

Western U Plaza

How Community Engagement and Funder Alignment Are Creating Catalytic Transit Oriented Development



The redevelopment of the former Old Home Foods Site will be an asset to the community. (Elevation courtesy of Sand Companies, Inc.)

It is hard to miss the former Minnesota Milk Company/Old Home Foods distribution center as you travel University Avenue West through St. Paul's Summit-University neighborhood; its unique Art Deco façade stands out and the building rises taller than most of the surrounding structures. Amid its architectural beauty and historical significance, passersby cannot help but notice one other critical characteristic of this full block site: it stands vacant.

Fortunately, as a result of vision, tenacity, and unique partnerships that is about to change. Located at 370 W. University Avenue, the former Old Home Foods property occupies an important piece of real estate at the intersection of University and Western Avenues. The site is adjacent to the Western Avenue Station of the Green Line, the light rail transit (LRT) slated to open June 14, 2014. The Green Line will connect the downtowns of St. Paul and Minneapolis, while stopping in many distinctive neighborhoods, including the Rondo Arts Cultural Business and Heritage District and the Little Mekong District—both of which are home to popular small businesses, specialty markets, and restaurants representing the cultural diversity of the eastern end of University Avenue.

The nonprofit Aurora/St. Anthony Neighborhood Development Corporation (ASANDC), which is located a few blocks

west of the former Old Home Foods site, and its for-profit development partner, Sand Companies, Inc., are undertaking the large project to preserve the historic structure, add new multifamily affordable housing units, commercial space, and community space to the 1.6 acre site. The unique nonprofit-private partnership between ASANDC and Sand Companies, Inc. will transform the blighted landmark that has been vacant since 2006 into a vibrant community asset.

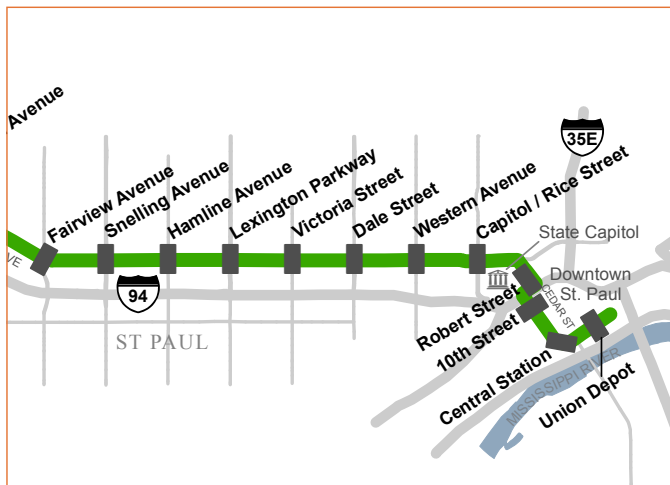


(Photo courtesy of the Metropolitan Council)

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Seizing the Opportunities and Creating Benefits Beyond the Rail

The Metropolitan Council,¹ as the regional planning and policymaking authority, has committed to expanding the regional transit options in the Twin Cities in pursuit of sustainability, stronger communities, improved access to jobs, and regional economic competitiveness. The construction of the Green Line has been a central part of that effort. In 2007, the planning for the Green Line reached a culminating point and several national and local foundations created the Central Corridor Funders Collaborative (CCFC, see list to right).² These funders believed that the federal, state, and local investment of \$1 billion in the Green Line had the potential to both strengthen the regional economy and positively impact development in the surrounding neighborhoods; however, they also feared that if left unattended, the transit investment had the possibility to displace existing residents and business owners with rising costs and gentrification.



Map of the Green Line in St. Paul
(Image courtesy of the Metropolitan Council)

CENTRAL CORRIDOR FUNDERS COLLABORATIVE MEMBERS

Bush Foundation	Northwest Area Foundation
Ford Foundation	Otto Bremer Foundation
F. R. Bigelow Foundation	The Saint Paul Foundation
John S. and James L. Knight Foundation	Surdna Foundation
Living Cities, Inc.	Jay and Rose Phillips Family Foundation of Minnesota
The McKnight Foundation	
The Minneapolis Foundation	

In 2011, building off the vision of the CCFC, a regional collaboration called the Corridors of Opportunity (see list of members on page 3) was awarded nearly \$20 million in grant and loan resources to support development along the region's transit ways to benefit people across the income spectrum.³ Both the CCFC and the Corridors of Opportunity initiative partners supported transit oriented development (TOD) that was walkable, moderate to high density development served by frequent transit with a mix of housing, retail, and employment choices designed to allow people to live and work with less or no dependence on a personal car. Corridors of Opportunity partners specifically wanted TOD to serve people with lower-incomes and small businesses.

"Partners across the region were really interested in making sure that new opportunities created by the arrival of LRT could be shared broadly. Because of that, Corridors of Opportunity looked to make investments in affordable housing creation and preservation, small business development, and proactive corridor planning and engagement. Together these strategies are meant to create benefits beyond the rail itself."

—Mary Kay Bailey, Project Manager,
Corridors of Opportunity/Living Cities Integration Initiative

¹ The Metropolitan Council is made up of 17 members and works to create a sustainable transportation system, promote housing opportunities for all, and drive economic development in the Minneapolis-St. Paul Region. For more information on the Metropolitan Council, visit: <http://www.metrocouncil.org/About-Us/The-Council-Who-We-Are.aspx>.

² For more information on the CCFC, visit: <http://www.funderscollaborative.org/>.

³ The Corridors of Opportunity initiative was a three-year collaboration as part of the national Living Cities Integration Initiative and HUD Sustainable Communities Initiative. Corridors of Opportunity ended in December 2013, and has moved into a transition year in 2014, under the name Partnership for Regional Opportunity. For more information, visit: <http://www.corridorsofopportunity.org/>.

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University Avenue: A History of Change

Ten of the 18 new stations along the Green Line are on University Avenue, a major artery whose surroundings have changed greatly over the decades. In the 1880s, residential neighborhoods grew around University Avenue as workers flocked to build and run the nearby rail-transfer yards.⁴ The neighborhood thrived and soon streetcars were installed, improving the connectivity of the neighborhoods. Small businesses and commercial development quickly filled in along the University Avenue corridor to serve the growing number of residents, and streetcars brought people to destinations such as the Saint Paul Saints' and Minneapolis Millers' ballpark and the Prom Ballroom.

The streetcars went out of business as the popularity of the automobile increased in the 1950s and University Avenue benefited from the new technology, becoming a hub for automobile sales and services. The Avenue remained a vibrant mix of commercial and residential spaces until Interstate 94 was laid in the 1960s, and radically changed the area. At the time, the Rondo neighborhood, just south of University Avenue (between Lexington Avenue and Rice Street) was home to 85 percent of St. Paul's African American population.⁵ With



Fans enter Lexington Ball Park as a westbound streetcar passes on University Avenue. (Minnesota Historical Society)

construction of the freeway, more than 600 families were relocated and homes and businesses were demolished, tearing apart the once-vibrant neighborhood.

The loss of a significant portion of residents and small businesses contributed to challenges along University Avenue, as it struggled to compete with new amenities in the suburbs. In the 1970s, the adult industry moved into the eastern end of the Avenue, as many of the original shops and venues went out of business. In the late 1980s, the City of St. Paul worked to reclaim

⁴City of St. Paul. "A Very Brief History of the West Midway's Early Years". <http://www.stpaul.gov/DocumentCenter/Home/View/13462>

⁵McClure, J. "Rondo Neighborhood." Saint Paul Historical. <http://saintpaulhistorical.com/items/show/160>

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“It is critical that we celebrate the cultural and ethnic roots of this neighborhood. One way in which we can do that is by seizing this moment of change [with the construction of the Green Line] as an opportunity for the community. We have the buying power, attractions, places of historical interest, and the business base to increase visitorship to the area and to make the neighborhood an even greater place to live and work.”

—Nieeta Presely, Executive Director, ASANDC

the Avenue for the community by purchasing land, some of which became the Rondo Community Outreach Library. At the same time, new residents were moving to the neighborhood and the area was becoming more diverse, with Hmong refugees from Thailand, Laos, and Vietnam establishing homes and founding small businesses.⁶ Despite the changes and challenges the neighborhood has faced over the past half century, the residents that stayed in the neighborhood and those that have since moved there are passionate about the community’s assets and its future potential.

After a decade of rising crime rates, ASANDC was founded in 1980 as a neighborhood watch organization. While ASANDC has continued to pursue crime prevention and civic engagement initiatives, it also runs programs for at-risk youth and develops affordable housing opportunities for lower-income residents. Acting on its mission to “support its community members in affecting their choices relative to the quality of life in their neighborhoods,” ASANDC has developed properties that are accessible to people of all backgrounds. The developments focus on connecting residents to neighborhood assets; for example, the University-Dale apartments sit above the renovated Rondo Community Outreach Library.⁷

Community Visioning

There are many ways to define the area around the former Old Home Foods site. Some definitions are political (Ward 1 or District Councils 7 and 8) and other definitions are cultural (Rondo Arts Cultural Business and Heritage District



Nieeta Presely, Executive Director of ASANDC in front of the loading docks at the former Old Home Foods site.
(Photo courtesy of Twin Cities LISC)

and Little Mekong District). Regardless of their preferred identity, community members have been actively engaged in neighborhood planning for more than a decade, creating a vision for improving Western Avenue in 2003, and advocating for additional LRT stops along University Avenue in recent years. The community’s push to include three additional stops along the eastern half of the Green Line was a critical step to ensure that benefits of the LRT are shared equitably along the corridor—without them, development at the former Old Home Foods site would have been unlikely.

ASANDC recognized the development opportunity at the former Old Home Foods site early on, and conversations about the future of the site stemmed from the community dialogues about the need for the three additional station

“Everyone had an idea for what should be on that block. We weren’t able to incorporate everyone’s specific ideas, but we were able to hear them; the final product is truly the community’s vision.”

—Nieeta Presely, Executive Director, ASANDC

⁶ Wilcoxon, W. (May 28, 2008). “An Entertainment Destination.” Minnesota Public Radio. <http://www.mprnews.org/story/2008/05/13/univaveentertainment>

⁷ Ten percent of the units at the 98-unit University and Dale project are affordable at 30 percent of the area median income (AMI), ten percent at 50 percent AMI, and 60 percent at 60 percent AMI.

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stops. Beginning in 2006, ASANDC, Community Stabilization Project, and other nonprofit community partners⁸ hosted neighborhood gatherings at which they sought input about the need for stations at Hamline Avenue, Victoria Street, and Western Avenue and shared the technical details of the LRT plans that would affect their community. With pro bono strategic planning assistance from Gray Hall, LLC, but no early funding for community engagement, ASANDC and Community Stabilization Project started the conversation about the opportunity to reclaim the former Old Home Foods site as a community asset.

Twin Cities LISC, a long-time partner of ASANDC, contributed funding and support that enabled ASANDC and Community Stabilization Project to expand their efforts to engage neighbors and artisans about their dreams for the historic landmark. These sessions focused on a mix of technical education and community dialogue. The neighborhood advocated for a mix of housing and commercial space at the former Old Home Foods site, which incorporated community and green spaces and created a vibrant street-level environment. With nearly 37 percent of the land along the St. Paul side of the Green Line corridor being used for parking lots, and big-box-style stores filling almost 12 percent of the area, the community was committed to creating livable spaces.⁹ The Central Corridor Community Design Center, Twin Cities LISC, and District Councils 7 and 8 acted as sounding boards and provided technical trainings to ASANDC and community members, helping to make the vision sessions successful. Additionally, Twin Cities LISC sponsored a Safe Growth¹⁰ training to help the neighborhood incorporate designs to reduce crime and create safer communities as part of its \$13 million Accelerator initiative. By 2011, the community's vision for the former Old Home Foods site was being finalized, and it was time to put the plan into action.



Community engagement was an important, early part of the development process for ASANDC and Sand Companies. (Photo courtesy of the Metropolitan Council)

Community Vision for Old Home Foods Site



⁸ Nonprofit community partners involved in community engagement efforts to add additional station areas included District Council 8 (Summit-University), District Council's Collaborative of St. Paul and Minneapolis, Jewish Community Action, Model Cities, Organizing Project of the African American Congregation—MICA, St. Paul NAACP, St. Paul Urban League, and University UNITED.

⁹ Macalester College, Students and Faculty of the *Transportation Geography Senior Seminar* and *Urban Social Geography* courses. (2011). "St. Paul's University Avenue: Before the Central Corridor." <http://www.macalester.edu/academics/geography/civicengagement/>

¹⁰ For more information on Safe Growth, visit LISC: http://www.lisc.org/csi/strategies_&_solutions/trainings/safegrowth.php.

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Acquiring the Property

ASANDC had met and overcome challenges to implement the community's vision along the Green Line and the next challenge was acquisition of the former Old Home Foods site. The original \$3 million dollar asking price for the site was going to be very challenging for ASANDC to finance. If it could not develop the former Old Home Foods site, ASANDC was concerned about its ability as a developer to help the community achieve its vision along the Green Line because the majority of the other sites available were small and would require building high above the mostly-two story neighborhood to achieve the community's mixed-use and density goals.

"The Central Corridor Funders' Collaborative believed that Twin Cities LISC's Accelerator project—which funded a Safe Growth training and a commercial market analysis of the Midway East area, among other work—was an important investment because it would help create a handful of catalytic examples of equitable TOD along the Green Line. These projects, of which Western U Plaza is one, will inspire developers to think outside the box about what is possible and set a high bar for future development along the Green Line."

—Jonathan Sage-Martinson, Director,
Central Corridor Funders Collaborative

Acquiring the full-block site became the priority. Luckily, around the same time in 2011 that the community engagement process was coming to an end, the asking price for the 1.6-acre site was lowered to \$1.25 million, the appraised tax value. ASANDC decided to quickly harness the opportunity. Using a \$125,000 loan from the Greater Metropolitan Housing Corporation (GMHC), ASANDC secured the option to buy the property. ASANDC prepared an offer of \$1.2 million, which was accepted, and the organization had six weeks to get the financing in place.

"Developers do not always realize where there are opportunities in unfamiliar landscapes. Going forward it is the neighborhood development corporations' job to help translate what opportunity looks like for the community itself."

—Gretchen Nicholls, Program Officer, Twin Cities LISC



ASANDC was a co-developer on the Frogtown Square project at University Avenue and Dale Street. The first floor retail space is now occupied by a convenience store, a clothing store, a barber shop, a beauty salon, a cell phone store, and two restaurants. (Photo courtesy of the Metropolitan Council)

ASANDC was cautiously optimistic about its ability to take on this massive development project. Even with its past experience as a co-developer in the 98-unit University and Dale Low Income Housing Tax Credit (LIHTC) project, Frogtown Square senior living project with over 10,000 square feet of commercial space, and rehabilitating over 40 single family homes, ASANDC knew it would be a challenge to get financing in place so quickly and that it did not have the capacity to pursue this project on its own. ASANDC approached Corridors of Opportunity partners for a loan, including the Twin Cities Community Land Bank (Land Bank)—a certified Community Development Financial Institution (CDFI).¹¹ While the Land Bank is committed to supporting development in low-income communities and communities of color and saw merit in the development plan, it could not underwrite such a large loan to ASANDC.

¹¹ CDFI organizations are able to apply for and use federal funds to "promote economic revitalization in low-income communities." For more information on the CDFI program, visit: http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=7.

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The Land Bank and its parent organization, the Family Housing Fund, did not want to see this community envisioned project be swept aside for lack of acquisition financing or for the historic site to become a drive through pharmacy, as was rumored to happen if ASANDC did not buy the site. The Land Bank has the ability to acquire and hold sites for developers, but as of 2011, it had used this tool mainly in the context of stabilizing neighborhoods hit hard by foreclosure, working in partnership with pre-approved development partners. In this model, the Land Bank held properties for a very short period of time, and then turned them over to its developer-partners to finish the project.

For the Land Bank, the acquisition of the former Old Home Foods site would be a new way of conducting business. It would require the Land Bank to hold the property for a longer period of time and to work closely with the developer to ensure the financial and technical viability of the project. The Land Bank considered many policy and underwriting factors before deciding whether or not to acquire the site on ASANDC's behalf. Would the City of St. Paul, Ramsey County, and the Metropolitan Council support the acquisition? Did the site offer a place-making opportunity? Did it serve the goal of regional equity? Was the price likely to rise? Was it near a station site? Did the appraisal support the land value, independent of the Green Line? What was ASANDC's plan for funding holding costs? And what credit enhancements were available?

After careful consideration, the Land Bank took the risk and bought the land on behalf of ASANDC to hold until the developer had the resources to complete the community envisioned project. The Land Bank believed in the community importance of this project and that it would be a catalyst for other developments along the eastern end of the Green Line. However, a big question remained—if the project did not go through, would the Land Bank be able to sell the land for \$1.2 million?



Community engagement is a pillar of the Corridors of Opportunities initiative.
(Photo courtesy of the Metropolitan Council)

The Land Bank hoped it would never have to find out. In late 2011, ASANDC assigned its purchase agreement to, and entered into a simultaneous agreement with the Land Bank, escrowing ten months of holding costs to cover taxes, maintenance, insurance, and utilities. In ten months, the Land Bank and ASANDC calculated that ASANDC should be able to refinance the Land Bank's \$1.2 million investment. Ten months was also enough time for ASANDC to go through the Consolidated Request for Proposals (RFP) funding process with the Minnesota Housing Finance Agency (Minnesota Housing) and to find a seasoned development partner with whom it would complete the project—both factors that the Land Bank, the Family Housing Fund, and Twin Cities LISC viewed as critical to the success of this project.

The strategic acquisition plan was successful. ASANDC was awarded TOD grant funding through the City of St. Paul's application to the Metropolitan Council's Livable Communities Act program, which it used to close the deal with the Land Bank in April 2013—only six months later than anticipated.

"The Land Bank is an innovative tool for economic development in the Twin Cities. We combine flexibility of resources, a commitment to community engagement, and a vision to support vibrant communities to finance affordable housing and commercial and public spaces. The strategic acquisition of the former Old Home Foods site on behalf of Aurora/St. Anthony Neighborhood Development Corporation demonstrates the unique way in which the Land Bank can integrate broad community development goals of public and nonprofit partners."

—Sandra Oakes, Chief Manager & President,
Twin Cities Community Land Bank

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“Almost 20 professional artists, many of whom live or grew up in the Rondo and Frogtown neighborhoods, participated in a series of three community listening sessions with Aurora/St. Anthony and Sand Companies. The participants advocated for the gallery space that is planned at Western U Plaza, expressing the need for a place where they can show and sell their work. By creating the only gallery space in the Rondo Arts Cultural Business and Heritage District, we will strengthen the overall economic development in the area and ensure that residents also benefit.”

—Kimberly Nightingale, Executive Director,
Saint Paul Almanac

The risk that the Land Bank took to hold the property for ASANDC paid off. The community was going to see the former Old Home Foods site, which was renamed Western U Plaza through a community naming process, developed in accordance with their vision and ASANDC had been able to fully purchase the site, pay 16 months of holding costs, and a nominal origination fee. This project has taken longer than most of ASANDC's others because of the significant community visioning process for the Green Line and Western U Plaza. Nevertheless, upon gaining control of the site through the agreement with the Land Bank, the remaining pieces have come together quickly.

Development Partnership

A key risk for the acquisition and early predevelopment funders was that ASANDC had never completed a multifamily, mixed-use project on their own before. These types of projects are well known to be highly complicated, and require a high level of expertise in navigating multiple financing sources. Although accomplished in many ways, ASANDC lacked the capacity and experience to take on the Western U Plaza project on its own, which would ultimately jeopardize its success and put the organization at risk. With strong encouragement by the Land Bank, Family Housing Fund, and Twin Cities LISC, ASANDC agreed to explore working with a development partner who could bring that additional expertise.



The Frogtown Rondo neighborhood of St. Paul is the most diverse area in the city.
(Photo by Diana Watters)

In November of 2011, ASANDC issued a Request for Qualifications (RFQ) in search of a developer that was willing to work in partnership with them, open to building to the community's vision, and had experience completing historic preservation projects. ASANDC was in a unique position to search for a partner, having control of the land through its arrangement with the Land Bank. The deal gave it, and the community it represents, power in an industry that is often driven by scale and efficiency. ASANDC narrowed down the pool of applicants to two, and interviewed the finalists in forums with community members in February 2012. Ultimately, Saint Cloud and St. Paul, Minnesota-based Sand Companies, Inc. (SCI) was selected as a co-developer and co-owner of the Western U Plaza project because they best met the needs of ASANDC and the community.

“The partnership between ASANDC and SCI gave the community a more important role than just input into a design charrette. There are legitimate fears in the community that transit oriented development, if unmanaged, could result in gentrification of the area. ASANDC, as a community developer, has been able to dispel many of these concerns because it is involved in significant decision making through the partnership. ASANDC's control of the site and SCI's willingness to work in partnership were critical to achieving this level of community support.”

—Andriana Abariotes, Executive Director, Twin Cities LISC

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The Western Avenue Station on the Green Line looking East towards the Capitol.

The partnership between ASANDC and SCI has been a positive learning experience for both organizations. While SCI has worked with nonprofit partners before, the arrangement is usually a nonprofit organization providing services within SCI's developments. In the Western U Plaza partnership, SCI has engaged ASANDC as an equal partner, including it as a major decision maker and helping build ASANDC's capacity in project management and real estate development. ASANDC sees this partnership as one step towards being able to complete a large project on its own someday, but first it plans to increase its ownership percentage and gain property management experience at Western U Plaza.

In order for the Western U Plaza project to promote equity along the Green Line by creating access to affordable housing, jobs, services, and retail, equity must be a part of the entire development process—from planning, to construction, and leasing. ASANDC represents a diverse community; in the Summit-University and Frogtown-Thomas-Dale neighborhoods (District Councils 7 and 8), one third of the residents are white, another third are African American, and over 20 percent are Asian and Pacific Islanders.¹² As a small community developer, ASANDC has experience in maximizing equity through contracting practices. Now, it is sharing

"The development of Western U Plaza has truly been a partnership. ASANDC and SCI have each brought complimentary aspects to the development process. Both of our organizations have benefited from the partnership and one of our goals with this unique model is the hope it can be duplicated by others to achieve successful localized projects."

—Jamie Thelen, CEO, Sand Companies, Inc.

its expertise working with minority and women business enterprises (MWBE), such as contractors and professional service providers, with SCI. ASANDC impressively employed 32 percent of the labor for the University-Dale project from MWBEs.¹³ In the Western U Plaza project, ASANDC and SCI hope to improve on the ratio of MWBE contractors and service providers from their earlier projects, so that the project is truly a reflection of the community and promotes equity throughout the development process.

In addition to the knowledge ASANDC and SCI bring to the partnership, each organization—as either a nonprofit or private entity—brings unique resources. For example, ASANDC cultivated the political will to accomplish the project through their relationship with the City of St. Paul, the Land Bank, Twin Cities LISC, and other funders. Its nonprofit status has

¹² Minnesota Compass based on 2010 Census data. Data available at: <http://www.mncompass.org/twincities/neighborhoods.php>.

¹³ Federal and state MWBE goals for contracting and services average between five percent and 20 percent.

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also opened up the opportunity for grants and nonprofit-only funding sources from foundations and Minnesota Housing. SCI has contributed the operational and financial capacity to design and implement a project of the size and complexity of Western U Plaza, while maintaining the community's vision. SCI's size and experience has been an asset in the project because it has allowed it to guarantee a portion of the LIHTC, leverage debt, and efficiently plan the challenging project. This project would not be viable without the nonprofit-private partnership, in terms of will, capacity, and financing. The strength of this project is further evident in the multiple types of funding it has secured. Funding awarded from the Metropolitan Council has signaled that the project is innovative and of regional significance. Financing secured from Minnesota Housing further demonstrated the financial soundness and community impact of the project.

The Deal Comes Together

It is common for affordable housing development projects to have multiple funding sources; developers must assemble a combination of grants, loans, and, often, LIHTC¹⁴ to finance the predevelopment work and construction costs. Early on, funders recognized that the Western U Plaza project could be a catalyst for development along the Green Line corridor because of the size, the historic and architectural importance of the site, and the high degree to which the community had been involved in creating the vision. ASANDC and SCI applied for competitive funding from several sources and organizations, and due to the soundness of the project and partnership, more than \$3 million in acquisition and predevelopment funding and more than \$16 million in permanent, end loan financing, and tax credit equity came together relatively quickly (see lists, right). In addition to the strength and catalytic nature of the project, the strong lines of communication between various funders helped leverage necessary financing.

Western U Plaza Funding Sources

ACQUISITION & PREDEVELOPMENT FUNDING SOURCES	
Twin Cities Community Land Bank	\$ 1,200,000
Twin Cities Local Initiatives Support Corporation (Twin Cities LISC)	\$ 725,000
Greater Metropolitan Housing Corporation (GMHC)	\$ 561,000
ASANDC/Sand Companies, Inc.	\$ 448,818
Corridors of Opportunity (HUD Sustainable Communities, Local Implementation Capacity Grant)	\$ 127,155
Total Acquisition and Predevelopment Funding	\$ 3,061,973

PERMANENT FUNDING SOURCES	
Minnesota Housing Low Income Housing Tax Credits (LIHTC) (US Bancorp Community Development Corporation)	\$ 9,514,390
Bank Mutual (First Mortgage)	\$ 1,930,000
Metropolitan Council (Through the City of St. Paul Livable Communities Act and Tax Based Revitalization Account grants)	\$ 1,842,861
National Park Service—Federal Historic Tax Credits (US Bancorp Community Development Corporation)	\$ 890,471
Minnesota State Historic Tax Credits (US Bancorp Community Development Corporation)	\$ 890,471
Office of Community Service, Community Economic Development Grant	\$ 721,770
Xcel Energy—Renewable Development Fund (approved by the Minnesota Public Utilities Commission)	\$ 398,000
Total Permanent Funding	\$ 16,187,963

¹⁴ Low Income Housing Tax Credits (LIHTC) are an indirect federal subsidy to promote the construction of rental housing for low-income families. Minnesota Housing administers the largest allocation of LIHTC in the state. Projects that are awarded LIHTC exchange the ten-year reduction in tax liability that the credits offer for capital from investors. For more information, visit Minnesota Housing: <http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358905254471&pagename=External%2FPage%2FEXTStandardLayout>.

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Predevelopment

As previously mentioned, financial and technical support from Twin Cities LISC, the loan from GMHC, and the initial investment by the Land Bank for site acquisition demonstrated that these organizations were committed to the project's vision and supported the joint venture between a nonprofit organization and private developer as a model for equitable TOD in the area of housing. However, before the project could break ground, ample planning and predevelopment work had to be completed. ASANDC presented at a Predevelopment Funders Roundtable—a function of the Implementation Team of the Corridors of Opportunity initiative—which allowed the region's predevelopment funders to structure their participation in this important project. The Roundtable facilitated the alignment of the acquisition funds from GMHC and the Land Bank and predevelopment resources from Twin Cities LISC and the Corridors of Opportunity (HUD Sustainable Communities—Local Implementation Capacity Grants).

Predevelopment work included standard activities such as conducting a land survey, completion of the historic register requirements, and developing the building plans and specifications. Additionally, Twin Cities LISC retained Maxfield Research to conduct a commercial market analysis for the East Midway area through the Accelerator initiative. The study provided insights into the commercial potential for the area, including the feasibility of a music production studio at Western U Plaza. Grants and loans funded much of the planning and predevelopment work; however, ASANDC and SCI themselves also made significant investments in the project during this stage, deferring fees and allocating considerable staff time.

Construction

The construction of Western U Plaza, which is expected to start in the summer of 2014, is the most expensive part of the project, making up over 60 percent of the estimated project budget. Nine and a half million dollars (\$9.5 million) in



ASANDC and SCI set a goal to use at least 32 percent minority and women contractors and service providers in the Western U Plaza project.

“The construction aspects of Western U Plaza are challenging. We are working with a brownfield site that requires soil remediation, along with significant building demolition. We are doing all of this while carefully preserving the existing Minnesota Milk Company building. It is an exciting project to be working on.”

—Roger Gertken, Vice President, Sand Construction, LLC

LIHTC are the main source of funding for construction of the affordable housing units. Federal and State Historic Tax Credits and a first mortgage issued by Bank Mutual will also be used to finance construction. Despite the size of this project, one piece of funding is noticeably absent, and its absence is another indicator of its strength: gap financing. Developers regularly seek short-term financing to help projects move forward while they work to secure the long-term end loan financing; however, due to the early commitments of funders, this typical financing mechanism has been unnecessary—saving ASANDC and SCI origination and interest fees and time.

Once ASANDC and SCI break ground, the partners anticipate the first phase of construction to take 12 months—beginning with environmental cleanup funded largely by a Metropolitan Council Livable Communities Tax Based Revitalization Account (TBRA) grant to the City of St. Paul. The construction of the residential units and commercial space is anticipated to happen in two phases. Phase I will preserve the existing historic

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Safe Growth training helped design a project that will create a vibrant street level environment.
(Photo by Wing Young Huie)



Western U Plaza will demonstrate solar energy use in affordable housing.

structure, transform it into apartments and community space, and construct new apartments that are attached to the original building. In Phase II, ASANDC and SCI plan to develop a mixed-use building on University Avenue across from the LRT station, with 6,000 square feet of commercial space on the first floor and apartments on the second floor.

Development Outcomes

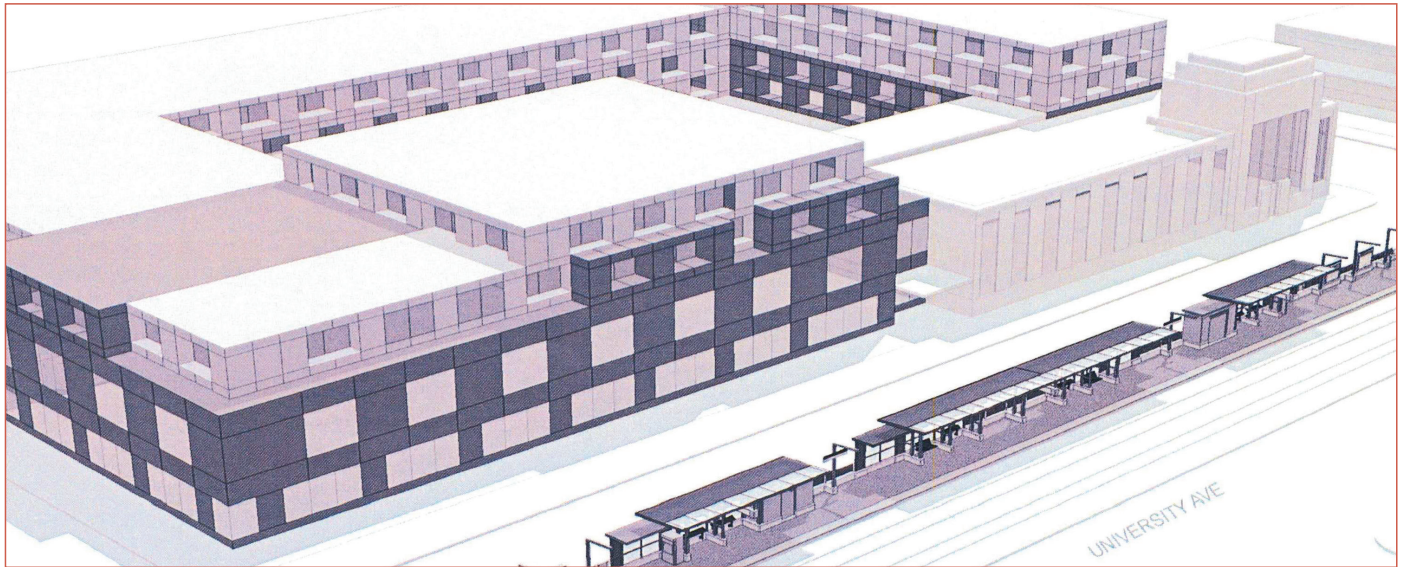
The Western U Plaza project will have an important impact on the community. The project will create 60 new affordable rental units, 18 of which will be located in the historic building. Additionally, seven of the units will be reserved for individuals who have experienced long-term homelessness. These affordable housing options are an important asset to the community. As a requirement of their funding, they will be available to people at or below 60 percent of the area median income (AMI) for the next 30 years. Even as the market improves around the Green Line, these units will remain affordable, ensuring continued access to jobs, education, businesses, and services for residents.

Western U Plaza will be built to Green Communities standards¹⁵, which is a requirement of its funding, ensuring that the units are healthy and energy and water efficient. Furthermore, ASANDC and SCI have gone above and beyond these requirements by incorporating solar power into the project. Using a grant from Xcel Energy, a 252 kilowatt solar array will be installed on the roof. This system will supply power to the building and demonstrate how the design and ownership structure for solar energy can be integrated with affordable housing in an urban setting.

As a new development, Western U Plaza's impact goes beyond simply providing more affordable housing units. ASANDC also expects that the project will create 28-32 permanent, full time jobs. While not all of these jobs will be under the management of ASANDC and SCI, the high MWBE contracting goals that the partners set will reinforce the value of diversity in this

¹⁵For more information on the Minnesota Green Communities Initiative and Green Communities standards, visit: <http://www.mngreencommunities.org/publications/index.htm>.

Western U Plaza



(Elevation courtesy of Sand Companies, Inc.)

workforce. In 2013, ASANDC was recognized for the number of new jobs the Western U Plaza project would create and awarded a \$721,000 grant from the Office of Community Service (OCS). ASANDC plans to use this award to fund part of the commercial development portion of the project.

Currently, ASANDC is working to fill the commercial space in the building. Diane Nordquist, a project manager at St. Paul Department of Planning and Economic Development, acknowledges that the process ASANDC is leading to fill in the commercial space is the most challenging part of any TOD project because of financing, legal, and market factors. Mixed-use projects with commercial development on the first level are most successful in areas where there is an existing commercial environment and where there is positive traffic (pedestrian, car, or transit) volume. The commercial environment and traffic volume near Western U Plaza are improving as the Green Line nears completion; furthermore, the commercial market study that was completed will enable ASANDC to address any issues upfront. ASANDC has a signed lease with Brotherhood, Inc. to run a coffee shop and is vetting nearly ten businesses that have expressed interest in leasing space. ASANDC plans to fill the space with businesses that will be an asset to the community,

and will themselves benefit from the presence of the Green Line and neighborhood branding, such as Little Mekong and Rondo Arts Cultural Business and Heritage District.

Future in Transit Oriented Development

Opportunities to promote equitable TOD will continue to present themselves as the Twin Cities builds out its regional transit system. It is up to neighborhoods, government agencies, community and private developers, and grantmakers and lenders to promote types of development that provide access to the benefits of transit to people of all cultures and incomes. The Western U Plaza project is an example of a new way to approach equitable development. The nonprofit-private partnership maintains a critical connection to the community through ASANDC and includes the resources and expertise of a company the size of SCI. The project exemplifies the importance of seizing opportunities as they arise. It also demonstrates that communication between funding partners can move projects forward quickly and efficiently, helping to meet community needs, processes, and goals. The community will benefit from the partnership between ASANDC and SCI, as will the developers, building their own capacities to complete more projects like this in the future.

Western U Plaza



The Green Line is slated to open in June 2014 and will continue to present opportunities for equitable TOD as ridership grows.
(Photo courtesy of Twin Cities LISC)

The Western U Plaza project has been successful to date partly because of the early commitment and investment made by ASANDC, the neighborhood, and the acquisition and predevelopment funders. The acquisition of the site through the partnership with the Land Bank was a key step to making the project feasible. The study *Strategic Acquisition for TOD*, commissioned by the Family Housing Fund in partnership with Minnesota Housing and the Metropolitan Council, concludes that a specific mechanism for strategic acquisition of sites is critical to smaller development corporations like ASANDC, which do not have the equity to make them competitive under traditional loan terms and financing mechanisms. While larger developers can usually assemble funds for site acquisition, supporting smaller community developers that are integrated in the diverse (and in some cases, disadvantaged) communities they serve is critical to promoting equity in the Minneapolis-St. Paul Region.¹⁶ The Family Housing Fund and Land Bank continue to work to address this challenge.

The ASANDC and SCI partnership has demonstrated that it is possible to balance the connection to the community with scale and efficiency. Lessons from this new type of partnership will continue to present themselves as Western U Plaza Phase I moves towards completion over the next year, and will inform the work of developers and the network of funders.

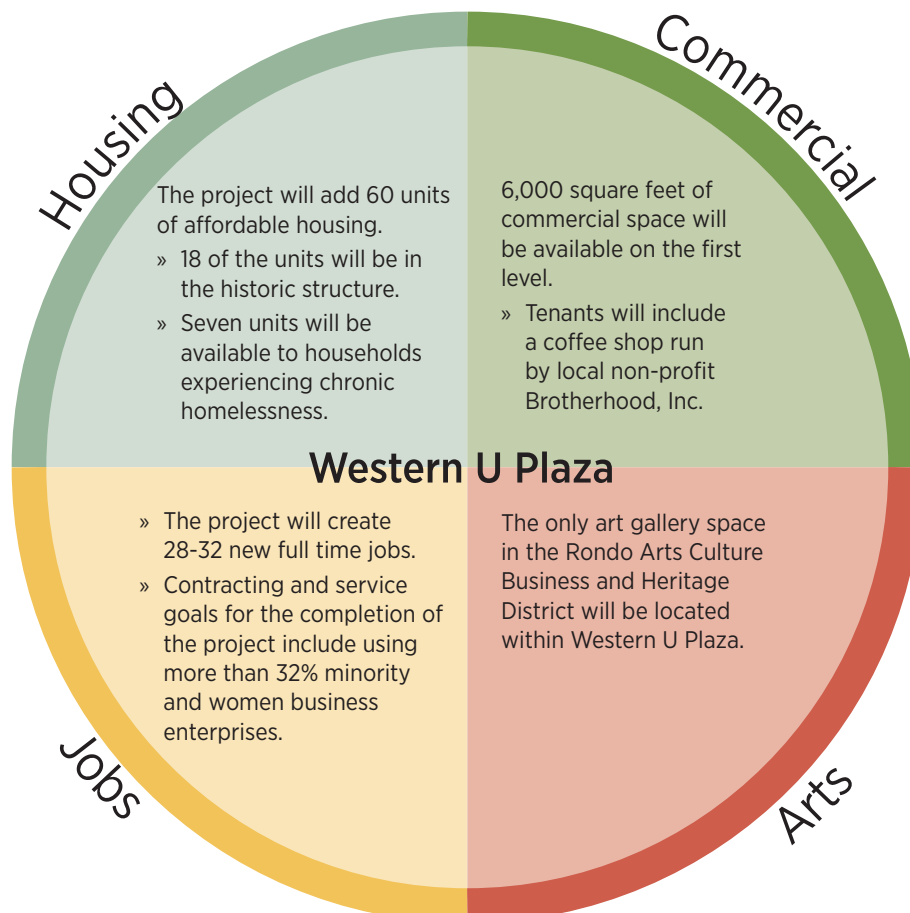
“The success of the Western U Plaza project thus far demonstrates that there is a real desire and need for equitable, mixed-use TOD projects within the Minneapolis-St. Paul metropolitan area. By pursuing a development model that incorporates community vision and engagement, timely strategic site acquisition by the Land Bank, alignment and participation by multiple funders, and thoughtful nonprofit-private partnerships, we can seize on such critical opportunities for our region. Together, we have taken a vacant, abandoned site—located along a key transit line—and are transforming it into a home and destination site for future workers, students, and families in which to thrive and contribute to the neighborhood and broader community.”

—Tom Fulton, President, Family Housing Fund

¹⁶ Schmidt, D. L. (December 2011). *Strategic Acquisition Fund for Transit Oriented Development (TOD): Understanding the national experience, exploring the needs and opportunities in the Twin Cities region*. Available at: <http://www.rethinkinghousingmn.org/strategic-acquisition-fund-for-transit-oriented-development/>.

Western U Plaza at a Glance

A Model for Equitable Transit Oriented Development



The Affordable Housing Collaboration in Minnesota Series provides in-depth, comprehensive stories about successful partnerships throughout the state, with an emphasis on outcomes and lessons learned. The project is sponsored jointly by the Family Housing Fund and the Greater Minnesota Housing Fund.

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