

# Chapter 3: Commercial and Housing Development

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## Introduction

At the core of this initiative is a shared desire to strengthen the economic well-being of residents and businesses in the Penn Avenue Corridor and enhance neighborhood livability. The introduction of arterial Bus Rapid Transit (BRT) on Penn Avenue offers new opportunities to improve the economic well-being of nearby communities. Some opportunities are directly connected to the new transit service. For example, higher quality, faster transit service will make it easier for area residents to access job centers along Penn Avenue and elsewhere in the metropolitan area. The associated physical infrastructure (street reconstruction, bus shelters, etc.) may also provide construction and maintenance employment opportunities.

Other opportunities will emerge from the market boost that new high-quality transit service will bring to business intersections and residential areas. High quality transit service improves property values<sup>1</sup>, which then opens the door to additional housing and business development possibilities because less subsidy is required to realize new development but may also increase the costs of acquiring properties for redevelopment. Finally, the physical enhancements and increased customer visibility that accompany enhanced transit service can be leveraged by a range of complementary initiatives and investments that build business district vitality.

This chapter includes:

- » An overview of issues and opportunities in the Penn Avenue corridor
- » Several highlighted strategies for consideration by policy makers and Penn Avenue stakeholders.
- » A broader menu of strategies and tactics that have potential for building upon the transit investment to strengthen the local economy

## Opportunities for New Housing Types and Locations

Replacing vacant, underutilized, and boarded sites with new medium to high density housing will enhance the livability and vitality of the corridor, creating safer, more secure neighborhoods and providing a wider variety of housing choices for residents. All new housing should be designed and developed in a form that is compatible with the existing scale and character of surrounding buildings and consistent with the *Minneapolis Plan for Sustainable Growth*.

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<sup>1</sup> While most research linking transit improvements to increases in property value have focused on rail transit, more recent research focused on bus rapid transit is also finding a positive effect on property values. An example is this summary of research conducted by the National Bus Rapid Transit Institute. <http://busride.com/2010/08/bus-rapid-transit-impacts-property-values/>

Higher density housing will be more desirable if it is located near neighborhood amenities, such as retail and service businesses, parks, schools, safe and attractive streets, and transit services. Therefore, new medium to high density housing types should be located primarily near or immediately adjacent to major intersections along the corridor, particularly at existing Neighborhood Commercial Nodes (44th Avenue, Lowry Avenue, West Broadway Avenue, Plymouth Avenue and Cedar Lake Road). The Future Land Use Plan proposes designating Golden Valley Road and Glenwood Avenue as Neighborhood Commercial Nodes. These intersections also hold redevelopment potential and should be considered for new medium to high density housing types, consistent with the *Minneapolis Plan for Sustainable Growth*.

Important factors for facilitating the development of medium and high density housing types are the availability of vacant, larger, or publicly-owned sites and an existing development context that will be compatible with the larger scale of medium and high density housing. The level of neighborhood commercial amenities is also an important factor in determining the most appropriate areas for new medium and high density housing. For example, the West Broadway Avenue and Lowry Avenue intersections offer the greatest potential for adding new housing because they are the strongest commercial intersections in the corridor and have larger redevelopment opportunity sites. Conversely, the Plymouth Avenue intersection offers large, vacant, publicly-owned sites, but it is dominated by non-residential uses and lacks neighborhood commercial amenities. The 44th Avenue and Glenwood Avenue intersections, as other examples, are limited by the number and size of potential redevelopment sites.

When considering where to locate new medium and high density housing, compatibility with the scale of existing housing and commercial buildings is another key design factor. While a variety of housing types can be compatible within a neighborhood, all housing types benefit from adequate transitions between substantially different housing types. Some kind of transition between tall apartment buildings and existing single family houses is preferable. Larger redevelopment sites are better able to accommodate appropriate transitions between high density housing and existing single family houses. Developing medium density housing between high density and existing single family housing is a common method of transitioning between development extremes.

Finally, vacant single family lot parcels scattered along the corridor should be considered for new housing. Several of these vacant parcels exist, and they offer a wonderful opportunity to develop single family attached and detached homes that are compatible with the scale and character of surrounding homes.

## Housing and Physical Development Strategies

New housing development along Penn Avenue is critically important for demonstrating the attractiveness of the neighborhood to potential residents. Housing development upgrades the existing building stock, diversifies the household base, and starts to remedy the relatively low density in North Minneapolis—which lags other parts of the City and is one reason why many Northside businesses struggle to be viable.

New housing is particularly needed at the business intersections along Penn Avenue in order to finally eliminate their prominent tracts of vacant land and transform them into vibrant places that add value to the community. New multifamily housing will provide appropriate physical scale. It will animate the intersections with pedestrian activity, provide new customers to complement the existing customer base for businesses in the corridor, and will add “eyes on the street,” which improves public safety.

But there are clear challenges to increasing the pace of housing development. Developing in-fill housing (single-family or multifamily, rental or for-sale) under current Northside market conditions will require significant resources. Construction and sale of a new single family home to an owner occupant (such as through the City of Minneapolis Green Homes North program or Northside Home Fund) can require a subsidy of \$50,000 or more. Since 2000, Minneapolis has added 142 residential properties with development gap assistance in North Minneapolis. There are also additional lots sold to developers that did not receive direct subsidies to the units, but instead received indirect subsidies from acquisition funds, demolition and property management costs. Without City investment, these projects would not have materialized. These types of investments strengthen the residential environment and it is important to continue to dedicate resources to these types of activities. Additional funding sources may be needed to continue and/or increase the pace of residential redevelopment in these areas.

Another challenge in the single family home market is the steady progression of rental conversions. Scattered site single-family rental housing is often difficult to manage well. If a landlord does not provide regular property

### Financial Modeling Exercise

An analysis of financial viability of new development along Penn Avenue was conducted, based on a typical three-story, 60-unit market rate housing development with underground parking, on a site of about 30,000 square feet. Development inputs were estimated and tested based on conversations with local developers. Inputs included site acquisition and construction costs, financing terms, rental and parking income, operating costs, and the estimated sale price of the property after 10 years.

Key findings:

- » The estimated financial gap (subsidy needed) at the different nodes ranged from \$65,000 to \$80,000 per dwelling unit based on estimated market rent levels. That equates to \$3.9 million to \$4.8 million of public support for the 60 unit building.
- » Possible funding sources for the development include Hennepin County's Transit Oriented Development program, the Metropolitan Council's Livable Communities grant programs, and tax increment financing.
- » Current public finance programs, including those noted above, are not sufficient to close the financial gap at any of the five locations, so a new, flexible, sustainable source of funding is required in order to develop non income-restricted housing.
- » Development at West Broadway and at Lowry may require subsidy at the lower end of the range, while development at 44th Avenue and at Glenwood might require subsidy at the higher end due to the infrastructure that is already in place to support new housing.

oversight, then deferred maintenance and upkeep issues may result which can reduce property values. This chapter offers strategies to both increase the pace of infill housing development and increase the number of owner occupants of single family homes.

The development of new multifamily housing also faces an uphill climb. Some new apartment developments have been built in the area, utilizing layer upon layer of public and private resources, but the financial challenge and complexity of such development has limited their number to a handful in the last 15 years. Moreover, public financing under existing housing programs means that all of these developments have been affordable housing that restricts eligibility to households earning 50% to 60% of the Twin Cities median income. Providing low income households with affordable, functional and stable places to live is important, but the restrictions on tenant incomes limit those who can find a home in these developments in North Minneapolis neighborhoods to only low income households. Middle income households who want to rent in a modern apartment building have very few options in the Penn Avenue corridor.

Building multifamily housing that is not income restricted is extremely difficult, however. Rents do not cover development costs, and most forms of public financing can only be used to build housing for income qualified households. The development of a typical market-rate apartment building in the Penn Avenue corridor would face a \$75,000 deficit per dwelling unit. (See Financial Modeling Exercise on previous page for more information.) That is only half of the per-unit financial support commonly needed for income-restricted affordable housing, but the scarcity of non-restricted public financing makes it essentially impossible to finance housing developments for middle income households without identifying new and flexible gap finance resources.

This chapter explores two paths for meeting the unique challenge of financing economically diverse multifamily housing: strategies to reduce the cost of new multifamily housing, and providing a new financial resource to support this housing. The proposed resource would be a pooled tax abatement fund, which would be derived from property tax appreciation and would have the flexibility to support non-income-restricted housing without competing for dollars with existing housing and jobs programs.

Finally, the housing challenge underscores the importance of placemaking strategies at the prominent business intersections. As the intersections become fully realized as unique and special places, they become more interesting and desirable places to live, which makes new development more financially viable and reduces the public subsidy required to provide market rate housing options.

## Highlighted Strategies

This section presents greater detail and in-depth analysis on strategies that were developed earlier. Initial work included:

- » An overview of corridor issues
- » An analysis of strengths, weaknesses, opportunities, and threats that impacted development at the major business intersections along Penn Avenue
- » A broad menu of strategies that could be explored to advance economic development and livability goals along Penn Avenue

The memorandum addressed issues framed by the project committees and public comments. It was supported by primary research that included interviews with developers, property owners, business owners, and representatives of nonprofit and philanthropic organizations. The memorandum generated subsequent conversations with the project management team and others, who offered additional context for the consultant team to consider, and helped distill the menu of strategic possibilities into a smaller set of strategies worthy of additional research.

Emerging from this process was a set of highlighted strategies for more detailed development. These strategies were tested over a period of time with the Project Management Team, the Project Implementation Committee, the Steering Committee, and the public at community venues. A couple of strategies were added and a couple were eliminated through this process. Feedback from these conversations also deepened the contextual understanding of the strategies, which were then refined through further research.

The highlighted strategies related to commercial and housing development are presented in this section, and those related to jobs and access to jobs are in the section that follows. They are, by and large, ambitious, requiring consensus building and priority setting at the elected official and departmental leadership level. All are recommended for consideration because they are good responses to the question of what can be done to achieve more impact along the Penn Corridor in a way that leverages the transit investment. Further work would be required on any of the strategies to focus and fine-tune them, prior to action by the Hennepin County Board or Minneapolis City Council. Adoption of this plan does not imply a decision to implement any of the strategies.

The fact that certain strategies are highlighted in this section does not imply that there is little of merit in the broader menu of strategies that can be found at the end of this section. On the contrary, there are impactful ideas in the broader menu that should remain on the radar of City and County leadership and community development staff. The broader menu of strategies is reproduced with some modification in this chapter.

## **Strategy A: Development Site Preparation Program**

### ***The Context***

There are impediments to attracting development in the Penn Avenue corridor. Most prominent is the financial gap that must be addressed. But the challenge of attracting development is significantly increased when sites are not assembled, buildings not demolished, platting and zoning do not yet support development, and issues of title or environmental contamination are unknown or have not been addressed.

Predevelopment tasks undertaken by the public sector to address these issues have a triple impact on inviting development interest. First, undertaking predevelopment activities provides a financial subsidy to the developer, if not fully recouped on sale of the land. Second, it lowers overall development costs through reducing important sources of uncertainty and risk that would otherwise be reflected in higher contingency costs, higher financing costs/equity requirements, and/or an increased developer fee. Third, it shortens the project timeline, which reduces development costs through lower financing and holding costs, and additional risk reduction. Because of these layers of benefit, public dollars spent on predevelopment go further than public dollars spent on many other forms of gap financing.

This strategy is not groundbreaking. It builds on existing competencies. Both Minneapolis and Hennepin County have existing toolkits and staff expertise related to site assembly and site preparation. Also, a number of key sites on Penn Avenue are already in public ownership, including important sites at Lowry, West Broadway and Plymouth Avenues. There are risks to the public sector in pursuing property acquisition for future development—in particular the risk that property can remain undeveloped, with the City or County responsible for maintenance and security—but patient site assembly and demolition are already occurring in certain instances, such as along The Curve on West Broadway.

This strategy suggests that, in areas like Penn Avenue with a heightened development challenge, the public sector move toward a presumption of undertaking site assembly and preparation for important project areas. The scale of the program would be dependent on the resources marshalled to support it.

### ***Goals and Expected Outcomes***

- » Surmount predevelopment barriers to high quality development in the Penn Avenue corridor.
- » Create a pipeline of ready-to-go development sites and advertise these sites to developers.
- » Lower the overall cost of development through addressing uncertainties related to site conditions, title, and regulatory/zoning conformance.
- » Increase density in the corridor by attracting additional high quality, well managed, mixed income housing for neighborhood residents and others
- » Improve the attractiveness and usefulness of neighborhood retail areas by attracting new retail space that can house a variety of businesses
- » Complete the development and placemaking at Penn Avenue transit nodes that have the potential to be special places and greater sources of utility and pride for the community
- » Create points of value that invite additional investment in the community.

### ***Program Description***

The City of Minneapolis has the Higher Density Housing Corridor Program that accomplishes many of the points outlined below, including providing funding for property acquisition, demolition and relocation. Environmental site remediation and site grading is often paid for by utilizing grant funding from the Metropolitan Council or Hennepin County. These funds prepare sites for high quality development. This strategy is not groundbreaking, but it is an important one to continue to utilize in considering redevelopment of properties in the Penn Corridor. The specific actions may vary, based on site conditions and the desired development, but could encompass one or more of the following:

- » Property acquisition
- » Demolition of existing buildings where necessary
- » Platting and title clearance
- » Rezoning
- » Alley reconfiguration
- » Environmental site remediation
- » Site grading

Leadership support is required to set aside and focus resources in this targeted fashion—particularly if a decision is made to not recapture predevelopment expenditures. Once this set-aside is created, selected publicly held properties would be “assigned” and then turned into shovel-ready land. In addition, we recommend that Hennepin County leadership and the City of Minneapolis leadership must jointly agree and acknowledge that some acquired properties may require more flexibility with regards to resources and timing for redevelopment beyond the current 24-month period as stated in the Memorandum of Understanding between the City and the County. Greater flexibility is intended to acknowledge that some properties have higher barriers to redevelopment than others. A modest Site Preparation program pipeline might require limited modification to existing practice and redirection of existing resources—such as Community Development Block Grant funds, excess revenues from other tax increment finance districts, or funds budgeted to the Penn project. A program of greater capacity could be supported through the creation of a Development Support Fund (described below) as a companion effort.

### ***Precedents***

The West Broadway Curve example referenced above entailed patient site assembly, demolition and relocation over many years. One large affordable housing development (West Broadway Crescent) has been built.

Some Twin Cities suburban communities (e.g. Columbia Heights, Brooklyn Park, Roseville, New Brighton) have found the political will and financial capacity to conduct site assembly for redevelopment. They have used a development levy or bonding to finance property acquisition.

## **Strategy B: Development Support Fund and Development Program**

### ***The Context***

The City’s and County’s community development toolkits have supported some important development projects in the Penn Avenue corridor, but they are not sufficient in scope and flexibility to achieve some of the important types of development that are needed, such as market rate housing and first floor retail, nor are they able to support an increased pace of development. A new gap financing resource is required to increase the pace of development and support the types of development that are not supported in the current environment.

The Development Support Fund would augment existing gap financing resources and support the completion of development projects without competing for resources with existing housing and workforce development programs. It would be able to fund an economically diverse housing mix and allow for the write down of the cost of retail space so that prevailing retail rents are sufficient to make mixed use projects work. The fund would also support an increase in the pace of new development of all types—including affordable housing development.

### ***Goals and Expected Outcomes***

- » Create a new funding source to close the financing gap for the broad array of development needed in the Penn Avenue corridor. This source should not compete with existing community development programs for resources.
- » Surmount financial and predevelopment barriers to high quality development in the Penn Avenue corridor.

- » Foster development that is important in creating complete communities but is difficult to achieve with existing housing and business development programs—such as mixed income and market rate housing and ground floor retail in mixed use developments.
- » Increase density in the corridor by providing additional high quality, well managed housing for neighborhood residents and others.
- » Improve the attractiveness and usefulness of neighborhood retail nodes by building new retail space that can house a more robust assortment of businesses
- » Complete the development of Penn Avenue transit intersections that have the potential to be special places and greater sources of utility and pride for the community
- » Create points of value that invite additional investment in the community.

### ***Program Description***

The Development Support Fund would be a new financial resource that is highly flexible in terms of the development that it can support. It utilizes the “home-grown” resource of a rising property tax base so it does not compete with the local, state and federal resources dedicated to affordable housing and workforce development programs. This fund can support development projects of various kinds, as described above, and can also support site assembly and site preparation activities, which can set the stage for a successful development project.

Creating a Development Support Fund would not require any changes to state statutes. It would involve coordinated actions by the City of Minneapolis and Hennepin County, with both jurisdictions directing a portion of the future property tax proceeds from defined geographical areas into the Fund. Future property taxes that exceed current levels are utilized so as to minimize the impact on the City-wide tax base.

Two variations on this program are proposed for consideration. The “Penn Avenue Development Support Fund” would capture value increases in the Penn Avenue corridor to support Penn Avenue corridor development activities. The “Pay It Forward Development Support Fund” takes a city-wide approach, using a portion of the increased value at station areas City-wide to surmount development barriers across the City.

- » ***Penn Avenue Development Support Fund and Development Program.*** This program involves creating a Catalyst Zone of a half mile radius around key intersections along Penn Avenue. As property values and property taxes rise in the future, the amount of property tax revenues that goes into City and County general funds would remain at 2015 levels. The property tax revenues that exceed 2015 levels—whether they stem from inflationary increases in property values, or from new development—would be directed into the Development Support Fund. The fund would grow slowly initially, providing resources to support incremental improvements along Penn Avenue. After a few years, the revenue stream into the fund would be reliable enough to provide capital for more significant project support.
- » ***Pay-It-Forward Development Support Fund and Development Program.*** The Pay-It-Forward Development Program would be a city-wide program, designed to support the achievement of development goals at transit station areas across the City. (“Transit station areas” in this context refers to the areas around both LRT stations and arterial BRT stops.) This approach recognizes that transit station areas across the City experience barriers to development that are difficult to surmount given the existing community development toolkit. It proposes to address these barriers by leveraging the development that does occur in the station areas.



Three types of transit station areas are present in Minneapolis.

1. Some station areas are “market ready,” meaning new development will occur around the station with no public intervention.
2. Another set of transit station areas are attractive for development, but face certain surmountable barriers or challenges—a property that needs to be acquired, streets that need reconfiguration, streetscaping is needed, etc. Once addressed, development will follow without extraordinary public assistance.
3. A third set of stations face the deeper set of market challenges present in the Penn Avenue corridor.

The Pay-It-Forward Development Program leverages the success of each wave of development to surmount the barriers of the next wave.

In the “Pay-It-Forward” model the Pay-It-Forward Catalyst Zone is defined as a half mile radius around each LRT station City-wide and a quarter mile radius around arterial BRT stops, also City-wide. Each property that is redeveloped in the Catalyst Zone gains property value and pays greater property taxes. Half of the increase in property taxes goes into City and County general funds, as normal. The other half is directed into the “Pay-It-Forward” Development Support Fund.

When new developments, supported by the Pay-It-Forward Development Support Fund, come to fruition, they generate property taxes, replenishing the Development Support Fund and supporting the next wave of development. The development potential is more fully realized at transit station areas City-wide, and City goals related to both growth and equity are met.

### ***Quantifying the Resource Requirement and Program Yield***

As noted previously, the estimated financial gap for a prototypical market rate apartment development is around \$75,000 per dwelling unit. Three recent apartment projects near Penn Avenue utilized three existing funding sources that could be potentially be sought for market rate apartment development.

- » Hennepin County Transit Oriented Development Program
- » Metropolitan Council Livable Communities Demonstration Account
- » Tax Increment Financing

If awards were earned from all three programs, with typical award levels, a financial gap of roughly \$35,000 per dwelling unit would remain. A Development Support Fund that provided a level of subsidy that addressed that gap would support the creation of market rate or mixed income apartments. Awards of a similar amount may also speed the production of income-restricted affordable housing since realizing an affordable housing project is so time-consuming in the current environment, in part because of the complexity of assembling so many funding sources.

There are many variables in the design of the Development Support Fund program that impact the potential resources generated. One of the most important of these variables is the duration of the program, since the rate of resource generation increases over the life of the program. A second variable is whether or not the program is rolling, with different station areas becoming part of the Catalyst District at different times, or static, in which case the entire district is created at the outset. A specific scenario was modeled for each of the Development Support Fund variations presented

above, and reviewed with City finance staff. Both included the assumption that the districts are static, created in 2015. The analysis indicates:

- » The Penn Avenue Development Support Fund would be capitalized to a \$20 million fund over a period of 11 years, and is sufficient to provide the needed gap financing to a typical market rate apartment development after 3 years.
- » The Pay It Forward Development Support Fund would be capitalized to a \$20 million fund over a period of 17 years. Given a funding model that is less dependent on inflationary growth, program funds could be leveraged to finance a project in Year 1 of the program...

### ***Precedents***

The proposed value capture mechanism is not entirely new to the City of Minneapolis. The City used a tax abatement value capture mechanism to fund an underground parking facility near the Downtown East light rail station and the mechanism is proposed to be used as a funding component for the Nicollet Central streetcar line. The program as described above more closely mimics the Tax Increment Finance (TIF) districts utilized in many West Coast cities to encourage and enable high quality and rapid redevelopment in the areas around new transit lines. In those states, cities have the authority to create an expansive TIF district around the transit line to support development projects and other area improvements in those districts. The entire growth, or increment, of property taxes in the district is directed to a fund that can be flexibly used. This includes property taxes that would go to city, county, school board, and any other entity that is funded through property taxes. The City of Portland has used this funding mechanism to support extensive new development along several of its streetcar lines.

Such a program is not allowed under Minnesota state law. Tax Increment Financing that obligates all property tax entities can only be used on a project-specific basis, but state law allows each taxing entity discretion over how it utilizes its own property tax receipts. In the Development Support Fund model, coordinated decisions by the City and County would create a value capture program that mimics the West Coast models. Property tax revenues to the City of Minneapolis and Hennepin County represent 67% of total property taxes paid. The other 33% is derived from the school board, watershed district, and other entities.

## **Strategy C: Employer Assisted Housing**

### ***The Context***

On top of the other challenges faced by communities in the Penn Avenue corridor, the great recession has increased the demand for rental housing, which has resulted in increasing numbers of single family homes being converted to rental property.

Single family rental property is difficult to manage well because of the lack of efficiencies and the absence of on-site management. One result is that this segment of rental housing generates a disproportionate share of the regulatory and public safety issues that the City confronts. Many blocks have passed a tipping point at which rental homes dominate, causing most homeowners to no longer find the block worthy of consideration for buying a home.

Employer assisted housing programs provide demand for owner occupied housing by offering financial assistance to employees who purchase a home in a defined area or within a certain distance of the employer. The result is mutually beneficial for both employees and employers.

Employees benefit from the financial assistance, lower fuel costs, and a shorter commute. Employers have found that proximity to work increases employee job satisfaction, which reduces employee absenteeism and turnover. Employees living closer to employers also results in environmental benefits and a reduction in road congestion.

### ***Goals and Expected Outcomes***

- » Create an employee assisted housing program which can be marketed to area employers.
- » Recruit one or more large employers to initially participate in the program.
- » Stabilize the ownership-rental balance in some single family housing areas

### ***Program Description***

An employer assisted housing program might provide \$10,000 to \$15,000 in down payment assistance to employees who buy homes in targeted areas close to the employer. The assistance would be forgiven over a period of five years if the employee remains in the home over that period of time. The funds would come from the employer, with one or more matches from a neighborhood, the City of Minneapolis, or Hennepin County, or a local foundation. The location of eligible homes would be defined based on program goals, and proximity to the employer(s) that are engaged in the program. For this reason, they may extend beyond the Penn Avenue corridor.

Successful employer assisted housing programs put certain elements in place prior to soliciting the participation of employers.

- » They identify matching funds to leverage the employer's participation. Funds could come from the neighborhood, the City, and/or the County. The more partners that can be identified, the more incentive there is for employer participation, and the lighter the burden on any one participant.
- » They identify and provide third party administrative support so the employer does not need to take on the administrative burdens associated with the program. The administrative role encompasses partnering with the employer to market the program, counseling employee participants on the program parameters and requirements, and administering the technical aspects of setting up the forgivable debt at the time of closing.

There are various candidates for program administration, but an interesting possibility would be to engage the Metropolitan Council in a conversation about taking on this role for the metropolitan area as a whole. For the modest cost of program administration, they could invite the interest of any city- and employer-negotiated employer assisted housing program that required proximity of housing to employers. This approach could be used to foster sustainable development and living patterns in areas other than solely at transit stations. This approach may appeal to communities that otherwise have few opportunities to use the Livable Communities programs.

Employers that are candidates for the program include:

- » North Memorial Hospital. Neighborhood and City matching funds could encourage the hospital to assist home acquisitions in the neighborhoods north and south of Lowry Avenue.
- » Metro Transit. One of the largest employers of North Minneapolis residents in the metropolitan area, Metro Transit could assist home acquisitions along train and bus lines in North Minneapolis.

- » Hennepin County, the City of Minneapolis, and other downtown employers. These employers could also consider participating in an employer assisted housing program.
- » Northpoint Clinic. With a substantial base of health care workers, offering a housing assistance program would help to retain existing employees and attract new workers. Northpoint is one of the largest employers in the Corridor.
- » Humboldt Industrial Park. An employee housing assistance program could enhance employers' abilities to attract and retain workers for jobs at companies in the area. Employees may be interested in purchasing housing in close proximity to their place of employment, supporting ownership housing in Northside neighborhoods.

### ***Precedents***

The City of Minneapolis has explored this strategy twice—Hawthorne Homestead Program and Minneapolis Advantage Program. For both of these programs, the EAH portions were unsuccessful even with expansion to some employers outside of the target areas. Reasons cited for their lack of success include limited participation from major employers and a lack of employee-readiness with regards to purchasing a home.

Currently, CPED's Business Development division has a new concept with their Grow North program that includes funding for homebuyer downpayment assistance for employees of recruited businesses wishing to purchase a home in North Minneapolis through the Minneapolis Advantage Program.

Employer assisted housing has proved successful in various places around the country, but Minneapolis-based experiments have generally been modest and showed limited results, primarily because they lacked some of the cornerstones of successful programs. The most important of these elements is a high capacity independent organizational infrastructure to support program administration.

One of the most successful employer assisted housing program in the country is in the Chicago Metropolitan area. Over forty private employers were recruited to participate in the program, which was administered by Reach Illinois, a third party organization. One of these employers, the University of Chicago, provided \$7,500 in assistance to 158 employees over a four year period. The program also enjoyed state support, with the State of Illinois offering tax credits (50% for each dollar invested) as an incentive to employers who offered financial assistance to their employees.

The Metropolitan Council of Chicago has completed extensive analysis of the benefits of EAH. EAH reduces employee turnover and increases employee retention. A study completed by Aurora Health Centers of Milwaukee, WI showed employee turnover of 5.3% for EAH compared to 14.5% for all employees. The typical EAH benefit is \$5,000 in the Chicagoland area from major employers while the cost of replacing an employee can range from \$15,000 for an entry-level position to \$320,000 for an executive level position.

## **Strategy D: Creative Funding Sources**

### ***The Context***

Limitations in public financial resources are a key constraint to achieving certain categories of development or increasing the pace of development, which in turn impedes the ability to attract and support retail and job-producing businesses. Consequently, one approach to advancing these

objectives is to identify novel sources of funding. One unique funding resource that has emerged in research and conversations with the Project Management Committee is the use of community-based funding strategies such as cooperatives and newer, typically internet-based, crowdfunding strategies. These resources could open up opportunities to accomplish additional community objectives in the corridor.

### ***Goals and Expected Outcomes***

- » Support intensification of commercial business activity at Penn and Plymouth
- » Support business attraction and growth in the Humboldt Employment District
- » Attract and support new businesses throughout the Penn Avenue corridor
- » Acquire and reposition properties to achieve community goals

### ***Program Description***

This strategy would convene targeted groups in the Penn corridor to provide educational opportunities and support for new, creative funding sources. Targeted groups might include Project Implementation Committee (PIC), Wirth Coop supporters, West Broadway Area Coalition (WBAC), Northside Economic Opportunities Network (NEON), West Market Business Association, Ancestry Books, and Lowry Business Association, NorthSide Funders Group, businesses, investors and others. These meetings could be used to:

- » Share information on new funding options and discuss potential applications in the Penn corridor.
- » Share information on how the cooperative model has supported development on Central Avenue and explore the model's potential application to Penn Corridor
- » Invite speakers to present information on successful electronic crowdfunding campaigns (e.g. Kickstarter campaign for Ancestry Books and Travail)

This strategy is also intended to give stakeholders the chance to review financing tools and resources for small businesses and recommend changes to policy makers. On a preliminary basis, the consulting team identified concerns and opportunities in the following areas:

- » Pilot a Business District Incentive Program designed to attract business investment to challenged commercial districts in North Minneapolis, including Penn Avenue, by using a rent subsidy for properties with recent and substantial investment that bring properties up to code and make them move-in ready. Pilot of \$150,000 with a maximum of \$15,000 per business.
- » Increase the coordination and promotion of SBA programs, including SBA Community Advantage, a pilot program aimed at increasing access to capital for underserved communities and borrowers
- » Consider increasing loan limits for real estate improvements up to \$300,000 within the Commercial Corridors/Commercial Nodes 2% Loans and the Business Development Fund.
- » Address a perceived need for a one-stop shop that provides support on loan packaging and regulatory issues. The new B-TAP program at the City of Minneapolis provides technical assistance and program support to train new developers. In 2014-2015, the City contracted with 11 service providers to assist existing and potential small and medium size businesses to obtain the information and assistance that they need to start-up or expand a business or to achieve other important business development goals.

- » Consider a loan reserve or guarantee program to support private lending and to leverage public funds from the Capital Access Program

**Crowdfunding/Investment Cooperatives.** Crowdfunding is a way of aggregating small financial contributions from a large number of people in service of a business or project—often utilizing internet sites as outreach platforms. While much of the crowdfunding activity in recent years has been for private start-up ventures using platforms such as Kickstarter, crowdfunding for civic or community projects is growing. Federal Reserve Bank Governor Jeremy Stein says crowdfunding "can be adapted to community development investing." An innovative way to finance community projects, crowdfunding engages communities and strengthens public-private partnerships.

In the Penn Avenue corridor, crowdfunding could be employed to attract or advance certain valued business concepts. It could also be utilized to acquire and rehab properties to stem ongoing issues or to position them for new business attraction. The Minnesota Legislature recently enacted a new statute, MNVEST, which provides for intrastate securities investments and pooling of investments through online sources. This statute is intended to increase the use of crowdsourcing of investment funds for businesses in Minnesota.

### ***Precedents***

**Crowdfunding and Cooperatives.** In the fall of 2013, Robbinsdale's Travail Kitchen and Amusements exceeded their \$75,000 goal in a Kickstarter campaign within hours and ultimately raised \$255,669. Ancestry Books, a bookstore and community gathering space near Lowry and Penn that focuses on the narratives of indigenous authors and authors of color, launched a Kickstarter campaign in January 2014. In 13 days they raised \$10,000 and received another \$10,000 grant shortly thereafter to partner with the neighborhood to run events. Ancestry Books also co-sponsored, with 18 other organizations, an event at the Capri Theater in September 2014 focusing on the rich history of African American cooperatives. Top crowdfunding programs according to Forbes Magazine include: Kickstarter; Indiegogo; Crowdfunder; Crowdrise; Rocket Hub.

The Northeast Investment Cooperative (NEIC) is a property investment cooperative that serves as a vehicle for residents of Northeast Minneapolis to "pool their resources to collectively buy, rehab and manage commercial and residential property" in the neighborhood. Nearly 200 members have purchased \$1,000 shares, and over \$270,000 has been raised in member capital. The NEIC, along with the Recover Bike Shop, acquired and rehabbed two commercial buildings on Central Avenue and attracted the Fair State Brewery Cooperative (a brewery and taproom) and Aki's Breadhaus (a bakery).

Another important resource that enables local cooperatives to leverage member capital is the National Cooperative Bank. The bank has over \$4 billion in lending and investments and provides valuable technical assistance to underserved communities across the country. Its mission emphasizes serving the needs of communities that are economically challenged.

While some concerns have been expressed about the ability to raise sufficient member capital, these challenges can be addressed in several ways. For example, funding for the East Side Food Coop at 25th and Central in NE Minneapolis in 2014 involved resources from neighborhood organizations, member loans, loans from other coops, vendor credit and the support of Northeast Bank. The capital campaign from local investors involved loans with a minimum amount of \$2,000

and two classes of non-voting shares (C-shares and D-shares) requiring a minimum investment of \$1,000 or \$500 and an interest rate of 4% or 2% respectively. People can also participate by simply donating any amount they choose. The \$6.7 million project was finally funded as follows:

- » Self-Help Credit Union - \$4,600,000
  - New Markets Tax Credit financing program
  - USDA Local Markets 80% loan guarantee
- » City of Minneapolis Great Streets Real Estate Gap Financing - \$450,000
- » LISC Health Food Financing Initiative - \$250,000
- » Hennepin County Transit Oriented Development (TOD) Grant - \$150,000
- » NE Minneapolis Chamber of Commerce Façade Improvement Program - \$5,000
- » Eastside Food Co-op operations - \$205,000
- » Eastside Food Co-op owners - \$1,040,000

Within the Penn Avenue corridor, Wirth Co-op has identified a location at Penn and Golden Valley Road for the opening of their food co-op. The Co-op was awarded a \$500,000 Brick and Mortar Federal grant, and is planning to open the store in January 2016. The store will have 4,500 square feet at opening and will be located on the first floor of the Commons at Penn building. The co-op currently has 409 owners and is growing. The current proposed facility has limited parking and a small footprint. Planning should begin in the near future to consider either a second location or an expansion location that would provide additional square footage and adjacent parking for store customers.

Residents on the East Side of Saint Paul opted not to form their own co-op, but instead chose to work with an existing co-op to open a store that would meet the needs of their community. They found a willing partner in Mississippi Market, which helped bring operating expertise, management resources and capital to the project.

## **Strategy E: In-fill Housing (Single-Family/Townhome)**

### ***The Context***

Many Northside neighborhoods are primarily single-family in character. According to recent information from the American Community Survey (2013), of the 10,000 single-family homes in North Minneapolis, about 36% are rented, compared to only 14% city-wide. The City of Minneapolis currently sells vacant city-owned lots to interested buyers (private individuals and developers), and a list of vacant lots available for sale is posted on the City of Minneapolis website. Information is available on each of the lots including its location in the City, the width, depth and square footage of the lot, the current zoning, lot price and contact name and phone number of the project coordinator.

The Northside Home Fund is an initiative of the City of Minneapolis and the Family Housing Fund in partnership with multiple stakeholders. The mission of the Northside Home Fund is to add value to existing neighborhood, city and other private and public efforts to support safe, vibrant and sustainable communities in North Minneapolis. Its goal is to reestablish in North Minneapolis attractive, safe neighborhoods and a healthy housing market that is sustainable in the private market.

The program rehabilitates or constructs new housing either individually, or in clusters wherever a critical mass of improvement can be created to assist in stabilizing the housing stock and home values within a specific geographic area. The following clusters for new housing in-fill and rehabilitation have been selected for the pilot program initiative: As shown, two of these clusters, 5 and 6, are located on Penn Avenue.

1. 31st Avenue North and 6th Street North (Hawthorne Eco Village)
2. 25th Avenue North and James Avenue North (Demonstration cluster)
3. Ilion and James Avenue North Cluster (Cottage Park)
4. 34th Avenue North and Colfax Avenue North Cluster
5. 21st Avenue North and Penn Avenue Cluster
6. 27th Avenue North and Penn Avenue Cluster

The Hawthorne Eco Village, Cottage Park, and 25th Avenue North and James clusters have each had new homes constructed and/or rehabbed through Northside Homes. The remaining three clusters are in the planning stages.

Green Homes North is an initiative of the City of Minneapolis and several other partners, including the Family Housing Fund of the Twin Cities. Its goal is to create 100 sustainable new homes within five years. Initiated in 2012, funding has been provided to nine developers for construction of 56 homes. As of mid-2015, 24 homes have been sold, two are currently on the market, two have accepted offers and are moving to closing and 28 are under or beginning construction. Forty four additional homes are to be built, but the time period is estimated to take longer than the five years originally set.

### ***Points for Consideration***

- » Homes in the initiative have been entirely single-family. The City of Minneapolis completed two multi-generational housing developments through the Community Land Trust as a pilot project. This project added alternative product types. Other opportunities should be explored to continue to diversify the owner-occupied housing stock.
- » Consider ways to expedite the process of developing and/or rehabilitating homes at a faster rate. While the number of homes completed has been high, the number of vacant and abandoned homes and vacant lots is even higher. We understand that the City has a program manual for the City's Vacant Housing Recycling Program and is currently out for review and comment.
- » Consider the number of homes that can be reasonably absorbed annually in the market.
- » The Vacant Building Registration (City's Chapter 249 List) is the City's primary tool for tracking, monitoring and managing nuisance vacant properties. Owners of vacant property must register and pay an annual fee. If the property remains vacant, the fee is due again on the anniversary date of when the property was determined to be vacant. The City of Minneapolis publishes a fee schedule. The fee schedule is updated annually on April 1st of each calendar year. However, the most current information posted to the City's website reflects fees as of July 1, 2013. If a building is found to be a nuisance or blighted, the City may issue Director's orders to raze the building. As of November 1, 2015, 539 buildings were listed on the City's Vacant Building Registration List. Forty-nine of those had been razed and 16 (3%) have current Director's orders issued against them. A current map of vacant and condemned buildings is found on the City's website. Many of these properties are scattered around the various Northside neighborhoods, so



few blocks have more than one vacant or condemned home. However, when compared to other neighborhoods in Minneapolis, a substantial number of homes in North Minneapolis are on this list.

- » The City of Minneapolis is already revising its program manual and forms for the purchase of vacant residential structures in order to improve the customer experience. Conversations with individuals, developers, businesses and agencies operating in North Minneapolis revealed that it would be helpful to provide more information to individuals and small businesses who are less familiar with the planning approvals process before they embark on developing plans and expending scarce resources. Delays in receiving approvals, additional criteria that were not mentioned early on, and additional neighborhood approvals or meetings can cause hardship for small businesses and individuals that are just starting out. Providing more information on the processes and challenges that they may face could help avoid unforeseen difficulties and extensive delays.

### ***Program Description***

The City already has a number of programs in place to rehabilitate and construct new housing on the Northside, including the Neighborhood Stabilization Program, Home Ownership Works, Home Ownership Program and Green Homes North. New homes may be constructed outside of these programs by any party that wants to purchase a vacant lot to build a home that meets City's requirements.

Most of the in-fill housing programs currently available among Twin Cities communities, including the City of Minneapolis, typically begin with public ownership of the lots. These lots may be tax forfeitures, have been acquired through a buy-back program, or may have had homes removed from them for one reason or another. The City and the County sell the lots at a fair market price. Most of the programs will not accept an asking price for a lot at less than the set price or appraised value. In order to ready the lot for new construction, the City, the County or the HRA may have already removed blighted or substandard homes to make way for new housing. If the home is able to be successfully renovated at a reasonable cost, a low-cost home renovation loan may be made available to prospective buyers who would prefer to renovate rather than build new.

Buyers (individuals or builders) are usually required to meet certain criteria to complete the transaction. For example, under the Richfield Rediscovered Program, a buyer must meet with a consulting architect prior to purchasing the lot, and the home must be built within one year of the lot purchase. Some architectural guidelines and green or sustainable features must be incorporated into the home for the home to qualify.

Many older urban and first-tier communities have housing stocks of older homes and generally lack the interior features and amenities desired by today's buyers, such as updated kitchens and baths, additional baths, family rooms, and walk-in closets. The infill development program and renovation loans make it possible to provide new housing in these areas, diversifying the housing stock and increasing the marketability of these units to buyers that might not have otherwise considered the community.

The proposed program should be a clearly defined infill program similar to those highlighted as precedents. Program information should be readily found and be available for download online, including information about the benefits of the program, location and information on each lot

available for development, program criteria, the application process, and contact information of staff coordinating this program.

As of June 2015 the current list of vacant lots owned by CPED in North Minneapolis neighborhoods totals 212, out of a City-wide total of 249 lots owned by CPED. Thus, a staggering 85% of the vacant lots in Minneapolis are located in North Minneapolis. The remaining lots are in Northeast (6), Midtown (17), East Phillips (7) and a few other scattered lots in South Minneapolis. A limited number of these vacant lots are located on Penn Avenue. Additional vacant lots are held by other private parties.

The Northside Home Fund is currently working with the Cottage Park, Hawthorne EcoVillage and 25th and James home clusters to support in-fill development. In Cottage Park, four new homes have been built and eight have been rehabilitated. In the four-block Hawthorne EcoVillage redevelopment area, fifteen new homes have been constructed, eight of which were built to Minnesota Community Green Standards. Three properties have been rehabbed with one more scheduled to be rehabbed in 2016. Seventy-five affordable rental apartments are also planned to be built as a next phase of development, and positive improvements have also spilled over into some of the adjacent blocks. In the James cluster, nine new homes will have been constructed soon and five homes will have been rehabbed for a total of 14 new homes since 2003.

While progress is being made and new owners are moving into new and rehabbed homes, the size of the task at hand is daunting. Based on an analysis of city records, 323 of the 539 vacant properties (59%) are located in Northside neighborhoods. Of those 74 (23%) are owned by Hennepin County as tax forfeit property, 27 (8%) are owned by Minneapolis CPED, 7 (2%) are owned by HUD and 1 is owned by the State of Minnesota. The remaining 214 are owned by private parties including non-profit organizations, financial institutions, small businesses and private individuals. Records show that over the past five years the County has sold about 185 properties in Minneapolis, including homes and vacant parcels of land, through an auction process. Some Hennepin County commissioners have expressed an opinion that homes are not moving back onto the tax rolls quickly enough and that the process needs to be analyzed to make it easier for individuals to purchase and get started on improving these lots and homes. Purchasing through a government agency for redevelopment takes time and often more time than purchasing from a private entity. Continue to consider ways in which the County and the City can work together to assist each other in achieving mutual redevelopment goals.

The City primarily acquires its homes from the County and is now in the process of trying to sell the inventory. The City has razed more than 260 homes since 2008, almost all on the Northside. About 31 of those removed later became new homes with the help of public assistance, but there are many more vacant lots available. The City of Minneapolis has offered some properties at a discount to the market price and some at a price of \$1 to try to decrease the number of vacant lots and replace these with high quality homes. Since lowering the price has had limited results, the City is bringing extra financial resources to the table to residential developments to help create stronger comparables for new construction, which will further reduce financial gaps. Vacant properties attract vandalism, with cleanup incurring costs of about \$3,000 per year. Pricing the home and/or lot at a lower price point is an incentive to get more people into the market. The City has sold about 40 homes for rehab since 2010 to a mix of non-profit and for-profit entities and private individuals.

Selling to individuals has its challenges as many buyers are not likely to understand the level of rehab required for many of the properties, especially those that are missing plumbing or that contain

lead-based paint and asbestos. But something must improve if average people are going to be able to participate. The goal is to continue to identify opportunities to put properties into the hands of developers and individuals that will create high quality housing and improve the housing stock. It is likely that a multi-pronged approach may be needed to encourage and attract more businesses and individuals to invest in housing on the Northside. High speed transit investments can assist in improving opportunities in locations within walking distance of the transit line.

### ***Precedents***

New construction in-fill and rehab programs are found throughout the Twin Cities, usually administered by a City or County HRA. Below are some examples.

- » Richfield Rediscovered Program (single-family and townhomes) - You can find and clear a substandard home on your own and receive a \$50,000 credit from the City of Richfield toward building a new home. The City currently has six vacant lots for sale, five of which are priced from \$48,000 to \$55,000. This program has been in existence since 1990 and has resulted in 125 new homes in Richfield through 2009. One of the requirements of this program is that individuals that want to build a new home must meet with an architect at a cost of \$25.00 for a two-hour pre-construction consultation. May be waived if the builder or buyer is using an architect for the project. Single-family homes are required to have three bedrooms, two baths and a 2-car garage. They are required to have a full basement unless the design is a split-level or walkout lower level or there is a specific accessibility constraint that would prohibit accessible design elements.
- » South St. Paul Rediscovered Program (single-family) – 15 new single-family homes have been developed on in-fill lots in the City over the past eight years.
- » West St. Paul In-Fill Housing Program (single-family) - The City assists homeowners that want to build a new home with funds for demolition costs of the existing home. A potential new buyer may approach the EDA to purchase the lot at a fair market value, demolish the home and then resell the vacant lot to the new buyer at a fair market price. A total of 15 properties have been redeveloped in this manner since 2001.

Each of these programs is administered by the local HRA. The HRA purchases the lots, clears the lots if necessary, offers them for sale to the public at a fair market price, and then develops criteria that new construction must meet. These programs have been very successful in each of the communities where they have been implemented; however, none of these communities is facing the level of vacancy that is located in North Minneapolis. Some of the conditions found in Detroit, though, are similar to those found in North Minneapolis. That city's Live Midtown program may provide strategies that may apply to the unique conditions found in the Penn Avenue corridor.

- » Live Midtown Inc., a 501 (c3) corporation in Detroit, Michigan, has recently implemented incentives for people to purchase and or rent housing units in the Midtown area of Detroit. Those participating in the rental program or the purchase program must be employees of Wayne State University, Henry Ford Health Center or the Detroit Medical Center. The goal of the program is to attract new employees to the Midtown area to work at these large local employers and to revitalize the neighborhoods surrounding them. Those living in the neighborhood are more likely to walk to work and utilize public transit rather than driving a vehicle. The program was initiated in April 2014 with the program year beginning January 1, 2014. Financial backing was also received from philanthropic organizations and foundations to supply funding for the incentives, which include a \$20,000 grant to buyers of existing homes, an allowance of \$5,000 for exterior

improvements for existing homeowners, and rental allowances of \$2,500 in the first year and \$1,000 in the second year. Existing renters can qualify for a \$1,000 allowance for renewing an existing lease. Over three years, Midtown Inc. spent \$3.0 million in housing subsidies. Funding for the program is sustained by funds received from Wayne State, Henry Ford Health Center and Detroit Medical Center with matching grants by other foundations. At the end of 2013, 913 employees from the three institutions had taken advantage of the program including 71 buyers, 8 exterior refreshments, 466 new renters and 368 existing renters.

Results. The occupancy rate for Midtown rose from 93% in 2011 to 99% by fall 2013 and 40 new businesses opened in the area between November 2012 and April 2014, with another 20 pending as of April 2014. Median sales prices in the Midtown area rose by 25% from 2010 to 2014, while median home prices remained about the same elsewhere in Detroit. From 2011 through fall 2013, there were more than 20 residential mixed-use renovations and new construction in the Midtown District.

## **Strategy F: Expand/Balance Retail Options**

### ***The Context***

A retail gaps analysis was conducted as part of the market assessment for the Penn Avenue Corridor. The retail gaps analysis supports comments from local residents that there is a lack of retail shopping and entertainment options on the Northside. Leakage in many different retail categories is substantial. Many people currently leave their neighborhoods to purchase goods and services not available in their local community. People want choices and they want sufficient choices to satisfy their economic and value considerations in their purchases.

In the past, businesses may not have considered the neighborhood as a potential destination for relocation because they perceived that there would be too few customers to support the business, but other communities with demographic and economic profiles similar to those along the Penn Corridor have devised strategies for attracting new businesses to their neighborhoods.

Further complicating the situation is the fact that parcels available for retail development in the corridor are limited. Redevelopment can make some larger parcels available in certain locations. In those cases the focus should be on attracting desired goods and services to the local neighborhoods, to balance the offerings in areas where there is already a retail presence, and to create new retail businesses in areas where demand exists (Plymouth and Penn and Glenwood and Penn) but retail is either limited or nonexistent.

### ***Goals and Expected Outcomes***

- » Improve retail offerings at key intersections by creating spaces that will be attractive to a variety of retailers (independents and chains).
- » Provide for increased options for residents to “buy local” versus leaving the neighborhood for most goods and services.
- » Continue to focus efforts and resources to encourage more food outlets and fresh food opportunities to come into the community through cooperative ownership, equipment funding, or startup loans to help small independent businesses succeed.
- » Increase the diversity of retail offerings to create more dynamic retail places.

### ***Program Description***

Research and discussions with non-profit staff and with the local development community revealed that many developers and entrepreneurs become discouraged trying to navigate a multitude of agencies, forms and other requirements. Many give up before they reach their goal. Many departments and organizations are already touting efforts to streamline the process and provide connections and incentives, but progress has been slow.

**Neighborhood Development Information Clearinghouse.** A method for helping developers and entrepreneurs navigate the system, and a way to connect them to information, technical assistance and funding are needed. Adding another organization is most likely not in the best interest of the area, but providing a central connection location where people can access all of the financial, educational, and support resources available to them could create a visual focal point for the area and become the “go to” clearinghouse for information for developers, entrepreneurs, for-profit businesses, and non-profit agencies. Similar to the 5 Points Building and Art Plaza, this location could serve as a gathering place for development organizations working on the Northside, providing a place for them to collaborate, interact, and connect prospects to information and assistance.

Some types of information are particularly helpful and might be given special attention. For example, developers and prospective business owners need demographic and economic information in order to match community needs and desires with business offerings. Information about vacant sites is also important. A central location website could be established to identify spaces available, key contacts, types of tenants desired, lease rates and other criteria. This online database would cut down the search time and could help businesses better identify suitable locations.

**Targeted Business Development Funds.** Targeted funds could be established for various development goals as mentioned earlier in some of the other strategies. Such funds could provide pre-development money, start-up capital, equipment funding, and tenant improvements. For instance, it is especially expensive for a small restaurant to complete tenant improvements that include a commercial kitchen. Building a commercial kitchen may cost between \$150,000 and \$200,000, meaning the cost to open a restaurant can range from \$350,000 to more than \$500,000. Even opening a retail store alone could require \$100,000 to \$150,000 or more. New business owners are unlikely to be able to obtain a conventional bank loan, but funding successful businesses that will repay loans and grow and expand helps the community and creates a path for future success for other business owners.

The **Business District Improvement Program** is a grant funding pilot project that would be funded initially with a total of \$150,000. Each business would be eligible for up to \$15,000 to assist with business improvements. The amount suggested here is for the pilot only. However, allowing only a maximum of \$15,000 per business is likely to be insufficient to support the critical needs for new retail businesses, which are renovations and improvements to existing buildings that are usually older, not up to code, and where the space layouts are often insufficient to support today’s modern retail operations.

The City of Minneapolis also has a variety of loan programs available to businesses for low-interest loans, property acquisition funding, and funds for business expansion including programs targeted to specific industries, specific uses, and non-profit corporations. The City of Minneapolis 2% loan program provides low-interest loans to small businesses to purchase equipment and make building

improvements. A private lender provides half of the loan at market rate and the City provides the other half up to \$50,000 at 2% interest or up to \$75,000 in designated neighborhood commercial districts. The loan term is set by the private lender and can be up to a maximum of ten years. These loans can be used for a wide variety of potential building improvements, streetscape costs and parking lot improvements for safety. The City may want to consider some loans at a higher maximum value for businesses that have special situations but are highly creditworthy. Grow North provides some access to these funds but is generally targeted to a mid-size or larger employer.

In addition, a program that provides more flexible funding utilizing a loan loss reserve account similar to that currently offered by the Milwaukee Economic Development Corporation (MEDC) is needed. The program and requirements of the MEDC's Capital Access Program are listed below. Note that maximum loan amounts in these programs are typically lower than \$100,000. As noted above, it can cost more than that to open a basic retail store with inventory or a restaurant. These maximum amounts should be reconsidered in concert with participating lenders for specific requests. Consideration should also be given to streamlining paperwork requirements and increasing promotion of loan programs in the business community. This type of program may have limited flexibility if not administered by a separate economic development authority.

The Milwaukee EDC loan fund equivalent on the Northside of Minneapolis is handled by Metropolitan Consortium of Community Developers (MCCD) and/or Neighborhood Development Center (NDC). NDC just received a statewide SBA award as Community Advantage lender. NDC handles micro loans (under \$35,000) and through the Community Advantage program can provide loans up to \$250,000. They target low income and disadvantaged populations.

### ***Precedents***

Following are some precedents that have been used in other Metro Areas to achieve similar goals.

#### **Invest Detroit**

- » Mission and Focus: Invest Detroit is a source of private sector gap financing that utilizes a variety of funding tools through managed for-profit and non-profit targeted funds to support economic development opportunities in underserved communities.
- » One of those targeted funds is for neighborhood retail development and another is for pre-development costs.
- » Neighborhood Retail Fund has a transaction target in the \$50,000 to \$150,000 range and is targeted to retail and neighborhood service businesses. Loans are considered for start-up capital, equipment financing and tenant improvements. Applicants must contribute meaningful owner's equity and demonstrate a successful track record.

#### **Milwaukee Economic Development Corporation**

MEDC works in partnership with area banks and other organizations to provide low interest loans and business funding to start-ups, small and mid-size businesses. The City of Milwaukee offers a variety of loan programs through the MEDC including:

- » Milwaukee County Revolving Loan Fund – this is a \$1.0 million revolving loan fund where businesses may take advantage of low-interest loans to fund requests for up to \$250,000 or 40% of the total loan amount. Businesses must be located in Milwaukee County, must add or retain jobs, must be a for-profit entity, and the borrower must have at least 10% equity in the business.

The loan fund leverages monies from the fund with bank financing. Businesses pay back into the loan fund. The loan fund has been very successful and has been built up to the \$1 million dollar level. Businesses are eligible for a maximum loan of \$250,000. A typical project would usually be funded as below:

- Bank funds       \$250,000
- MEDC funds     \$200,000
- Equity           \$50,000
- Total            \$500,000

» Capital Access Program (CAP) - designed to provide access to capital for companies in the State of Wisconsin that may not have access or be able to obtain conventional financing. It is specifically targeted to start-ups and small businesses. It is a flexible loan loss reserve program that provides lenders with a way to fund projects that are considered too risky for conventional lending by creating a loan loss reserve. Each bank has its own CAP reserve to protect against losses on loans approved by the bank and enrolled in the program. The lender and borrower set aside funds in the CAP reserve. The combined total of the funds are then matched by MEDC. If a borrower defaults, the CAP is used to reduce the bank's loss. If the funds are not needed, they become part of a permanent reserve for future loans made by the lender through CAP. Taverns, liquor stores, gun shops and passive real estate are not eligible for this funding.

- Loan Terms

- The bank must have a signed participation agreement on file with MEDC.
- The bank sets its own criteria for determining whether to make the loan, and also determines the loan term, interest rate, fees, collateral requirements and other loan conditions and the reserve percent for each loan;
- The bank submits to MEDC a one-page form about the loan with notification that the fees are deposited in the loan loss reserve account;
- MEDC remits the matching amount to the bank for deposit into the loan loss reserve account;
- The reserve amount is 3% to 7% of the loan
- The minimum contribution is 1.5% each, from bank and borrower.
- MEDC matches combined contributions up to 7%. If the bank and borrower each contribute 1.5%, then MEDC contributes an additional 3%.
- Fees plus earned interest accumulate in a bank controlled account.
- The bank taps the CAP account in case of shortfall on collection. Recoveries must be re-deposited into the CAP account.

- Benefits

- There is no processing delay and virtually no paperwork
- Fast turnaround
- Few eligibility requirements
- Bank makes credit decision
- The CAP is now statewide through Wisconsin Business Development

## Kiva Zip

- Kiva Zip is a non-profit organization that supports small businesses and entrepreneurs with crowdfunded 0% interest capital up to \$10K. Evaluation is based on entrepreneurs' character and their credit worthiness established through their network. These loans are 'crowd-funded' by individual lenders on the Kiva Zip website connecting entrepreneurs with dozens of lenders who can be potential customers and brand ambassadors. Borrowers often have network connections with local lenders that are supporting them. The lender and other business associates provide character references, information on the business, and why lending to the business is a worthy investment. More than 58,000 small businesses have received loans from individuals that are willing to support their business endeavors.
- First time borrowers on Kiva Zip have the opportunity to obtain a 0% interest loan up to \$5,000. With successful repayment, borrowers have the opportunity to obtain a 0% interest loan at the maximum amount of \$10,000.

Most of these programs are coordinated and administered by either the City or a designated Economic Development Corporation. The mission is to provide funding to businesses that would not traditionally be able to secure bank funding without some type of additional assistance, either a low interest loan, access to start-up capital, venture capital funding or other assistance such as equipment or tenant improvements. Loans are expected to be repaid and can then qualify the applicant for higher levels of funding to grow and expand a successful business.

## Menu of Strategies

The following is a broader menu of strategies and tactics that can be employed to advance economic development objectives in the Penn Avenue Corridor. It is a revision and slight expansion of work done in an earlier phase of the project, and as such it encompasses some of the highlighted strategies, albeit at a more general level. It benefited from feedback and critique from some members of the Penn Avenue Project Management Team.

This inventory may be seen as an idea library, with concepts that might resonate for different stakeholders at different times.

### **Strategy #1: Strengthen the neighborhoods in the corridor through strong transit oriented business intersections with small, locally-owned businesses and community-building institutions.**

When distinctive and vibrant community places are created, the community benefits on many levels. In addition to being a source of community identity and pride, such places recapture spending in the neighborhood and support the establishment of new local businesses. They also increase the commercial and residential rents that are achievable, reducing the financial gap associated with new development.

**#1-A:** Provide a convenient, broad range of goods and services needed and desired by residents (e.g. groceries, medical, education and training, pharmacy, child care, laundry, dry cleaning) to further reduce auto dependence and related expenses and strengthen businesses in the corridor.



***Tactics:***

1. Communicate goods and service needs identified by the Penn Avenue market analysis to small business owners, entrepreneurs and others to fill existing business gaps.
2. Organize existing funding/financing partners to provide technical and financial assistance to enable targeted businesses to locate or expand in the Penn Corridor.
3. Work with convenience stores that attract loitering and erode a perception of safety to address crime and safety issues and ensure that they conform to city standards for providing a range of fresh, healthy foods.

**#1-B:** Retain, expand, attract and grow locally-owned businesses that can help build wealth in the community.

***Tactics:***

1. Coordinate resources. Utilize the experience and expertise of existing agencies and organizations, such as NEON, to establish a strong team that can help locally-owned businesses grow and expand in the area.
2. Financial Packaging. Provide financing tools that meet the needs of existing and new small businesses in the corridor, and provide guidance to small businesses and entrepreneurs wishing to access existing financing programs to establish a sustainable financing package. Examples of these types of programs that could be leveraged to support this strategy include Great Streets, Neighborhood Development Center (NDC), Metropolitan Consortium of Community Developers (MCCD), and Minnesota Department of Employment and Economic Development (DEED).
3. Technical assistance. Some organizations only provide technical assistance for the loan programs they manage. NEON provides a broad array of personal and business assessments, entrepreneurial and business training classes, business support and lending assistance. Discussions among developers and small businesses in the community identified that more resources are needed to help businesses and local developers navigate the paperwork and processes for obtaining site development approvals, financing and navigating the processes for various grants and loans. NEON is currently the focal point for these efforts. This agency can assist in expanding efforts for local entrepreneurs and businesses to help them through often challenging processes to reach their goals.
4. Attraction. Business growth is possible along the Penn Avenue corridor at business intersections. While households in North Minneapolis may have lower purchasing power than the city average, they generate more purchases than their incomes might suggest because a) a greater share of their income goes toward consumption (as opposed to longer term purchases or investments), and b) the cash economy in low income neighborhoods is relatively strong. Given this, a share of the money that is spent outside the community can be recaptured as spending at neighborhood businesses. Efforts should be made to attract businesses that complement existing businesses and build the district brand. Businesses that are underrepresented in the district are good candidates for recruitment. These businesses include general merchandise retailers, full service and limited service restaurants, personal care products and services, pet products and small grocery.
5. Identify specific regional businesses that sell goods and services needed in the Corridor and on the Northside. Initiate discussions with these businesses to explore attracting these businesses

to the Northside. Develop strategies to overcome risks and challenges if there are viable market needs that could be satisfied.

6. Marketing/Branding. Building a destination market is possible at some of the Penn Avenue districts through building on existing strengths—for example, an arts character at West Broadway, or the presence of a destination restaurant at 44th Avenue. Physical improvements such as the creation of public spaces, or the addition of streetscaping/placemaking elements, can build a district’s visual identity and attractiveness as a distinctive destination. Marketing increases a place’s recognition and identity. Marketing techniques are broad ranging and typically require leadership from and coordination between local businesses.

**#1-C:** Build organizational capacity of the business intersections in the Penn Avenue Corridor.

***Tactics:***

1. Enhance organizational capacity at Penn Avenue intersections, especially where it does not exist currently. Organizational champions should be supported at each intersections and should have access to resources (e.g. Great Streets support, NDC, Local Initiatives Support Corporation (LISC), commercial corridor revitalization) that enable them to engage business and property owners; clarify and reinforce brand identity at each intersection; support existing businesses; attract complementary businesses; engage in marketing and promotion; address design and appearance; and work together to create a safe environment.
2. Engage local organizational resources in directly communicating with and supporting existing businesses before, during and after transit construction. Engagement may include interim assistance with special projects, expansion, or other short-term operational issues. This effort is intended to support and strengthen local businesses and help them adapt to changes and new opportunities associated with the transit line.

**#1D:** Analyze the impact of construction and improvements, including possible assessments on small businesses and property owners, in advance. Analyzing the impact of special assessments is important in this corridor because of the challenging real estate market conditions. Provide outreach, technical assistance, and possibly financial assistance resources to help businesses prepare for and adapt to transit-related construction.

**Strategy #2: Increase housing density at key intersections in the Penn Avenue Corridor.**

Increased housing density will support transit improvements, increase purchasing power in the area to support additional retail, and will diversify the housing stock in the community.

**#2-A:** Increasing housing density must consider architectural style and neighborhood context; new housing structures must “fit” at the intersection, not overwhelm existing buildings and character.

***Tactics:***

1. Develop contemporary housing products that provide features and amenities desired by the market. Balance “size” of buildings with other structures at the intersection.
2. Develop a residential redevelopment phasing plan for each intersection (recommended projects’ size, mix, pricing, priority and timelines are provided in the implementation section), balancing market demand/need with priorities. For example, introduce market rate housing at intersections

where market demand is strongest to spur initial successes and encourage private market participation for future developments.

### Strategy #3: Balance new market rate development with affordable workforce rental housing development.

Market rate housing is considered to be housing that is affordable to households earning at least 80% or more of the Area Median Household Income. Workforce rental housing is generally considered to be affordable to households that earn between 50% and 80% of the Area Median Household Income (see table on following page).

MN Housing Income and Rent Requirements (for projects placed in service 03/06/2015 to present)								
Household Size	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	\$18,210	\$20,790	\$23,400	\$25,980	\$28,080	\$30,150	\$32,220	\$34,320
50%	\$30,350	\$34,650	\$39,000	\$43,300	\$46,800	\$50,250	\$53,700	\$57,200
60%	\$36,420	\$41,580	\$46,800	\$51,960	\$56,160	\$60,300	\$64,440	\$68,640

Maximum Rent Levels			
Bedrooms	30%	50%	60%
0BR	\$455	\$758	\$910
1BR	\$487	\$812	\$975
2BR	\$585	\$975	\$1,170
3BR	\$675	\$1,126	\$1,351
4BR	\$753	\$1,256	\$1,507
5BR	\$831	\$1,386	\$1,663
6BR	\$909	\$1,515	\$1,818

HUD Income Requirements (30% of Income)								
FY 2015	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
80%	\$46,100	\$52,650	\$59,250	\$65,800	\$71,100	\$76,350	\$81,600	\$86,900

**#3-A:** Although the focus will be on increasing market rate housing stock, there will be opportunities to add affordable units, including affordable single-family homes and duplex unit, at various locations.

#### Tactics:

1. If developing new mixed-income property, the recommendation is that no more than 20% of the units be affordable initially. A lower threshold will enable market rate housing to take hold and succeed.
2. Consider locations where it may be beneficial to also develop some affordable housing, but the overall mix of buildings should be weighted more heavily toward market rate housing. Affordable housing will continue to be affordable, but rents for market rate housing can increase with market demand. Again, the goal is to provide a more balanced housing stock and encourage development at larger scale, professionally managed properties.
3. Green Homes North and Northside Home Fund have been active in North Minneapolis neighborhoods developing new homes and rehabilitating existing housing where appropriate. The Northside Home Fund has identified two clusters of residential redevelopment on Penn Avenue at 21st Avenue North and 27th Avenue North. Publicly-owned sites, especially single-family lots, are examples where new in-fill housing could be developed. Targeted infill development in communities such as Richfield and Roseville has improved the product mix and increased housing values and the desirability of the homes in the marketplace. In each of these

cases, new construction homes have expanded buyer segments willing to consider these communities as residential locations because the new construction included updated features and amenities not readily available in the existing housing stock. Similar programs are underway in Northside neighborhoods, but the need is significantly greater in North Minneapolis because of many more vacant lots and many more substandard, vacant or abandoned homes. While the number of homes that has been built is significant in the greater context, the number needed dwarfs what has already been completed.

4. There are many areas on the Northside where single-family homes have converted to rental. As more new housing units are developed in the area, single-family rental homes should be monitored for compliance with building codes and safety issues. The City or County could also explore buying out the portfolio of an absentee rental property owner if the opportunity presents itself.
5. Encourage renovation and rehabilitation of existing homes along the corridor by offering low interest loans or encouraging first-time homebuyers to invest sweat equity in the housing stock. This is already happening to some degree with buyers that have found more home for their dollars on the Northside and have been willing to put money into the property to improve it. Connect with local real estate agents to promote city programs for funding and rehab to potential homeowners.

**Strategy #4: Identify existing programs and resources that can provide combined partial assistance to projects that need modest to heavier resources. Combine programs where possible.**

**#4-A:** Use a combination of federal, regional and local funding to support key redevelopment projects at the major intersections.

**Tactics:**

1. Hennepin County Transit Oriented Development Program. This is a very flexible existing funding program focused on supporting improvements at transit station areas. Funds can be used for right of way improvements, placemaking elements, or a transit supportive development project. Funds to support development are not restricted to affordable housing projects. This program and the Metropolitan Council Livable Community programs that follow, are natural funding sources to be considered for development at the Penn Avenue business intersections.
  - **Metropolitan Council Livable Community Funds**
  - Livable Communities Demonstration Account (LCDA). This is a very flexible existing funding program which funds elements of an innovative placemaking development. Funds must be used for basic and placemaking public infrastructure, site acquisition, or site improvement. There is no awards limit, but awards average \$560,000.
  - Transit Oriented Development Account. This program is very similar to the LCDA Program. Grant funds may be used for basic and placemaking public infrastructure and site assembly. Award limit is \$2 million per City.
  - **Tax increment financing.** Tax increment financing is a legitimate source of financial support for Penn Avenue projects. Penn Avenue development locations clearly meet the test for tax increment financing—that development would not occur without public financial support. Tax increment financing also has the additional benefit of being flexible. It can fund a broad range

of desired development and has little impact on taxpayers while generating great benefits to the community and the City's future tax capacity.

A modification to the City's tax increment financing policy could strengthen it as a resource for supporting a Penn Avenue development program. The City could reconsider its willingness to capitalize the tax increment revenue stream through a public bond instrument rather than requiring a developer to capitalize the tax increment revenue stream privately—which is the established practice in recent years.

2. Funding scattered site development. Explore whether a “scattered site” application for funding could be entertained by Hennepin County or the Metropolitan Council programs listed above to fund a set of infill developments at smaller sites along Penn Avenue.
3. Sale of public property. Consideration could be given in some instances to writing down the value of city- or county-owned property to zero when sold for development. This is not the prevailing practice, but setting the value of a property at zero is in some cases more accurately reflective of its true value. Publicly-owned land along Penn Avenue can have zero or negative value because it cannot be developed to serve an economic purpose without an infusion of public funds. A land write-down of this kind can contribute to the viability of a high quality project, or can represent project support targeted to the inclusion of a desired element (such as ground floor retail) for which sources of subsidy are not readily available. Another creative method of reducing the impact of acquiring a public property for a developer is for the public sector owner to sell the property on payments or to defer the entire acquisition payment to a predetermined future point in time.
4. Development Support Fund Strategies. These strategies leverage a portion of future property tax revenues to capitalize a fund that supports investment in the Penn Avenue Corridor. The benefit of creating a fund of this kind is two-fold.
  - First, a fund capitalized in this way can be spent on virtually any public purpose. It could support a response to virtually any of the challenges outlined above, financing both new development and rehabilitation projects, as well as public realm improvements. An inordinate amount of time is often spent pursuing a broad range of funding sources to address different purposes and financial gaps associated with placemaking and development. Value capture strategies could greatly simplify that process by creating a single fund to address multiple needs. Second, the amount of the resources captured can be scaled to the need.
  - The Hennepin County Board and the Minneapolis City Council would take coordinated actions to authorize the property tax mechanism and establish the fund. It is within existing legal authority of the City and County to take these actions.

# Job Creation and Access

## Employment and Business Development Strategies

While the national economy is approaching a full recovery from the Great Recession and the regional economy remains strong, far too many in North Minneapolis remain unemployed or underemployed. According to the 2013 American Community Survey, 18.5% of residents ages 16 to 64 in the City of Minneapolis had not worked in the past 12 months as compared to 27.2% of North Minneapolis residents in these same age categories. There is a clear and pressing need for jobs, connections to jobs, and training for jobs. The urgency and priority of this need has been emphasized by all participants in this study, from the project Steering Committee, to the community residents who have attended project open houses. Similarly important is advancing the success of local business owners and entrepreneurs.

Employment strategies in this report focus on three main opportunities: 1) increasing the number of jobs in the Penn Avenue corridor, 2) increasing connections between residents and local employers, and 3) increasing connections via the new transit service to other jobs in the metro area. In pursuing each of these goals, there are important community assets to build upon, including the following.

- » There is a rich organizational network that is already collaborating on improving employment outcomes in North Minneapolis. Jobs-focused organizations are building capacity and aligning missions and actions with the support of convening organizations such as the Northside Funders Group. Since November 2013, over 50 Employment and Training workgroup members have partnered to further align job training systems with the needs of employers and to amplify the case for equitable and inclusive hiring practices that maximize the workforce talent in North Minneapolis. To gain knowledge of Social Capital, Northside Funders engaged more than 180 people in Together in Learning convenings to fully examine opportunities for collaboration in their neighborhoods. Because of this existing capacity and coordination, much of the employment focus of this report is on highlighting programmatic opportunities that may be newly available with the advent of the improved transit service.
- » Two employment-rich areas already exist in the Penn Avenue corridor—the Humboldt Employment District at the north end of the corridor, and the medical and institution oriented business district at Plymouth and Penn. Both areas have potential for further employment intensification, improved connectedness, and enhanced physical context. Strategies focused on these areas would enhance their impact on employment in the corridor.

Business development strategies in this report are focused on enhancing the success of local businesses and improving the economic strength and vitality of the business areas. Small businesses play an important role in fostering a sense of community, and an appropriate mix of successful businesses along the corridor can meet the needs and desires of neighborhood residents, reduce their automobile dependence, and thus enhance their financial stability.

There is some organizational capacity to support local business development. The Lowry Corridor Business Association, West Broadway Business and Area Coalition, most commonly referred to as the West Broadway Coalition, and the West Market Business Association (Glenwood) are formal, staffed business associations which support businesses and organize corridor-based marketing and events at some of the business intersections along the Penn Corridor. This capacity is lacking at

other Penn Avenue business intersections. Many businesses have also found the technical and financial support provided by a range of community organizations. Communication and coordination between these organizations is fostered by Northside Funders Group and others.

Challenges to business growth and business district activation include resource limitations and difficulty achieving a concentration of businesses at the business intersections that offer the greatest community impact. The retail market itself offers additional opportunities and limitations. A great deal of the retail expenditures of North Minneapolis residents are in areas outside the neighborhood. Some of this spending could be recaptured locally. The retail gaps analysis identified 40% of potential retail sales is being spent outside of the area. But the local context for retail suffers from disinvestment in buildings and from persistent public safety concerns. For this reason, recapturing neighborhood purchasing at neighborhood business intersections may have more to do with establishing quality environments where people want to shop than it does with the identification of retail market categories that are underserved. Comments made by participants at the PIC meeting identified a need for retail areas that are more visually inviting.

These considerations highlight the importance of completing and activating the key business intersections along Penn Avenue with focused physical development and placemaking, business support, marketing, events, and actions that reduce crime and improve the sense of safety. A vibrant business area jumpstarts the financial health of existing businesses and makes new business opportunities viable.

## Highlighted Strategies

### Strategy A: Leverage new access to jobs

#### *The Context*

The Penn Avenue Bus Rapid Transit (BRT) line will strengthen a bus route that already exists. Service on today's Route 19 will be enhanced with improved stations and faster, more reliable and more frequent service, resulting in shorter wait times. This upgrade will improve access to jobs, strengthening livability and the economic well-being of residents in the Penn Avenue corridor. Employment opportunities that can be readily accessed via the existing Route 19 and future C Line could be highlighted for neighborhood residents, and employment and training service providers could cultivate strategic relationships with these employers.

Job developers for workforce service organizations work with a variety of employers responding to their needs for workers. Some non-profit workforce organizations provide transportation to locations that lack transit services (e.g. suburban manufacturers) or where transit isn't available for late shifts. A workforce program manager indicated that maintaining this strategy is challenging over time. An employer may start out with six workers, making support of a van trip cost-effective, but six months later the van may be shuttling only one person to a suburban business park due to employee attrition.

Employment and training service providers in North Minneapolis also have strategic long-term training partnerships with some larger employers. In these relationships, an employer's needs are well-understood and appropriate training and support systems are established. Outcomes for these types of programs are typically quite good. Reliable transportation will strengthen outcomes even more.

## **Goal**

Improve access to jobs and strengthen economic well-being for residents in the Penn Avenue corridor by identifying and establishing strategic partnerships with targeted large employers and anchor institutions that can be reached within a 45-minute commute.

## **Program Description**

An anchor institution/major employer initiative could be developed to strengthen access to jobs via the Penn Avenue BRT. Elements of the initiative would include.

1. The research division of the Metropolitan Council could identify employers within a 45-minute commute and highlight employment characteristics typical for employers in various industry sectors, including expected employment growth, wages and benefits.
2. Employment and training and business development professionals could provide their perspective on employers identified within a 45 minute commute time, and together the team could identify target employers, focusing on employers that offer good wages, benefits and opportunities for career development.
3. The working group could conduct a “last mile” walkability and bicycle audit to major employers to identify potential barriers and solutions. Cities located in the 45-minute commute time would be invited to participate in the “last mile” audit to employers in their community. This audit could be completed as part of station area planning efforts. A GIS-based walkshed tool developed for Southwest LRT could be used in the walkability and bicycle access audit. Information may already be available in the SW LRT corridor.
4. Employment and training specialists and employer outreach specialists at Minneapolis Department of Community Planning and Economic Development could be engaged to focus on larger employers located in the 45-minute commute zone and assess their needs and interest in developing strategic partnerships for employee training and support.
5. Explore the possibility of corridor specific job fairs with Route 19/C Line corridor employers.
6. Consider the use of displays on C Line buses (which are dedicated vehicles only operating on this line) and at BRT stations to connect residents with job fairs, employment and training opportunities, and jobs.
7. Leverage existing Metro Transit customer relations feedback and employment and training professionals to learn about problems with transit schedules, walkability and other factors affecting transit users.
8. Implement strategic employment and training initiatives and review program outcomes.

This strategy would be a new initiative that could draw on existing resources at partner agencies.

## **Precedents and Possibilities**

Ramsey County Regional Rail Authority **Corridors 2 Careers Pilot Project** sought to improve low-income Central Corridor residents’ employability and access to jobs and to improve employers’ access to local workforce resources and workers. The pilot project’s February 2014 summary report, which can provide the Working Group with important insights, indicates that over 1,400 residents participated in project activities; 87% indicated no previous knowledge or use of workforce resources; 679 were connected to at least one formal workforce resource; 65 reported gaining employment; and 47 reported attending occupational training or Adult Basic Education Classes. Fifty-six employers were engaged in the project; the majority was not aware of the range of



workforce resources available and increased their awareness through the project; eight reported hiring local residents during the short duration of the pilot program, but the short duration of the pilot project was cited as a major constraint. The following recommendations can inform Access to Jobs strategies for the Penn corridor.

- » Increase the cultural responsiveness and relevancy of workforce centers/providers by establishing weekend/evening hours and staffing agencies with multi-lingual, multicultural professionals
- » Establish a universal marketing campaign and a regional one-stop/one-call system for employers to access workforce resources
- » Create a location-efficient economic development strategy that builds employment density along the transit corridor
- » Create a comprehensive “wrap-around” system of workforce development and human services for job seekers in need of basic support and who are facing multiple employment barriers
- » Local governments, including cities and counties, need to serve as role models for employers in hiring from communities with high employment disparities
- » Create a “hire local” campaign and educate employers about ways they can help reduce employment disparities

The **Central Corridor Anchor Partnership** is a group of colleges, universities, hospitals and health care organizations located near the Green Line, including Augsburg College, Bethel University, Central Corridor Funders Collaborative, Fairview Health Services, Metropolitan State University, Minneapolis Community and Technical College, Regions Hospital/Health Partners, St. Catherine University, St. Paul College, University of Minnesota, University of St. Thomas. The partnership has established goals to hire more residents from Central Corridor neighborhoods, spend more procurement dollars with Central Corridor businesses, and increase transit use by their students and employees. The Partnership established measurable goals and has succeeded in increasing anchor corridor employment by 5% in 5 years; increasing anchor transit ridership by 5% in 5 years; and provided cost savings to anchors through local purchasing. Results to date are uncertain regarding the partnership’s ability to increase local purchasing by anchor institutions by 5% in 3 years. They have not succeeded in reducing the racial gap by 4% in 5 years; and they have neither succeeded nor failed in an attempt to achieve diversity goals with a local workforce in all job categories.

Route 19/future C Line employers include key partners in the Penn Avenue Community Works project – Hennepin County, Metro Transit, NorthPoint and the City of Minneapolis. As employers, they can serve as initial “anchor institutions” in a collaborative access to jobs strategy. Several of these employers have initiatives underway that can serve as examples.

- » Metro Transit is embarking on a 3-year apprenticeship program for mechanics, who are expected to be in high demand because of retirements.
- » Hennepin County is underway with a strategic partnership to train social service workers, again related to a significant wave of retirements.
- » NorthPoint, a 501(c)3 organization located at Plymouth and Penn, seeks to have a workforce reflective of the neighborhood’s population and already employs many neighborhood residents. NorthPoint has 24 academic and training agreements for a wide range of health care professions including pharmacy technician, pharmacy interns, dental students and dental assistants.

NorthPoint will be an institutional partner at the West Broadway Education and Career Center, which will include the new North Minneapolis Workforce Center, Minneapolis Community and Technical College, MN State University – Mankato and others.

Hennepin County's affiliated medical center – HCMC is also located on Route 19/future C Line. Systems for these strategic partnerships could be refined with this initial group of partners before expanding to other large employers located within a 45-minute commute on the transit system.

## **Strategy B: Expand “Living Wage” jobs in the corridor and connect residents to these jobs**

### ***The Context***

Most commercial properties in the Penn Avenue corridor are characterized by shallow lot depth and are best suited to small businesses. Locally owned retail and service sector businesses provide opportunities for small business owners, and offer important goods and services for residents. However, these types of businesses find it difficult to sustain living wage jobs with benefits. Two areas along Penn Avenue—Plymouth/Penn and the Humboldt Employment District at 49<sup>th</sup> Avenue and Osseo Road—include larger commercial properties and offer opportunities to grow employment in health care, education and manufacturing. These sectors typically provide higher wages, benefits and opportunities to advance through training.

At Plymouth/Penn a variety of initiatives are underway to employ and build the health, skills and earning potential of area residents through employment/service providers like the Urban League, the University of Minnesota's Urban Research and Outreach-Engagement Center, and NorthPoint.

- » The Urban League, which focuses its efforts on African descendants and other people of color, has initiatives including college readiness, career development, workforce training, job placement, special workforce programs focused on the building and construction trades, health and wellness and wealth accumulation.
- » The University of Minnesota's Urban Research Outreach-Engagement Center is home to a dozen University programs devoted to research and problem-solving in an authentic and engaged partnership with individuals and organizations in North Minneapolis.
- » NorthPoint Health and Wellness Center provides medical, dental, behavioral health, human services, fitness and other healthy living resources like fresh produce distribution.

At the Humboldt Industrial Park employment and training service providers can increase awareness of living wage employment opportunities among area residents and develop stronger relationships with firms in the area. Firms in the park employ at least 500 people, and employers include Broadway Car Wash Equipment, Foamtec, GE, Metro Cad, Metal Matic, Owens Corning, Polar Tool, TPI, and distribution-related firms like Forest Specialties. In addition, there are opportunities to increase manufacturing employment on one vacant site in Minneapolis and another just to the west, which lies largely in Brooklyn Center (more detail is provided on vacant and underutilized sites in the Key Intersection Strategies section of this report).

The businesses and employees at these intersections also create spending power, which can be captured to support small businesses in the area.

## **Goal**

Focus on growing living wage jobs in the corridor in health care and manufacturing at the Plymouth and Penn intersection and at the Humboldt Employment District at 49<sup>th</sup> Avenue and Osseo Road. Support expansion of these job centers. Create and implement strategies to connect area residents with local employment opportunities through specific education programs designed to address the skills necessary for local residents to attain these positions. Leverage the daytime spending power of businesses and employees at these intersections to support locally-owned retail and service sector businesses.

## **Program Description**

1. Support expansion of the Plymouth/Penn and 49<sup>th</sup> Avenue and Osseo Road job centers.
  - a) Build organizational capacity at Penn/Plymouth to promote near and long term development. Identify funding sources and staffing arrangements, possibly something similar to the Lowry Business Association and the West Market Business Association.
  - b) Plan for and support near-, mid- and long-term expansion of “eds and meds” organizations in all four corners of Plymouth and Penn. Give serious consideration to serving the district with a public parking ramp, because an investment in structured parking would expand the employment growth that can be achieved in the area. Consider using the ramp as a hub for car-sharing. The public ramp will provide a safe and secure location for transit riders to access cars from transit and was identified as a necessary component by Northside employment and training specialists. Businesses at Plymouth and Penn have an opportunity to be able to expand business volume by serving employees at the businesses nearby as well as neighborhood residents. This is an opportunity not readily present at some of the other intersections. Ensure a sense of safety at the intersection.
  - c) In collaboration with NorthPoint, explore the viability of attracting ancillary health care services, including but not limited to physical therapy, rehabilitation services, kidney dialysis, specialty dental, eldercare and geriatrics,. Define the site location requirements of viable health care segments. (mid- to long-term strategy)
  - d) Support development and redevelopment of vacant and underutilized land in the Humboldt Industrial Area at 49<sup>th</sup> Avenue and Osseo Road; encourage well-paying jobs and as much employment density as possible.
  - e) Improve pedestrian and bicycle safety and connectivity to jobs via transit in the Humboldt Industrial Area. A continuous sidewalk exists on the Northside of 49<sup>th</sup> and bike lanes are identified on the street. However, with rare exceptions, pedestrian crossings of industrial parking lots or driveways and bike racks are not provided.
2. Enhance and align workforce development strategies to connect area residents with living wage employment opportunities at employment nodes on the corridor.
  - a) Cultivate relationships between employers and the employment and training community serving the corridor. Support initiatives that enable local residents to secure employment opportunities with higher wage employers, especially in manufacturing, transportation, distribution and “eds and meds” in the corridor.
3. Capture the spending power associated with the businesses and employees at Plymouth/Penn and 49<sup>th</sup> Avenue and Osseo Road.

- a) Capture the spending power of “eds and meds” at Plymouth/Penn. Recruit businesses for retail spaces that meet the needs of employees, residents, visitors and their families. Possibilities include dining, small grocery, dry cleaning, and child care.
- b) Capture the spending power of the industrial park employers and their workers. Explore opportunities for area restaurants/caterers to meet the needs of area employers in the Humboldt Industrial Park with food trucks and/or catering services. This initiative could be linked to a restaurant development strategy at 44th and Penn. Successful food truck operations provide neighborhood restaurants with diverse revenue streams including food truck, catering and in-house dining.

### ***Precedents and Possibilities***

Anchor institutions located in economically challenged communities are often a foundational asset for economic development and community revitalization. Abbott Northwestern served as a critical anchor institution in addressing challenges in south Minneapolis. Initiatives developed by Abbott Northwestern included jobs, training and career ladder opportunities for neighborhood residents, as well as an employer-sponsored housing initiative.

NorthPoint currently has 250 full-time and 150 part-time or contract employees. The organization hires neighborhood residents and has 24 academic and training agreements including a range of opportunities for dental students, dental assistants, pharmacy assistants, pharmacy interns, and psychiatry fellows. NorthPoint is experiencing growth in its current lines of business – health care and social services – and has proposed an expansion, which would add 100 new jobs.

The expansion of NorthPoint builds the critical mass of “eds and meds” at the intersection of Plymouth and Penn and provides daytime spending power that can help sustain retail and service sector businesses that meet neighborhood needs.

## **Strategy C: Connect residents to transit and transportation infrastructure jobs**

### ***The Context***

The construction and maintenance of BRT stations and other planned roadway infrastructure are opportunities for strengthening the economy near the Penn Avenue corridor. Construction of BRT and roadway infrastructure offers opportunities for targeted subcontracting and hiring. Federal regulations provide parameters for hiring of women and minorities and procurement from small and disadvantaged businesses. Local hiring and procurement cannot be a requirement if federal funds are used, but “good faith efforts” can be encouraged, tracked and reported.

Bus shelters and station areas are currently maintained by Metro Transit employees. Changes to current hiring practice would require union negotiations. Alternatively, some aspects of bus shelter, station area, and streetscape maintenance could be handled through Metro Transit’s adopt-a-shelter program.

### ***Goal***

Strengthen business and personal incomes and build business and work experience of residents through public sector contracting, subcontracting and hiring strategies.

### ***Program Description***

To maximize the economic impact on North Minneapolis, the procurement process can require DBE goals for small business contracting, including professional services, construction contractor strategies, and plans for local workforce inclusion as a standard part of the bidding process. Project level review of hiring and subcontracting plans can be engaged to maximize local workforce participation. In this process agencies set achievable, but aggressive, subcontracting and hiring goals consistent with funding source regulations. To identify and prepare a pool of qualified candidates for hiring opportunities it's important to work in advance with unions, potential employers and employment and training organizations. Workforce mixers could be sponsored in North Minneapolis related to hiring opportunities in construction. Because multiple agencies and funding streams will be involved, a working group involving two divisions of the Metropolitan Council (Metro Transit and Equal Employment Opportunity), Hennepin County procurement, and Minneapolis employment and training staff should be established to refine and guide this initiative.

Enhancing the impact on the local economy beyond the construction phase could involve maintenance of bus shelters and/or the streetscape. The maintenance work could provide an opportunity for local non-profits or entrepreneurs to provide employment for area youth or work experience for area residents.

### ***Precedents***

The Construction Hiring Connection, a service provided by Ramsey County Workforce Solutions, is a construction-related hiring resource established during construction of the Green Line. Originally known as LRTWorks.org, a database was created by the Metropolitan Council and funded by the Central Corridor Funders Collaborative to a) help contractors working on the project find skilled workers to meet workforce goals and b) help construction job seekers identify work and training opportunities. This resource also gives a realistic picture of how many skilled construction workers are in the region, helps contractors find skilled workers who may not be represented by unions, and is a networking resource for individuals, both union and non-union, interested in working on projects.

The Construction Hiring Connection is now an on-line labor monitoring and exchange system that serves as a central conduit for the community to get information on jobs, training, union information and construction projects throughout Minnesota. It assisted contractors by creating a searchable database of over 1,000 construction workers representing over 25 trades. Job-seekers register on-line at the Construction Hiring Connection website, which is searchable by zip code and skill. The organization also works in collaboration with contractors and unions to identify potential candidates to enter union apprenticeship programs.

Bus shelter maintenance is included in the Chicago Transit Authority's Second Chance Program, in which hard-to-place individuals are supported by social service agencies and given an opportunity to obtain employment and training. Up to 265 Second Chance participants may be employed by CTA in one calendar year. Referring agencies recommend applicants that they have screened and who have successfully completed a job readiness program. CTA does additional screening, including medical and background checks before hiring. Based on job performance, a participant may serve for 12 months or more; participants are paid \$9.50 per hour. Performance reviews are conducted every 30 days by immediate supervisors. Agencies provide individual case management for each apprentice and maintain periodic contact. Upon completion of the program, successful participants receive a certificate of completion and a letter of reference from CTA. Provided there are no

additional arrests or convictions on the successful participant's record, the program participant is encouraged to apply for CTA vacancies.

Better Futures Minnesota has been cleaning the right of way and maintaining the streetscape for the West Broadway Improvement District, a special services district established in January 2015. Better Futures was selected through a bidding process and is involved in maintaining the streetscape and bus shelters that have been adopted by the Improvement District as part of Metro Transit's adopt-a-shelter program. Better Futures Minnesota is a social change enterprise focused on setting high expectations and providing direct access to resources essential for personal transformation of high-risk men. Two people are involved in maintenance on West Broadway three times per week year round. When needed seasonally or for special events, the firm provides additional personnel. The West Broadway Coalition reports a high degree of satisfaction with the services provided. The adopt-a-shelter approach could be used in situations where business associations, business improvement districts or other groups are active and have resources to contract for services.

To address growth in the transit system and a growth in retirements in its workforce, Metro Transit, working with the union, recently established an apprenticeship program for mechanics.

## Menu of Strategies

The following is a broader menu of strategies and tactics that can be employed to advance economic development objectives in the Penn Avenue Corridor. It is a revision and slight expansion of work done in an earlier phase of the project, and as such it encompasses some of the highlighted strategies, albeit at a more general level. It benefited from feedback and critique from some members of the Penn Avenue Project Management Team.

This inventory may be seen as an idea library, with concepts that might resonate for different stakeholders at different times.

### Strategy #1: Economic Development through “Living Wage” Jobs in the Penn BRT Corridor

**#1 A:** Focus on job development that offers higher wages, full time hours and benefits, and career ladders for area residents. Two intersections with larger sites—Plymouth/Penn and the Humboldt Industrial Park at 49th Avenue and Osseo Road—offer opportunities to grow employment in health care, education and manufacturing. Support expansion of these job centers and create and implement strategies to connect area residents with local employment opportunities through specific education programs designed to address the skills necessary for local residents to attain these positions. Increasing employment and developing new businesses will increase daytime spending power in these areas. Support small business growth and development through entrepreneurial enterprise in the areas of business services and retail development.

#### ***Tactics:***

1. Plan for and support near, mid and long term expansion of “eds and meds” in all four corners of Plymouth and Penn. Maximize density and activity with a parking ramp that incorporates ground floor retail. Consider a ramp as a hub for car-sharing businesses because people need to access vehicles late at night and on weekends but do not want to enter a neighborhood in an unlit area or unfamiliar place where they are concerned for their safety. Ensure a sense of safety at the node.

2. Capture the spending power of “eds and meds” at Plymouth/Penn. Recruit businesses for retail spaces that meet the needs of employees, residents, visitors and their families. Possibilities include dining, small grocery, dry cleaning station and child care.
3. Explore viability of attracting of ancillary health care services, including but not limited to physical therapy, rehabilitation services, kidney dialysis, specialty dental, eldercare and geriatrics, in collaboration with NorthPoint. Define the site location requirements of viable health care segments.
4. Support development and redevelopment of vacant and underutilized land in the Humboldt Industrial Area at 49th and Penn; encourage as much employment density as possible.
5. Improve pedestrian safety and connectivity to jobs via transit in the Humboldt Industrial Area.
6. Capture the spending power of the industrial park employers and their workers. Explore opportunities for area restaurants/caterers to meet the needs of area employers at the 49th Avenue intersection with food trucks and/or custom catering services.
7. Cultivate relationships between employers and the employment and training community along the corridor. Continue to support and build the training capacity of area organizations that enable local residents to secure employment opportunities with higher wage employers in manufacturing and “eds and meds” in the corridor.
8. Identify small business opportunities that can build on the spending power of the employees and businesses at these intersections and meet the needs of area residents. Help entrepreneurs and existing businesses capture these opportunities; provide technical and financial assistance resources.

## **Strategy #2: Enhance the economy of the Northside through opportunities for area residents in the construction and maintenance of BRT Infrastructure**

**#2-A:** Strengthen business and personal incomes, build business and work experience of residents, and thereby increase local spending power through public sector procurement and hiring approaches that provide direct employment and business opportunities to neighborhood businesses and residents.

### ***Tactics:***

1. Agencies set achievable, but aggressive procurement and hiring goals, consistent with funding source regulations.
2. Encourage and support contractors to recruit and hire neighborhood residents. [example: “LRT Works – Ramsey County Workforce Solutions – “good faith efforts” support mechanism]
3. Work in advance with unions, potential employers and employment training organizations to identify opportunities and prepare area residents for hiring opportunities.
4. Sponsor workforce mixers in North Minneapolis related to hiring opportunities associated with BRT.
5. Explore opportunities to utilize bus shelter and/or streetscape maintenance as an opportunity to support the local economy. (e.g., create opportunities for local non-profits or entrepreneurs to provide employment for area youth or work experience for area residents)

### **Strategy #3: Enhance the economy of the Northside through improved access to jobs and reduced automobile dependence**

**#3-A:** Connect neighborhood residents to additional job opportunities, thereby strengthening household incomes and spending power.

#### ***Tactics:***

1. Identify higher wage/benefit employers accessible via transit; strengthen connections to these employers.
  - Explore possibility of working with the research division of Met Council to identify employers within a specified commuting time range likely to offer living wage and benefit opportunities to Penn Corridor residents. Review with employment and training organizations in North Minneapolis. After employment and training service providers explore employment opportunities, identify priority employment centers and any “last mile” or schedule challenges [MTS].
2. Explore use of digital displays on the dedicated BRT buses and at bus shelters to connect residents with job fairs, employment and training opportunities and jobs.
3. Work with agency partners (City of Minneapolis, Hennepin County, Metro Transit) to strengthen training and recruitment of workers via Route 19 (Penn Ave to Downtown).

**#3-B:** Strengthen the financial stability and spending power of area residents by reducing automobile dependence.

#### ***Tactics:***

1. Locate car sharing facilities in locations that are safe and convenient for transit users. Employment and training professionals on the Northside specifically mentioned the need for a car-sharing stations in a safe, secure location that would be directly available to transit users, particularly at locations such as Penn Avenue and Plymouth Avenue there would be a safe and secure ramp. Another location may be at West Broadway Avenue if a public ramp is constructed on the Capri Block. Car 2 Go provides cars within the neighborhood, but not specifically on the transit line. Cars may be in neighborhoods where people may not feel safe to walk, particularly late at night.
2. Continue to communicate the benefits of reduced automobile dependence to area residents, including greater reliability, lower and more predictable cost, and “leave the driving to us” (existing Metro Transit activity)

The Penn Avenue corridor is long and complex. It suffers from conditions related to the community’s concentration of disadvantaged households, but it is also bolstered by many physical, cultural and organizational assets. The introduction of higher quality transit service introduces another element that benefits neighborhood residents and businesses, and improves community value. It is an opportune time to build on positive momentum with well-gauged economic, housing and physical development strategies.

This report includes a wide range of strategies for improving the economic wellbeing of Penn Avenue communities. These are starting points for tackling persistent community challenges. These strategies are intended to be actionable, but important follow-up steps are required. In most cases, consensus building and policy action need to occur at the leadership level. And the



convening of a strategy-specific stakeholder group will generally be necessary for strategy refinement, and to support taking steps toward implementation.

New, innovative strategies will be necessary to accomplish the goals of the Penn Avenue Community Works project. They will require the collaboration of the public sector, as well as nonprofit, institutional and private partners.

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