



**Southwest LRT Community Works Steering Committee**

Thursday, October 16, 2014

1:30 – 3:00 PM

Council Chambers, St. Louis Park City Hall

**Agenda**

- |             |   |   |
|-------------|---|---|
| <b>I.</b>   | <b>Welcome and Announcements</b><br><i>Chair Jan Callison</i>   | <b>1:30 to 1:40 PM</b>                    |
| <b>II.</b>  | <b>Approval of September 18, 2014 Meeting Minutes*</b><br><i>Chair Jan Callison</i>   | <b>1:40 to 1:45 PM</b><br><i>(Action)</i> |
| <b>III.</b> | <b>Corridor Wide Housing Strategy*</b><br><i>Continuation of September discussion with Marquette Advisors</i>                                 | <b>1:45 to 2:30 PM</b>                    |
| <b>IV.</b>  | <b>Southwest LRT Community Works</b><br><i>Accomplishments to date and proposed future activities</i><br><i>Katie Walker, Hennepin County</i> | <b>2:30 to 2:40 PM</b>                    |
| <b>V.</b>   | <b>Next Phase of Southwest LRT Community Works</b><br><i>Group discussion</i>   | <b>2:40 to 2:55 PM</b>                    |
| <b>VI.</b>  | <b>Adjournment</b><br><i>Chair Jan Callison</i>   | <b>2:55 to 3:00 PM</b>                    |

\*enclosed

The next Southwest LRT Community Works Steering Committee meeting will be held on **Thursday, December 18, 2014** at the St. Louis Park City Hall at 1:30 PM.



**SOUTHWEST LRT**  
community works

*Beyond the Rails*  
[swlrtccommunityworks.org](http://swlrtccommunityworks.org)

Southwest LRT Community Works  
Steering Committee

2014 Meeting Schedule

Meetings are held on the third Thursday of the month at 1:30 PM at the St. Louis Park City Hall, Council Chambers.

January 16

February 20

~~March 20~~

April 17

May 15

June 19

July 17

~~August 21~~

September 18

October 16

~~November 20~~

December 18

## Southwest LRT Community Works Steering Committee Roster (October 2014)

Representing	Name	Member	Email Address
Hennepin County	Jan Callison (Chair)	Member	jan.callison@hennepin.us
	Linda Higgins	Member	Linda.higgins@hennepin.us
Hennepin County Regional Railroad Authority	Peter McLaughlin	Member	peter.mclaughlin@hennepin.us
Metropolitan Council	Jennifer Munt	Member	jennifer.munt@metc.state.mn.us
City of Minneapolis	Linea Palmisano	Member	Linea.palmisano@minneapolismn.gov
	Lisa Goodman	Alternate	Lisa.goodman@minneapolismn.gov
City of St. Louis Park	Anne Mavity	Member	annemavityslp@comcast.net
	Sue Sanger	Alternate	suesanger@comcast.net
City of Edina	James Hovland	Member	jhovland@ci.edina.mn.us
	Mary Brindle	Alternate	mbrindle@comcast.net
City of Hopkins	Jason Gadd	Member	jason@nexgenassociates.com
	Molly Cummings	Alternate	MollyECummings@aol.com
City of Minnetonka	Tony Wagner	Member	twagner@eminnetonka.com
	Terry Schneider	Alternate	tschneider@eminnetonka.com
City of Eden Prairie	Kathy Nelson	Member	knelson@edenprairie.org
	Brad Aho	Alternate	baho@edenprairie.org
Minnehaha Creek Watershed District	Dick Miller	Member	dickrmiller@gmail.com
	Jeff Casale	Alternate	jasale@minnesotahomes.com
Minneapolis Park and Recreation Board	Anita Tabb	Member	atabb@minneapolisparcs.org,
	Meg Forney	Alternate	megf@visi.com
SouthWest Transit	Nancy Tyra-Lukens	Member	ntyra-lukens@edenprairie.org
Urban Land Institute-Minnesota	Caren Dewar	Ex-officio	caren.dewar@uli.org
Community Advisory Committee	Jeanette Colby	Ex-officio	jmcolby@earthlink.net
Business Advisory Council		Ex-officio	



**Southwest LRT Community Works Steering Committee Meeting Minutes**

Thursday, September 18, 2014

1:30-3:00pm, St Louis Park City Hall

**Meeting Attendees**

Steering Committee Members & Alternates

Chair Jan Callison, Hennepin County Member

Linda Higgins, Hennepin County Alternate

Peter McLaughlin, Hennepin Regional RR Authority Member

Linea Palmisano, City of Minneapolis Member

Anne Mavity, St. Louis Park Member

Jason Gadd, City of Hopkins Member

Kristi Halverson, Hopkins Alternate

Terry Schneider, Minnetonka Member

Tony Wagner, Minnetonka Member

Kathy Nelson, Eden Prairie Member

Mary Brindle, City of Edina Alternate

Dick Miller, Minnehaha Creek Watershed District Member

Jeff Casale, Minnehaha Creek Watershed District Alternate

Anita Tabb, Minneapolis Parks and Recreation Board Member

Caren Dewar, Urban Land Institute- Minnesota Member

Other Attendees

Katie Walker (Hennepin County), Chuck Darnell (Hennepin County), Elise Durbin (Minnetonka), Tara Beard (Met Council), Cathy Bennett (Urban Land Institute), Karen Lyons (Met Council), Brent Wittenberg (Marquette Advisors), Lou Frillman (Marquette Advisors), Barry Schade (BMNA), Vida Y Ditter (BMNA), Larry Blackstad (MCWD), Janet Jeremiah (EP), Alyssa Ness (EP), Jeanette Colby (Kenwood-Isles Area Association), Gretchen Nicholls (TC LISC), Tim Thompson (Housing Preservation Project), Kim Koempel (SPO), Meg McMonigal (SLP), Lars Negstad (ISAI AH), La Shella Sims (MICA H), Louis Smith (Smith Partners), Elizabeth Ryan (FH Fund), Sara Schmitt (KLD), Kathie Doty (KLD Consulting)

**I. Welcome and Introductions**

Chair Jan Callison convened the meeting and provided updates. Two community events were highlighted, the Hennepin Community Works 20-year celebration on October 9<sup>th</sup> at Midtown Global Market from 2:30 to 4:30pm and the Rail-Volution Conference on Sunday September 21. Chair Callison addressed materials included in the attendee's packets. First introduced was the executive summary of the Land Use and Economic Development section of the New Starts application submitted to the FTA on September 10. The hope is to now advance to the next stage of project development. Next Chair Callison provided updates on the Met Council grants to Hopkins and Minnetonka for a joint zoning study for the Shady Oak Station and to St. Louis Park for a project at the Wooddale station.

**II. Approval of July 2014 Minutes**

Chair Callison asked for a motion on the minutes from the July 17, 2014 Steering Committee Meeting. The minutes

were moved by the maker of the motion, Mary Brindle, seconded by Terry Schneider, and passed on a voice vote.

### **III. Metropolitan Council Housing Policy Plan**

Tara Beard, Housing Analyst, provided an overview of the Housing Policy Plan and identified how the region can use its resources effectively. Roles of the Metropolitan Council are as follows: determine the region and each city's future *Need* to affordable housing, negotiate *Goals* for affordable housing development with Livable Communities Act cities, calculate a city's Housing performance *Score*. The need number provides information to cities in order to plan for future anticipated growth, the goal number deals with market issues and is less than the need number, and the score number takes into consideration physical developments, such as new units. These scores are a mechanism used by the Met Council to determine priority criteria for Livable Community Act dollars and are not percentages. Ms. Beard described the measures as some of the most commonly misunderstood concepts. Under the new plan the scoring framework will recognize the differences and provide all communities with a possibility to achieve a high score. The public comment period on the draft closes on September 26th and an adoption of the plan is anticipated for November. Mary Brindle raised the issue of the challenges for some cities to develop affordable housing. Ms. Beard addressed the funding opportunities available through the Met Council.

### **IV. Southwest Corridor Wide Housing Gaps Analysis**

Lou Frillman and Brent Wittenberg from Marquette Advisors summarized the draft and provided recommendations for development of the housing strategy. The housing market and demographics along the corridor show approximately 2/3 of the households are renters. 107,000 corporate presences with only 4% of employees housed within the ½ mile radius. Mr. Wittenberg referenced a Met Council study on changing demographics and housing needs; between 2010 and 2012 80% of household growth is expected to consist of households without children with a strong preference for urban housing primarily high density multifamily residential. 20% of people employed within the ½ mile radius earn less than \$1,250/month. Recommendations going forward: TOD Affordable housing fund, new construction of 1,300 new units at less than 60% of AIM, preserve and improve 7,700 existing affordable units, focus on stations with significant public land ownership, provision of a full range of housing choices, develop branding and promotion strategies for SW LRT lifestyle, create a SW LRT Housing Policy Overlay Zone, mixed-income residential development. Anne Mavity acknowledged the need for cash-flow of the TOD Affordable Housing Fund and questioned the corridor wide housing strategy benefits. Mr. Wittenberg replied with the consistency in goals and policy, and the desire for cities to retain control of the ability to use tools. Ms. Mavity commented on the number of service providers already in place and the risk of adding complexity. Peter McLaughlin stressed the need to explore station area assessments more in depth as the basis to develop policies. Kathy Nelson emphasized the need to accommodate a range of populations and station variations.

### **V. Myron Orfield, Institute on Metropolitan Opportunity**

Mr. Orfield discussed how race and poverty are interconnected and the impact of housing discrimination that has occurred over the years. Minneapolis is the third whitest metropolitan area in the country and dramatically more segregated than other comparable cities with 130 schools more than 70% white. Mr. Orfield concluded with the need for affordable housing goals to be established for the most affluent neighborhoods as opposed to the poorest. Ms. Mavity wondered about the intersection of transportation costs and housing affordability. Chair Callison acknowledged the limited opportunity along the SW LRT line to reach schools with more affluent students. Mr. Orfield concluded with comments about starting conversation and the need for more affluent suburbs to serve a greater portion of lower income students.

### **VI. Adjournment**

Chair Callison adjourned the meeting. The next Steering Committee Meeting will be on Thursday October 16, 2014 at the St. Louis Park City Hall at 1:30pm.



connecting people to jobs, housing, shopping, and fun

## Agenda Item III – Southwest Corridor Wide Housing Gaps Analysis

### Steering Committee Action Requested:

Continued discussion of the Southwest Corridor Wide Housing Gaps Analysis Key Findings and Recommendations.

### Background:

On May 17, 2012, the Southwest Community Works Steering Committee endorsed development of a Corridor Wide Housing Strategy intended to develop joint policies, tools and financing strategies to achieve a full range of housing choice along the Southwest Corridor. Development of a corridor wide housing strategy is consistent with the adopted Southwest Community Works Vision statement as well as the adopted Southwest Community Works Guiding Principles. The Southwest Corridor Wide Housing Strategy is composed of three steps, a corridor wide housing inventory, a corridor wide gaps analysis, and a corridor wide housing strategy. The corridor wide housing inventory was completed in 2013 and the corridor wide gaps analysis is nearing completion.

Marquette Advisors was retained by the Family Housing Fund with funding from Hennepin County, the six partner cities, the Family Housing Fund, and Twin Cities LISC.

### Previous Action on Request:

The Southwest Community Works Steering Committee endorsed the preparation of the Southwest Corridor Wide Housing Strategy on May 17, 2012.

### Recommendation:

### Attachments:

- Summary of the Corridor Wide Housing Gaps Analysis key findings & recommendations
- Southwest Corridor Wide Housing Gaps Analysis Executive Summary, Marquette Advisors

Under separate email distribution due to file size

- Southwest Corridor Wide Housing Gaps Analysis presentation by Marquette Advisors at the 2014 Steering Committee meeting
- Myron Orfield presentation at the September 2014 Steering Committee meeting
- Myron Orfield piece on housing and schools

### Comments:





## Southwest Corridor Housing Gaps Analysis

### Recommendations & Next Steps:

#### **Consensus, “buy-in” and commitment are critical to success**

Joint powers agreements and representation of all corridor communities and stakeholder groups will be paramount to achieving the housing goals set forth by SWLRT Community Works.

#### **Housing preservation strategy needed to invest in quality and sustainability of existing affordable housing stock**

The strategy and investment model(s) should include the following elements:

- **Deploys capital which invests in the quality, sustainability and long-term affordability of this aging housing stock.** This will require dedicated funds and creative partnerships with private owners and non-profit development/management partners.
- **Match services with the resident base** -- fostering upward mobility within the community’s economy and housing market. Partnerships involving the public sector and varied advocate groups with corporate partners and educational institutions should be developed in order to provide services such as job/life skills education and household economics/financial advisory services and counseling.

#### **Develop “branding” and promotions strategy for SWLRT lifestyle**

What is TOD? And what kind of lifestyle will TOD housing and SWLRT provide? Promote market awareness of the benefits to TOD living in SW corridor.

#### **Station area master planning**

Focus on stations with significant public land ownership and near term development opportunities. This presents an opportunity for a “signature” development on SWLRT which demonstrates all desired “lifestyle” elements and provides a “full range” of housing choices. Success is critical in short-term developments, and sets the stage for future success in other station areas. To ensure success, the master planning process must engage a full range of stakeholders, both public and private. The Corridor Development Initiative (CDI) model is a bestpractice and should be an integral component of future station area planning, as it provides a framework for collaboration and consensus building around quality planning.



### **Develop consensus and adopt housing policy goals**

The partner communities should work together to build consensus around the concept of “full housing choice” and preservation and production goals. We suggest the creation of a coordinated SWLRT Housing Policy Overlay Zone, for the area within ½ mile of each LRT station. This area should be established for application of housing goals, policy and oversight. The structure and composition of which should be determined

by the stakeholders, as buy-in from all corridor cities is key to success. We recommend that cities maintain development review/approval authority, utilizing their own “toolbox” and strategies which promote housing development and preservation which is consistent with the goals established within the SWLRT housing strategy.

### **Establish a \$200m+ TOD Affordable Housing Fund**

Why? Existing tools/strategies are not enough to have impact at major scale. A dedicated funding source is needed to support construction of 1,300 new units at <60% of AMI and to preserve/improve 7,700 existing units affordable at <60% of AMI.

#### *Fund Structure:*

- Independently financed pool of funds that provides a return to investors
- More risk tolerant than traditional financing
- Patient financing with longer term payback

#### *Possible Capitalization:*

- Local foundations & intermediaries
- Family funds and partnerships
- Corporate interests (e.g. major businesses in SW corridor)
- Traditional institutional investment sources (insurance companies, etc)

While Marquette Advisors believes a program which provides a return to investors and generates cash flow for re-investment is the preferred structure, some type of public/private alignment might work under certain governing circumstances. While not a charge of this engagement, Marquette believes that some form of overarching authority driving the Fund would enhance achievement of housing policy and development/preservation goals.

A \$200 million fund, properly designed and leveraged, should be able to provide key (and currently missing) capital to drive development and preservation which meets stated housing production and preservation goals.

# SWLRT HOUSING GAPS ANALYSIS

September 2014



PREPARED FOR:



PREPARED BY:



**Minneapolis Office:** 50 South Sixth Street, Suite 1370, Minneapolis, MN 55402  
Phone: 612-335-8888; Fax: 612-334-3022  
**Seattle Office:** 2723 California Avenue SW, Seattle, WA 98116  
Phone: 425-392-7482; Fax: 425-392-7330  
**Washington DC Office:** 1140 Connecticut Avenue NW, Washington DC 20036  
Phone: 202-331-0226; Fax 612-334-3022

## **INTRODUCTION**

Marquette Advisors was retained by the Family Housing Fund as the fiscal agent on behalf of Southwest LRT Community Works, Twin Cities LISC, and the partner cities of Minneapolis, St. Louis Park, Hopkins, Edina, Minnetonka and Eden Prairie to provide a “Housing Gaps Analysis” in reference to the planned Southwest Light Rail Transit (“SWLRT”) Corridor. SWLRT will span approximately 15 miles, with 17 planned stations in Minneapolis, St. Louis Park, Hopkins, Minnetonka and Eden Prairie. The Housing Gaps Analysis is a critical component in developing a corridor-wide housing strategy, the goals and principles of which are outlined below.

### **SWLRT Community Works Goals:**

- Economic competitiveness and job growth
- Promoting opportunities for business and employment growth
- Housing choices
- Positioning the Southwest LRT communities as a place for all to live
- Quality neighborhoods
- Creating unique, vibrant, safe, beautiful, and walkable station areas
- Critical connections
- Improving affordable regional mobility for all users

### **SWLRT Community Works Guiding Principles for Investment:**

- Partner for Effective Planning and Implementation
- Create Great Quality Transit Oriented Development and Achieve Unique, Vibrant Places
- Stimulate Employment and Economic Development
- Provide a full Range of Housing Choices
- Strengthen Communities through Connections and Access to Opportunity
- Maintain and Improve Natural Systems
- Build Healthy Communities
- Enhance Tax Base

The Housing Gaps Analysis utilizes prior research, notably the SW Community Works Housing Inventory, along with station-area plans, maps and related data and research compiled to date through the SW Community Works Corridor Investment Framework.

**The primary objectives of the Housing Gaps Analysis are as follows:**

The Housing Gaps Analysis provides a review of existing conditions and interprets prior studies, building upon complementary research and data, and engaging a full range of stakeholders in the analysis of the corridor, demographics, land use, growth patterns, and housing market conditions. The Gaps Analysis provides a forward-looking analysis regarding the potential for residential development within the SWLRT corridor, and future housing supply gaps, answering the following key questions:

***Work Scope Key Questions***

- **Who** will want to live here, and why?
- **How many** households would choose to reside in TOD housing within the SWLRT Corridor?
- What are the **characteristics** of those households, particularly with respect to age, income, household size and employment status?
- What **types of housing** are needed to accommodate this level of growth?
- Furthermore, what are expected future **supply gaps**, comparing what the market is expected to produce with a “full range” of housing choices by affordability level?
- What are **market inefficiencies** and barriers to development (and/or preservation) of a full range of housing choices within the Corridor? And what are some specific **strategies, policies and tools** to mitigate those barriers?
- What is the **impact of SWLRT upon the existing housing stock and resident base?** (i.e. what are risks associated with gentrification?)
- What **tools, policies and strategies** are appropriate in order to set the stage for quality development and the provision of a full range of housing choices for the SWLRT corridor?

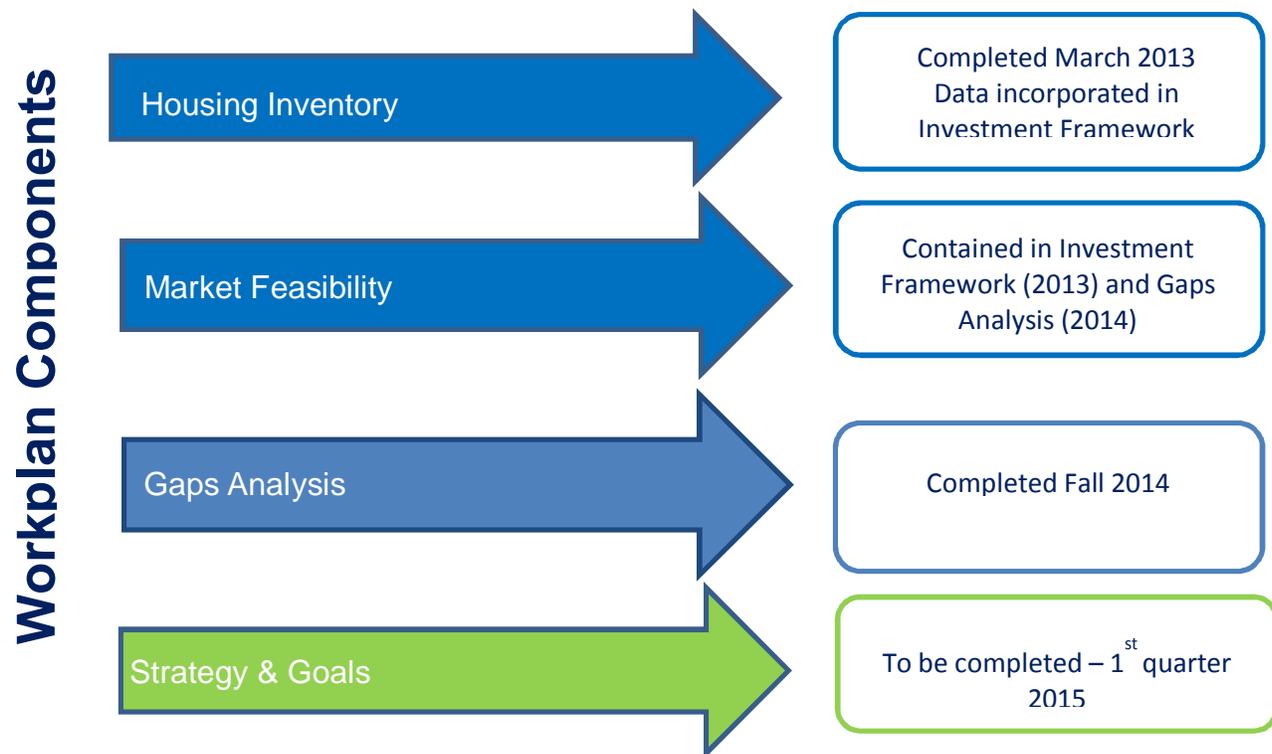
**“Corridor” Definition:** For this Housing Gaps Analysis, the SWLRT Corridor is defined as that area comprising a ½ mile radius around each of the planned LRT stations.

## EXECUTIVE SUMMARY

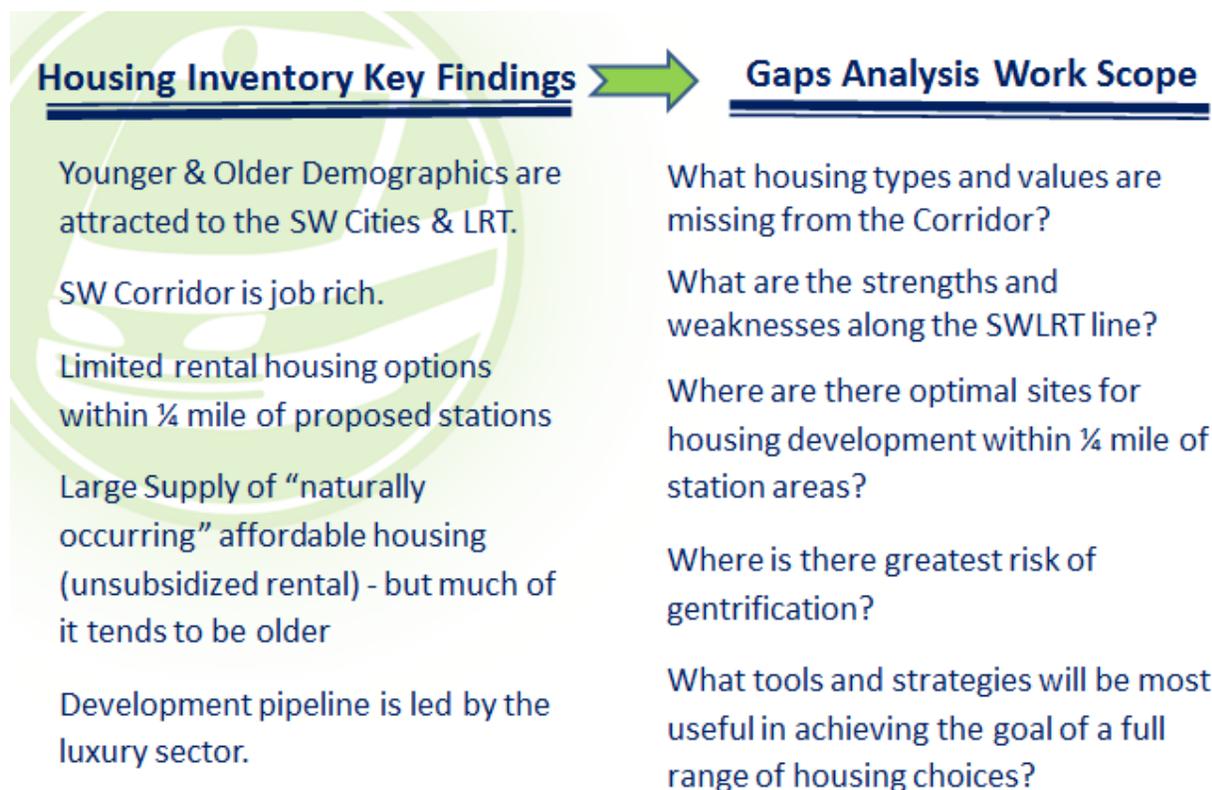
This section describes, in brief, key findings and recommendations derived from the Housing Gaps Analysis. The information presented in this section are meant as a summary of, not a substitute for the body of the report, which contains additional information and detail critical to a full understanding of the analysis, the recommendations provided, and the context within which they were formulated.

### Background & Context

Marquette Advisors was retained to provide a Housing Gaps Analysis related to the SWLRT Corridor. The “Corridor” as defined for purposes of this analysis comprises a ½ mile radius surrounding each of the planned LRT stations. The Housing Gaps Analysis is a critical component in the development of a corridor-wide housing strategy by SWLRT Community Works, along with its partner communities (Minneapolis, St. Louis Park, Edina, Hopkins, Minnetonka and Eden Prairie), and a full range of stakeholders. To date, considerable research and planning has already been done, inclusive of the *SW Community Works Corridor Housing Inventory* and the *Investment Framework*. The Housing Gaps Analysis interprets and builds upon these work elements and provides further research and analysis, culminating in recommendations intended to guide future planning that will “set the stage” for a “full range of housing choices” within the corridor.



The Housing Gaps Analysis provides recommendations for new residential development for the corridor as a whole, and for individual station areas, and identifies future supply gaps. The report discusses market inefficiencies and addresses the need for creative public/private partnerships that will help to facilitate the provision of a full range of housing choices in the corridor over the long-term.



**Demographics -- Key Findings:**

**The SWLRT corridor is home to 37,000 residents and 19,000 households.** The majority (about 2/3) are renters. Trend is likely to continue, based on demographics, lifestyle, and market factors.

**The Twin Cities Metro Area is expected to grow by 11,000 to 13,000 households/year through 2030.** 80% of growth is expected to be households without children, and nearly 1/3 of regional growth expected to be single-person households.

**Millenials and Baby Boomers are having a major impact on Twin Cities housing market.** Both segments are drawn to high-density multifamily housing products which feature “efficiency in living,” and connectivity to work, goods/services, public facilities, and entertainment/amenities. We expect that TOD housing products and SWLRT will appeal to both market segments.

### **Corridor Employment – Key Findings:**

**107,000 workers in corridor** -- The corridor features a strong corporate presence, with a deep and diverse economic base. The corridor provides a “full range” of jobs, ranging from entry-level part time positions up to high-level management and executive positions in a wide range of industries.

**Corridor workers a target for new TOD housing** -- Less than 4% of the corridor’s 107,000 workers also reside within ½ mile of SWLRT presently. New housing products near SWLRT are expected to appeal to corridor workers.

**Earnings & housing affordability** -- Importantly, we note that a full **20% of the corridor employee-base earns less than \$1,250 per month**. A household with a single wage-earner at this level could afford a monthly housing payment of just \$375 per month. Two workers at this level could afford a monthly housing cost of about \$750. Worker earnings were a key factor considered by Marquette Advisors in developing recommendations for housing construction & preservation in the corridor.

### **Educational Facilities – Key Findings:**

**Expect modest impact of housing development upon local schools** – Considering demographic trends and expected development patterns, fueled by growth from single-persons households and households without children, TOD housing developments along SWLRT are not expected to have a substantial impact on enrollment at any one educational facility within the corridor.

**TOD may boost open enrollment** – The development of SWLRT will improve connectivity of residents with schools and, thus, will create opportunities for open enrollment, with students utilizing SWLRT to commute to/from their place of residence to school.

**SWLRT housing will likely appeal to school teachers and other staff** – The development of new workforce and market rate rental housing, as well as entry-level for sale housing, may in fact be attractive to teachers and other school staff who presently commute longer distances due to an affordability gap between current salaries and corridor housing costs.

### **Residential Development Outlook – Key Findings:**

**Market demand = 13,000 Outlook – Key Fin (2015-2030)**. This represents a gap between existing housing inventory and the number of households who will want to live along the corridor.

**Recommended Development Goal = 11,000 new units**. Tempered to reflect development constraints: land availability, land use factors, development cost factors, etc. However, at least 20% of these units still not feasible but for public/private partnerships and gap financing.

**SW LRT Corridor -- Recommended New Residential Development by Product Type & Station Area -- 2015-2030**

Station Area	Rental					Total	Ownership				Total	Total Units
	0-30% AMI	30-60% AMI	60-80% AMI	80-100% AMI	100% of AMI+		Entry-Level	Mid-Mkt	High-End			
Royalston	275	275	225	225	800	1,800	0	0	0	0	1,800	
Van White	120	120	150	150	260	800	150	150	0	300	1,100	
Penn	0	0	0	0	240	240	0	0	0	0	240	
21st	0	0	0	0	0	0	0	0	**	**	**	
West Lake	50	50	80	80	440	700	0	0	200	200	900	
Beltline	65	65	115	115	480	840	80	80	0	160	1,000	
Wooddale	45	45	45	45	340	520	40	40	0	80	600	
Louisiana	0	0	80	120	400	600	40	40	120	200	800	
Blake Rd.	45	45	40	40	970	1,140	40	40	24	104	1,244	
Downtown Hopkins	0	0	110	110	410	630	25	25	0	50	680	
Shady Oak	0	0	75	75	350	500	0	0	0	0	500	
Opus	0	0	0	120	340	460	70	70	0	140	600	
City West	0	0	0	60	240	300	0	0	0	0	300	
Golden Triangle	35	35	35	35	340	480	0	0	0	0	480	
EP Town Center	0	0	40	80	400	520	30	30	20	80	600	
Southwest	0	0	0	0	200	200	0	0	0	0	200	
Mitchell	0	0	0	0	192	192	0	0	0	0	192	
<b>Total</b>	<b>635</b>	<b>635</b>	<b>995</b>	<b>1,255</b>	<b>6,402</b>	<b>9,922</b>	<b>475</b>	<b>475</b>	<b>364</b>	<b>1,314</b>	<b>11,236</b>	
** Future development potential for 21st St. Station Area to be determined.												
<b>Source: Marquette Advisors</b>												

**New unit mix - 90% rental, 10% home ownership -- Why?** Considers demographics, economics and lifestyle factors. Regional and corridor growth dominated by small households. Market preference for efficient and convenience in housing, with strong connectivity to jobs and “urban” amenities. Approximately 1/3 of new construction recommended affordable up to 100% of AMI.

- **12%** (1,300 units) - <60% AMI
- **9%** (1,000 units) - 61% to 80% AMI
- **12%** (1,300 units) - 61% to 80% AMI

**Station Area recommendations for new construction take into account the following factors:**

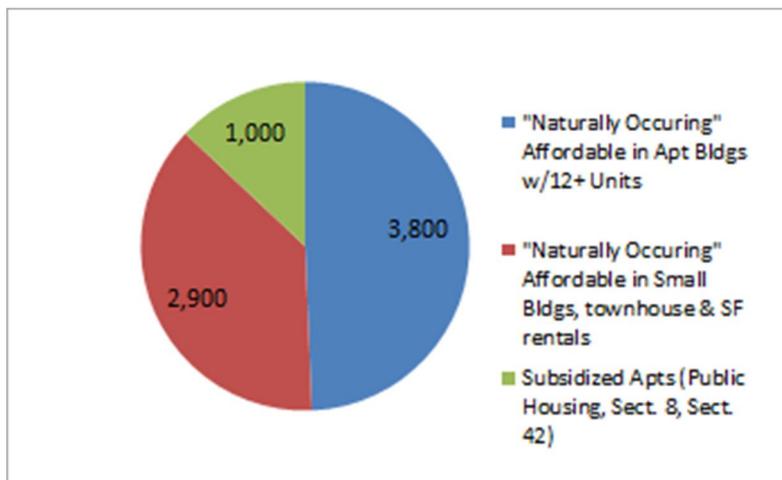
- Current housing inventory, demographic composition and economic base
- Land availability - ownership of undeveloped and/or under-utilized parcels
- Characteristics of surrounding land use (as-is and future expectations)
- Proximity to jobs, types of jobs & incomes levels, proximity to goods/services, public and educational facilities and other modes of transit

**Mixed-income residential development a “best practice” related to inclusionary housing in the corridor --** Publicly owned sites present the best short-term opportunity for this type of development.

### **Housing Preservation – Key Findings:**

**Affordable housing is a primary asset within the corridor presently –** Corridor features an estimated 7,700 units which are affordable to households earning <60% of AMI, representing almost ½ of the existing rental stock.

**Limited risk of gentrification –** Existing supply includes older product mix (1960’s/70’s vintage). Rents in many cases are well below 60% of AMI target. Age/quality and market obsolescence limits potential for major rent increases.



**Housing preservation far less expensive than construction of new units –** Providing new housing at levels which are affordable to households earning <60% of AMI, even up to 80-100% of AMI, is a significant challenge due to cost factors. Barriers to development are significant. Thus, particular focus should be given to preserving and improving the existing housing stock.

### **Corridor Strengths – Key Findings:**

**Strong demographics and high-quality real estate** – The SW corridor features some of the region’s highest-quality and highest-valued real estate. High-quality housing stock, stable neighborhoods, close to parks and recreational opportunities, shopping and restaurants

**Strong corporate presence and jobs base** -- There corridor features depth and diversity in its employment base, with 107,000 jobs in the corridor. Proximity of the station areas to major employment nodes bodes well for connectivity and desirability of future TOD housing.

**City staff are experienced and familiar with development tools** – Our analysis and interviews indicates that city planning staff and administration have a firm grasp of redevelopment “tools” and experience in the types of public/private partnerships which will be required to achieve corridor housing goals.

### **Key Development Challenges:**

**Limited vacant land supply and shortage of publicly-owned sites** – Much of the corridor is already built-out. The limited supply of developable land, paired with expected strong market demand for housing (and commercial forms of development) results in escalating land values. This poses the single-most significant barrier to the development of a full range of housing choices in many station areas.

**Land use issues reduce redevelopment potential** - Private ownership; highest and best use issues. Redevelopment is complicated and costly. It requires substantial investment or sale by private land/property owners. The objectives and risk tolerance of current property owners varies substantially.

**Auto-oriented areas, lacking pedestrian/bike friendly amenities & connectivity** – Several of the station areas are presently auto-oriented. Considerable investment in pedestrian/bike connectivity and public realm elements will be required in order to create the type of lifestyle environment preferred by prospective TOD residents.

**Many stations lack street “vibrancy” and supporting commercial/restaurant nodes and public amenities** – The region’s population base has shown a strong preference for housing in mixed-use neighborhoods which provide walkability and easy access to a variety of amenities – shops, restaurants, parks, trails, and recreational features, and entertainment. These elements should be incorporated in station area planning.

## **Recommendations & Next Steps:**

**Consensus, “buy-in” and commitment are critical to success** – Joint powers agreements and representation of all corridor communities and stakeholder groups will be paramount to achieving The housing goals set forth by SWLRT Community Works.

**Housing preservation strategy needed to invest in quality and sustainability of existing affordable housing stock** – The strategy and investment model(s) should include the following elements:

- **Deploys capital which invests in the quality, sustainability and long-term affordability of this aging housing stock.** This will require dedicated funds and creative partnerships with private owners and non-profit development/management partners.
- **Match services with the resident base** -- fostering upward mobility within the community’s economy and housing market. Partnerships involving the public sector and varied advocate groups with corporate partners and educational institutions should be developed in order to provide services such as job/life skills education and household economics/financial advisory services and counseling.

**Develop “branding” and promotions strategy for SWLRT lifestyle** – What is TOD? And what kind of lifestyle will TOD housing and SWLRT provide? Promote market awareness of the benefits to TOD living in SW corridor.

**Station area master planning** -- Focus on stations with significant public land ownership and near-term development opportunities. This presents an opportunity for a “signature” development on SWLRT which demonstrates all desired “lifestyle” elements and provides a “full range” of housing choices. Success is critical in short-term developments, and sets the stage for future success in other station areas. To ensure success, the master planning process must engage a full range of stakeholders, both public and private. The Corridor Development Initiative (CDI) model is a best-practice and should be an integral component of future station area planning, as it provides a framework for collaboration and consensus building around quality planning.

**Develop consensus and adopt housing policy goals** – The partner communities should work together to build consensus around the concept of “full housing choice” and preservation and production goals. We suggest the creation of a coordinated SWLRT Housing Policy Overlay Zone, for the area within ½ mile of each LRT station. This area should be established for application of housing goals, policy and oversight. The structure and composition of which should be determined by the stakeholders, as buy-in from all corridor cities is key to success. We recommend that cities maintain development review/approval authority, utilizing their own “toolbox” and strategies which promote housing development and preservation which is consistent with the goals established within the SWLRT housing strategy.

**Establish a \$200m+ TOD Affordable Housing Fund -- Why?** Existing tools/strategies are not enough to have impact at major scale. A dedicated funding source is needed to support construction of 1,300 new units at <60% of AMI and to preserve/improve 7,700 existing units affordable at <60% of AMI.

*Fund Structure:*

- Independently financed pool of funds that provides a return to investors
- More risk tolerant than traditional financing
- Patient financing with longer term payback

*Possible Capitalization:*

- Local foundations & intermediaries
- Family funds and partnerships
- Corporate interests (e.g. major businesses in SW corridor)
- Traditional institutional investment sources (insurance companies, etc)

While Marquette Advisors believes a program which provides a return to investors and generates cash flow for re-investment is the preferred structure, some type of public/private alignment might work under certain governing circumstances. While not a charge of this engagement, Marquette believes that some form of overarching authority driving the Fund would enhance achievement of housing policy and development/preservation goals.

A \$200 million fund, properly designed and leveraged, should be able to provide key (and currently missing) capital to drive development and preservation which meets stated housing production and preservation goals.



**SOUTHWEST LRT**  
community works

*Beyond the Rails*  
[swlrtcommunityworks.org](http://swlrtcommunityworks.org)

connecting people to jobs, housing, shopping, and fun

## Updates/Information

- Center for Transportation Studies: "Rail transit + neighborhood design = less auto ownership?"
- Finance & Commerce Articles on Housing Gaps Analysis
- Finance & Commerce Article on Transit-Oriented Development



# Rail transit + neighborhood design = less auto ownership?

Rail transit and transit-oriented development (TOD) are often promoted as ways to reduce auto dependence and traffic congestion. It's unclear, however, what causes the increased transit ridership that often follows a new development: Is it because travelers substitute one mode for another, or is it due to new demand? Furthermore, most studies do not disentangle the influences of two important factors—residents' preferences and the built environment surrounding station areas—from the impact of rail transit itself. These knowledge gaps create blind spots that limit our understanding of the potential for using rail transit and neighborhood design to curb auto ownership.

To shed light on these questions, Humphrey School of Public Affairs researchers examined the effects of light-rail transit (LRT), neighborhood design, and resident self-selection on auto ownership using the Blue Line LRT (formerly known as Hiawatha) in the Minneapolis–St. Paul metropolitan area. They learned that rail development alone isn't sufficient to reduce auto ownership—other factors are part of the picture.

Researchers led by associate professor Jason Cao found that several demographic variables play a significant role in auto ownership. Household income, the number of drivers in a household, and having a driver's license are all associated with increased auto ownership. Women tend to own fewer autos than men.

"Ultimately, we found that household income is the main determinant of auto ownership, and neighborhood characteristics have a marginal effect," Cao says. "LRT development alone does not reduce auto ownership apart from the influences of neighborhood characteristics and resident self-selection."

The researchers stress that people self-select where they live based on their predisposition toward travel and residence. The Blue Line allows those who want to live near rail transit but could not previously do so choose to live in the corridor and hence own fewer vehicles.

"Offering alternative development such as TOD will enable those who dislike driving to find a neighborhood to match their preference," Cao explains. "The major takeaway for planners and transportation professionals is that neighborhood design is an important consideration in rail transit development."

"Professor Cao's study examining the effect of rail transit on auto ownership is another example of CTS's useful real-world research that helps planners and others understand the role and influence of transit on the economy and the built environment," says Donna Drummond, director of planning for the City of St. Paul.

Data collection for the research was supported by the Transitway Impacts Research Program ([cts.umn.edu](https://cts.umn.edu))



Photo: Michelle Riedel

In terms of neighborhood characteristics, lower parking availability, high job accessibility, and more businesses within a quarter-mile of the respondent's home (a density measure) are associated with lower levels of auto ownership.

In addition, respondents with a pro-drive attitude and preferences for "large backyards" and "lots of off-street parking" owned a greater number of autos, whereas those with a pro-transit attitude and preference for transit access owned fewer autos.

**/research/featured/transitways**). The study was also conducted under the auspices of the Natural Science Foundation of China.

## READ CATALYST ONLINE

for links to research reports and other resources.

**Center for Transportation Studies**  
200 Transportation and Safety Building  
511 Washington Avenue S.E.  
Minneapolis, MN 55455-0375

Phone: 612-626-1077  
Fax: 612-625-6381  
E-mail: [cts@umn.edu](mailto:cts@umn.edu)  
Web: [cts.umn.edu](https://cts.umn.edu)

Publisher/Director: Laurie McGinnis  
Managing Editor: Pamela Snopl  
Editors: Christine Anderson, Amy Friebe, Michael McCarthy

Designer: Angela Kronebusch  
Freelance Writer: Megan Tsai

# Pinpointing housing potential on Southwest line

By: Cali Owings September 22, 2014 2:31 pm 0



A planned Southwest Light Rail Transit stop on Royalston Avenue near Fifth Street North in Minneapolis has potential for 1,800 residential units, according to a new report. The red building pictured at 401 Royalston Ave., about a block south of the proposed station, is home to Stark Electronics. (Staff photo: Bill Klotz)

More than 11,000 housing units could be added within a half-mile of the 17 stations on the planned Southwest Light Rail Transit line, according to a new report from Minneapolis-based Marquette Advisors.

The draft housing gaps report was commissioned to help inform a corridor-wide housing strategy for the 16-mile corridor between downtown Minneapolis and Eden Prairie, said Kerri Pearce Ruch, a planner with Hennepin County Community Works leading the housing effort. Besides Hennepin County, funding partners behind the report include the five cities along the line, the city of Edina, the Twin Cities Local Initiatives Support Corp. in St. Paul and the Family Housing Fund in Minneapolis.

In the next five years, the market for new housing will be strongest in Minneapolis and Hopkins with the potential for 1,880 and 950 new residential units, respectively, according to the report. Over 10 years, the report shows a significant portion of housing along the corridor could be added in St. Louis Park. The line also travels through Minnetonka and Eden Prairie, but both cities are expected to see a smaller share of residential development.

Marquette Advisors notes that transit-oriented development along the Southwest line will likely appeal to younger households, which prefer urban living, but may have been priced out of the downtown and Uptown Minneapolis markets.

"Households who may have recently demonstrated a preference for more urban living ... now and in the future will consider alternative housing that is no longer in the 'middle of the action' but still provides good access (via LRT) to those same urban amenities," according to the report.

The station with the most housing development potential is on Royalston Avenue in Minneapolis. The station area is an urban island between Interstates 94 and 394 and is west of Target Field. Several successful commercial outfits are located there today including Stark Electronics, about a block south of the station at 401 Royalston Ave., and the Fish Guys, a seafood wholesaler at 301 Royalston. In 10 years or so, the station area could instead be home to thousands of new residents in 1,800 affordable and market-rate units, according to the report.

The report's findings are encouraging because Minneapolis' five Southwest LRT stations are "a little off the beaten track," said Jack Byers, long-range planning manager for the city's Community Planning and Economic Development department. While it's good that there's market interest in Minneapolis, Byers said, it will take significant infrastructure investment to make the station areas more accessible for people and ready for development.

The potential for housing at Royalston and Van White, adjacent to Interstate 394 on Van White Memorial Boulevard, may be lower than the report suggests because of the amount of public investment it would take to clean up land, build streets and add utilities, Byers said. The report suggests a mix of 800 rental units and 300 small, single-family homes near the Van White station.

"We are a little concerned that the market won't build that at Van White or Royalston," he said. He challenged the idea that transit-oriented development only includes residential and retail and said the city would like to see the station areas be "jobs intensive" as well as offer potential for some additional housing.

At Van White, that could become a reality because Minneapolis-based Ryan Cos. US Inc. has development rights through 2015 for a portion of a 25-acre site adjacent to the station known as Linden Yards. Last spring, the developer brought forward conceptual plans for three office buildings and five to eight stories of residential space in two towers with parking.

Just north of Linden Yards, the city's impound lot is also a potential development site, but remediation work would be more costly for a residential project compared to an industrial or commercial user, Byers said.

While Byers said the city hopes to bring jobs to its station areas, Bob Salmen, who owns two warehouse buildings on eight acres near the Royalston station stop, said the market is leaning toward mixed-use residential, office and retail.

Salmen, with Equity Financial Services in Minneapolis, said those who have approached him are housing developers and many see the area as the "untapped portion of the North Loop."

With long-term tenants in his buildings, Salmen said he's not interested in selling at this point, but his neighbors to the south that are owner-occupied might choose to relocate now that developer interest is picking up.

Residential development in Hopkins might hold more true to the report's projections.

John Bell, vice president of construction and development for Minneapolis-based Klodt Cos., listed many of the city's favorable attributes, including a walkable downtown, the number of less expensive single-family homes, and proximity to transit, bike trails and major roadways as reasons why the city could see more residential projects. The report shows potential for 2,424 added units near Hopkins' three LRT stops.

"I'm sure that Hopkins is going to grow," Bell said.

Klodt opened the first phase of its 163-unit Gallery Flats project in Hopkins in May and welcomed a second phase of new residents earlier this month. The building on the northwest quadrant of Eighth Avenue South and First Street South is a block north of the planned downtown Hopkins stop at Excelsior Boulevard. In addition to the Gallery Flats, the report projects another 680 units near downtown.

While Bell said he expects Gallery Flats residents to use the train, he said Klodt didn't choose the site exclusively for its proximity to light rail, which won't be up and running until 2019. He said the city's efforts to enhance downtown as well as the number of other residential developments in the area also helped make the site attractive.

Avoiding specifics, Bell said that Klodt is interested in other projects in Hopkins.

Once Marquette Advisors releases a final report, the communities along the corridor will collaborate to develop a housing strategy and goals, said Hennepin County's Pearce Ruch. During the planning for the Green Line rail project between St. Paul and Minneapolis, a group of nonprofits and public entities adopted affordable housing goals through an effort called the "Big Picture Project." Unlike that previous effort, the Southwest corridor strategy will include the full range of housing choices, Pearce Ruch said.

### **Top Southwest rail stations for housing**

Marquette Advisors projects these five stations on the Southwest Light Rail Transit line have the most potential for residential development over the next 10-plus years.

<b>Station Area/location/city</b>	<b>Number of units over 10-year time line</b>
Royalston (Royalston Ave. N. and Fifth Ave. N., Minneapolis)	1,800
Blake (Blake Road and Second St. NE Hopkins)	1,244
Van White (north of I-394 and Dunwoody Blvd., Minneapolis)	1,100
Beltline (north of Beltline Blvd. and Park Glen Road, St. Louis Park)	1,000
Louisiana (Louisiana Ave. and Oxford St. in St. Louis Park)	800

*Source: Marquette Advisors*

# How to entice affordable housing on light rail lines

By: Cali Owings September 30, 2014 7:05 am 0



A planned Southwest Light Rail Transit stop on Royalston Avenue near Fifth Street North in Minneapolis has potential for 550 affordable units at 60 percent or less of the area median income, according to a report from Marquette Advisors. (File photo: Bill Klotz)

A report from the Minneapolis-based Marquette Advisors suggests starting a \$150 million transit-oriented development fund – supported by private and public money — to help build and preserve affordable housing at station areas from Minneapolis to Eden Prairie.

As Finance & Commerce reported last week, Marquette Advisors found potential for 11,000 housing units within a half-mile of the 17 stations on the line. To meet housing goals, Marquette Advisors recommends that about 1,300 of those units are affordable at 60 percent or less of area median income (AMI) and another 2,250 units are affordable between 60 percent and 100 percent of AMI. The report estimates at least a \$120 million gap for financing projects that are affordable.

Rising property values along the line means that “market-rate residential development which is ‘luxury’ based will predominate,” according to the report, unless there’s a mechanism to fund projects that support the corridor’s goals for a full range of choices.

The region has been searching for a tool to help stimulate the private sector to develop mixed-use and mixed-income projects on transit corridors, said Cathy Bennett, with the Minnesota chapter of the Urban Land Institute.

Other cities with more mature transit systems like San Francisco and Denver have used TOD funds, Bennett said. Sometimes they are also called “innovation funds” because it’s a different funding tool designed to support projects that traditional lenders would decline until the market is established.

Copyright © 2014 Finance and Commerce | U.S. Trust Building Suite 100, 730 Second Ave S., Minneapolis, MN 55402 | (612) 333-4244

"It's hard to be the first one in to prove the market," Bennett said. "We have some great developers in our region that are willing to take that risk, if they have the backing capital to ... help them get over the hump and reduce the initial risk."

The consultants recommend a mixed-income approach that is profit-driven and leverages larger, more complex developments to meet affordable housing goals. In a model provided in the report, a new 200-unit development could include 15 percent, or 30 units, affordable to households earning less than 60 percent of the area median income with a \$6 million contribution from the fund.

"Along these transit corridors, especially in our region where the system is not mature yet, you want development there that is going to be a mix of incomes, but the market isn't ready to support that," Bennett said. A TOD fund would offer the "patient capital" that is needed until the development starts to show returns.

Potential donors could include foundations and corporations that share corridor goals and traditional institutional investors, according to Marquette Advisors. Bennett said it could also include public funds.

The idea is still in its early stages as the five cities along the line and Hennepin County work out a corridor-wide housing strategy.

Though there are some communities along the line with virtually no affordable housing, the line needs units at all income levels to be successful, said Hennepin County Commissioner Linda Higgins. She sits on the Southwest Corridor Community Works steering committee – a cross-section of Hennepin County commissioners and officials from Minneapolis, Minnetonka, Hopkins, St. Louis Park and Eden Prairie.

Another challenge is that while there are tools for building affordable housing for people with the lowest incomes, funding is harder to come by for those higher on the income scale, Higgins said.

It's "this push-pull that happens when you're trying to build housing for more moderate-income folks as opposed to the lowest income folks," she said.

When the idea for a transit-oriented development fund was presented at a meeting earlier this month, there was skepticism in the room, said Kathy Nelson, an Eden Prairie City Council member and steering committee member.

Nelson said her initial thought was that it might not work because cities have different goals and approaches to development. It would also be difficult to give up local planning authority – a possible consequence of the joint approach, she said. She also raised questions about the sources of the funding.

"Every city does development a little differently. Each city has an idea of what kinds of things it wants and is hoping for," Nelson said. "I think everybody will find ways to finance what they want."

## Making room for affordable units

Marquette Advisors offers recommendations on the number of affordable units that could be planned for households at 60 percent or less of the area median income near station areas on the Southwest light rail line. The total includes the potential for a range of housing choices near the stations.

<b>Station</b>	<b>Affordable</b>	<b>Total</b>
Royalston (Royalston Ave. N. and Fifth Ave. N., Minneapolis)	550	1,800
Blake (Blake Road and Second St. NE Hopkins)	90	1,140
Beltline (north of Beltline Blvd. and Park Glen Road, St. Louis Park)	130	840
Van White (north of I-394 and Dunwoody Blvd., Minneapolis)	240	800
West Lake(Lake Street and Excelsior Blvd., Minneapolis)	100	700

# Report: Transit-oriented development dominating in major metros

By: Cali Owings October 6, 2014 3:35 pm 0



File photo: Bill Klotz

Oaks Station Place, an apartment complex built as part of a transit hub and light rail station at 46th Street on the Hiawatha Blue Line, is an example of a transit-oriented development in the Twin Cities metro. A new report on ten North American cities from Cushman & Wakefield shows that the majority of new commercial and residential development in urban areas is transit-oriented.

A new report from Cushman & Wakefield's research arm finds most of the commercial and residential development occurring today in metropolitan areas is transit-oriented.

The report released last week, "Urban Development: Faster Greener Commutes Key to Sustained City Growth," explores population growth in 10 North American metro areas and shows how transit-oriented development helps to relieve congestion and provides better access to talented workers.

The cities explored in the report are Mexico City, New York, Los Angeles, Chicago, Toronto, Washington, D.C., Miami, Atlanta, Boston and San Francisco. The cities are all larger than the Twin Cities metropolitan area with more mature public transportation systems.

The urban areas covered in the report are experiencing rapid growth. In the report, researchers link that growth to the millennial generation and its preference for urban, "amenity-rich" living. The researchers note there are consequences to sudden growth, including inadequate public transit and lack of funding, but that developers and cities are bringing forward innovative solutions.

In most cities included in the report, developers report a price premium of 10-25 percent for construction of transit-oriented projects because of the location and infrastructure improvements needed. In many cities, public efforts boost TOD despite barriers. Los Angeles County has a TOD planning grant program for local governments to adopt land use regulations that encourage transit-oriented development. In Chicago, officials are working to change zoning requirements to reduce parking ratios for new developments to make them more transit-supportive.

In all markets, the report notes that TOD definitely has a value premium for developers and investors. Businesses and residents will pay more for accessibility and shortened commute times. In Washington, D.C., 3.7 million square feet of office space under construction is located less than a mile from a transit station. Projects within a quarter mile of a station are already more than 50 percent preleased.

Copyright © 2014 Finance and Commerce | U.S. Trust Building Suite 100, 730 Second Ave S., Minneapolis, MN 55402 | (612) 333-4244