

THE BIG PICTURE PROJECT

Aligning housing plans along
Central Corridor

PROGRESS REPORT 2015 Twin Cities LISC

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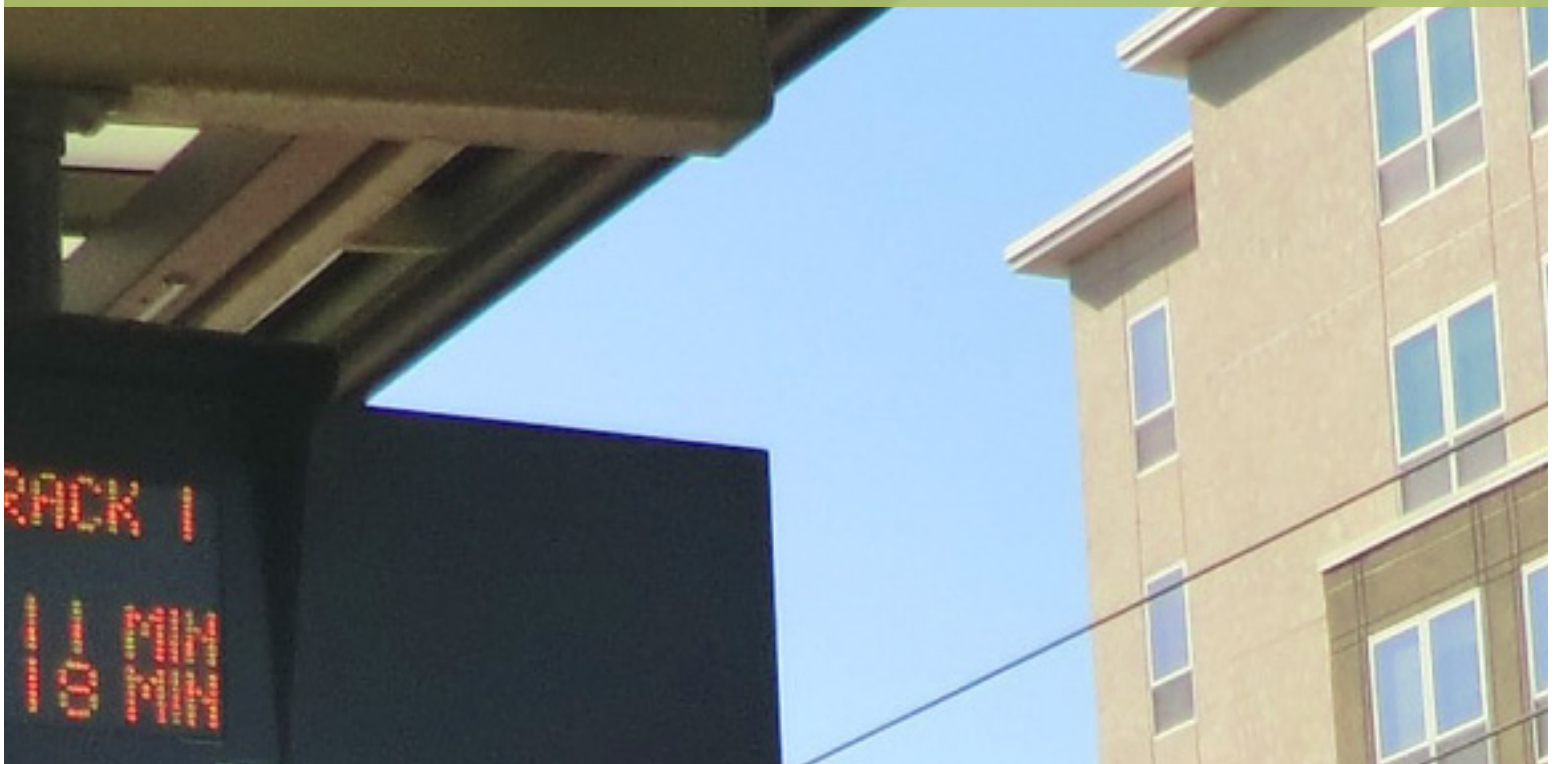
Affordable housing next to affordable transportation is a double win. If low income families can spend less of their hard earned dollars on housing and cars, that leaves more income to go toward their children and other critical life essentials.

—Minneapolis Mayor Betsy Hodges

“

This is an exciting time—the train is running and we’re seeing the transformation from “goals and vision” into “bricks and mortar” as many long-planned projects are literally coming out of the ground. Today’s milestones are testament to the tenaciousness of partners who are both bringing new housing choices and vibrancy to the corridor and committing to monitor and achieve progress toward the Big Picture Project’s ten year goals.

—Mary Kay Bailey, Project Director, Central Corridor Funders Collaborative



Dear friends of the Big Picture Project

The 2012 Central Corridor affordable housing coordinated plan helps align public and private investments, and mobilizes all sectors behind strategies and tools that strengthen affordable housing along the corridor. Key to the plan's success are collaboration, new and existing financial resources, and supportive public policies.

Big Picture Project Objectives 2011-2020

Objective I

Invest in the production and preservation of long-term affordable housing

Objective II

Stabilize the neighborhood and invest in activities that help low-income people stay in their homes

Objective III

Strengthen families through coordinated investments

It's been almost a year since the first trains began running along the Green Line. Ridership has exceeded expectations, and the increased pedestrian activity at each of the stations is noticeable. By working to ensure that the light rail transit investment offered opportunities for all, the Big Picture Project set out to preserve and strengthen affordable housing options throughout the corridor. By attracting public and private investments, the overarching goal is to create great places to live, and offer new economic and social opportunities through better access to local and regional destinations and jobs.

For this year's Big Picture progress report we turn to the people in the community to decipher whether the change has been positive or negative. What is the experience of people in the neighborhoods? Beyond the numbers, what do people see happening?

As the story of the Green Line/Central Corridor continues to unfold, we take time to reflect and assess how our communities are changing. Our goal is to build an equitable economy: one in which everyone can participate, prosper, and reach their full potential. We thank you for your partnership in creating communities of choice and opportunity. Thanks to the Central Corridor Funders Collaborative for their ongoing interest and support of these activities, and their inspiration to continue to raise the bar higher.

Co-Chairs, Big Picture Project Oversight Team

St. Paul Council Member Russ Stark
Minneapolis Council Member Cam Gordon



Russ Stark



Cam Gordon

Thanks to the Big Picture Oversight Team Members

Co-Chair Russ Stark, Saint Park City Councilmember, Ward 1
Co-Chair Cam Gordon, Minneapolis City Councilmember, Ward 2
Patty Lilledahl, Saint Paul Dept of Planning and Economic Development

Theresa Cunningham, Minneapolis Community Planning and Economic Development
Margo Geffen, Hennepin County Community Works
Kerri Pearce Ruch, Hennepin County Community Works
Denise Beigbeder, Ramsey County HRA
Margaret Kaplan, MN Housing Finance Agency
Beth Reetz, Metropolitan Council
Elizabeth Ryan, Family Housing Fund
Eric Muschler, The McKnight Foundation
Judy Jandro, Twin Cities Community Land Bank
Amy McCullough, Twin Cities LISC
Vicki Shipley, U.S. Bank
Trent Bowman, Associated Bank
Mary Kay Bailey, Central Corridor Funders Collaborative
Barbara McCormick, Project for Pride in Living
Dan Hunt, Model Cities
Tim Thompson, Housing Preservation Project
Karen Inman, District Councils Collaborative
Kate Hess Pace, Isaiah/Healthy Corridor for All
Bill Lerman, Jewish Community Action/Community Agreements Compact Cmte
Veronica Burt, Preserve and Benefit Historic Rondo

Staffing

Gretchen Nicholls, Twin Cities LISC
Kate Speed, Twin Cities LISC

The BPP Dashboard

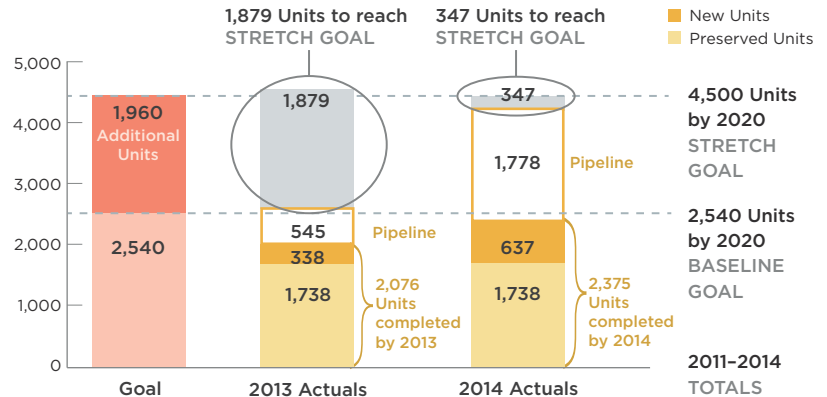
The Big Picture Project will monitor and report progress on the Central Corridor Affordable Housing Coordinated Plan through a dashboard of change indicators to track outcomes.

Objective I Invest in the production and preservation of long-term affordable housing.

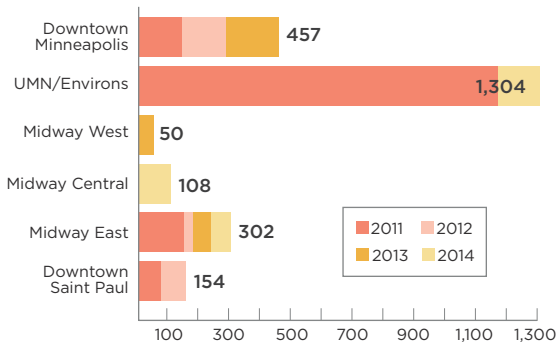
Reaching the Expanded Goal

Notes: Newly constructed and preserved housing units are officially counted at finance closing. In 2009 and 2010 the cities of Minneapolis and Saint Paul invested in 1,132 new or preserved long-term (subsidized) affordable units along the Central Corridor. To reach the expanded goal of 4,500 new or preserved units by 2020, private and public resources must be identified for 354 units per year for the next six years.

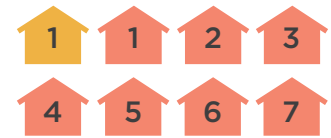
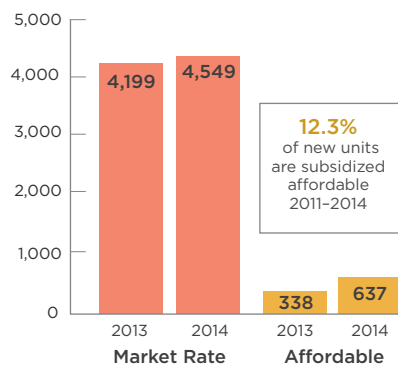
Pipeline refers to active affordable housing development projects that are still seeking financing.



New and Preserved Affordable Units by Sub Area



Comparing New Market Rate to Affordable Housing Units: 2011-2014*



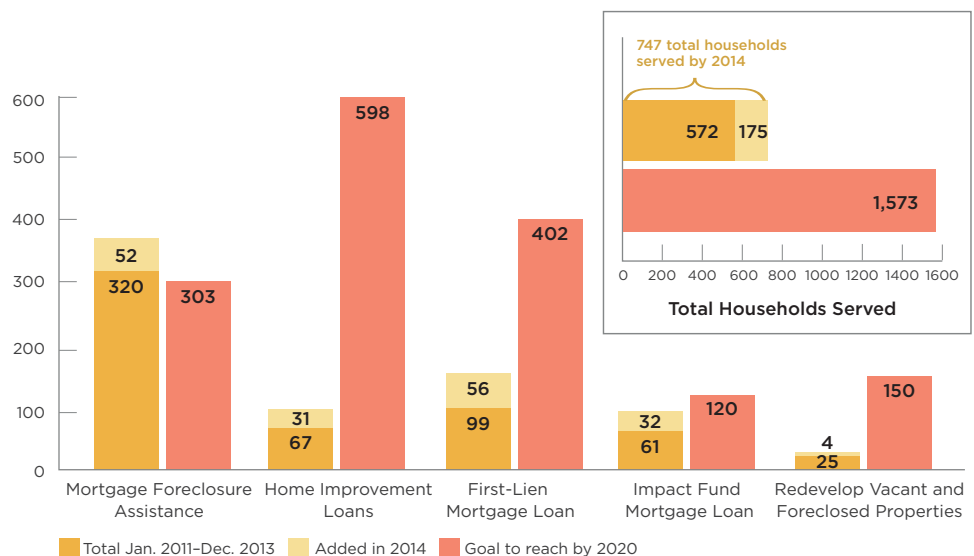
For every 1 subsidized affordable unit added to the Corridor housing stock, 7 market rate units were added.

*Does not include preserved affordable units. Long-term affordability at 60% AMI.

Objective II Stabilize the neighborhood and invest in activities that help low-income people stay in their homes.

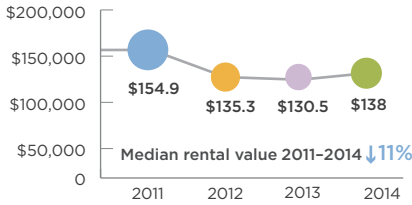
Tracking Activities that Help Low and Moderate-Income People Stay in Their Homes

Notes: The corridor is making progress towards the overall goal of 1,573 households served. The overall goal consists of a variety of programs and services provided for homeowners depicted in the graph (each with their own ten year goals). One of the five programmatic categories has already exceeded its ten-year goal (mortgage foreclosure assistance).



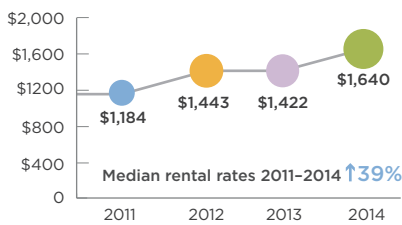
Objective III Strengthen families through coordinated investments

Tracking Change in Median Assessed Value for Single Family Homes (shown in aggregate) Eleven percent decrease across the Corridor compared to a City of St. Paul decrease of about 15%



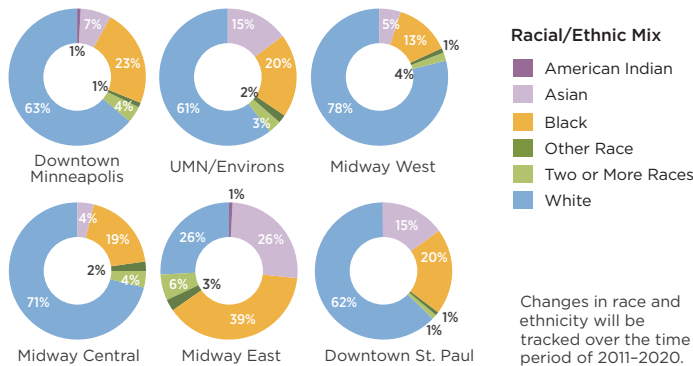
Notes: Declining assessments of single family homes along the light rail line indicate homeowners are less likely to see property tax pressure from increased assessments. Increased taxes as the result of higher property values are often cited as concerns for gentrification. While assessed values along the corridor remain lower than the 2011 baseline, they have begun showing signs of recovery, with a 6% one-year gain from 2013 to 2014. While property tax assessments are not currently showing signs of driving people from their homes, the project will continue to track these changes as values continue to recover.

Tracking Change in Median Rental Rates for Available Two-Bedroom Housing Units (shown in aggregate) Thirty-nine percent increase across the Corridor compared to a Minneapolis-St. Paul increase of about 13%

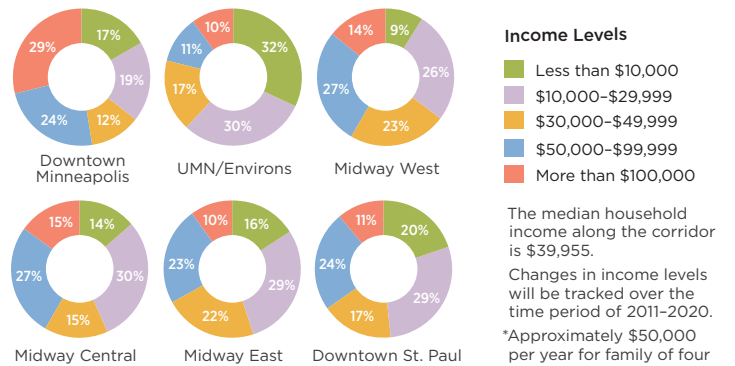


Notes: The rental rate data is comprised exclusively of advertised rental listings, providing a snapshot of a prospective renter's options when looking for a two-bedroom housing unit at a given point in time (here, third quarter of each year). However, this data does not include rental rates or rates of change for existing, occupied units. **Rising rates for advertised units does not indicate that renters along the corridor are being forced out of their current situation by rising rents.** The change in advertised listings largely reflects the increase in luxury apartments in the two downtowns, as well as new student housing located near the University of Minnesota. Roughly three-quarters of above median rents fall in Downtown Minneapolis and the UMN/Environs segments alone. While available listings within the Midway segments have risen over baseline, rents remain significantly lower than the corridor median. The project will continue to track these changes over time.

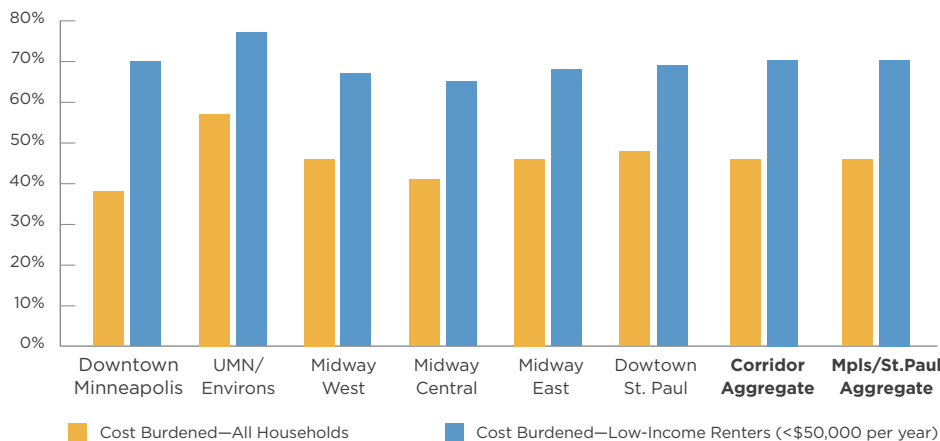
Central Corridor Racial/Ethnic Mix by Sub Area (2009-2013) Forty-four percent of households are people of color



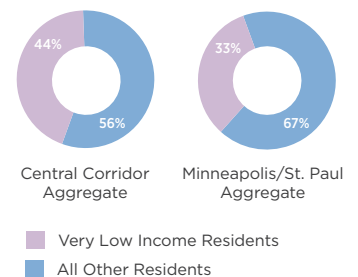
Central Corridor Income Levels by Sub Area (2009-2013) Sixty-one percent of households earn less than 60% AMI*



Are Households Able to Afford Housing in the Corridor? Cost burdened households pay more than 30% of their income on housing costs

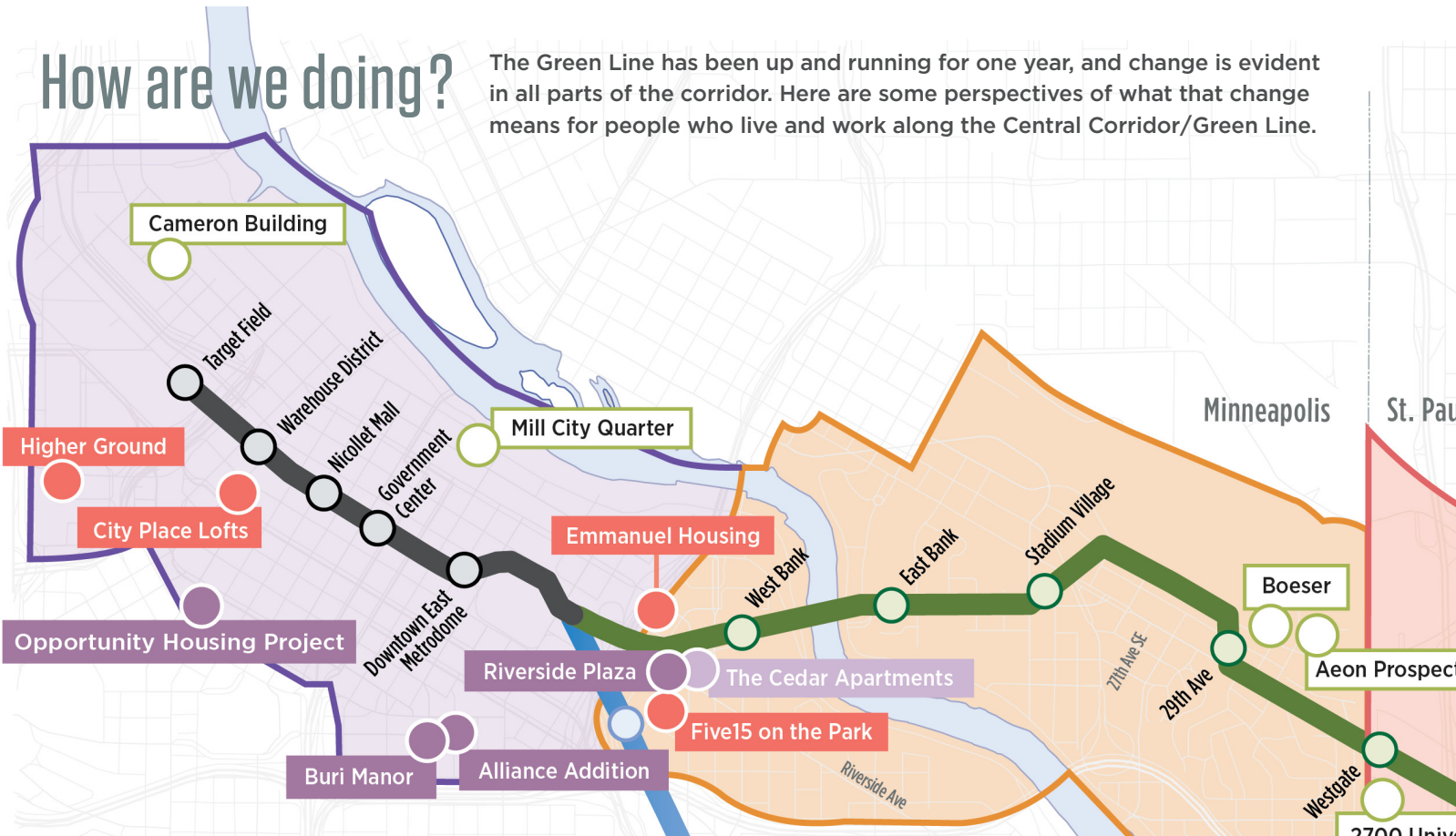


Households with Income Under \$30,000 The ratio of very low income residents are higher along the Corridor than across the region



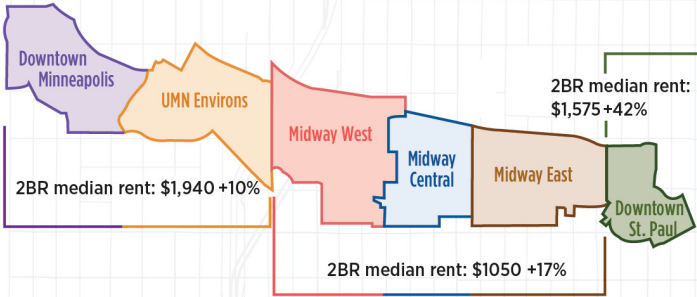
How are we doing?

The Green Line has been up and running for one year, and change is evident in all parts of the corridor. Here are some perspectives of what that change means for people who live and work along the Central Corridor/Green Line.



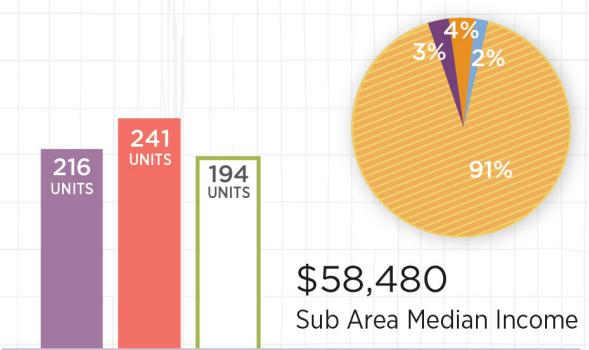
Context Measures: Median Rent on Advertised Units (Q3 2011–Q3 2014)

Rental listings for available 2BR units are up +39% since baseline overall
 Rental listings for available 2BR units in Minneapolis/St. Paul are up +13% since Baseline

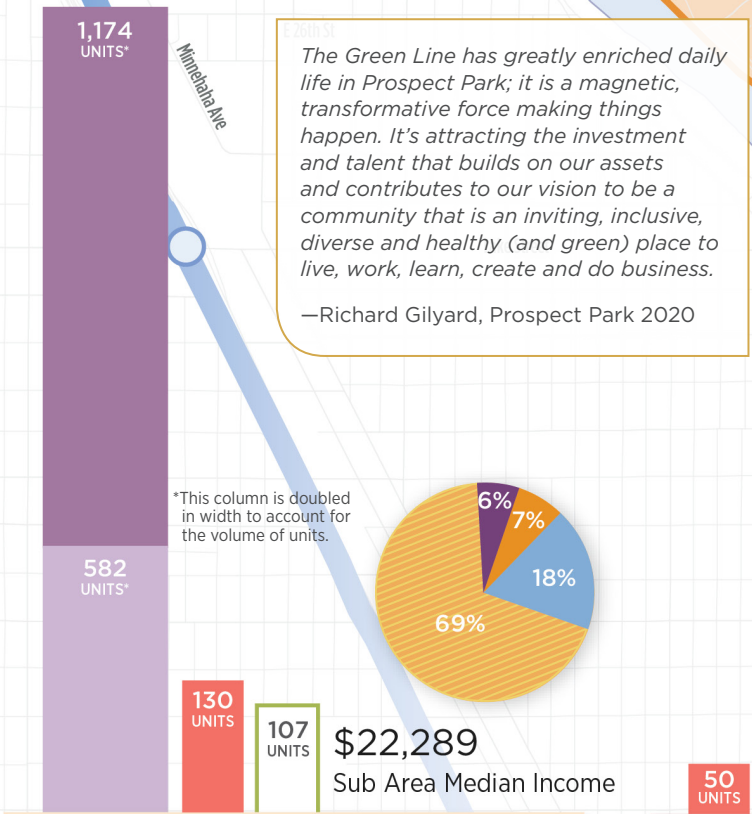


The Green Line has greatly enriched daily life in Prospect Park; it is a magnetic, transformative force making things happen. It's attracting the investment and talent that builds on our assets and contributes to our vision to be a community that is an inviting, inclusive, diverse and healthy (and green) place to live, work, learn, create and do business.

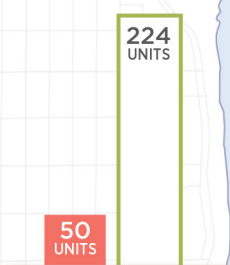
—Richard Gilyard, Prospect Park 2020



Downtown Minneapolis



University and Environs



Midway West

*This column is doubled in width to account for the volume of units.

KEY

New/Preserved Housing Units

(Symbols on Map and Bar Charts)
Based on Averages of Housing Projects

- Preservation (2011–2014)
- Preservation (2008–2010)
- New Construction (2011–2014)
- New Construction (2008–2010)
- Pipeline/Proposed

Housing Units by Type (Pie Charts)

Building Type Based on Number of Units
NOTE: Charts reflect data within 1/2 mile of station boundaries.

- Single Family or Duplex
- Small Apartment (3–9 Units)
- Large Apartment (10+ Units)
- Other (Townhome/Condo)

Transit Lines

- Central Corridor LRT Route
- Hiawatha LRT Route
- Merged Lines

Additional Boundaries

- St. Paul Promise Neighborhood

A tremendous amount of housing development is happening along the Green Line and in many of the adjacent neighborhoods, but there is more that we can do to make sure that those Frogtown and Rondo neighbors who stand to benefit most from public investments in the neighborhood's transit, schools and parks have a place in the changing housing market.

—Andy Barnett,
Coordinating Consultant
Frogtown Rondo Home Fund

With the coming of the light rail, I've seen businesses collapse, media community assassination, and higher taxes. There is a lot of work to be done.

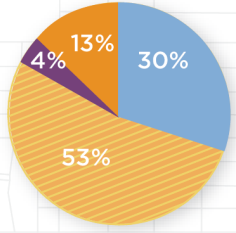
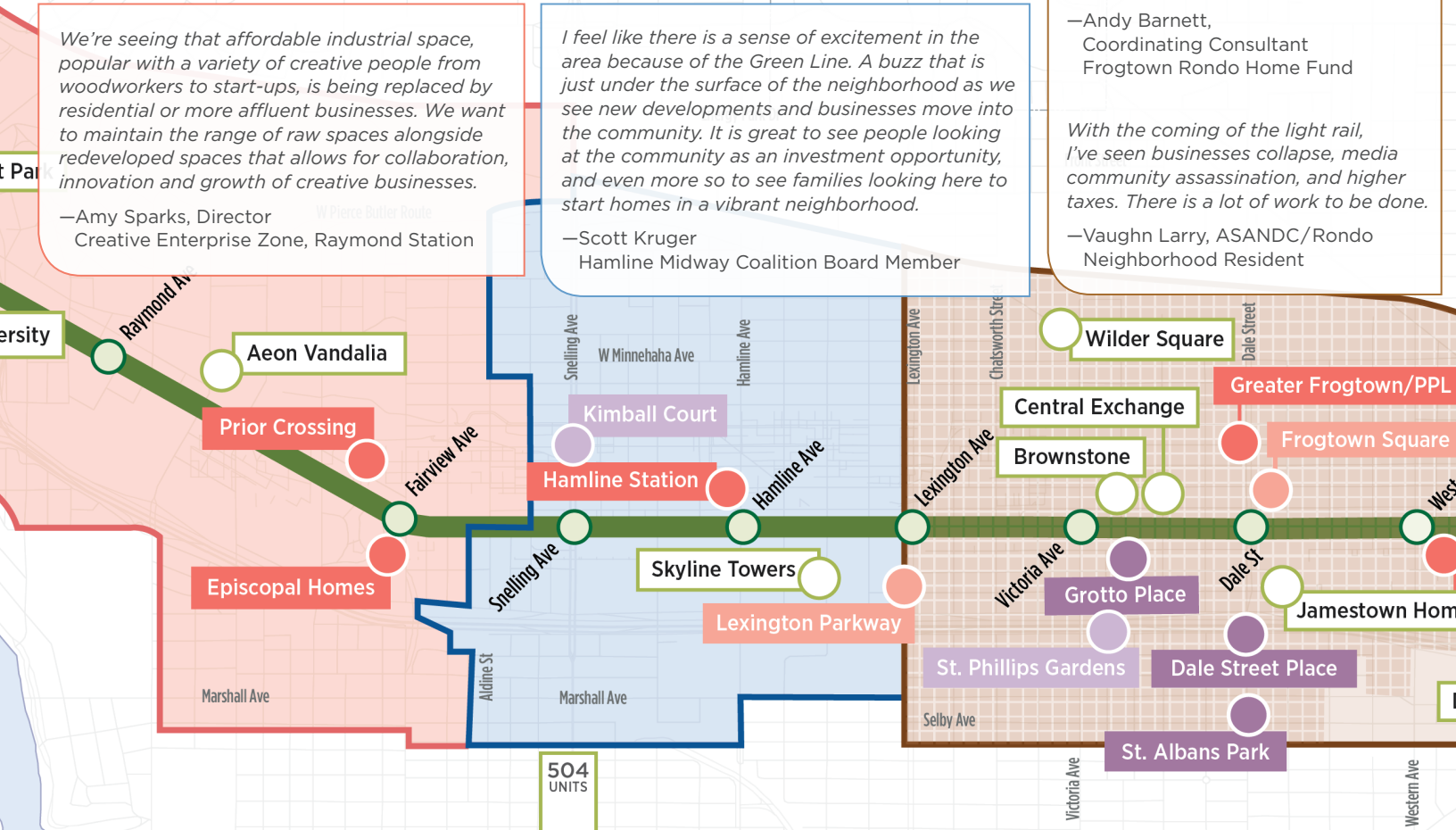
—Vaughn Larry, ASANDC/Rondo
Neighborhood Resident

We're seeing that affordable industrial space, popular with a variety of creative people from woodworkers to start-ups, is being replaced by residential or more affluent businesses. We want to maintain the range of raw spaces alongside redeveloped spaces that allows for collaboration, innovation and growth of creative businesses.

—Amy Sparks, Director
Creative Enterprise Zone, Raymond Station

I feel like there is a sense of excitement in the area because of the Green Line. A buzz that is just under the surface of the neighborhood as we see new developments and businesses move into the community. It is great to see people looking at the community as an investment opportunity, and even more so to see families looking here to start homes in a vibrant neighborhood.

—Scott Kruger
Hamline Midway Coalition Board Member



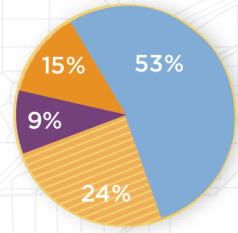
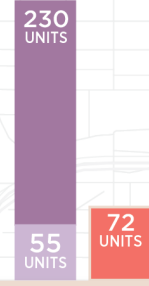
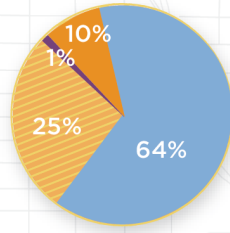
\$41,305
Sub Area Median Income

Midway West



\$39,855
Sub Area Median Income

Midway Central



\$34,400
Sub Area Median Income

Midway East

Policy options to further affordable housing

Our key challenge is to find ways to strengthen the private sector's role in the production and preservation of affordable housing. Government resources earmarked for housing will not be adequate to effectively respond to the growing need. In 2014, **The Big Picture Project supported two study groups to further inform policy options to strengthen the private sector's affordable housing role.**

Density bonus incentives (regulatory)

A density bonus enables a private developer to increase the number of housing units in a project in exchange for including public benefits (e.g., affordable housing, parks and green space, active first-floor commercial uses, and structured or less conspicuous parking). Jon Commers of Donjek led an intensive study process incorporating input by an advisory group of staff from six cities along the existing and proposed extension of the Green Line. The study process identified four station areas that were good candidates for utilizing density bonus incentives:

- Hamline (Saint Paul)
- West Bank (Minneapolis)
- Beltline (St. Louis Park—Green Line Extension)
- Mitchell (Eden Prairie)

Get the full report at tclisc.org/densityrpt.pdf and tclisc.org/densityprimer.pdf

Local 4D program (property tax)

The 4D program offers a reduced tax rate available to property owners of subsidized rental properties but has the potential to be extended to unsubsidized affordable properties under certain circumstances. Tim Thompson, from the Housing Preservation Project, convened a study group of city, county, and multi-family property owners to explore the potential of extending 4D to privately held properties near the Green Line to incentivize rent reduction and the preservation of existing affordable housing. It was determined that 4D was not a sufficient incentive tool on its own, but could be used to enhance other assistance strategies that preserve low rents for families in need.

Get the full report at tclisc.org/4drpt.pdf

Other policy efforts are underway

Mixed-income housing/inclusionary housing policies

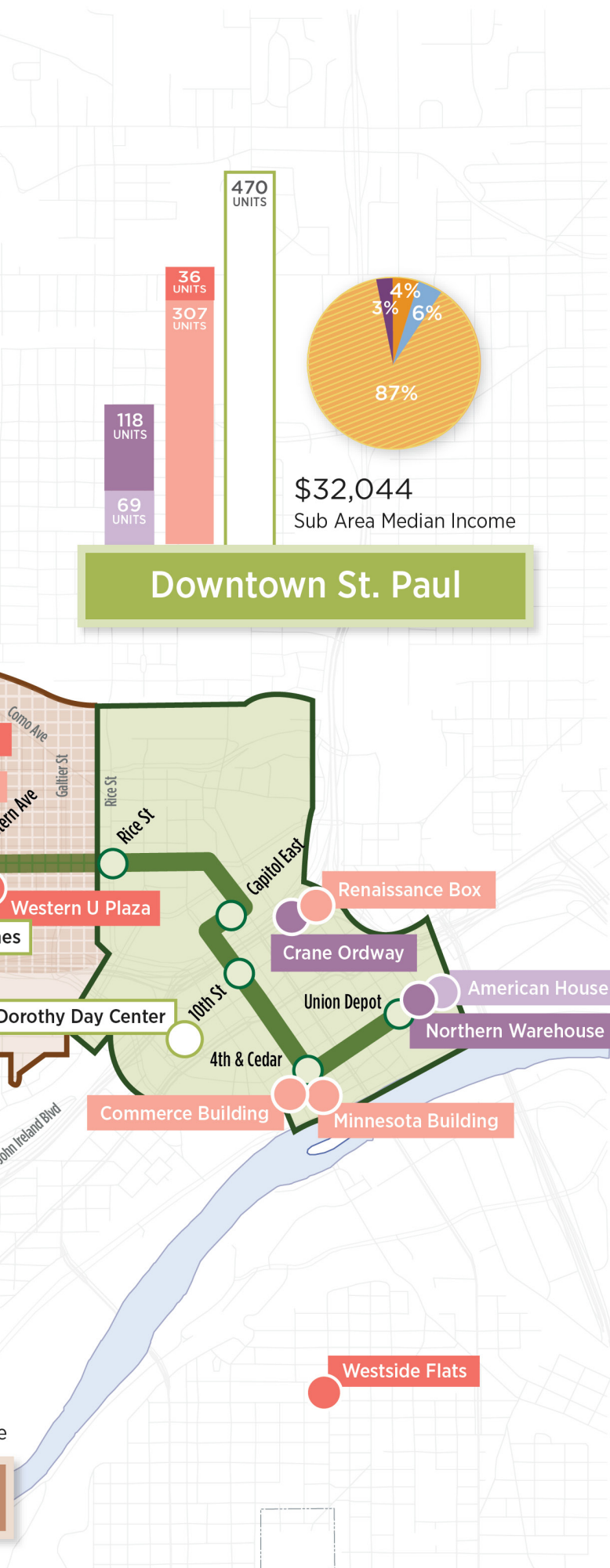
- In stronger markets that attract private investment, cities have enacted or are exploring policies that require a developer to incorporate a portion of affordable units into market-rate housing projects when public assistance is requested. To further explore this option, the Cornerstone Partnership (a consultant group based in California) is working to create an Inclusionary Housing Financial Feasibility Analysis that estimates the value of offering cost-offsets to a developer like density bonuses, parking reductions, and Tax Increment Financing that can make a mixed-income development feasible.
- Innovative bridge financing tools (mezzanine loans) are being refined by **Twin Cities LISC** to strengthen the ability to do mixed-income projects. The first such loan was for a mixed-income housing development at 2700 University Ave that breaks ground in mid-2015.

TIF for TOD

State legislation has been proposed that would authorize Tax Increment Financing (TIF) to be offered as a tool to assist Transit-Oriented Development, enabling public benefits such as:

- reduced transportation costs for households,
- increased access to the regional job market,
- improved public health through increased walking and bicycling and reduced vehicle emissions,
- increased economic development at transit nodes, and
- Additional source of funding for social and economic programs to protect existing neighborhoods.

For further information, contact Jim Erkel at jerkel@mncenter.org



On our way

The train has arrived, and our work continues!

Since engineering began more than five years ago, \$2.8 billion has been invested in construction and redevelopment within a half-mile of the Green Line/Central Corridor. To create opportunities for all, we still need to integrate into that robust investment a mix of housing options and businesses.

What did we learn in 2014?

- With tight rental markets and rising rents along the corridor, **renters are most vulnerable for displacement**. The 39% increase in rental rates along the Central Corridor/Green Line is significant, but only tells part of the story. While it does track the *advertised* (actively marketed) two-bedroom rental units, it does not include rental rates or rates of change for existing, occupied units.
- Assessed property values had a slight uptick, but are still below 2011 levels
- The majority of new housing development is occurring in the downtowns and University area, less in the Midway East/Central/West areas. **About 12% of the new housing along the Central Corridor is subsidized affordable.**
- While some progress has been made, there is room for improvement to further stabilize existing single family housing serving low-income families. Home improvement loans, first-lien mortgage loans, and the redevelopment of vacant and foreclosed properties are strategies that are being considered.
- The **exceptional collaborative work of the Frogtown Rondo Home Fund's partner organizations** attracted \$2,000,000 in public sector investment in housing in the neighborhoods, and the four focus areas they serve saw over \$2.9M in residential building permits in 2014; double the value and the share of the total neighborhood compared to 2012. In addition, Home Fund partners have raised awareness of housing instability for neighborhood tenants, and the fund committed almost 60% of its resources to tenant service providers.
- **Policy options that encourage private sector investment in affordable housing are being explored** along the entire Green Line (Central Corridor and Southwest extension) such as density bonuses and inclusionary housing.
- A **robust pipeline** of affordable housing preservation and new construction is emerging, which will lift us closer to our goal for 2020.

The observations of change from people in the communities along the Green Line/Central Corridor reflect a range of experiences, both pro and con.

They offer important insights that will guide our work moving forward.

Acknowledgements for data sources

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Jason Peterson, NeighborWorks
Home Partners
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All data in this annual report was compiled by Wilder Research. Data source: U.S. Census Bureau, American Community Survey 2009-13

The Big Picture Project has been endorsed by:

- Corridors of Opportunity Policy Board
- Central Corridor Funders Collaborative
- City of St. Paul Housing Redevelopment Authority (HRA)
- Twin Cities LISC
- Housing Preservation Project (HPP)



The Big Picture Project is hosted by the Cities of Minneapolis and Saint Paul and Twin Cities LISC, and supported by the Central Corridor Funders Collaborative.

For more information please visit:

www.funderscollaborative.org/partners/affordable-housing

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