Central Corridor Affordable Housing Partnership

MEETING MINUTES
November 10, 2008

The Housing Preservation Project (HPP) and the Community Stabilization Project (CSP) co-convened the meeting, designed to bring together groups interested in affordable housing along the Corridor. See accompanying list of attendees and the agenda.

Two major goals were identified: 1. Ensuring that a sufficient share of the housing units to be built on the Corridor will be affordable; 2. Finding ways to protect the adjoining lower income neighborhoods from the negative effects of anticipated gentrification, in particular rising housing costs and displacement.

Following that, the need for several kinds of information was identified—understanding the current environment (current affordable housing assets, current and future development opportunities, etc.), and tracking the various activities now going on affecting these issues. Among the current aspects to track: the City of St. Paul’s recently obtained $2 million loan to acquire and bank land along the Corridor before it gets more expensive, possible TIF legislation, the efforts underway with Heading Home Ramsey, the potential redevelopment sites at Midway Shopping Center (reportedly for sale) and the adjoining Bus Barn site (owned by the Met Council), the HD-OD Human Development Overlay District project to track community change, the City’s upcoming Corridor zoning study, and the opportunities presented by the several thousand vacant foreclosed homes in the City now available at greatly reduced prices.

HPP reported on the research it had done on how other groups around the country had tried to address these issues. Groups fighting the negative effects of gentrification elsewhere all concluded that they wished they had started earlier, acknowledging however, that while there is a need to begin work before community change begins, it can be hard to motivate people into action when the change has not yet occurred. As for tools used to maximize affordable housing along transit corridors, different tools work at different stages of the process. For example, inclusionary zoning may well be an important tool once the development market gets hot, but it probably won’t be useful until that time. On the other hand, two other strategies are urgent right now: acquisition and banking of land before it gets more expensive, and figuring out how to make use of the current large supply of very low priced foreclosed homes.

There was a consensus that an ongoing working group was necessary to began tracking all of these related developments, and to begin working on viable strategies to address these two community goals. A smaller group of those who volunteered will begin meeting in the near future to plan next steps, and then to report back to the larger group.
Affordable Housing and the Central Corridor  

1. Introductions and Statement of Interest

2. Framing the Issues

   A. How do we ensure that a sufficient share of the housing units that will get built at or near the station areas will be affordable?
   B. What can we do to protect adjoining neighborhoods from the negative effects of the likely gentrification that will eventually come?
   C. Other issues?

3. Possible Strategies / Policies / Issues

   A. Affordable Housing at station areas
      1. current city strategies: potential TIF legislation, Corridor Initiative to identify sites, Land Banking, LCD Grant for development at University / Dale.
      2. the timing of likely development: CTOD development feasibility analysis
      3. ensuring the inclusion of affordable units in mixed income developments: current city policy requiring inclusion when city funding sought v. policy requiring inclusion for all private development (inclusionary zoning).
      4. City’s zoning study
      5. other?

   B. Protecting the adjoining neighborhoods
      1. lessons from anti-gentrification efforts elsewhere: start early, engage the community
      2. measuring gentrification effects / trends
      3. analyze risk of federally subsidized rental housing converting to market rate, develop strategies to preserve
      4. similar analysis for unsubsidized but affordable apartment buildings
      5. taking advantage of the current supply of low cost foreclosed vacant homes to create additional long term affordability as a hedge against rising property values
      6. Rondo Community Land Trust
      7. purchase property for land banking, or perhaps use just options to purchase
      8. Community Benefits Agreements (CBAs)
      9. expand one for one replacement requirements
      10. create a local right of first refusal ordinance
      11. create incentives for landlords to maintain as affordable rental, or to sell to non-profit. Expand long term affordability restrictions on public rehab grants / loans.
12. limiting property tax increases on low income homeowners
13. other?

4. How To Proceed?
   A. working group explores feasibility of various strategies / policies
   B. working group periodically communicates with community groups on updates
      and how to engage the community
   C. when strategies analyzed, action plan gets developed in conjunction with
      community groups with community input
   D. other models?
   E. others who should be involved?

5. Next Steps
Need to Ensure Long-Term Affordability

- Corridor has a median household income of $31,000, versus $54,000 for region
- Only 37% of units are owner-occupied (versus 70% for the region) creating potential for displacement
- Out of 72 new residential projects since 2003, only 25% (18) are affordable or mixed income

Residential Development along Hiawatha since 2003
Downtown Market Area

Downtown Saint Paul is largely built-up with limited sites for significant redevelopment or infill. The retail landscape is likely to change, with more retail development appearing on the street level near station stops and major upgrades to skyway retail near station stops. Within the horizon of the 20-30 year study period, a significant redevelopment of the Athletic Club Block at 4th and Cedar could occur, the potential for which would be considerably aided by an on-site connection to LRT, and by convenient links to the current bus system and planned regional transit hub operating out of Union Depot. This mixed-use, landmark redevelopment could take several forms, including a base building with a large bank, grocery store or cultural institution at its concourse and lower levels, and different configurations of townhouses and residential, hotel and office uses - each important components in reaching the critical mass of people and economic activity needed to support neighborhood businesses in the downtown. It is not likely this development would occur in response to latent market demand for the above-mentioned uses. Rather, it will instead require a coordinated marketing and design effort to secure a primary, prestige tenant interested in realizing the benefits of this unique development.

Likely Growth Around the Station Stops

Market analysis and both supply-side and demand-side studies were performed for the 12 station areas within a 1/4 mile radius, or approximately a five-minute walk of each station. Based on this research and analysis, likely growth or initial market direction has been forecasted for each Saint Paul LRT station area stop. The results are summarized in the table to the right.

Estimated Development Potential of Each Station Area

<table>
<thead>
<tr>
<th>Station Area</th>
<th>Potential Number of Residential Units</th>
<th>Potential Office Space</th>
<th>Potential Retail</th>
<th>Number of Existing Buildings</th>
<th>Recent reporters</th>
</tr>
</thead>
<tbody>
<tr>
<td>West</td>
<td>1,000</td>
<td>5,000</td>
<td>15,000</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>East</td>
<td>2,000</td>
<td>10,000</td>
<td>30,000</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Capitol</td>
<td>3,000</td>
<td>15,000</td>
<td>45,000</td>
<td>3,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Downtown</td>
<td>4,000</td>
<td>20,000</td>
<td>60,000</td>
<td>4,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Totals</td>
<td>9,000</td>
<td>50,000</td>
<td>150,000</td>
<td>11,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

From a real estate standpoint, the Central Corridor is not one real estate market, but five distinct sub-markets, each with vastly different land use characteristics and dramatically different demographic profiles.

The two- and three-story "work-live" structures such as these along University Avenue will continue to be attractive to small businesses in the East Market Area.

affordable
20% = 2,800
30% = 4,200
40% = 5,600
- Corridor has a median household income of $34,696, versus $54,000 for region

- Only 44% of units are owner-occupied (versus 70% for the region) creating potential for displacement

- About 36% of corridor households have an income of less than $25,000/year.
Introduction and Findings

The Center for Transit-Oriented Development (CTOD) tested the feasibility of development on key sites along the Central Corridor in an effort to provide insight about the nature and timing of future development. The analysis complements current station area planning efforts by testing the ability of the private market to deliver the kinds of development envisioned in the Central Corridor Development Strategy. It is intended to inform decision-making about development policy, including the approach to zoning overlays and project approvals, as well as where public resources can best be directed to help realize the development vision for the corridor. This report should not be viewed as an evaluation of any specific development proposal or a hard and fast proposal for policy changes.

The following key findings of the study will be explained in more detail in subsequent sections:

- The development program envisioned in the Central Corridor Development Strategy faces near-term hurdles, but some types of development are likely be feasible in the next 5-10 years.
- While long term projections indicate potential demand for a significant amount of office development, residential development is likely to drive much of the development in the corridor in the short- to mid-term. Office development is more likely to occur on the west end of the corridor near the University, or driven by the needs of specific office users.
- Townhouses are likely to be the first building type to become feasible within the corridor because they have relatively low per-square foot costs relative to expected revenues.
- The high cost of providing structured parking for large office and retail developments is a major factor that hinders development feasibility.
- Rising land costs are impacting the financial feasibility of projects in the short- and mid-term.
- The amenities and public improvements that will distinguish the Central Corridor as an attractive place to live, shop and work are going to be critical for long-term success.

Study Overview

Working with the City, CTOD identified several sites that are likely to redevelop over time, and developed two rounds of development scenarios for each site, which were used to test the feasibility of development. The development programs were determined with City staff, and are intended to be illustrative of the scale and type of development envisioned in the Central Corridor Development Strategy. These programs will need further study and refinement as part of any proposed project, and should not be construed as an endorsement of the program. Because market conditions in the corridor are currently not ideal for many kinds of new development, the analysis focused on the potential future timing of new development in the corridor, as well as how development might play out spatially given different conditions within the corridor. A first round of analysis tested the feasibility of development that reflects the long-term vision for the corridor expressed through the Central Corridor Development Strategy. The second round of analysis was designed to identify development types that are closer to being feasible within the current market. The intention of this analysis was to test the current development market absent any public subsidies that may be targeted to transit-oriented development. Such subsidies may pay for affordable housing, infrastructure costs, or structured parking. While these subsidies may be
Inventory of Assisted Rental Housing Units:
Within 1/2 mile of the Proposed Central Corridor LRT Line (map 1 of 4)

Existing & Planned Affordable Units

Total units shown on the map = 5,117 units
- Less than 50 units
- 51 - 150 units
- 151 - 300 units
- Greater than 300 units

Source: HousingLink Inventory of Assisted Rental Housing Units
Proposed Central Corridor shapefile created by CURA in 2007; 2000 US Census Bureau
Map created May 2008 by HousingLink

revised 5-23-08
Inventory of Assisted Rental Housing Units:
Within 1/2 mile of the Proposed Central Corridor LRT Line (map 2 of 4)

Existing & Planned Affordable Units
Total units shown on the map = 638 units
- Less than 50 units
- 51 - 150 units
- 151 - 300 units
- Greater than 300 units

Source: HousingLink Inventory of Assisted Rental Housing Units
Proposed Central Corridor shapefile created by CURA in 2007; 2000 US Census Bureau
Map created May 2008 by HousingLink
Elaborating 6 Key Strategies

2. INCLUSIVE HOUSING

The greatest strength of the Central Corridor is its diversity. The potential for gentrification and displacement of low-income individuals and families from the Corridor as property values rise is a primary concern of area residents, who feel that residents who wish to stay in the area should have the option to do so. The following strategies will assist in realizing an inclusive housing market:

a. Supply-Side Financial Incentives

These publicly-financed strategies are direct grants, tax breaks, and loans made available to developers working within identified (vulnerable) areas in exchange for the provision of affordable housing units. Incentives may include:
- increased availability of low-cost debt financing for housing developments where some portion of investment is geared to providing new housing units;
- enhanced credit for developers through municipal loan guarantees; and
- grants to cover infrastructure and remediation costs associated with redevelopment and brownfield sites.

b. Supply-Side Regulatory Incentives

These are relaxations and special provisions through the regulatory and approvals process designed to make the provision of affordable housing more attractive to private developers. These incentives may include:
- density bonus programs;
- increasing the opportunity for second units in neighborhoods within transit areas;
- requiring affordable housing on rental projects in exchange for expedited approvals; and
- increased inclusionary zoning requirements at transit station locations.

c. Home Ownership Assistance

The ability to move area residents from rental units into home ownership is crucial to reducing displacement, and to ensuring that the benefits associated with land appreciation are equitably distributed and enjoyed. Programs to promote greater rates of home ownership include:
- providing municipally-backed financial assistance to first-time homebuyers with identified focus areas;
- permitting accessory dwelling units in single-family neighborhoods as an affordable housing option, and to allow multiple generations of families to share property and "age in place";
- promoting opportunities for condominium development and ownership within the existing neighborhood; and
- expanding the use of community land trusts to maintain long-term housing affordability.

In addition, to address concerns regarding the availability of existing low-or moderate-income home owners to continue to afford to live in the community, property tax relief programs for targeted groups may be considered. These programs could lapse at the time of sale of the property to ensure the benefit accrues to the intended recipient, not the property.

3. PARKING MANAGEMENT

Perceived parking shortages should not inform major decisions about transit infrastructure, alignment and land use. Research reveals that forecasts of drastic impacts to area businesses and residential communities due to changes in supply of and demand for parking do not materialize; where problems do exist, they can be effectively regulated.

The recommended approach to parking management is to identify where potential conflicts may arise, create a toolkit of best practices for each scenario, and apply and refine these as necessary. This wait-and-see, test-and-monitor approach could be applied to any of the following solutions:
- maximize on-street parking through flexible stall spacing, zoned meters, and reducing the number of curb cuts;
- implement permit parking in residential neighborhoods, typically within a 1/4-mile radius of transit stations;
- identify strategic opportunities for small shared commercial lots to support small businesses;
- explore the potential for the establishment of a municipal parking authority for the delivery of shared parking decks and facilities;
- where appropriate, plan for park and ride lots at strategic locations (high employment density/low residential density areas near interchanges);
- reduce parking requirements within identified transit station areas to reduce proliferation of surface lots;
- increase opportunities for shared parking, including municipally- and privately-owned and -operated surface lots and ramps, and common surface lots. These will relieve pressure on adjacent residential areas and remove major barriers to new development; and
- in the downtown, encourage shared parking solutions to facilitate the redevelopment of infill sites currently used for parking.

4. STRENGTHENING LOCAL BUSINESSES

Businesses of all sizes play a vital role along the Corridor. Their potential displacement, whether through short-term construction disruption or long-term commercial gentrification, has been identified as a key concern by community groups and stakeholders.

The following strategies have been used elsewhere to support small businesses and promote opportunities for long-term benefit.

a. Community Development Funds or Loans

The primary objective of community development fund programs is to channel funds or loans to communities or groups in recognized need of financial assistance. Funding sources include various public and private agencies and/or foundations. Guiding principles for distribution of these funds must be clearly described, and typically give preference to projects that provide space for locally-owned businesses and/or employ area residents, provide affordable housing, provide facilities for community and cultural activities, and support small businesses within the impacted construction area.

b. Façade Improvement Programs

These programs provide funds or low-interest loans, either through business associations or to individual businesses, to rehabilitate commercial building facades. Improvements typically include painting, new signage and lighting, and are often coordinated with neighboring businesses in order to foster a more cohesive district image. Where grants are offered, they are typically on a 1:1 matching basis with private funds.

c. Promoting Building Ownership

The ability of a commercial tenant to not only remain in place, but to purchase the building in which the business is located will promote long-term financial gains for area businesses as land values appreciate along the Corridor. Municipalities can assist in identifying and matching small business owners with legal, business consultant, and lending institutions in order to provide financial assistance (low-interest loans, joint venture purchasing, etc.) and technical support (legal).

d. Small Business Training

Local businesses will need to take advantage of training and seminars in business operation, marketing, and developing long-term business plans. Municipalities can assist in promoting current programs within identified impact areas.

e. Business Improvement Districts

Business Improvement Districts (BIDs) are business-community partnerships with the power to self-impose special property tax assessments in order to finance public realm and infrastructure improvements. BIDs are typically established through a petition, with a required majority of local property owners willing to sign on. Once approved by the appropriate governing body, the BID is able to collect the additional revenue and put it to use for identified programs, services and benefits.

The general goals of a BID are to leverage tax dollars to increase funding for transportation and other community improvement projects, improve transportation to make businesses more accessible, increase the long-term property values in a district, and improve the