as a resource with low time threshold
- Educated city staff: Feasibility calculator, parking ratio ($20K per parking space), how to combat anti-density neighborhoods
- Upfront requirements
- Financing Streamlined (flexibility)
- Engaging community to demand requirements: mixed income not concentrations / homogenous, directed at all new projects
- Lexington Station should be mixed income
- Planning concessions, willingness, flexibility (density bonus, parking concessions)
- Policy vs. Requirements – not many local examples of requirements
- Fee relief (parkland dedication, overlay zoning around station areas, WAC)
- Use Tax Increment Financing (TIF)
- Tax credit issues related to amenities
- Modify parking regulations in order to improve affordability
- Enshrine mixed income in comprehensive plans (either require it or create incentives)
- Inclusionary housing policies / ordinances / less formalized arrangements with developers
- Convene some of the stronger / more active local lenders to talk about ways of underwriting mixed income
- Identifying sites / communities where mixed income approach seems most viable
Getting the Big Picture Right: Mixed Income Development and TOD
Small group discussion notes
March 7, 2017

• Helping cities, project partners and communities understand effective policies
• De-link parking & development
• Attention to context (some need market, others affordable)
• Shared learning
• People don’t know what mixed-income is and resist it (define what it is)
• “Light touch” tools important
• Any # of affordable units is good
• Make sure people in these units have community that supports them
• Role for property managers to create community that works
• Cities must make mixed income developments a priority
• Shift mindset of developers away from maximizing profits
• Residents have to feel connected in order for it to be successful

What additional partners should be included in the conversation?

• Residents (owners and renters)
• Community organizers to help overcome NIMBYism / opposition
• Tax credit investors – those with greater comfort level with mixed income development – make these connections for developers / funders
• Research / data partners to demonstrate success / challenges / best practices for mixed income developments
• Limited Liability Corporation (LLC) Partnerships
• Community groups
• Mission oriented groups
• Advocacy Groups & Stakeholders
• Property management groups
• Rent to Ready Program – help combat homelessness
• Educational institutions
• Downtown business owners
• Need more diverse people riding the LRT
• People not engaged otherwise
• Investors
  o Small public / private
  o Small business
  o Neighborhood associations
  o Residents!!
• Banks / investors need to be in the conversation
• Appraisers / market analyst education
• Nonprofit / for profit developers
• Service providers
• Community
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- Design professionals / architects
- Stronger / more active local lenders
  - Investors and financiers sometimes left out of conversations
  - Allocators and investors in LIHTC need to be brought into conversations to ensure those stay viable
- MN DOT, Met Council for transit pieces
- Communities
- Employers coming to the table to help shape investments
- Mentors (to be identified) who have expertise in fostering community in and around developments
- George Sherman (Sherman Associates – for profit developer)
- Developers
- Investors and lenders (why are they hesitant in this market? Bring them on board)
- Property management
- Cities: elected and staff
- Neighborhood groups
- Social service organizations / advocates

What does success look like?

- Housing stability
- Look at income levels / distribution at all levels
- People mixing and not just income mixing
- Reflective of community
- Engaged community
- Catalyst for change
- Self-sustaining
- Opportunity to move out of affordable (wrap around services)
- Success conversation should go beyond housing to include neighborhood business, schools, parks …
- Prospect Park
- Grocery store
- Transit options
- Community dialogue
- Amenities
- Straight forward projects that function
- Creating a community asset that achieves multiple goals
- Average people living in TOD housing, using transit
- Difference between being housed and being AT HOME
  - Activities in community spaces that bring people out of their units, as determined by residents’ interests
Loosen restrictions on allowing community activities to develop organically
- Residents feel connected to their community and have supports (e.g. language class, job training)
- Need to do the spectrum: larger developments with supportive services AND scattered site units, “light touch” units
- Housing choice: rental and affordable home ownership

Additional Questions:
What is the appropriate scale to talk about mixed income? (e.g. @ building level? @ neighborhood level?)