HJC
Housing Justice Center
Public Interest Legal Advocates

September 20, 2017

St. Paul City Councilmembers and City Staff:

Housing Justice Center is a nonprofit organization based in St. Paul that is dedicated to expanding and preserving affordable housing. We write today to express our general support for the Ford Master Plan. However, we have serious concerns about the affordable housing component as it is currently written. We do not believe that it meets St. Paul's obligations under the Land Use Planning Act, and we look to the Council to update the Ford Master Plan to reflect the current and projected need for deeply subsidized housing.

As you know, the Land Use Planning Act requires cities to develop a comprehensive plan every ten years. Within that plan, a city must have a housing element, "containing standards, plans and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs." Minn. Stat. 473.859(c). Cities must also have a plan to implement the housing element which "will provide sufficient existing and new housing to meet the local unit's share of the metropolitan area need for low and moderate income housing." Minn. Stat. 473.859 (c) subdiv 4. Cities cannot adopt zoning, site plan regulations, ordinances, or fiscal devices that conflicts with its comprehensive plan. Minn. Stat. 473.865, subdiv. 2.

The current Ford Master Plan conflicts with St. Paul's 2010 Housing Element, a part of the city's Comprehensive Plan, by not planning for any housing at or below 30% of the region's area median income (AMI). St. Paul's housing plan, Section 3.3, sets a goal of providing affordable housing in new production projects. It states,

> For new production, the following affordable housing standards shall hold:
> a. For City/HRA-assisted new rental units, at least 30 percent will be affordable to households earning 60 percent of the AMI, of which at least one third will be affordable to households earning 50 percent of the AMI, and at least one third will be affordable to households earning 30 percent of the AMI.

Page 26. However, even though city-assisted rental units will have to be a significant part of the units built on the site and the city will be contributing to the infrastructure of the development, the current Ford Plan calls for only 20 percent of units to be affordable, 10 percent at 50 percent of AMI, and 10 percent at 60 percent AMI. There is no mention of the 30 percent component.

The City's reasoning for this conflict, as stated in a staff memo entitled, "Affordable Housing Strategy: Ford Site Planning" is, "Ward 3 is already home to approximately 700 publicly-assisted low income and public housing rental units of which approximately 500 are affordable to households at or below 30% of AMI." Memo, pg. 2. While this is accurate, it is important to note the placement and type of housing that is referenced. Almost all of the subsidized affordable housing in Ward 3 is along West 7th Street.. In contrast, the only subsidized housing in the Highland Park area, a wealthier and more pedestrian friendly neighborhood, is a senior high rise apartment building. There are no subsidized family units in Highland Park, an area that has high performing schools, community centers, and many other opportunities for families.

Not only do the Ford Master Plan affordability goals conflict with the Comprehensive Plan, it also does not "provide sufficient existing and new housing to meet the local unit's share of the metropolitan area need" established by Metropolitan Council for this decade or the next.

The established need for affordable housing in St. Paul for the decade between 2011 and 2020 was projected to be 2,625 units. As of 2015, St. Paul had created 832 units, less than halfway to its projected need of 2,625 units. For the next decade, 2021 to 2030, the Metropolitan Council has projected that St. Paul will need a total of 1,973 units. Almost half of those units - 832 or 42% - are needed at or below 30 percent of AMI. Currently, the Ford Master Plan does nothing to plan for this projected need, violating its obligations under the Land Use Planning Act.

While actual construction is many years away, it is vital to begin thinking about affordable housing now. This is one of the largest planned developments that the region will see for decades, and has the potential to spur rapid increases in land and housing costs, making it extremely difficult, if not impossible, to build deeply affordable units. As the enclosed *Shelterforce* article points out, Atlanta's BeltLine was created with a "trickle down" affordable housing philosophy - planning for affordable housing was thought about as a later-stage concern, after most of the other major decisions were made. Unfortunately, it resulted in land prices skyrocketing to a point where it was only affordable to create 800 units of affordability out of a total of 15,000 units.

The City of St. Paul can't put off planning for deep affordability at the Ford site. The Master Plan needs to reflect the City's 2010 Housing Plan and its LUPA obligations by specifically planning for affordable housing at 30 percent of AMI.

We ask that if the City of St. Paul passes the Ford Master Plan, the Council immediately begin preparing to update the affordability goals.

Sincerely,

Lael Robertson
Housing Justice Center

Sustainable for Whom? Large-Scale Sustainable Urban Development Projects and "Environmental Gentrification"

Dan Immergluck - September 1, 2017

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Large, adaptive-reuse, "sustainable development" projects are all the rage these days in urban planning circles. These are projects where large pieces of abandoned or underutilized infrastructure are repurposed as centerpieces of major urban redevelopment initiatives that are couched in the rhetoric of sustainable development.

They bring positive environmental amenities to an area, including added green space, increased walkability and bicycle-friendliness, and more local shopping and retail services.

These projects are often led by local governments or their affiliate agencies and tend to involve substantial public and/or philanthropic subsidy. Examples range from New York's High Line, to Washington, DC's 11th Street Bridge project, to Chicago's 606 Trail.

Over the last twelve years, I have studied and closely monitored one such project, the Atlanta BeltLine, and drawn some lessons from the project, particularly for cities or regions where, overall, the housing market is strong. (These lessons do not apply directly to large-scale projects in cities with declining populations or "weak market" cities. In such cities, home values and rents are likely to be stagnant or declining, and large-scale redevelopment projects that improve the desirability of declining neighborhoods are more likely to be handled without large-scale affordability problems. This is not to say that gentrification or displacement cannot occur in pockets of weak-market cities, but the scale and speed of such change is likely to be more limited.)

I have come to the conclusion that, absent a fundamentally new approach to redevelopment planning that places housing affordability at the center of the process, large-scale sustainable development projects are likely to become engines of what has been termed "environmental gentrification."

The Atlanta BeltLine will ultimately connect 45 Atlanta neighborhoods via a 22-mile loop of trails, parks, and eventually a planned streetcar, all of which will follow abandoned railroad tracks that encircle Atlanta. According to Atlanta BeltLine, Inc., the quasi-governmental agency that is building and administering the BeltLine, as of 2016 the project consists of "four open trails; two trails under construction; seven parks; intensive planning for modern streetcar expansion; more than $3 billion in private economic redevelopment; hundreds of affordable workforce homes; free fitness classes; a linear arboretum; an urban farm; and the largest temporary public art exhibition in the South.

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The BeltLine is being financed by a mix of public sector financing and corporate and foundation philanthropy, at the heart of which lies tax increment financing (TIF). As the BeltLine's principal funding mechanism, the TIF redirects increases in property tax revenues that arise after its establishment to project-related expenses rather than to the regular general revenue budgets of the city, county, or school district. The duration of the TIF in this case is 25 years, which spans from 2005 when it was adopted to 2030 when the project is expected to be fully completed.

Projects like the BeltLine have the power to transform communities so rapidly and dramatically that they call for a new approach to planning and implementation that I call "Affordability First." Contrary to the traditional, rational-comprehensive model of planning in which all aspects of community needs and assets are effectively put on equal footing, the Affordability First approach recognizes that when a project is of such a scale and impact that it has the potential to spur rapid increases in land and housing costs, provisions for preserving significant housing affordability must be put in place *before* other aspects of the project are considered.

The capitalization of expected amenities and improvements into land values is what makes housing different than other pieces of the development puzzle. In the case of these large, paradigm-shifting projects, the resulting level of speculation means land and housing prices will begin to rise well before shovels hit the ground. Without addressing affordability well before groundbreaking, there will be far less ability to provide for inclusive development in which affordable housing remains viable in the long run.

Of course, many sorts of community development efforts are expected to make neighborhoods more appealing to potential renters and homebuyers, and so should be expected to have some (upward) effects on rents and home values. Within some band of moderation, this is not necessarily a bad outcome and may benefit modest-income homeowners. Moreover, traditional community-based development is a challenging and incremental process, and so improvements tend to take place gradually over time. Thus, property values and rents are often affected incrementally and relatively slowly, which (ideally) allows community developers time to produce affordable housing options in the area to maintain the economic and social diversity of the area.

However, in the case of very large scale projects such as the BeltLine, large, *anticipated* increases in rents and values can induce speculation in the area by investors who purchase properties with the specific intent of flipping them (perhaps after some improvements are made, but not necessarily) for a sizable profit. Modest levels of buying-to-sell activity, especially when derelict properties are brought back into useful condition, can be a useful thing (and this sort of activity is often not what critics tend to mean by the term "speculation."). But widespread speculation can rapidly drive up housing costs for both existing and potential residents with the benefits accruing largely to short-term or absentee investors.

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Projects like the BeltLine often become engines of gentrification that transform large swaths of a city into areas that quickly become far too expensive for large segments of the population. Whether via direct displacement of existing residents, who are forced to move due to high rents or property taxes, indirect displacement, where residents no longer feel comfortable in a neighborhood, or just an increase in more affluent in-movers, the impacted neighborhoods become less affordable. Eventually, without ample affordability interventions implemented early on, the affected neighborhoods are likely to become ones of concentrated, segregated affluence. And if this is the end result of a project, one has to wonder, "to what purpose?" or "sustainable for whom?"

In Atlanta, the BeltLine has clearly been an engine of rapid gentrification. Even before groundbreaking in 2011, the BeltLine became the focal point of real estate conversations in the city. In the summer of 2015, the BeltLine frenzy culminated in a large, glossy special edition of "Intown Atlanta," a magazine published by the *Atlanta Journal-Constitution*, that was entirely focused on the BeltLine. The Atlanta multiple listing service, which real estate agents and others use for searching for homes even added a search feature allowing users to select properties "near the BeltLine." At the end of 2016, Atlanta BeltLine, Inc. identified the following outcomes of the BeltLine: over 15,000 housing units, over $3 billion in total development either constructed or underway, and 2 million square feet of new commercial space. Of the 15,000 new units, less than 800 are affordable by the project's standards, which is below 80 percent of area median income.

My research shows that the BeltLine has fueled large housing price increases in nearby neighborhoods, as well. From 2011 to 2015, a home within a half-mile of the BeltLine can be expected to have seen its value rise by somewhere between 18 and 27 percent *more* than in other areas of the city of Atlanta (where prices already averaged increases of 32 percent over this period), depending on which part of the BeltLine the house was near. Most of these increases occurred in the three-year period from 2012 to 2015 when the larger housing market grew stronger. Ultimately, in the face of these impacts, the lack of substantial progress by the Atlanta BeltLine Inc. on affordable housing goals led to the recent replacement of its CEO.

Communities considering large-scale sustainable development projects should begin by recognizing that the amenities provided by such projects are rapidly capitalized into nearby land values, and so can spur higher housing costs very quickly. If effectively complete gentrification is to be avoided and at least some economic diversity is to be retained, housing affordability should be the *central* component of early stage planning for such projects. It is not enough to plan for trickle-down affordable housing development after the project gets up a head of steam. By then, land values will have increased too much, making the preservation and creation of affordable housing very difficult.

Planners and development agencies should adopt the Affordability First approach when planning projects like the BeltLine. Affordability First means beginning by putting in place an effective set of tools that both protect existing residents from rapid rises in rents or property taxes and provide for an ongoing supply of long-term affordable housing in the areas likely to be impacted by the project.

One type of tool that may prove useful is an income-based property tax "circuit breaker," which limits the growth in property taxes paid by lower-income homeowners. (Some circuit breaker programs also provide financial assistance to renters who pay higher taxes via their rent.) Localities may employ property tax deferment programs, which effectively loan low-income homeowners funds to pay large increases in their property taxes; the loan is payable