Getting the Big Picture Right:
A series of conversations on Housing + Transit, 2016 - 2017

Mixed Income Development and TOD
March 7, 2017
Wilder Conference Center
Mixed Income Communities

- Housing options
- Jobs / Services
- Education
- Amenities

Strong markets / Soft markets

Mixed Income Development

Market rate financing

Public / Tax credit financing
Small Group Discussion Questions:

• What key strategies should be emphasized to strengthen and sustain mixed income development and communities?
• What additional partners should be included in the conversation?
• What does success look like?
Presenters:

• Robin Snyderman, Brick Partners, LLC

• Nieeta Presley, Aurora Saint Anthony Neighborhood Development Corp.

• Tara Beard, Metropolitan Council

• Marie Franchett, City of Saint Paul, Dept. of Planning and Economic Development

• Ryan Cronk, Flaherty Collins
Getting the Big Picture Right: Mixed-Income Housing and TOD

Robin Snyderman, Principal
BRicK Partners
March 7, 2017
Presentation Outline

• Local Leadership is the heart of the matter: (The difference between being at home and “being housed” is self-determination.)

• Nontraditional Stakeholders are critical to building successful mixed-income housing communities.

• Lessons from The Brookings Institution on the Changing Geography of Poverty

• Regional Mobility and Mixed-Income T.O.D. Housing

• Unique to the Twin Cities
• Focused on:
  – Regional Housing and Community Development Strategies
  – Building Capacity, Collaboration and Community

• Current Work:
  – Consulting and Technical Assistance, Project Management, and “Collaborative Management”
  – Local and national clients in the public and private sector
Building Successful Mixed-Income Communities

Lessons learned from the Plan for Transformation?


Community building in and around the site

Employer engagement
Building Successful Mixed-Income Communities

• “The logic is that concentrated poverty is a massive problem and we have to do something different. We can’t keep warehousing the poor in dense, isolated developments. But that logic breaks down when you say the opposite, that integrating housing developments must be an improvement...It takes more than just building new homes. What we learned is that by the time the development partners get to the phase of community building, they’re just burned out”

Building Successful Mixed-Income Communities

• “Hopefully in 20 years, this time will be an inflection point where you began to see people be so much smarter about how they did this. We figured out how to build them, but building is not enough. Maybe in 20 years, mixed income will have gone to scale, with mixed income neighborhoods, not just developments, and mixed income will no longer be delineated by race and income so clearly. I still think there’s room among well-meaning policy and practitioners to do this more effectively.”

1. The geography of poverty and opportunity has changed.

2. Current policies are not aligned with this new geography.

3. We need a new agenda for metropolitan opportunity.
This trend has played out in the Twin Cities region.

Source: Brookings analysis of U.S. Census Bureau data
Brookings’ Ingredients for Success

• **Achieve Scale**
  – Improve systems and networks
  – Promote high performing organizations
  – Support smart consolidation

• **Collaborate and Integrate**
  – Identify and reduce barriers
  – Reward collaborative approaches
  – Catalyze regional capacity

• **Fund Efficiently**
  – Commit to flexible, enterprise-level funding
  – Promote tools that leverage public and private resources
  – Develop and maintain consistent, comparable data sources
Structure of a Supply-Side Regional Mobility Strategy

• Regional collaboration among Public Housing Authorities deploying Project Based Vouchers to increase and diversify housing options in priority areas.

• Particularly relevant for families with children, given latest research and fair housing priorities.

• Key partners would include Metropolitan Planning Organization, Housing Finance Agency, and regional mayors.
Unique to the Twin Cities

- Breadth and Depth of Regional Vision, Housing and Workforce Expertise
- Action-Oriented Collaboration
- Realizing Strategies for the Range of Opportunity Areas
Contact information:

Robin Snyderman,
847/268-8633,
robin@brickllc.com
MIXED-INCOME HOUSING

City of Saint Paul
Policy on Affordability Mix

• 30% of new rental production units must be at or below 60% of median income.

• At least 10% must be at or below 30% of median income.

• At least 10% must be at or below 50% of median income.
West Side Flats Apartments
West Side Flats III

• Market rate building with 182 units

• Mixed-income building with 78% affordable and 22% market rate units

• Mixed-income building will be constructed to Passive House standards using cutting edge energy efficient design techniques.
2700 University

- Mixed-Income 80% Market Rate, 20% Affordable
Project Analysis
Why do we pursue a mixed income project?

- City Requirement
- In-House Team to execute a mixed-income deal
  - Brings market rate & affordable groups together
- We see this as a growing trend in other markets
  - As major markets rents continue to rise, mixed income projects will become more important.
- Great Real Estate
  - IN between St. Paul & Minneapolis
  - TOD (Green Line)
  - Edge of Campus
  - High Visibility
Obstacles in Completing the Project

• GAP Analysis w/ City of Saint Paul

• Financing
  • Identify a Lender
  • Identify an Investor
  • Identify Other Soft Sources
  • Appraisal (Light Rail Not Open)

• Financial Structure
  • Condo – (The way the project was done)
  • One ownership – 80% / 20%
Overcoming Project Obstacles/Hurdles

- Light Rail Opening
- City Clawbacks
- Condo Structure
- LISC – Mezz. Debt
- National Equity Fund (NEF)
## Side-By-Side Deals, Integrated

<table>
<thead>
<tr>
<th>198 Units</th>
<th>50 Units</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Rate Capital Stack</strong></td>
<td><strong>Affordable Capital Stack</strong></td>
</tr>
<tr>
<td>• BMO Construction / Mini-Perm Loan</td>
<td>• BMO Construction / Perm “A” Bond Loan (through Compliance Period)</td>
</tr>
<tr>
<td>• LISC – Mezzanine Loan (w/ participation)</td>
<td>• Monetized TIF “B” Bond</td>
</tr>
<tr>
<td>• Metropolitan Council TOD Grant</td>
<td>• Saint Paul HRA Home funds Loan</td>
</tr>
<tr>
<td>• Owner Equity</td>
<td>• General Partner Loan</td>
</tr>
<tr>
<td>• Deferred Fees</td>
<td>• LIHTC Equity</td>
</tr>
<tr>
<td></td>
<td>• Deferred Fees</td>
</tr>
</tbody>
</table>
WHAT DOES IT TAKE TO MAKE A PROJECT LIKE THIS HAPPEN?
LOTS OF Project Partners

LISC
Twin Cities
Helping people and places prosper

National Equity Fund INC
an affiliate of LISC

SAINT PAUL
The Most Livable City in America

METROPOLITAN COUNCIL

URBANWORKS
ARCHITECTURE

BMO Harris Bank
We’re here to help.

LANDFORM
From Site to Finish

KRAUS-ANDERSON

Dougherty & Company LLC

www.2700university.com
Uniqueness of the Project

- Mixed-Income: 20% / 80% - 50% AMI
- Transit-Oriented Development (TOD) on Green Line
- “Main & Main” – but not “Main & Main”
- LEED®
- Project Labor Agreement & Economic Inclusion Goals
- Parking – Less than 1 per unit
- Project Financing Team
Features & Amenities

- **1st Floor Bar / Coffee Shop**
- **High-Speed Wi-Fi Throughout**
- **1,400 sq. ft. Fitness Center w/ Matrix® Equipment & Yoga Studio**
- **Matrix MyRide®+ Group Cycling**
- **Resort-Style Saltwater Pool w/ Wet Deck**
- **20,000 sq. ft. Courtyard**
- **“Outdoor Living Room” w/ Fire Pits, Commercial Grade Grills & Outdoor Furniture**
- **1,600 sq. ft. Bark Park w/ Dog Park Express Course (Water & Waste Stations)**
- **Underground Parking**

- **Bike Storage w/ Repair Tools**
- **Green Line Light Rail Access**
- **LED Lighting**
- **Oversized Flat Slab Kitchen Cabinets w/ Custom Hardware**
- **Oversized Energy Efficient Windows**
- **Front Load Full-Size Energy Star Washers & Dryers**
- **Nest® Thermostats**
- **Quartz Thermostats**
- **Frameless Shower Doors**
- **Recessed & Decorative Patios and/or Balconies**
- **Select Walk-up / 2-Level Unit Townhomes w/ Urban Designs**
### Sources & Use of Funds

#### USES OF FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Affordable</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Purchase Land</td>
<td>$3,500,000</td>
<td>$770,000</td>
<td>$2,730,000</td>
</tr>
<tr>
<td>Total Construction Budget</td>
<td>$37,279,423</td>
<td>$9,121,871</td>
<td>$28,157,552</td>
</tr>
<tr>
<td>Architectural &amp; Engineering</td>
<td>$1,550,000</td>
<td>$280,000</td>
<td>$1,270,000</td>
</tr>
<tr>
<td>Construction Period Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate Attorney</td>
<td>$606,000</td>
<td>$59,000</td>
<td>$547,000</td>
</tr>
<tr>
<td>Title, Recording &amp; Lender Inspections</td>
<td>$180,805</td>
<td>$41,685</td>
<td>$139,120</td>
</tr>
<tr>
<td>Construction Interest - A</td>
<td>$1,041,744</td>
<td>$1,041,744</td>
<td>$0</td>
</tr>
<tr>
<td>Construction Interest - B</td>
<td>$217,524</td>
<td>$217,524</td>
<td>$0</td>
</tr>
<tr>
<td>TIF Interest &amp; LISC Interest</td>
<td>$2,016,928</td>
<td>$956,928</td>
<td>$1,060,000</td>
</tr>
<tr>
<td>Bond Cost</td>
<td>$450,475</td>
<td>$450,475</td>
<td>$0</td>
</tr>
<tr>
<td>Finance Fee</td>
<td>$408,648</td>
<td>$54,000</td>
<td>$354,648</td>
</tr>
<tr>
<td>Furnishings and Equipment</td>
<td>$400,000</td>
<td>$0</td>
<td>$400,000</td>
</tr>
<tr>
<td>Other Period / Costs</td>
<td>$2,430,869</td>
<td>$1,087,650</td>
<td>$1,343,219</td>
</tr>
<tr>
<td>Development Contingency</td>
<td>$1,236,223</td>
<td>$456,094</td>
<td>$780,130</td>
</tr>
<tr>
<td>Total Development Cost</td>
<td>$51,318,638</td>
<td>$13,495,227</td>
<td>$37,823,412</td>
</tr>
<tr>
<td>Developer Overhead</td>
<td>$3,633,346</td>
<td>$1,742,175</td>
<td>$1,891,171</td>
</tr>
<tr>
<td>TOTAL USES</td>
<td>$54,951,984</td>
<td>$15,237,402</td>
<td>$39,714,582</td>
</tr>
</tbody>
</table>

#### SOURCES OF FUNDS

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Affordable</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Exempt Bonds</td>
<td>12.16%</td>
<td>$6,679,628</td>
<td>$0</td>
</tr>
<tr>
<td>Construction Loan / Market</td>
<td>50.95%</td>
<td>$28,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>Construction / Perm Affordable</td>
<td>2.98%</td>
<td>$1,640,000</td>
<td>$0</td>
</tr>
<tr>
<td>Interim Income</td>
<td>0.00%</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>8.46%</td>
<td>$4,646,252</td>
<td>$0</td>
</tr>
<tr>
<td>LISC</td>
<td>11.39%</td>
<td>$6,260,000</td>
<td>$6,260,000</td>
</tr>
<tr>
<td>HOME Funds</td>
<td>1.82%</td>
<td>$1,000,000</td>
<td>$0</td>
</tr>
<tr>
<td>TOD Grant</td>
<td>3.54%</td>
<td>$1,944,774</td>
<td>$1,944,774</td>
</tr>
<tr>
<td>General Partner Loan</td>
<td>1.73%</td>
<td>$951,878</td>
<td>$951,878</td>
</tr>
<tr>
<td>Developer Cash Contribution</td>
<td>2.73%</td>
<td>$1,500,000</td>
<td>$0</td>
</tr>
<tr>
<td>Deferred Fees</td>
<td>4.24%</td>
<td>$2,329,452</td>
<td>$2,009,808</td>
</tr>
<tr>
<td>TOTAL SOURCES</td>
<td></td>
<td>$54,951,984</td>
<td>$39,714,582</td>
</tr>
</tbody>
</table>
What Could Make Future Projects Better & Easier

- 9% Tax Credits vs. 4% Credits
- Publically Owned Land that can be contributed
- City provide Credit Enhancement to make TIF Bond less Expensive
- Finance without condominium structure
- It’s Early...
  - We will have more information on this in the future!
Questions?

Ryan Cronk
rcronk@flco.com
317.816.9300