

Rebuilding Better Neighborhoods

*Strategies for Reimagining Affordable
Housing in Greater Minnesota*

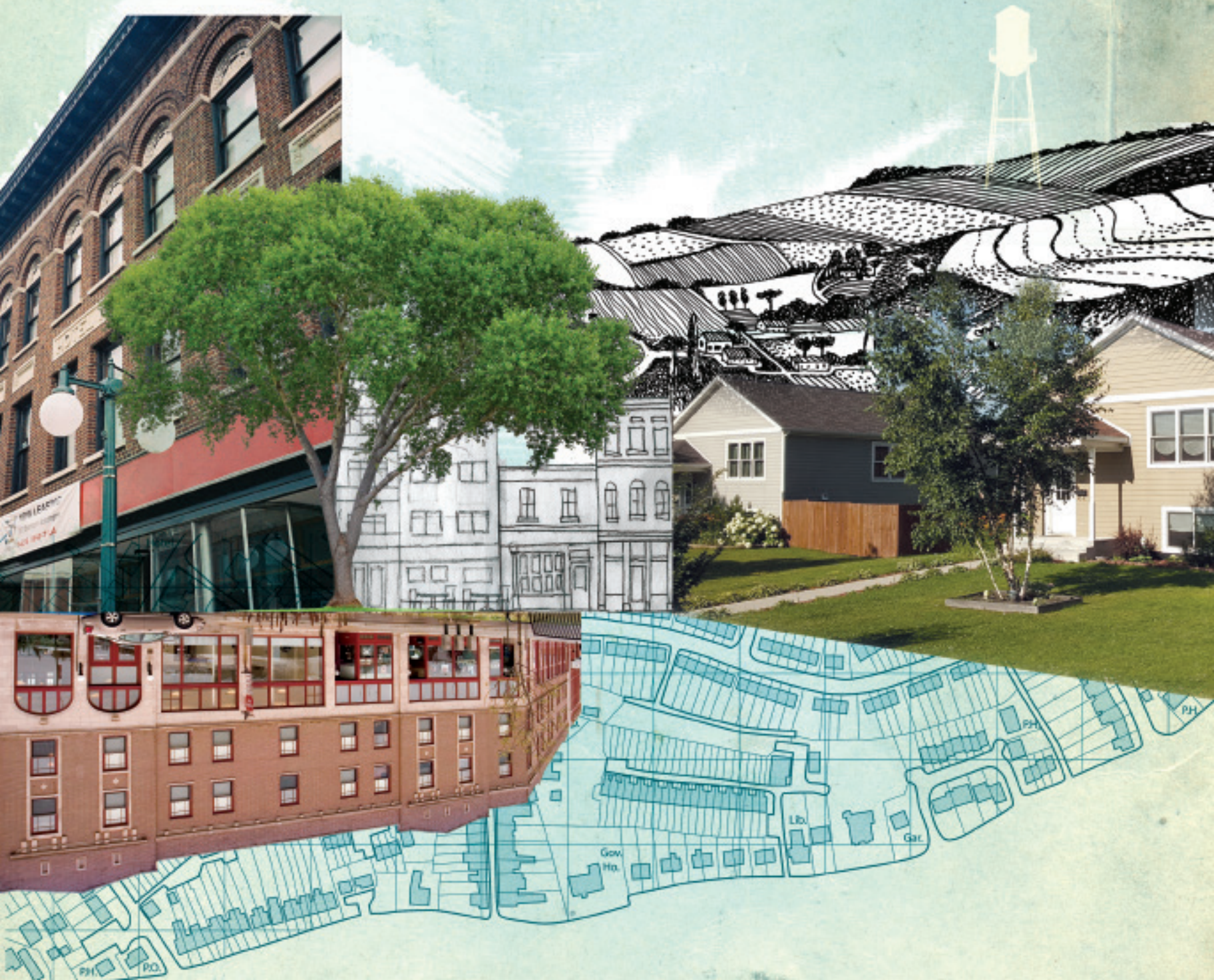




PHOTO: THREE RIVERS COMMUNITY ACTION



PHOTO: FIRST HOMES



PHOTO: FIRST HOMES

PHOTO: WARREN HANSON

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About Greater Minnesota Housing Fund

Greater Minnesota Housing Fund (GMHF) supports the creation of strong communities and affordable homes by making strategic investments and forming effective partnerships. GMHF recognizes that when families and children have safe, stable, affordable homes, children perform better in school, adults land and keep jobs and achieve economic self-sufficiency, and families enjoy better nutrition, less stress, and improved health.

GMHF works to preserve Minnesota's existing affordable housing stock, increase the supply of new affordable housing, remove barriers to successful homeownership, and prevent and end homelessness. GMHF partners with developers and owner-operators as a low-cost lender, and provides equity financing through its nonprofit subsidiaries. Since 1996 GMHF's investments have leveraged over \$1.2 billion in affordable housing development.

Learn more about Greater Minnesota Housing Fund at www.GMHF.com.



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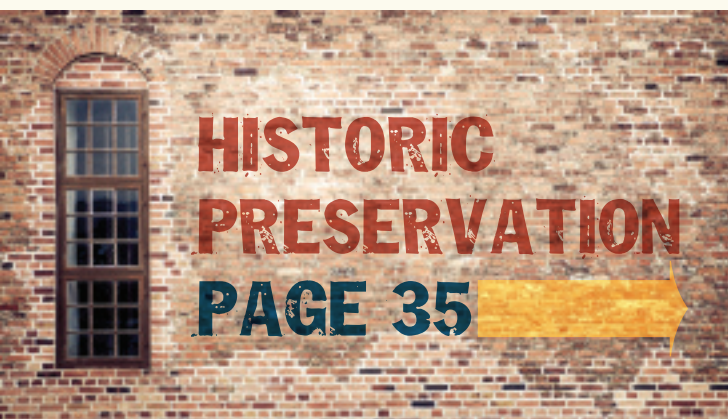
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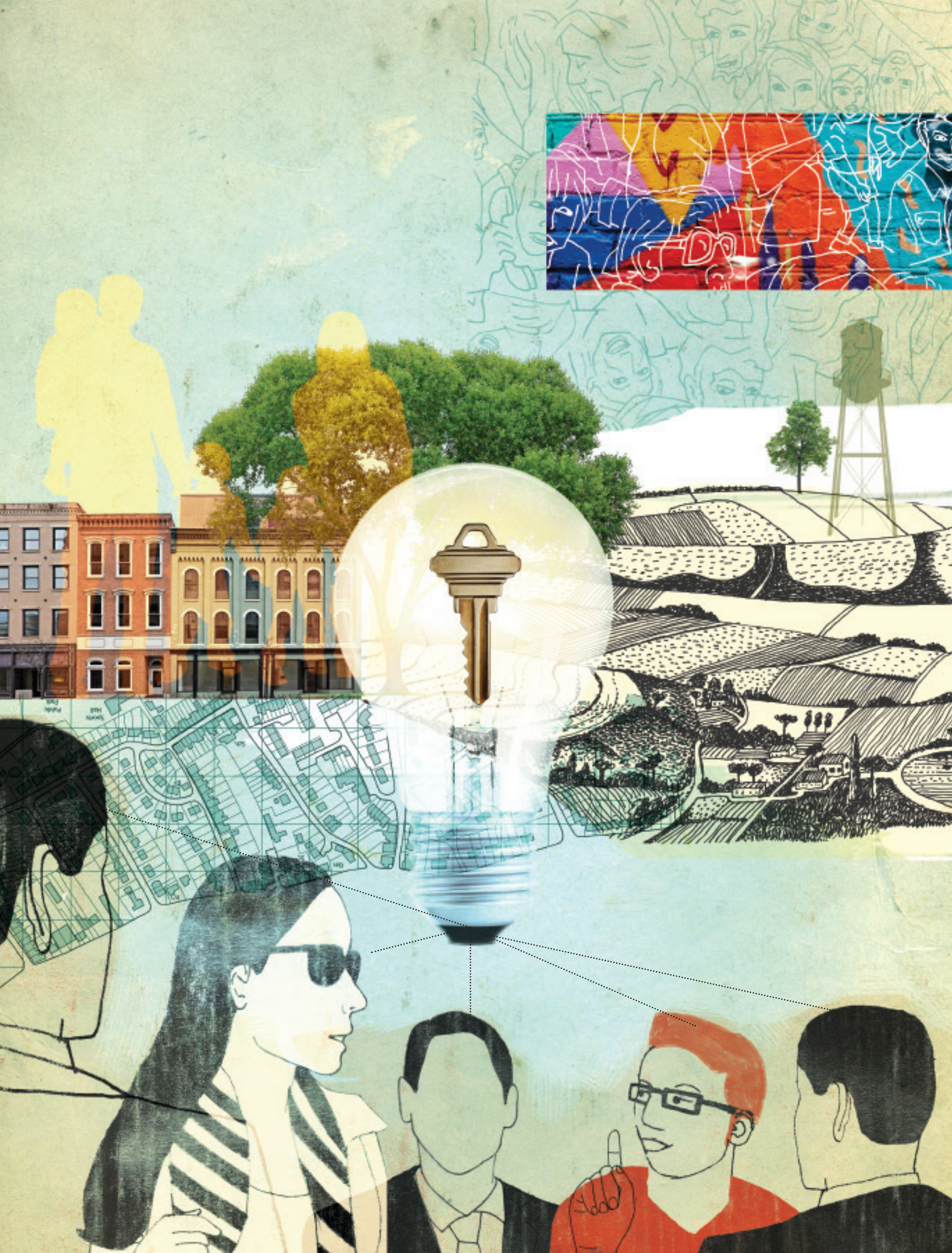
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Introduction

Greater Minnesota Housing Fund's *Rebuilding Better Neighborhoods* offers a series of case studies that provide detailed stories of how Greater Minnesota communities came together to save, renovate and build new affordable housing.

These stories are meant to inspire. They range from the rehabilitation of historic buildings for artists' housing in Brainerd and Fergus Falls to townhouse development in Northfield and Grand Rapids. The case studies are intended to highlight points along the housing continuum, from permanent supportive housing with services, to affordable rental housing, and affordable homeownership.

Programs helping homeowners fix their residences are highlighted in Northfield and Rochester, while a unique effort by Habitat for Humanity of Minnesota called "A Brush with Kindness" does the same on a statewide basis. Some projects have managed to transform not just an individual building or street but an entire neighborhood, as seen in Rochester's Kutzky Park and Heritage Greens in Cambridge.

In some cases the projects described in *Rebuilding Better Neighborhoods* sat dormant for years, even decades. Some properties were simply falling apart after years of disrepair and neglectful management. For newer developments a confluence of favorable circumstances needed to emerge before any affordable housing could be imaginable at their sites.

Despite disparate locations and myriad situations, a group of commonalities can be discerned among the developments. GMHF's funding, a common thread running through the majority of these projects, supports developments like the examples in the case studies because of their potential to transform not simply one building, but a full block, a whole neighborhood, or an entire community.

It is our hope that these success stories will spark new ideas for the potential that lies in your own community.



THEMES:



Lessons learned

In preparing the case studies featured in this report, GMHF uncovered many recurring themes among the projects. These elements include shared foundational values such as good design, permanent affordability, and preservation of local history. They highlight the necessary ingredients for rebuilding better neighborhoods—from engaged partners and committed resources to strong leadership and market-responsive, connected, sustainable communities.

☐ **Strong quality and design inspire further investment.**

Expert and innovative site planning, with attention to the design of private homes and lots as well as to the shared public realm, stimulates nearby private investments by homeowners and builders. Good design begets more good design!

☐ **Collaboration is king.**

Community-wide collaboration and coordination among a mix of partners that includes local government, nonprofits, philanthropy, arts organizations, and faith and business communities, will attract substantially greater resources over time to help realize goals. Excitement comes when new partners rub elbows in pursuit of a common goal like designing innovative new homes, and funders take notice.

☐ **Engaging the local community improves ideas and gains supporters.**

Project partners report that best results come when they enlist early and extensive resident involvement in planning and developing the vision and plan for a site or area. Keeping local residents and business owners informed of development plans in their neighborhoods allows them to understand what is planned and how they can help shape it. Doing so can turn lukewarm neighbors into supporters and will serve the project well should opposition arise.

☐ **Using a comprehensive strategy draws strength from all quarters.**

Gather local experts from different sectors to share the nuances of their industries in order to achieve multiple project goals. Affordable housing can't exist in a vacuum; it should be sited in opportunity areas connected by transit to jobs and services. Engage representatives of community facilities, housing, commercial and small business, and transportation sectors to facilitate cross-sector investments.

- ☐ **Historic preservation restores area pride and character.**
 Reusing older sites in innovative ways is an excellent strategy for embracing landmarks already associated with a community. Preserving historic structures fosters local pride and sense of place, retains character and adds to an area's intrinsic value.
- ☐ **Housing affordability must be intentional.**
 A successful revitalization and reinvestment effort can lead to gentrification that drives up housing prices. Maintaining affordability of area housing requires intentional policies and coordinated efforts. Make housing affordability a core project goal from the outset to ensure project partners maintain focus on it. Doing so requires the use of creative tools to produce affordability.
- ☐ **Integrate economic and community development goals.**
 A regional initiative covering a full neighborhood or city touches and engages every sector of the community in the vision, plan and implementation. Successful communities go beyond the usual suspects and involve homeowners, apartment owners and local businesses to ensure many perspectives are heard.
- ☐ **Artists have the power to transform communities.**
 Whenever possible, include artists in the planning process. A development may or may not include housing designed to meet artists' needs, but they can be catalysts for creativity in any process. Opportunities to incorporate public art abound, but they are most successful when artists are involved from the outset of the process. Artist housing itself is also a change agent by bringing a wealth of creative perspectives under one roof, often resulting in shared space any community can enjoy.
- ☐ **Keep livability at the heart of every development.**
 Encourage community stakeholders to define livability and pin down key goals to drive your planning process to fulfill those aspirations. Depending on the community, livability may mean access to parks and green space, a viable main street, bike-friendly streets, a range of home prices to meet the needs of all families in the community, a welcoming spirit to all households, or other goals that emerge.
- ☐ **Local elected and civic leadership are key stakeholders.**
 Local community-based organizations are highly effective in engaging city, county and state officials in supporting their vision and partnering with civic and business leadership to implement a community development agenda. Local leaders must commit to plans and projects that extend beyond their political cycles and put politics aside while staying true to the original vision of the community.
- ☐ **Market-responsive developments anticipate a community's needs.**
 Housing studies are critical to reveal the emerging needs of a community. Is there a growing homeless population? Are there unaccompanied youth in need of homes? Housing needs vary substantially from community to community. Understanding the need and delivering housing that meets that niche results in a different mix of apartment sizes or home configurations. Getting it right means quick lease-up and, ultimately, project success.
- ☐ **Mixing land uses fosters community.**
 Mixed-use development facilitates access to community facilities and services. Mixed incomes means a variety of home sizes and types, meeting a wider range of housing needs and resulting in a more affordable, diverse, and vibrant community. Targeting neighborhoods close to employment centers and downtowns attracts professionals and families, fosters community connections, and improves walkability and sustainability, all of which contribute to livability.



- ☐ **Private-sector leadership is part of the puzzle.**
Public dollars are insufficient to achieve a full-scale development. When affordable homes are in demand to help local employers fill jobs, local companies are critical partners to enlist as boosters and even sponsors. Major employers can provide strong leadership and a sense of momentum and confidence to the community planning process and potentially bring significant private dollars to a project.
- ☐ **Sustainability should be a priority in the development process.**
State housing regulations mandate minimum thresholds for sustainable features in new developments, a step in the right direction facilitated in part by GMHF's Minnesota Green Communities program. Green and healthy homes contribute to better health outcomes for residents, who benefit from clean air and lowered exposure to toxins associated with conventional building materials. Green features should be embedded in every stage of a project.
- ☐ **Target redevelopment sites close to jobs, services, stores and transit.**
Whenever possible, identify sites that constitute gaps in a community's fabric. Let a new investment stitch together the existing community. Doing so places new opportunities near local job centers and helps revitalize underserved neighborhoods. Local businesses benefit, as do new and existing residents. Build on the existing infrastructure like roads, sidewalks, city water and parks, to maximize public investments and contribute to the longevity of the community.



MONITOR

FINALIZE PLAN
& IMPLEMENT

DEVELOP
VISION

BUILD
CONSENSUS

RECRUIT
STAKEHOLDERS

DEFINE TARGET
AREA

IDENTIFY the
CATALYST

BEGIN

1
2
3
4
5
6
7

Steps to Rebuild Better Neighborhoods

Once the need and will for sustainable community revitalization are established, just how is the vision accomplished? How does a city or town take on such a monumental task?

This chapter offers a “How To” manual for community leaders and residents interested in sustainably revitalizing their community’s older, core neighborhoods.

Here you’ll find the key tasks to be undertaken in a community revitalization process. Keep in mind, not every project requires that each of these seven tasks be completed—and not always in the order presented here, but most are recommended for a successful, enduring development.



PICK A PROJECT THAT MEETS THE NEED

You’ve done your homework. Market research reveals the trends in your community and identifies the needs—you have the information in hand that shows your community has a growing homeless population, or a need for workforce housing to meet the needs of growing employers. You’ve conducted a housing study and understand the types of housing that would be snapped up, if only they were available.

The impetus for a new development in a community can come from many different players. A city may seek more affordable housing due to an influx of families or young workers. A town or a nonprofit may recognize market demand for more senior housing. A nonprofit housing developer may see the potential for new life in a dilapidated building diminished by age and neglect.

As partners gather in support of a winning idea, momentum is gained. The most successful and transformative housing developments bubble up from multi-stakeholder conversations and coalesce around an agreed-upon concept: the restoration of a historic site, a vision for a townhome community, a need for an apartment complex.

Determining when a project needs to happen is important. A good sense of timing for when a project is ripe will lead to more effective fundraising and more community excitement and buy-in. Knowing the goal leads to a vision shared by everyone involved. This can include community reinvestment, preserving the housing stock, preserving affordable housing, mixing incomes, block redevelopment, providing new services to a neighborhood, and pursuing economic development.

2

RECRUIT AND INVOLVE STAKEHOLDERS

Stakeholders will vary depending upon the project, but there are core groups that must be represented to ensure success. Staff and local leaders from the municipality are required, along with planning staff, local residents or others who will be affected by the redevelopment, and other potential funders.

It's important to have a strong team in place guiding the process. This includes the financing partners, city and county government and housing agencies, a developer, an architect, a construction team, and a marketing team. Consider other partners who can bring important perspective to the planning process, such as local employers and philanthropic organizations. You want to have a strong team in place early on to help assess each property or site.

Consider who will most be impacted by the development and invite them into the process. Aim to empower a community rather than act on behalf of a community (Urban Land Institute.)

Strong and effective local leadership is critical to the success of any neighborhood development or redevelopment effort. Sometimes the individuals who become the leaders of a core neighborhood revitalization effort were recognized leaders in the community before the project began: A local government official, a foundation leader, or business executive—the “grasstops.” They may have initiated the effort and then continued to guide it through to completion. But just as often, leadership rises up from the ranks—sometimes from unexpected places: the local café owner, a retired farmer, a concerned parent—the “grassroots.”

They may show up at a meeting, take an interest, and get involved. If their leadership potential is recognized, fostered, and allowed to grow they may end up playing a very crucial role in the community revitalization effort. When an individual with the necessary skills and drive comes to the table and is given the space and resources they need to operate, incredible things can happen for the community.

3

DEFINE THE LOCATION FOR THE CATALYST PROJECT

Whether you are a city planner, a nonprofit developer, or a neighborhood resident, you need to have a well-defined idea of the geographic area you want to address. Perhaps there is an obvious need driving an aspiration to initiate a revitalization project. There may be a blighted area within the community that has been an acknowledged problem for a while and the time is now to address the situation. But do you define the area by traditional neighborhood boundaries or by a smaller sub-area?

Or maybe your community doesn't have official neighborhoods. In this case you may need to establish boundaries for the effort. Sometimes the target is very clear: a historic and abandoned institution in the community—a school or hospital. You know you want to begin there and plan to later revitalize the area around it. Regardless of how your project comes about, some considerations for determining your target area include the following characteristics.

You are likely to have the greatest impact in an older neighborhood, with older housing stock, that is comprised of low- to middle-income residents living in a mix of owner-occupied housing and single- and multi-family rental units. They are located within walking or biking distance to a commercial district with retail and employment opportunities.

Ideally the target area has a group to speak on behalf of the residents. An existing, mobilized group, means people are willing to step up and make decisions for the neighborhood.



Determining the location for the project may be political and contentious. Be prepared for this response with research and facts as to why this is the best location for the development.

Look for opportunities to align with other complementary processes, such as infrastructure investments or area plans.

Once the area is determined, map it. This will become important as the project progresses for everyone involved—especially city staff, local residents, business owners, and funders—to ensure all stakeholders have a shared understanding of the target area.

4

BUILD CONSENSUS IN PARTICIPATORY PROCESS

A genuine and thoughtful neighborhood involvement process requires significant time, but it is time well spent. Start by listening to and engaging local residents. When you gain the trust of local residents, you become partners and build a team of people who can be a great asset to you—as political allies, in marketing the project, and in seeking support (financial and otherwise) for future efforts.

Community revitalization, by definition, occurs in an area where people currently live, have a history, and are connected to the community. Engaging and involving area residents in the process is especially important. In some cases, there may be families that have lived in the neighborhood for generations. Their children and grandchildren grew up and went to school there. Some may have owned a family business in the community. These people know their neighborhood well, sentiments run deep and nostalgia emerges for how things once were—all potential roadblocks to progress.

For these reasons the success of the project depends on the project initiator—the city, housing redevelopment authority, or non-profit organization—taking community involvement seriously and involving residents from the beginning before major decisions are made. The most successful projects are the ones where the community decides what it wants and the project team takes on the role of helping residents achieve their vision.

Some considerations for engaging residents are:

- If the area has a neighborhood association, enlist its involvement.
- If the area does not already have a neighborhood group, you may need to help local residents get organized. Work with the city to create a resident group that can make decisions on behalf of the community.

- Draw in residents who don't typically go to neighborhood meetings—they bring new energy, become expert in the development and political processes, and can become great allies.
- Complete transparency in the process and open communication is key.
- Be genuine. If only token acknowledgment of residents' goals and priorities is made, or if neighborhood involvement is narrow, the project can fail.
- Address "Not in my backyard" (NIMBY) concerns early and with sincerity. Be direct.

If you take your time and do your job well, you will gain the community's trust and support.

5

DEVELOP A SHARED VISION

Whether you're pursuing new construction or rehabilitation of an existing building or buildings, think of your effort as a *revitalization* project. It's a chance to reinvent the neighborhood and make it even better than it once was. Any great community revitalization effort begins with great dreams.

When you ask a resident what their vision is for their community, you may hear a description very similar to what the neighborhood was like in its heyday: Well-kept, updated homes; civic institutions and parks that are maintained and serve the community; a vital, growing business district. They may simply want to get their neighborhood back on track, to bring it back to some semblance of what it once was, thriving and vital again.

The main components in developing a vision statement for a sustainable revitalization project are:

- Capture the core values of the neighborhood—think broadly and think green.

- Conduct visioning exercises and/or surveys to understand what the community as a group wants. Identify the greatest concerns and the priorities.
- Create a vision statement—what do residents want their neighborhood to look like in 10, 20, 30 years? This vision statement should reflect the commonly held values of the community. But don't be afraid to dream big. Get it in writing.

6

FINALIZE PLAN AND IMPLEMENT IT

Work with planning experts to create written and graphic sketches that depict the goals of the redevelopment. Be sure to account for the assets of the community in your plan, particularly the physical assets, such as parks and historic homes, and the public and private assets, such as churches, libraries, and businesses. Put together a working budget that captures the costs of building the project. Determine the sources of funding required. Work with local officials to ensure that your plans may be built as proposed.

Examine and update your zoning code: Is your sustainable community plan simply illegal? City zoning was first legitimized in the U.S. in 1926 as a way to separate incompatible land uses. By establishing land-use types and a range of permissible development options for those parcels, zoning is a means to protect the public health, safety, and welfare.

As you start to investigate and pursue code changes, be prepared for community resistance to them. Some folks really like their community as it is and often respond to change with a NIMBY attitude. But such concerns can be successfully laid to rest if they are addressed early with honest answers. It is also helpful to bring vocal opponents into the discussion during the early planning stages.



7

MONITOR PLAN FOR RESULTS AND ADAPT

Doing neighborhood revitalization is much like putting a puzzle together: Once the various assets are uncovered, they then need to be assembled in just the right way. In the end, the result can be a stunning and inspiring mosaic.

One revitalization effort, for example, may be planned from the outset to involve a patchwork of strategies that includes a paint-up/fix-up project for homeowners, the renovation and reuse of an historic building, and the demolition of a blighted structure to make way for new, energy-efficient, affordable multifamily housing.

Another neighborhood initiative might turn a closed school into affordable and market-rate rental units. A couple of years after the completion of that project, the original project funder may want to initiate revitalization strategies in the surrounding community. Stay alert for such opportunities to improve upon your own development, or to share your successful ideas with a wider area.

Revitalizing core neighborhoods in cities and towns is one of many creative solutions policy-makers and practitioners are pursuing to address these challenges. Many great examples exist, as the case studies in this book attest, but much more can—and should—be done to revitalize Greater Minnesota.

A Closer Look

An
Introduction
to the Case
Studies

What Happens When We Rebuild Better Neighborhoods?

The case studies that follow are examples of successful revitalizations large and small that have been achieved across Greater Minnesota. Each one exemplifies one or more aspects of the Rebuilding Better Neighborhoods principles. The actors—nonprofits of various sizes, private real estate developers, philanthropic entities, public agencies, city planners, individual champions—whose efforts are described on the following pages are the heroes of this story. They are Minnesota's community development visionaries with tangible achievements to celebrate.

Every one of the developments profiled in the case studies has accomplished great things: They've brought life to faltering neighborhoods. They've retained employers who would otherwise have moved to more enticing locations. They've brought about the revitalization of communities and the preservation of affordable, decent housing. And their efforts, in turn, have gone so far as to save lives and restore dignity to others.

The case studies encompass many approaches. Some are defined by their pursuit of green, sustainable features. Others prioritize historic preservation. Some are built to house people who have struggled with homelessness. Others were built with an eye toward the needs of lower-income artists and their families. Some programs were designed to assist immigrant households. Some of the projects improve individual homes one at a time while others target neighborhoods, cities, or even entire regions.

You'll find new developments as well as rehabs, single-family and multifamily developments, adaptive reuse of existing buildings and cases where old buildings are torn down to make way for something new. And there are examples from every corner of the state.

All of the organizations have coordinated a host of investments to bring their creative work to fruition. They've partnered with dozens of employers, philanthropic organizations, municipal, county, state and federal agencies, bringing together the best minds to employ the best practices. The overall result is stronger families, stronger businesses, and stronger, healthier communities. Their collective work is engrained in Minnesota's communities.

Case Studies

Category Legend



Region



*Community
Size*



*Single-Family
Homes*



*Apartments or
Townhomes*



*Rehabilitation
of Existing Housing*



*New
Construction*



*Green
Features*



*Historic
Preservation*



*Serving Homeless/
Special Needs*



*Meeting Needs of
Immigrants/Tribes*












*Meeting Needs
of Artists*



*Regional
Initiatives*

Project matrix

Dominant Revitalization Strategy	Development Name	City	Region	Community	
				S = <5K M = 5-25K L = 25K+	Single-Family Homes
					
Infill Development	New San Marco Apartments, page 20	Duluth	NE	L	
	Sibley Park Apartments, page 24	Mankato	SE	L	
	Spring Creek Townhomes, page 26	Northfield	SE	M	
	Viking Terrace Apartments, page 30	Worthington	SW	M	
Historic Preservation	Franklin Arts Center, page 36	Brainerd	Central	M	
	Grand Plaza, page 40	Grand Rapids	NE	M	
	Graystone Hotel, page 44	Detroit Lakes	West Central	M	
	Kaddatz Artist Lofts, page 48	Fergus Falls	West Central	M	
	Upper Post Veterans Community, page 52	Fort Snelling	Metro Area	L	
Homeowner Rehab	A Brush with Kindness, page 58	Statewide	Statewide		
	Emerging Markets Initiative, page 62	Southeast Minnesota	SE	L	
	Home Matters, page 64	Northfield	SE	M	
	Red Lake Homes, page 68	Red Lake	NW	S	
	Sunrise Villa, page 72	Cannon Falls	SE	S	
Neighborhood Revitalization	Crystal Lake Estates, page 76	Grand Rapids	NE	M	
	Heritage Greens, page 80	Cambridge	Central	M	
	Kutzky Park, page 84	Rochester	SE	L	
	Park Row Crossing, page 88	St. Peter	SE	M	
	Steve O'Neil Apartments, page 90	Duluth	NE	L	

<i>Apartments or Townhomes</i>	<i>Rehabilitation of Existing Housing</i>	<i>New Construction</i>	<i>Green Features</i>	<i>Historic Preservation</i>	<i>Serving Homeless/ Special Needs</i>	<i>Meeting Needs of Immigrants/ Tribes</i>	<i>Meeting Needs of Artists</i>	<i>Regional Initiatives</i>
								

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Infill Development

New San Marco Apartments
Sibley Park Apartments
Spring Creek Townhomes
Viking Terrace Apartments





Region

Community
SizeApartments or
TownhomesNew
ConstructionGreen
FeaturesServing
Homeless/
Special Needs

New San Marco Apartments, Duluth

Off the Streets and Out of Harm's Way

NEW SAN MARCO APARTMENTS

AT-A-GLANCE

POPULATION OF CITY: 86,293

TARGET AREA OF REVITALIZATION:

Urban infill site

UNITS: 70 efficiency units

TARGET POPULATION: Formerly long-term homeless and individuals struggling with substance abuse

TIME FRAME: 2006–2007

INITIAL COSTS: \$9.2 million

PROJECT PARTNERS: Center City Housing Corporation, City of Duluth-HOME, CHUM, Corporation for Supportive Housing, Duluth Local Initiatives Support Corporation (LISC), Federal Home Loan Bank of Des Moines, Greater Minnesota Housing Fund, HUD Supportive Housing Program, Minnesota Housing, National Equity Fund

KEY STRATEGIES: Neighborhood revitalization, blight removal, infill development, green and healthy homes, permanent supportive housing for homeless

THE COMMUNITY AND ITS HISTORY

Duluth is a port city on the shore of Lake Superior with historic roots in the mining, forestry and shipping industries. The city has several colleges, a University of Minnesota campus, and a vibrant nonprofit culture.

Like many urban areas, Duluth struggles to address the needs of residents suffering from homelessness and alcoholism or chemical dependency. The concept behind the 70-unit New San Marco Apartments was to create a place where people suffering from homelessness and/or addiction could find refuge and supportive services to help them confront the challenges in their lives. Even the location, at the site of a former rooming house without services, appears to be reflective of where the residents may have wound up without San Marco.

The developer cobbled together an impressive list of a dozen funders and financiers, with the largest amount, nearly \$6 million, coming from private investors through the National Equity Fund, while government money from three funds each provided \$500,000.

THE STRATEGY

Center City Housing Corporation, started in 1986, has established a reputation as Duluth's leading nonprofit developer. The company currently owns 18 apartment buildings with more than 611 units of affordable housing. Center City worked closely with architects at LHB to develop New San Marco Apartments as two residential wings covering a corner lot.



PHOTO: AARON HOLMBERG

PHOTO: CENTER CITY HOUSING CORP.

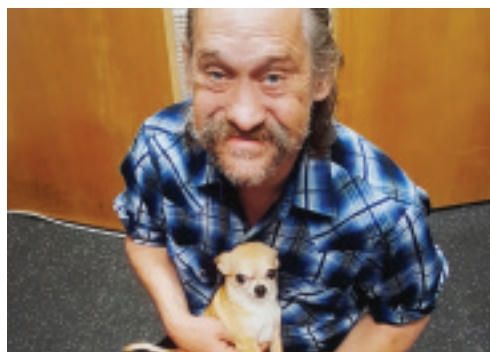


PHOTO: AARON HOLMBERG



PHOTO : JILL MAZULLO

The largest section, with 40 units, houses residents who have been chronically homeless for anywhere from one to three years. A second section of 30 units is occupied by single adults suffering from substance addiction. Amenities include enclosed courtyards, lounges, a dining area, and a front desk staffed 24 hours a day.

Assisted by funders interested in having sustainability incorporated into the project, New San Marco became a pilot for Minnesota Green Communities, an initiative sponsored by GHMF in conjunction with Enterprise and Family Housing Fund. The red brick apartment complex has lots of daylighting, energy-efficient lighting and controls. Apartments and common areas have Energy Star appliances and outside, low-maintenance landscaping requiring no irrigation. Steam heat and hot water systems save money. Collectively the building uses 32 percent less energy than the state building code requires.

The New San Marco Apartments allows individuals to drink on the premises in safe surroundings. The “harm reduction” strategy removes people from the dangers of living on the streets where they may be treated as public nuisances and vagrants while also giving them a secure place to live.

That does not mean residents have no supportive services. Duluth’s Center for Alcohol and Drug Treatment (CADT) and the Human Development Center (HDC) both provide mental health treatment and alcohol and chemical dependency recovery services onsite to residents. New San Marco residents are encouraged, but not required, to receive treatment.

Residents must be income-qualified for the housing; they turn over their Social Security disability checks to the staff, keeping \$100 for incidental purposes. The rents are roughly \$1,500 a month, compared to \$300 a day for a stay in a detox facility. The residents, many of whom are Native American, are provided three meals a day. A staff nurse helps them keep track of medications.

While drinking is allowed, staff encourage residents to moderate consumption and many do, switching from hard liquor that’s easy to carry on the street to beer and wine. Some drink every day; others don’t drink for days. The road to recovery is not easy. (Stories from residents are captured in the film “No Losers,” available on YouTube.)

THE RESULTS

Gary Olson, who runs the Center for Alcohol and Drug Treatment, told the *Duluth News Tribune* in 2017 that New San Marco represents a first step on the road to recovery for some, and a safer environment for all.



PHOTO: AARON HOLMBERG



He noted that the loss of Duluth's inexpensive, one-room housing to urban renewal, paired with the closing of Minnesota's state hospitals, resulted in an increase in homelessness.

"The combination of those two things really forced a whole population of these public inebriates into homelessness, and because of their homelessness and their alcoholism, they were dying at an alarming rate. The treatment model we were using was not effective," Olson said.

Rick Klun, Center City's executive director, sees a remarkable impact both on society and on the individuals who live in New San Marco. "What it means to the city is there are cost savings and efficiencies with law enforcement, the judicial system, the emergency room and detox," he says. "It has provided safety, dignity, an environment where they can work on alcoholic-related issues, have three meals a day, and have the opportunity to get help with addiction or non-addiction issues."

Living in a place where people accept you is another important attribute. "They are not judged about their life relating to alcohol," he says.

LESSONS LEARNED

Infill brings attractive building to blighted corner.

New San Marco represents an excellent example of infill development and blight removal. "It was one of the most blighted and crime-ridden neighborhoods in Duluth," says Klun. Center City had to educate neighbors, law enforcement, the business community, taxpayers and providers about their work with residents.

Harm reduction model puts safety first. The 12-step community was not excited about allowing a place that put few controls on drinking by alcoholics until they learned more about harm reduction. The business community learned that when alcoholics have a home instead of living on the streets they are much less likely to be problem citizens who publicly urinate on private property, panhandle, or sleep on the streets. A thick skin is necessary to deal with potential criticism that comes with such a novel approach to homelessness and alcoholism.

Green and healthy housing translates to energy savings.

The result offered some of Duluth's most troubled residents permanent affordable housing designed to be green and healthy. The use of sustainable materials and energy-saving measures also helped keep operating costs lower than those of buildings of similar size.



Region

Community
SizeApartments or
TownhomesNew
ConstructionGreen
FeaturesServing
Homeless/
Special Needs

Sibley Park Apartments, Mankato

Apartments Anchor a New Riverfront Community

SIBLEY PARK APARTMENTS

AT-A-GLANCE

POPULATION OF CITY: 41,720

TARGET AREA OF REVITALIZATION:

Former concrete plant on Minnesota River

TIME FRAME: 2005–2013

INITIAL COSTS: \$11.1 million

PROJECT PARTNERS: City of Mankato, Greater Minnesota Housing Fund, Minnesota Department of Employment and Economic Development, Minnesota Housing, Natural Resources Grant, Neighborhood Works, Southwest Minnesota Housing Partnership, Wells Fargo

KEY STRATEGIES: Redevelopment of industrial site, Green Communities criteria, core neighborhood development

When the plant closed, city officials launched an ambitious redevelopment plan to transform the area into a new neighborhood that would connect to Sibley Parkway and boast a riverwalk overlooking the Minnesota River, as well as good connectivity to downtown and transitways. The city's plan called for multifamily housing mixing market rate with one building devoted largely to affordable units.

Southwest Minnesota Housing Partnership (SWMHP) agreed to develop Sibley Park Apartments, with 53 affordable units falling under the Low Income Housing Tax Credit program. Six more units were targeted to homeless families. A housing study revealed that filling those apartments would not be an issue.

In surveying several years of data on Mankato's housing market, Community Partners Research Inc. reported in 2013 that despite "continued growth in the rental unit inventory, vacancy rates remain low, consistent with previous rental surveys." The organization reported that the citywide rental vacancy rate was less than 1 percent, the moderate tax credit units was 2 percent, but all vacancies in that category could be found in one project.

Paul Vogel, Mankato's director of community development, says the city never owned the land and had little involvement outside of the zoning. The area was zoned for multifamily housing but not focused in particular on affordable housing. Yet when Southwest Minnesota Housing Partnership stepped forward with a proposal for affordable housing, the city liked the concept and approved it, he says. The apartment building, the first developed on the river on the grounds of the former concrete plant site, opened in 2013.

THE COMMUNITY AND ITS HISTORY

Mankato is a vibrant regional shopping, educational and entertainment center for southwest Minnesota. For decades the city's riverfront was far more industrial than residential, with the 64-acre former Hanson Concrete dominating a significant stretch of the Minnesota River west of Highway 169.



PHOTO: SOUTHWEST MINNESOTA HOUSING PARTNERSHIP

THE STRATEGY

The city's strategy for the site was to zone a new, dense neighborhood for Mankato. Affordable housing fit into the scheme for the site, says Vogel, even if it was not sought after by the city. "The entire project was really Southwest's from start to finish and we have only positive things to say about how well it went," Vogel says. "There was no real opposition to affordable housing that we saw. The project had good community support."

The apartment building was constructed using green principles of architecture. "Green housing makes sense for so many reasons, for tenants and for owners," according to SWMHP chief executive officer Rick Goodemann, as quoted on the Greater Mankato Growth website in 2012. "We've seen reductions in operating costs, improved health among residents due to better ventilation and moisture control, and increased resident satisfaction in properties with green features. Sibley Parkway Apartments will be an asset to the Mankato community."

THE RESULTS

Sibley Park Apartments—with a variety of one to three bedroom sizes—leased up the day it opened. That did not come as a surprise to Vogel, the developer and others who have recognized the need for more affordable housing in Mankato for years. The waiting list for Sibley remains long, over 100 households, with little turn-over and greater income stability.

The success of the first apartment building had an added advantage: Reluctant developers who did not want to be the first in at the site now are greatly interested. The city has received several proposals for market-rate apartments and townhouses along Sibley Parkway. An urban neighborhood is taking shape. "Sibley Park Apartments really opened the door to others who see the river and this site as very viable for apartment and townhouse living," Vogel says.

LESSONS LEARNED

Local developer, local insight. Sibley Park Apartments went smoothly in every respect. Southwest knows Mankato well and manages several other buildings in the city. Having a developer who knows the local landscape well is important, Vogel says.

Proper zoning smooths the way. The city had zoned for multifamily housing prior to having any proposals on the table. That set the stage for affordable housing with less of a chance of community opposition. Having the property zoned correctly for multifamily housing helped attract a developer and ease the process.

Market study made the case. The market study helped convince city leaders to allow for more affordable housing projects beyond this development. Mankato still needs more affordable housing, as does much of Greater Minnesota. But Sibley Park Apartments is a good start.



Spring Creek Townhomes, Northfield

Region

Community
SizeApartments or
TownhomesNew
ConstructionGreen
Features

City Makes Most of Troubled Parcel

SPRING CREEK TOWNHOMES

AT-A-GLANCE

POPULATION OF CITY: 20,445

TARGET AREA OF REVITALIZATION:

City-owned parcel

TIME FRAME: 2008–2013

INITIAL COSTS: \$6.2 million

PROJECT PARTNERS: City of Northfield, First National Bank of Northfield, Greater Minnesota Housing Fund, Minnesota Housing, National Development Council Equity Fund, Northfield Housing and Redevelopment Authority, Three Rivers Community Action

KEY STRATEGIES: Diverse funding sources, green and energy-efficient construction

The housing crisis unfolded in 2008 and 2009, leaving many developers financially troubled. Many large tracts were left in foreclosure and ownership transferred to banks. Meanwhile, the city saw only one market-rate rental project built from 2005 to 2010.

In 2008, the Northfield Housing and Redevelopment Authority bought a troubled 20-acre parcel from a developer at an attractive price. The location proved to be within a mile of schools, a senior center, human services, and Head Start. But it would be some years before development would actually begin.

A 2012 Housing Study by Community Partners Research reported Northfield's population rose 16.7 percent, with households increasing 28 percent. The city's minority population grew to 15 percent, with the majority renting and not owning their homes.

High rents weren't helping—44 percent of renters were paying more than 30 percent of their income on rent. The survey revealed low vacancy rates in the rental market, in particular units with subsidies for tenants and those built using Low Income Housing Tax Credits. Few three- and four-bedroom rental units even existed. The housing study recommended building between 36 and 40 new subsidized rental units through the Low-Income Housing Tax Credit Program.

The HRA tapped Three Rivers Community Action, an established affordable housing and services provider, to develop and manage the project. The organization has an exceptional reputation, having developed 570 units and generated \$63 million of investment in the region.

THE COMMUNITY AND ITS HISTORY

Home to Carleton College and St. Olaf College, Northfield is a lovely town about 50 minutes south of the Twin Cities. It has a thriving downtown, 35 parks, and a growing population that jumped nearly 17 percent from 2000 to 2010.



PHOTO: THREE RIVERS COMMUNITY ACTION



THE STRATEGY

Three Rivers Community Action designed Spring Creek Townhomes in 2011 while putting together the financing. The idea was to create larger apartments for the many families who were struggling to find affordable housing in Northfield.

Three Rivers worked to bring together a host of funding sources. The HRA donated the land. The city of Northfield offered \$1 million in tax increment financing. Greater Minnesota Housing Fund provided a \$4.6 million construction loan.

Minnesota Housing awarded Low Income Housing Tax Credits. More than \$5 million in equity was raised by the National Development Council Corporate Equity Fund, a frequent partner of Three Rivers. The First National Bank of Northfield also provided financing.

THE RESULTS

The 28 townhouses include four two-bedroom units, 20 three-bedroom units, and four four-bedroom apartments. The complex has spacious rooms, attached garages, plenty of storage, and two bathrooms in every unit.

All the apartments house families earning less than 60 percent of the area median income. Many of the households are headed by single women, and many residents are people of color and have disabled family members. The property houses at least 50 children.

Rents run from \$705 to \$865 a month, several hundred dollars less than comparable townhouses or single-family homes in Northfield. The complex has a waiting list of over 30 families.

Spring Creek has several notable green features. The apartments have Energy Star appliances, feature green building design and received LEED Silver certification (a designation of the U.S. Green Building Council). It was the first Three Rivers Community Action project to meet both the LEED and Minnesota Green Communities' standards.

Susan Strandberg, the nonprofit's community development officer, says the impact of the townhouse development cannot be underestimated. "I think the fact that they were able to rent them up quickly speaks to the need for larger, affordable homes in Northfield," she says. "People were ready to move in the day they were finished."

Strandberg continues: "People driving past notice Spring Creek. It's a beautiful development that has architectural detail, nice colors, and an attractive presence."

Spring Creek Townhomes employed community-based planning along with strong local, state and national financial resources. In looking at construction, Three Rivers chose sustainable materials and pursued LEED certification to demonstrate that green principles can work in affordable housing.

LESSONS LEARNED

Research showed larger units were needed. Northfield demonstrated the need for multi-bedroom housing through a housing research study. The study showed how expensive housing had become and how little was available for families.

The city bought land when price was right. The city of Northfield used the recession to purchase land at bargain prices, with an understanding it would be used someday for affordable housing. Taking advantage of market conditions can reduce the cost of future projects.

Every project informs even experienced developers. "We grew through this project and learned a great deal as an organization," Strandberg says. "We're proud of it, and so are the residents. It's a real asset to the community."



Viking Terrace Apartments, Worthington

Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingGreen
FeaturesMeeting Needs
of Immigrants/
Tribes

Healthy Housing Scores Energy-efficient Mortgage

VIKING TERRACE APARTMENTS

AT-A-GLANCE

POPULATION OF CITY: 13,136

TARGET AREA OF REVITALIZATION:

Apartment preservation

UNITS: 60 1BR, 2BR and 3BR apartments

TIME FRAME: 2006–2017

INITIAL COSTS: \$4.7 million

PROJECT PARTNERS: City of Worthington, Enterprise, Greater Minnesota Housing Fund, Minnesota Green Communities, NeighborWorks America, Southwest Minnesota Housing Partnership, Worthington Housing and Redevelopment Authority, Worthington Regional Economic Development Corp.

KEY STRATEGIES: Tenant input, diverse funding sources, green and energy efficient construction, cost benefit approach, collaboration with researchers

THE COMMUNITY AND ITS HISTORY

A mid-sized city in southwest Minnesota, Worthington serves as a regional retail and commercial center with extensive agriculture and food processing. Over the past two decades it has become a magnet for immigrants speaking more than 20 languages and 50+ different dialects.

Built in 1978 as a HUD Section 236 apartment complex, the three-building Viking Terrace Apartments offers one-, two-, and three-bedroom units in an attractive, single-family neighborhood close to transit, parks and jobs.

The three-story complex represents Minnesota's changing demographics, where two-thirds of the residents are immigrants, many from Ethiopia and Eritrea, and the rest largely Hispanic and Vietnamese.

Entering its third decade, the 60-unit Viking Terrace was showing signs of decline. The apartments needed renovation; the HVAC system was not properly maintained. The indoor environment was considered unhealthy. Plastic wrap protected parts of the exterior where materials had collapsed. The foundation was compromised. The parking lot had cracks that could turn ankles.

THE STRATEGY

Southwest Minnesota Housing Partnership (SWMHP) purchased the property and arrived at an approach to renovate it by employing sustainable principles that would lead to a healthier environment and less energy use. The financial



PHOTO: LLOYD MANAGEMENT



operations would be modernized and restructured to allow the apartment complex to operate in a sometimes difficult funding and tax situation.

In pursuing greener living and healthy design, SWMHP decided to use Viking Terrace as a pilot for Minnesota Green Communities, a program developed by Greater Minnesota Housing Fund and Enterprise Community Partners.

One of the primary issues in any older building is heating and cooling. Thinking of what would have the greatest impact, SWMHP drew up a bold plan to install a \$630,000 geothermal system, a cost that could have paid for another 12 units of affordable housing. Geothermal uses the earth's warmth to heat and cool living spaces but requires extensive excavation and expensive venting systems.

State officials balked at the proposal before finally approving it. Workers replaced the apartment's flat roofs with steel and added gables to better shed water and reflect solar heat. Long lasting fiber cement siding was added to the exterior for durability and attractiveness. The renovation even added new outdoor walkways, a new playground, trees, outdoor grills, and seating.

SWMHP tested and remediated for radon indoors. It replaced aging appliances with Energy Star models and leaky faucets with new energy saving fixtures. Whole unit ventilation systems bring fresh air to apartments. Low VOC paints, adhesives, and sealants make for a healthier indoor environment.

The geothermal system remained a point of contention until the launch of Minnesota Green Communities. With the program's financial assistance the geothermal proposal won state support and moved forward.

As part of the package, GMHF gave Viking Terrace a unique additional \$100,000 "energy-efficient mortgage," allowing its payback to come from energy savings on fuel bills. It was the first such mortgage in the state and one that other agencies and nonprofit building owners now use to help pay for improvements.

PHOTO: THREE RIVERS COMMUNITY ACTION



THE RESULTS

One of the primary advantages of employing green renovation strategies, materials, and techniques came in the form of much healthier residents. The National Center for Healthy Housing did extensive interviews with residents before and after the project's completion and found striking results.

The number of adults reporting good or excellent health doubled the year after the project's completion. Respiratory ailments and ear infections among children dropped from 15 percent to four percent. Residents suffered less hay fever, hypertension, asthma and sinusitis.

The University of Minnesota's Center for Sustainable Building Research tracked the progress at Viking Terrace and found after the renovation a 39 percent reduction in carbon dioxide emissions and a 46 percent decrease in total energy use. VOCs and radon fell below minimum health risk through mitigation efforts and improved ventilation systems.

Encouraging collaboration among developers, financiers, health professionals and academicians leads to more compelling and provable outcomes. Viking Terrace's \$900,000 of additional green costs and the reductions in energy costs, as well as improvements in health among residents, have made it among the most studied affordable housing projects in the nation in recent years.

LESSONS LEARNED

Integrate green early. Inviting residents to design charrettes to gather their input provides great opportunities to understand their needs and create support for renovation plans. Incorporating green elements collaboratively during the design and construction bid process leads to more accurate assessments of the cost. A cost/benefit approach works to sell potential funders on the project, especially when relatively new technology will be employed.

Patience required. Persistent, innovative financial partners willing to take risks on green communities are required—in part to show those techniques and technologies are not risky and should be deployed in future projects. Energy efficiency pays off and makes sense for the long term, even if it demands higher upfront costs.

Data tells the tale. By capturing data in the years after completion developers can show how 'going green' costs little per unit—two to three percent on average—while offering large declines in energy consumption and even routine maintenance. Green and healthy design retrofits are proven to save money if done carefully.

Refinement needed on mortgage product. The initial energy-efficient mortgage anticipated energy savings that were not fully achieved, requiring refinement of the model for future applications.

HISTORIC PRESERVATION

FRANKLIN ARTS CENTER

GRAND PLAZA

GRAYSTONE HOTEL

KADDATZ ARTIST LOFTS

**UPPER POST VETERANS
COMMUNITY**





Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingHistoric
PreservationMeeting Needs
of Artists

Franklin Arts Center, Brainerd

Historic Junior High becomes a Haven for Artists

FRANKLIN ARTS CENTER

AT-A-GLANCE

POPULATION OF CITY: 13,000

TARGET AREA OF REVITALIZATION: Former junior high school

UNITS: 25 live/work units

TARGET POPULATIONS: Low-income artists

TIME FRAME: 2004–2008

INITIAL COSTS: \$8.4 million

PROJECT PARTNERS: Artspace, Blandin Foundation, Brainerd Lakes Area Development Corporation, Brainerd Public Schools, City of Brainerd, Crow Wing County, Greater Minnesota Housing Fund, Miller Dunwiddie Architects, Minnesota Department of Employment & Economic Development, National Equity Fund, National Park Service/Minnesota State Historic Preservation Office, U.S. Bancorp

KEY STRATEGIES: Mixed-use, historic preservation, adaptive reuse, organizing artists

THE COMMUNITY AND ITS HISTORY

The town of Brainerd originally sprung up when Great Northern Railway picked a rugged spot to build a bridge across the Mississippi River in the 1800s. The town grew from that decision into a city that has become a gateway to the Central Lakes district of Minnesota.

Franklin Junior High School is a V-shaped, 146,000 square foot building located on a steep bank near downtown Brainerd that educated children from the 1930s until the 2000s. The city's school district decided at that time that the building had become too outdated and too expensive to attempt to remodel.

THE STRATEGY

The school district's community education director formed a citizens committee and held a series of brainstorming sessions and planning meetings. Consensus grew around the concept of turning the building into an arts center.

The school district and citizens committee knew little about arts housing, so it turned to Minneapolis-based Artspace, the nation's leading developer of housing for the arts. Artspace has completed more than 50 projects around the country, including several in smaller cities such as the Kaddatz Artist Lofts in Fergus Falls (see p. 48).

Greg Handberg, senior vice president of properties at Artspace, said the organization needed about \$750,000 to plan a restoration of the building. "We don't bring a bank





account to the table but we do help communities, sharing in the responsibility to raise money,” he says. Blandin Foundation, the school district, and other funders stepped up to pay for the initial planning stage.

One of the first steps was to survey the local creative community to determine if there was sufficient interest in artist housing and in the concept of having a retail section in the old school. While Artspace found it challenging to locate artists dispersed in a large geographic area the results revealed support and interest for arts housing, Handberg says.

Money was raised from nine funders while other organizations stepped forward to finance the project. Miller Dunwiddie Architecture signed on to design studios, space for arts organizations, and 25 live/work apartments for artists in former classrooms. The school district continues to operate the gym and auditorium, a 36,000 square foot space, making it available for community events.

In 2008 the Franklin Junior High School re-opened as the Franklin Arts Center.

THE RESULTS

The question of whether there were enough artists and arts organizations to fill the space was soon answered. All 37,775 square feet of artist studios and commercial space filled prior to the building’s opening with arts organizations, artisans, arts-friendly organizations, and creative businesses. The rest of the building consists of the live/work studio spaces that quickly leased.

“I think that for a town the size of Brainerd to have a resource like this is pretty amazing,” says Lisa Jordan, executive director of Crossing Arts Alliance. “That a building would be devoted to the arts in a city of 13,000 is a stretch in most places.”

Visual artist Marty Nelson has lived in the Franklin Arts Center for years. “I’ve made friends with other artists and done some projects with them,” he says. “I’ve been in charge of the resident art gallery and we’ve brought artists in from the Twin Cities and from around the country. It strengthens our community by bringing in artists from elsewhere.”

One downside of the Franklin Arts Center is its location across busy Highway 210 from downtown Brainerd. The highway is a barrier to connecting to downtown and making linkages to the city’s nascent retail and restaurant scene. And the arts center has not enlivened its surroundings much because it is not in a retail area or on a downtown street, Handberg noted.

The somewhat isolated site in a residential neighborhood has put a damper on the developmental synergy Artspace typically sees in other developments, including the art center it created in Fergus Falls.

Still, the project remains an asset to both the artistic community and the school district, a historic reminder of the importance of education and the arts in Brainerd.

LESSONS LEARNED

Community input is a lever. Without the initial push of the school district’s progressive vision of collecting community input the Franklin Arts Center would never have happened.

Planning grants help. Even small cities have access to foundation money and development expertise that can pay for national experts such as Artspace to lend financial, management, and marketing expertise, says Handberg.

Artists are catalysts. Artists can help revitalize communities by saving old buildings and committing to living and working in them. Old schools can easily find new uses vital to communities.

Perseverance matters. “The final thing I would say about this project, and projects like it, is that they take a lot of time and patience,” says Handberg. “They’re not easy but there’s a real sense of accomplishment when they’re completed.”



Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingNew
ConstructionGreen
FeaturesHistoric
Preservation

Grand Plaza, Grand Rapids

Residential Revival of a Former Hospital

GRAND PLAZA

AT-A-GLANCE

POPULATION OF CITY: 11,000

TARGET AREA OF REVITALIZATION:

Defunct county hospital

TARGET POPULATION: Seniors and families with children; renters and homeowners

TIME FRAME: 2006–2016

INITIAL COSTS: \$8 million

PROJECT PARTNERS: City of Grand Rapids, D.W. Jones, Inc., Greater Minnesota Housing Fund, Habitat for Humanity Minnesota, Helenske Design Group, Itasca Housing and Redevelopment Authority, Metro Plains Development, Minnesota Housing, Veronyak Builders

KEY STRATEGIES: Adaptive reuse, historic preservation, new construction

THE COMMUNITY AND ITS HISTORY

A former logging town, Grand Rapids today is a retail center for Itasca County and a gateway to the region's more than 1,000 lakes. The city has a diversified and thriving economy mixing manufacturing with tourism.

The 14.2-acre Itasca Memorial Hospital in Grand Rapids was abandoned after being in operation for almost 90 years. The buildings and grounds were deserted in 2004 after the Grand Itasca Clinic and Hospital opened at a different site, rendering the Memorial obsolete.

THE STRATEGY

Located in the heart of Grand Rapids with exquisite views of the Mississippi River, the old hospital site offered plenty of land and opportunity for the right development. Memorial Hospital had sections with good structural bones that could serve as the basis of housing. The hospital agreed to participate in helping bring a second act to the site, figuring that its reputation could be injured by leaving a blighted property along the river to crumble.

Designs were drawn up with the help of GMHF to develop "The Grand Plaza," a mix of senior housing, affordable townhouses and apartments. A 6.9-acre parcel that once housed a clinic on the east end was developed into a 61-unit assisted living complex called "River Grand." The Tax Increment Financing (TIF) resulting from that property funded the demolition of a section of the hospital.



PHOTO: DW JONES



The section of the 7.3-acre historic hospital that remained was gutted and reconfigured into 18 units of affordable housing with high ceilings and large windows for the one- and two-bedroom units. The building incorporates a new modern entrance composed of different materials and colors into the existing historic structure. The renovation followed Minnesota Green Communities' criteria and the developer added solar hot water heaters atop the roof.

Next to the hospital the developer D.W. Jones, Inc., which took over for MetroPlains Development LLC, built 18 new townhouses with two and three bedrooms to accommodate families. A playground is filled every day during the warm weather months with children whose families live in the townhouses.

The project leveraged a variety of funding sources, from the American Recovery and Reinvestment Act to tax increment financing as well as GMHF and Minnesota Housing lending. "The development is the result, very simply, of a lot of communication and collaboration that included the hospital, the developer, the city and funders," says Rob Mattei, community development director for Grand Rapids.

THE RESULTS

Memorial Hospital had enjoyed an outstanding riverside location. Once it was gone, the city had a chance to rethink how development could be merged with trails and connections to the water. Grand Rapids has had an effort underway for years to open the river to trails and development, says Mattei, and the Grand Plaza concept proved to be an important piece of that plan. "The property would be a huge, blighted eyesore by now and not an attractive addition to the neighborhood," he says.

With a plan in place, the city and its partners were able to line up the financing to build housing and add such civic amenities as riverfront trails and sidewalk connections to the river and Oakland Park on the southern end.



If removing the potential for blight was one achievement by Grand Plaza, the other was meeting the need for affordable housing. Like many small towns the problem of affordable housing seemed to grow every year. Grand Plaza

offered something for everyone, from singles to families with two or three kids. “We’ve had a lot of demand for affordable housing over the years and Grand Plaza filled a need for that type of housing,” says Mattei.

LESSONS LEARNED

Pair old with new. The project is a good example of strategic demolition, allowing for part of the development to be historically preserved while removing the rest for infill development. A mix of housing sizes is always attractive, especially in a small community where multi-bedroom affordable housing can be hard to find—if available at all. Blessed with empty land, Grand Plaza renovated the hospital into apartments and offered families an affordable option with the townhomes as well as single-family homes being constructed by Habitat for Humanity of Minnesota, one home per year until 2022. The development was designed to serve a diverse population of seniors, renters and homeowners.

Local financing is critical. Grand Rapids’ city council was willing to invest public money in the project, says Mattei, and the hospital proved very supportive. TIF was used to help fill a financing gap.

Keep communicating. Keeping open lines of communication and plenty of collaboration became the keys to keeping funders, public officials, the developer, and building contractors all on the same page during a multi-year project. “Communication and sharing of information is incredibly important in such a complex project,” Mattei says.



Graystone Hotel, Detroit Lakes

Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingGreen
FeaturesHistoric
Preservation

Historic Detroit Lakes Hotel Finds New Life

GRAYSTONE HOTEL

AT-A-GLANCE

POPULATION OF CITY: 9,000

TARGET AREA OF REVITALIZATION:

Historic hotel and surrounding block

UNITS: 22 studios, 1BRs and 2BRs, plus
19 studios and 1BRs in Graystone Annex

TIME FRAME: 2000–2004

INITIAL COSTS: \$9.7 million

PROJECT PARTNERS: Minnesota Department
of Employment and Economic Development,
Minnesota Housing, Federal Home Loan Bank
of Des Moines, Midwest Minnesota Community
Development Corporation

KEY STRATEGIES: Main Street revitalization,
green building, adaptive reuse, historic
preservation

THE COMMUNITY AND ITS HISTORY

Located in west-central Minnesota, Detroit Lakes is largely a center for tourism, agriculture and manufacturing. As the railroads expanded at the beginning of the 20th century, so did the hospitality industry.

One of the resulting structures was the Graystone Hotel, built in a Federal Functional style in 1916 to serve the city's booming tourism and business trade. The hotel eventually fell into disfavor by the 1960s. The hotel's owners started converting rooms into apartments.

Vern and Chris Carlson owned the hotel from the 1970s to the 1990s. When financial issues arose they sold the 36,000 square foot building to Midwest Minnesota Community Development Corporation (MMCDC). The nonprofit is one of the largest rural community development corporations in the country and one of the few with a bank subsidiary. It invests in the Detroit Lakes region and in other parts of Minnesota and the U.S.

THE STRATEGY

The hotel consists of two sections, the original building and an annex added in the 1920s. The glory days were long passed by the 1990s when the Graystone and surrounding block had become dilapidated and dangerous. The buildings themselves had fallen into disrepair.



PHOTO: MIDWEST MINNESOTA COMMUNITY DEVELOPMENT CORP.

PHOTO: BECKER COUNTY HISTORICAL SOCIETY



PHOTO: ED GEHRKE



MMCDC decided to conduct the renovation in phases, finishing and leasing one section before working on another. To receive historic tax credits, the entire project met the Secretary of the Interior's Standards for Rehabilitation. The guidelines, fortunately, allowed for a phased construction plan.

The Graystone Hotel section was turned into a mix of 22 studios, one-bedroom and two-bedroom apartments. The annex, meanwhile, went small, with 19 studios and one-bedroom units. The developer decided to continue having the main floor serve as commercial offices, including one for its own staff.

One of the primary issues the developer faced involved incorporating energy efficiency into a historic building. Many funding sources, in fact, were tied to the development of energy-efficient strategies that would reduce the utility bills of low- to moderate-income renters. Since the building is income-restricted, the units stay within reach of tenants struggling to get by, said Arlen Kangas, the MMCDC's former president and chief economist. The Annex, in fact, is a Low Income Housing Tax Credit property that caps rents based on a region's average rents.

Baker Hogan Houx Architecture and Planning made several decisions to preserve the building's character yet make it modern in efficiency. Historic windows were saved when possible and the ceiling and walls were insulated, a move that began saving money almost immediately, says Kangas.

In addition to energy efficient upgrades, the building received all new mechanical systems.

The project did not stop with the Graystone and Annex. The agency decided to continue restoring the rest of the block, adding three more historic buildings. They were submitted and approved for National Register of Historic Places designation. "The whole block was in such tough shape we had to preserve those buildings to preserve our investment in Graystone," he says.

Those structures—a bank building, an opera house and a merchandise store—today house retail and office spaces, Kangas says. The additional renovations added another \$5 million in development costs.



THE RESULTS

The renovation “happened at a pivotal time because there was a general decline of a very prominent block in the city,” Kangas says. Turning around that block led to investment in other historic downtown Detroit Lakes buildings. Today, the Amtrak Station has been restored and a 1932 school has been transformed into a “very vibrant community center,” he says.

For the people who lived in the housing before the renovation, the change has been remarkable. “It attracted a very difficult clientele. According to the police chief, 90 percent of the police calls in the city came from this particular building,” Kangas says. The tenants who were not causing problems were moved to the annex while the Graystone was being renovated and then moved back in after completion, he says, allowing the developer to avoid the cost of an expensive relocation. They are close knit and range in age from 18 to 70. “Many tenants who were living in absolute squalor are now living in a nice building that is historic in nature,” Kangas adds. “They take a lot of pride in living here.”

“You can’t imagine what kind of condition it was in. Most people thought we were nuts. It was an almost heroic effort to take on something with the reputation that it had. But fortunately our company was pretty strong financially and we had great support from the state and different groups.”

LESSONS LEARNED

Mix of strategies keeps project in the black. The Graystone is an intersection of housing development, community revitalization and historic preservation. It generated enough income to pay its continued upkeep, which isn’t always the case.

Rehabbing anchor spurs additional redevelopment. The MMCDC decided after the initial renovation to completely restore the entire block. By adaptively reusing historic properties, the Graystone gave the entire downtown a shot in the arm, spurring more growth and historic preservation. Adding three buildings to the National Register was worth the “time and expense” because “it will provide lasting value for the next 40 to 60 years,” he says.

Energy updates translate to healthy homes. Graystone’s focus on energy efficiency resulted in green and healthy homes, supporting better health outcomes for the tenants.

Phased rehab reduces costs. Many of the tenants were moved to the Graystone from the Annex during that renovation, saving significantly on cost and offering continuity to their lives.



Kaddatz Artist Lofts, Fergus Falls

Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingHistoric
PreservationMeeting Needs
of Artists

Artists' Lofts Revitalize a Downtown

KADDATZ ARTIST LOFTS

AT-A-GLANCE

POPULATION OF CITY: 13,500

TARGET AREA OF REVITALIZATION:

Hotel Kaddatz

UNITS: 10 mixed-income units

TARGET POPULATION: Low-income artists

TIME FRAME: 2006–2016

INITIAL COSTS: \$2.4 million

PROJECT PARTNERS: Artspace, A Center for the Arts, City of Fergus Falls, Franklin Bank, Greater Minnesota Housing Fund, Lake Region Healthcare Corporation, McKnight Foundation, Michel Associates, Ltd., Minnesota Department of Employment and Economic Development, Minnesota Housing, Otter Tail Power Company, West Central Initiative Fund

KEY STRATEGIES: Main Street revitalization, historic preservation, mixed use development, artist organizing

THE COMMUNITY AND ITS HISTORY

Fergus Falls, unlike many small Midwest towns, has remained fairly healthy throughout the decades, becoming a regional center for shopping, entertainment and the arts. But as economic activity headed for the I-94 corridor over the decades, the downtown emptied out. At least one historic gem, the Hotel Kaddatz (circa 1915), managed to stay out of the path of the wrecking ball.

In 1920 the hotel's main floor became a department store. The basement became a speakeasy during Prohibition. The hotel closed its doors in 1975. Back then, the biggest question was whether the hotel would survive to the 21st century.

THE STRATEGY

A few doors down from the Hotel Kaddatz in downtown Fergus Falls stood the historic Orpheum Theatre, opening in 1921 with 200 seats and a diverse schedule of live theater, silent film, and dollops of vaudeville. By the 1970s the theater had died as a vehicle of entertainment.

In 1991 Rebecca Petersen became executive director of A Center for the Arts, an organization that showcased events in the former Orpheum Theatre. Petersen arrived to help a group of prominent citizens piece together more than \$1 million to renovate the theater through a mix of fundraisers and foundation support. It reopened in the 1990s.

The same fate did not look likely for the Hotel Kaddatz, whose only regular customers for years had been pigeons. Still, a small group of citizens had emerged to try to bring



PHOTO: ARTSPACE



PHOTO: OTTER TAIL COUNTY HISTORICAL SOCIETY VIA MPRNEWS.ORG



it back to life after the city threatened demolition. Mark Sundberg created the Hotel Kaddatz Preservation Association to keep the wrecking ball from destroying the downtown gem.

As the hotel languished, Petersen proposed bringing in Artspace, the nonprofit that helps restore historic buildings for arts housing and commercial enterprises. As it happens, Artspace had consulted with the theater on its fundraising and renovation efforts. A Center For The Arts became the development sponsor for the 25,000 square foot building.

Greg Handberg, senior vice president of properties at Artspace, recalls making a presentation to the group in 2001. “They have amazing leadership in Fergus Falls, with a number of local foundations who came and who helped make the theater happen and wanted to make this (Hotel Kaddatz) happen,” he says.

Artspace conducted a feasibility study to determine if it could do a \$2 million project. “We figured out we could do it at a \$10 million scale for a \$2 million budget, but there was still a gap, about \$400,000. I thought that was a deal killer. I didn’t think Fergus Falls had that kind of philanthropy.”

Happily, he was wrong. The community raised \$365,000 from foundations, trust funds, and local donors to cover the gap in funding. “We were off to the races,” he says, and other funders came in, including the Minnesota Department of Employment and Economic Development. The state saw the project as an economic one, says Handberg.

Artspace bought the hotel in 2004. The 10 artists’ lofts leased quickly, with the first tenant being a high school arts teacher who had been commuting from Fargo. On the other hand, tenants for the 7,000 square foot commercial space took a while to fill until the Kaddatz Galleries took over part of it.

THE RESULTS

The Kaddatz Hotel, along with the theater, created a downtown renaissance. “Lincoln Avenue is a profoundly different place,” says Handberg. “When we started working up there the freeway interchange shopping centers had stolen the lifeblood out of Lincoln Avenue, the main street of Fergus Falls. Now there are restaurants and no empty storefronts.”



Petersen, who has since moved to Duluth but maintains a home in Fergus Falls, sees the same impact. “It’s energized a lot of enthusiasm around downtown and the river,” she says. “The river has been ignored for years, but there’s new interest in developing downtown and the whole riverfront. When I lived in Fergus Falls it had no community center but now everyone is starting to understand the importance of having a gathering space of the kind downtown has become.”

Maxine Adams, executive director of the Lakes Regional Arts Council, says the Kaddatz art apartment tours, which happen periodically, generate a lot of public interest. Four restaurants and several commercial businesses opened. “The arts helped create a downtown that’s pretty lively,” Adams says. “It’s now fun to spend a day in downtown Fergus Falls. You can go to an exhibit, eat and shop. The Kaddatz has made us a fuller, more interesting community. It’s pretty out of the ordinary for a small rural community to have such a good concentration of so many arts venues.”

LESSONS LEARNED

Successful adaptive reuse. Even a building that has been vacant for 30 years can be utterly transformed into a vibrant apartment building graced by storefront gallery space. Historic preservation and adaptive reuse worked.

Local philanthropy helps. Small town philanthropies can and will step up and help pay for historic preservation that speaks to a city’s past and has a location that could spur greater development, notes Petersen. Even she was surprised how quickly local donors and foundations came to support it.

Artist housing is a catalyst. Now Fergus Falls has an artsy downtown locals can be proud of and tourists can enjoy. Combined with the theater renovation, the Kaddatz rehab became a catalyst for economic growth, a little engine of vitality that grew to support commercial businesses.

Small scale poses challenges. For Artspace the biggest challenge was applying what it had learned on larger projects to a much smaller one. It worked, though the scale was a significant hurdle. “It’s possible, but it’s really hard,” Handberg says. “The brain damage associated with a \$2 million project is arguably greater than the brain damage associated with a \$10 million project.”



Upper Post Veterans Community, Fort Snelling

Region

Community
SizeApartments or
TownhomesRehabilitation
of Existing
HousingHistoric
PreservationServing
Homeless/
Special Needs

Housing Homeless Veterans in Historic Fort Snelling

UPPER POST VETERANS COMMUNITY

AT-A-GLANCE

POPULATION OF CITY: 442 (Fort Snelling is an unorganized territory in Hennepin County)

TARGET AREA OF REVITALIZATION:
Fort Snelling

UNITS: 58 units

TARGET POPULATION: Formerly homeless veterans

TIME FRAME: 2012–2015

INITIAL COSTS: \$17.2 million

PROJECT PARTNERS: CommonBond Communities, Family Housing Fund, Greater Minnesota Housing Fund, Hennepin County, Home Depot Foundation, Major League Baseball, Metropolitan Council, Minnesota Department of Natural Resources, Minnesota Equity Fund, Minnesota Housing, Minnesota Twins, NeighborWorks America, Pohlad Family Foundation, Ramsey County, Twins Community Fund, UnitedHealth Group, U.S. Department of Veterans Affairs

KEY STRATEGIES: Historic preservation, adaptive reuse, permanent supportive housing with services

THE COMMUNITY AND ITS HISTORY

Known as the “Birthplace of Minnesota,” Fort Snelling sits at the confluence of the Minnesota and Mississippi rivers just upstream from downtown St. Paul. Built between 1820 and 1825, the Fort has had a variety of functions. It housed Native prisoners of war after the Dakota War of 1862 and served as a base during the Civil War for more than 22,000 soldiers. In the 20th century it was a training induction center for the armed forces during the Spanish American War, the Mexican Expedition, and both world wars.

While the Minnesota Historical Society has managed the actual “Lower Post” fort for many years, the rest of the complex, the Upper Post, had fallen into disrepair, sitting empty since 1997. In 2006 a campaign began, led by Hennepin County (the only local governmental agency operating within its boundaries), to redevelop the Upper Post’s 26 historic buildings. The Minnesota Department of Natural Resources, which operates Fort Snelling State Park, also led the effort.

The site is on the National Register of Historic Places and is designated as a National Landmark site, the highest level of historic designation. It stands in the shadow of an international airport, sports fields, tennis center, and a light rail stop.

THE STRATEGY

Hennepin County received a “Base Realignment and Closure Grant” for a reuse study in 2006 that looked at each building’s structure and level of deterioration. The buildings with the greatest needs would receive funding first. A \$150,000 Save America’s Treasures grant was used to mothball the buildings prior to restoration.



PHOTO: RICH RYAN



PHOTO: COMMONBOND COMMUNITIES



Part of the plan to stretch the money as far as possible was to employ “Sentence To Service” (STS) correctional crews during the mothballing process to learn trade skills while they did the work. The STS program proved so impressive the Legislature appropriated \$500,000 in 2008 for STS to repair the Guard House and Post Headquarters.

Finally, after many years of waiting, developers began to look seriously at rehabilitating different parts of the military base. CommonBond Communities, a nonprofit housing developer, owner, and manager, undertook the first major project. CommonBond created a plan to renovate five buildings to

house homeless veterans and, in several units, their families. They used a variety of funding sources before completing construction of the entire project, on two blocks of the site, in August 2015.

Minnesota has an estimated 300 homeless vets, according to the Veterans Administration Medical Center in Minneapolis, down from nearly 900 in 2012.

The Upper Mississippi Academy, a charter school, renovated several buildings, too, opening in September 2015.

The rehabilitated buildings were constructed between 1907 and 1911. Two served as homes for noncommissioned officers, and those were assigned to the quartermaster. The other three were shops and stables for the cavalry.

THE RESULTS

The \$17.2 million project renovated a duplex, a four-plex and three larger buildings, including a quartermaster's stable. Adding the families together with the single vets, more than 90 people live on the site in seven one-bedroom units, 45 studios, two two-bedroom units, and four three-bedroom apartments. The larger buildings have lounge space, computer labs, and other amenities, according to Andrew Michaelson, former senior project manager with CommonBond. Residents also have access to supportive services.

The impact on the site has been astonishing, breathing life into a dormant piece of real estate.

"These residents who had experienced homelessness effectively moved into brand new units, even though they're in old buildings," Michaelson says. "The apartments have been completely brought up to modern standards and codes. They are accessible and have air conditioning and all those sorts of things. And they're fully furnished with tables, couches, beds, linens, kitchenware. Residents now have housing and access to services we provide, along with other partner organizations."

The idea is to have everything in place so the vets and their families can experience stable housing. The units have rent subsidies, with some residents paying little to nothing for their housing. Income-qualified vets pay \$651 for studios, \$800 for one-bedrooms, \$970 for two-bedrooms and \$1,160 for three-bedrooms. The subsidies are provided by several federal government programs.

Families and vets do not have to move, but once they have achieved stability they often move on—and pay it forward. "It's the military mentality of 'we're in this together' and I'm now in a good spot, so let me make this available to others," Michaelson says.

Upon the Upper Post's grand opening, *Star Tribune* writer Jon Tevlin featured a story about Austin Poons and his therapy

dog, Dutchess, in a July 2015 column. Poons bounced between homeless shelters for two years after losing his job and suffering mental illness. With a place to finally settle, Poons began volunteering at VA hospitals and sharing the delights of Dutchess.

As Tevlin reported: "Dutchess and I had been displaced for more than two years," said Poons, his voice quaking with emotion. "I'm just so happy now."

Just weeks after CommonBond's Upper Post Veterans Community opened, Dominion, a housing developer, announced it would renovate additional buildings at the fort for low-income families. Low Income Housing Tax Credits, combined with state and historic tax credits, helped pay for the renovation of those buildings.

LESSONS LEARNED

Inter-agency collaboration required. Federal land can't be purchased, requiring instead a 150-year lease. CommonBond could not have created the housing without the help of state agencies, veteran organizations, and other partners. Collaboration is key for funding and for designing services that work for homeless vets. CommonBond brought in four groups to assist with funding, among them Ramsey County—even though the project is in Hennepin County. Federal legislators assisted in securing some federal HUD funding as well.

Familiarity matters in complex deals. Hiring the right contractors who understand how to work on historic structures, especially those in rough shape, is extremely important to the eventual success of the project—and to keeping it within a workable budget.

Corporate donations turned units into homes. CommonBond tapped the corporate community and individuals for small donations. More than 70 corporations and individuals donated cash, furniture, bedding, appliances, and other household essentials to furnish the homes.



Homeowner Rehab

A Brush with Kindness

Emerging Markets Initiative

Home Matters

Red Lake Homes

Sunrise Villa



A Brush with Kindness, Statewide

Region

Single-Family
HomesRegional
Initiative

A Hand Up to Residents with Homes in Need of Tender Loving Care

A BRUSH WITH KINDNESS

AT-A-GLANCE

TARGET AREA OF REVITALIZATION:

Homes in need of repairs owned by households with low-incomes

TIME FRAME: 1999–present

INITIAL COSTS: \$75,000; today close to \$800,000

PROJECT PARTNERS: Federal Home Loan Bank of Des Moines, Habitat for Humanity of Minnesota, Twin Cities Habitat For Humanity, Valspar

KEY STRATEGIES: Volunteer support, homeowner participation, donated supplies, targeted approach, owner-occupied rehabilitation, neighborhood revitalization, aging in place

THE COMMUNITY AND ITS HISTORY

In 1998 the Greater Minneapolis Council of Churches offered a program called the Metro Paint-A-Thon targeted at low-income seniors whose homes were in need of a few coats of exterior paint. The program used materials donated from Valspar and volunteer labor from different congregations who went to the homes of seniors and left them more livable and colorful.

Valspar liked the program but saw a great need to have a targeted community approach, one that went beyond just painting. Pat Lund, who was director at the time, went to Twin Cities Habitat for Humanity to broaden the program's scope. Shortly after joining Habitat he arrived at a name for the program, "A Brush with Kindness," which offers a warm, non-bureaucratic moniker reflecting its painterly roots without dismissing the repair portion of the effort. A Brush with Kindness extends to repairs, particularly those that remedy dangerous conditions.

"We wanted to have a bigger impact on all low-income homeowners who had needs beyond just painting," he recalled. "We created the name and talked to neighborhoods about the idea, especially in the core cities because that's where a lot of these homes were and that's where the biggest need was."

The first two neighborhoods to benefit in 1999 were on the East Side of St. Paul and the North Side of Minneapolis. Lund collaborated closely with the East Side Neighborhood Development Corporation and the McKinley Neighborhood Association to select homes that required both paint and repairs. The program expanded statewide in 2009, with affiliates



PHOTO: MPLS-ST. PAUL BUSINESS JOURNAL



PHOTO: TWIN CITIES HABITAT FOR HUMANITY



offering fix-up services in counties including Freeborn, Mower, Goodhue, Fillmore, Itasca and more.

THE STRATEGY

The program's approach has been to have volunteers and Habitat for Humanity of Minnesota plan and execute interior and exterior improvements that range from replacing a roof to adding bathroom accessibility, from replacing siding and windows to exterior and interior painting. Even yard work and wheelchair ramps can be part of a project.

The program targets single-family homes, with the occasional duplex or triplex. Eligible owners have an income of 60 percent or below the area median income. Homeowners are encouraged to

participate in the repair of their homes alongside volunteers if they are able, says Lund. "This is more of a 'hand up' than a hand-out program, but it depends on people's circumstances."

Homeowners also have to make a financial pledge to help pay for larger projects when and if they sell or refinance their houses, he added.

Programs in Greater Minnesota are similar. In 2010 three affiliates in Minnesota added A Brush with Kindness programs, and that numbers has since grown to 21. A Federal Home Loan Bank of Des Moines \$223,000 grant went to help Habitat assist homeowners on rehab projects that generally cost less than \$3,000 per project, says Susan Thompson, loan and grant program director for Habitat for Humanity of Minnesota's state office.

The affiliates picked up all the costs about half the time, while a little over half of the homeowners paid back some part of the repair budget, she says.

THE RESULTS

Since inception the program has rehabbed more than 1,700 homes throughout the Twin Cities metro. The demographics continue to include seniors but have extended to the disabled, single-parent families and veterans, Lund says. The program has been adopted by more than 500 affiliates around the country. “This pretty much works in any community,” he says.

Demographic trends have led to a shift over the past decade. “What I see as a pretty significant change is that requests from the suburbs are outpacing the urban core over the past few years,” Lund says.

In Greater Minnesota, 276 projects were completed between 2010 to 2015. “The impact has been huge, allowing people to stay in their homes,” Thompson says. “Without the program they would have to leave their homes or live in a really substandard, and maybe dangerous, environment.”

The average income of those helped in Greater Minnesota was just over \$25,000 and 65 percent of the participants were senior citizens or disabled. A Habitat for Humanity of Minnesota information sheet tells the story of a woman in Red Wing with a motorized scooter who could not leave her home because of a rotting porch. With the help of many volunteers, the program repaired the porch and added a ramp that allowed her easier entrance and exit to her home.

Lund summarized the program’s benefits: “We’re able to come in with volunteers, sponsors, and supporters and give them a steady hand so they can get a handle on their home maintenance. We help them stay in their home and avoid homelessness or assisted living, which puts a burden on others—the community and the state. We help prevent that.”

LESSONS LEARNED

Paint is not enough. Adapting to the changing needs of clients has been instrumental in the program’s longevity and high level of service. The painting program became a fix-up program to address significant deferred maintenance.

Setting expectations is key. A Brush with Kindness has strong financial limits for what it will and will not do for homeowners. By maintaining a strong focus it has avoided sinking too much into one project and not enough into another. Having an exceptional long-term sponsor like Valspar has been critically important.

Funds are limited. At the state level the loss of one funding vehicle led to a search for others. Thompson found a Thrivent program that gives money for repairs of up to \$2,500 and tapped The Home Depot. Working with local housing and redevelopment associations can bring in more support and money.

Opportunity to make connections beyond home repair. A segment of the population for A Brush with Kindness struggles with mental health issues and poverty. Clients may require more than just paint and repair; they may need the assistance of agencies and nonprofits who can help with financial assistance, mental health, employment, food shelf access, legal aid and other services. Linking homeowners to other service providers has become a feature of the program. Having a sensitive, alert staff capable of seeing a homeowner’s true situation, paired with a bench of skilled volunteers, has contributed to the program’s success. “Connecting people who need help with people who want to help is a good part of what we do,” says Lund.



PHOTO: HABITAT FOR HUMANITY



Emerging Markets Initiative, Southeast Minnesota

Region

Community
SizeSingle-Family
HomesMeeting Needs
of Immigrants/
TribesRegional
Initiative

Efforts to Close Disparities in Homeownership

EMERGING MARKETS INITIATIVE

AT-A-GLANCE

TARGET AREA OF REVITALIZATION: Southeast Minnesota (especially Austin, Faribault, and Rochester)

TIME FRAME: 2008–present

INITIAL COSTS: \$1.75 million in gap loans; \$1.3 million for financial literacy and counseling

PROJECT PARTNERS: Affinity Plus Foundation, American Recovery and Reinvestment Act, Community Services Block Grant, Greater Minnesota Housing Fund, Minnesota Department of Commerce, Minnesota Department of Human Services, Minnesota Home Ownership Center, Minnesota Housing, NeighborWorks America, Otto Bremer Trust, People's Energy Cooperative, Rochester Area Foundation, Southwest Initiative Foundation, Southwest Minnesota Housing Partnership, State Farm Companies Foundation, Three Rivers Community Action, United Way of Olmsted County, USDA Rural Development, Wells Fargo Housing Foundation

KEY STRATEGIES: Financial literacy, homebuyer education, individual coaching and counseling, outreach, homebuyer financing, downpayment assistance

THE COMMUNITY AND ITS HISTORY

Rochester has a booming immigrant population. More than 12 percent of its population is foreign born and 22 percent are people of color. While the city is relatively wealthy, housing can be hard to afford for new immigrants and low-income residents.

That's where the Emerging Markets Homeownership Initiative (EMHI) fits in. Launched in 2004 by then-Governor Tim Pawlenty, the statewide program focuses on increasing homeownership among households of color by offering guidance, tailored outreach and financing.

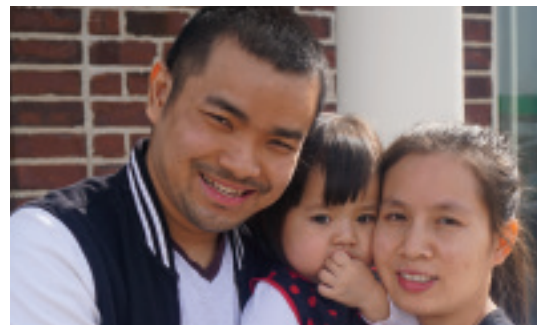
Many immigrants and people of color have little experience with the homebuying process, from credit scores and mortgage types to interest rates and loan closings. Some are from countries and families with no history of homeownership and its complexities—at least how it is practiced in America.

EMHI targeted families earning less than 80 percent of the state median income, among them racial and ethnic minorities, as well as single-parent and disabled households.

Three Rivers Community Action, Inc. in Rochester began an EMHI program in 2008 and over the years has refined it into a model program. The nonprofit primarily serves low-income families through assistance with housing, education, transportation, weatherization, senior programs and family advocacy.

THE STRATEGY

Three Rivers initially launched an EMHI pilot with Southwest Minnesota Housing Partnership (SWMHP) in 2008 and the two groups worked together until 2012. SWMHP provided the bulk of the program funding including \$450,000 through NeighborWorks America as well



as funding through Otto Bremer Trust, Southwest Initiative Foundation, and State Farm Cos. Foundation. The idea then, and now, was to reach people with a desire to buy a home but little knowledge of how to do so.

“A lot of people in the program had never been to a bank before,” according to Jenny Larson, Three Rivers’ executive director. “We talk to them about their current situation and what best meets their needs. We offer everything from financial literacy to pre-purchase classes and counseling.”

The organization’s “Achieve Homeownership” program in Rochester and Austin teaches immigrants financial literacy, the basics of buying a home and provides downpayment assistance. The majority of the program’s participants have been African and Latin American immigrants with little understanding of what it requires to purchase a home in this country, says Larson.

To reach those clients, Three Rivers employed a simple strategy of working with local culturally specific organizations and hiring its own bilingual staff members who speak the languages of their clients. Organizations such as Somali Community Resettlement Services, the IMAA, Asian African Refugee Services, and the Welcome Center provide outreach and connect clients with Three Rivers staff who provide the homeownership services, Larson says.

Achieve Homeownership is not just about financial literacy. The program can help with home purchases, offering a maximum of \$18,500 for gap financing. The financing combines GMHF money (\$8,500 maximum) with layered funding from other sources. The average loan assistance is \$10,000.

As the program has evolved, a handful of real estate agents emerged who specialize in helping immigrant families buy homes. “That’s been an amazing, and encouraging, development,” Larson says.

THE RESULTS

The results have been impressive from 2008 to 2015. Three

Rivers has assisted thousands of households with financial literacy courses and counseling. Of those, 430 people bought homes and 1,350 received pre-purchase counseling. Working with 42 cultural groups, Three Rivers held 278 training events attracting 18,545 participants. Home Stretch classes numbered 220, attracting 1,349 people.

“I think homeownership is a great way to stabilize families,” Larson says. “We see a lot of large families who struggle to find adequate rental housing. Homeownership provides families the space they need while also building assets for the future. And kids are always so excited to have things like a yard, basketball hoop or pet for the first time.”

LESSONS LEARNED

Speaking the same language. Key to the rollout of financial literacy classes and loan programs for immigrants is having “staff who speak multiple languages,” says Larson. “That’s very important.”

Meet people where they are. Having a variety of classes to reach people where they are in the home buying process is another successful approach. Three Rivers offers long-term counseling because for many participants buying a home was taking longer than anticipated.

Multi-year grants needed. The length of time it can take to prepare to purchase a house means the grants offered to organizations must be multi-year, Larson says, because many buyers will require more than a year, or even two, to complete the purchase of a home.

Keeping in touch with potential homebuyers maintains their interest. Three Rivers contacts people who have taken courses every three months to check in and see how they are doing and provide assistance.



Home Matters, Northfield

Region

Community

Single-Family
HomesGreen
FeaturesRegional
Initiative

Refurbishing Affordable Homes across Northfield

HOME MATTERS

AT-A-GLANCE

POPULATION OF CITY: 20,000

TARGET AREA OF REVITALIZATION:

Foreclosed homes in select neighborhoods

TIME FRAME: 2010–present

INITIAL COST: \$160,000

PROJECT PARTNERS: Greater Minnesota

Housing Fund, Habitat for Humanity, Minnesota Department of Commerce, Minnesota Housing, Northfield Housing & Redevelopment Authority, Northfield Area Foundation, RENew Northfield, Three Rivers Community Action

KEY STRATEGIES: Acquisition/rehabilitation, owner-occupied rehabilitation, homeowner technical assistance, zero-percent loans, neighborhood revitalization

environmentally conscious, Northfield has a tradition of caring for the less fortunate.

From 2006 to 2008 the Rice County Sheriff's Office reported the city suffered 183 foreclosures. The homes had myriad safety issues, large maintenance costs, deteriorating insulation, aging appliances and poor windows. Many of these were not beyond repair and could serve disadvantaged families facing a tight low-income sales and rental market in Northfield.

THE STRATEGY

Working with the Northfield Housing & Redevelopment Authority (HRA) and Greater Minnesota Housing Fund (GMHF), Three Rivers Community Action created a program called “Home Matters” to purchase and restore the homes. Three Rivers has a long, established history of assisting low-income families and seniors with housing, weatherization, energy assistance, child care, transportation and other needs. Home Matters focused on buying and restoring foreclosed homes for families on limited incomes.

Three Rivers purchased four foreclosed properties and began extensive renovations with an eye toward sustainability. Contractors installed countertops made from top-quality recycled content, eco-friendly kitchen cabinets, highly rated insulation, low-flow water fixtures, nontoxic flooring, and Energy Star appliances. Lead and radon were removed. Two homes even had a solar-powered hot water heater installed through a state program.

THE COMMUNITY AND ITS HISTORY

Home to St. Olaf and Carleton colleges, a historic downtown and many lovely neighborhoods, Northfield appears at first glance to be an idyllic small town, a touch of New England on the edge of the prairie. Politically progressive and





PHOTO: WARREN HANSON



Not long after the foreclosed home renovations were completed, the program transitioned to Home Matters 2.0 to focus on assisting low-income homeowners with improvements. Homeowners could apply for home improvement projects of any size up to \$20,000. As part of the program they have to pay up to half the cost in some cases, but can apply for zero percent loans through Three Rivers.

Jenny Larson, executive director for Three Rivers, says the program targets three areas: Energy efficiency, safety and neighborhood revitalization. Three Rivers offers high-touch advice and coordination for clients by inspecting a prospective home, conducting an energy audit, and creating a renovation plan.

While project bids and payments are handled by Three Rivers, a homeowner selects the contractor for the renovation. “We coordinate paperwork, figure out what programs will work, and streamline the process so it’s not a burden on the homeowner,” Larson says.

THE RESULTS

Most homeowners spent about \$15,000 on a project. Under the guidelines the money can be spent on siding, roofing, landscaping, painting, sidewalk and garage repairs. Inside, homeowners are using Home Matters for energy-saving measures such as new insulation, air sealing, heating and cooling systems and new appliances. Others use the loans to install smoke detectors, plumbing and electrical systems.

Such public and prominent renovations can have a forceful impact on a neighborhood. “When you see something happening at your neighbor’s house, you find other people start working on their houses,” Larson says.

Home Matters 2.0 has helped improve the vitality of Northfield’s older, more urban—and more affordable—neighborhoods. Many of the city’s newer subdivisions are too expensive for low-income families, she says, leaving the older neighborhoods as their only option.

“This was really the Northfield HRA’s idea and they have been the leader in this,” she says. “They have helped turn around these older homes, some of which were in really



rough shape. The city cares about these homes and the people who live in them.”

Home Matters 2.0 first phase fixed up 10 homes on a budget

of \$160,000, while a second phase added nine rehabbed homes for \$140,000. A third phase will fund eight projects. The funds were used for code updates, addressing safety concerns, and improving curb appeal.

LESSONS LEARNED

Coordinated coaching and navigation. One of the key lessons learned is that having a one-stop shop reduces the inevitable intimidation a homeowner might feel in attempting to juggle funding sources. Having Three Rivers conduct inspections, create scope-of-project documents, send out bills, and make the payments creates a nearly seamless process, greatly enhancing the program’s appeal to busy homeowners.

Limited resources require prioritization of safety updates. The funds available for each household are limited, and safety and energy efficiency are top priorities. That means homeowners may not be able to get all of the improvements they are looking for from the program.

Income limitations narrow reach of program. A challenge of the program has been the income limitations. Often a homeowner simply doesn’t qualify because their salaries are too high.

Others may not want to spend their own money on repairs, which is required.

Inherent reluctance to conduct repairs. Low-income homeowners may not think they can navigate home repairs, and let a lack of confidence remain a barrier to making improvements to their home. This can lead to deterioration and potentially dangerous conditions. Home Matters addresses this need by navigating the complex process with them.

Investing in targeted home spurs further reinvestment. Home Matters 2.0 clearly benefits not just homeowners but the surrounding neighborhood by subtly nudging others to paint their homes, upgrade exteriors and landscape yards. Homeowners receive the added benefits of green and healthy homes with improved safety features.



Red Lake Homes, Red Lake Nation

Region Community Size Single-Family Homes New Construction Green Features Meeting Needs of Immigrants/Tribes

Filling A Huge Housing Need in Red Lake

RED LAKE HOMES

AT-A-GLANCE

POPULATION OF CITY: 1,700

TARGET AREA OF REVITALIZATION:

Red Lake Nation Indian Reservation

TIME FRAME: 2013–2015

INITIAL COST: \$5.4 million

PROJECT PARTNERS: Federal Home Loan Bank of Des Moines, First National Bank of Bemidji, Greater Minnesota Housing Fund, Minnesota Housing, Red Lake Band of Chippewa Indians, Red Lake Finance Corporation, Red Lake Reservation Housing Authority, Travois, Inc., U.S. Department of Agriculture, U.S. Department of Housing and Urban Development

KEY STRATEGIES: Scattered-site, single-family home development

THE COMMUNITY AND ITS HISTORY

Located in far northwest Minnesota, Red Lake Nation Indian Reservation spans 1,258 square miles, including a section of the Northwest Angle of the Lake of the Woods. Much of that land consists of Red Lake itself, the largest lake within Minnesota's borders.

Considered one of the most isolated tribes in the country, Red Lake has suffered the same ills as much of Indian country, including vast unemployment (as much as 40 percent of the working age population), alcohol/chemical dependency, and persistent, severe poverty. The lack of affordable and decent housing has been a significant problem for tribal members.

THE STRATEGY

The Red Lake Band of Chippewa and its Reservation Housing Authority built dozens of residential projects over the decades in part by responding to what state funding agencies desired in projects. For the most part, fortuitously, that has mirrored the housing demands of the reservation's economically disadvantaged population.

A few years ago state housing money was targeted to low-income families, of which the tribe has many, according to Jane Barrett, who leads the housing authority. The authority built Red Lake Homes 11, a \$5.7 million development of 30 single-family homes that opened in 2009. As the number would





PHOTO: RED LAKE RESERVATION HOUSING AUTHORITY



indicate, the tax credit project was one of 11 that built more than 218 homes on the reservation since the early 2000s.

One interesting aspect of Red Lake Homes II was Greater Minnesota Housing Fund money for installing geothermal heating into every home. Many families pay from \$125 to \$150 a month in utility costs and often have to “spend every cent they have at the end of the heating season” in bills, says Barrett. Geothermal dropped those bills “massively” while offering a warm environment in the cold winter and cool air in the summer, she adds.

Next up was Highland Addition II, a project of 45 homes that opened in early 2015 in Red Lake. (The 20-unit Highland Addition I opened several years ago and was built with assistance from vocational technical students). Minnesota Housing and federal agencies were looking for projects with more workforce housing, Barrett says, and that need was going unmet by the housing available on the reservation.

“These are for families with slightly higher incomes than real low-income families,” she says, pointing to buyers qualifying at 60 percent of the area median income (AMI). “These are two-income families, often with parents who work at casinos.”

Red Lake Nation has a population where large families are the norm. The Highland Addition II homes have three bedrooms to fill the needs of growing families while bringing in people who desired to return to the reservation. The project cobbled together tax credits combined with funds from Minnesota Housing and a local bank, among others, to make it work. Families bought the homes for \$78,000, with a five percent downpayment.

THE RESULTS

Highland Addition II sold out quickly. The housing authority has a list of more than 300 tribal members interested in buying a home because so many live in cramped quarters now. “A lot of our families live doubled up with other family members, so getting their own home is a major thing for them,” Barrett says.

PHOTO: RED LAKE RESERVATION HOUSING AUTHORITY



PHOTO: RED LAKE RESERVATION HOUSING AUTHORITY



As the housing authority moves forward, the goal is to provide a “continuum of housing” for tribal members. While once the focus was on serving low-income families it has now shifted to those with slightly more money, a trend in keeping with available funding. The next project could be a Section 184 Indian Home Loan Guarantee project targeted at professional

people who want to live on the reservation but cannot because of a lack of housing. Most of them currently live in nearby Bemidji, Barrett says.

“There are limited ways to buy a home on a reservation but we’re working to create more,” she says.

LESSONS LEARNED

Bring together partners to determine land uses. Unlike developers in cities and suburbs, tribal housing authorities are often dealing with virgin land with no roads, sewers or infrastructure of any kind. The first order of development in Red Lake is to bring together the disparate parties, from the forestry division to the streets and roads department, to gain agreement as to where development can occur without damaging the environment or incurring high construction costs.

Vet proposed developments in community meetings. Community meetings are significant in achieving buy-in from tribal members. Having the patience to see it through is key, because the development process is long.

Political backing of the tribal establishment unlocks doors. In Red Lake the tribal council and the board of commissioners shared a priority for affordable housing and worked together well. “We have had no opposition because we’ve had a really good working relationship with our council and board,” Barrett says. A testament to that is the completion of 12 tax credit projects and another underway. There is much left to be done in Red Lake but great progress has been made.

*Sunrise Villa, Cannon Falls*

Region

Community
SizeSingle-Family
HomesRehabilitation
of Existing
Housing

A Manufactured Home Community Buys Itself

SUNRISE VILLA

AT-A-GLANCE

POPULATION OF CITY: 4,106**TARGET AREA OF REVITALIZATION:** An affordable housing manufactured home park**UNITS:** 47 manufactured homes**TARGET POPULATION:** Current residents of Sunrise Villa**TIME FRAME:** 2004**INITIAL COSTS:** \$962,000**PROJECT PARTNERS:** Community Development Bank-Ogema, Greater Minnesota Housing Fund, Minnesota Housing, Northcountry Cooperative Foundation, Sunrise Villa Cooperative**KEY STRATEGIES:** Cooperative resident ownership of lots, preservation of very-low-income housing

The 14-acre Sunrise Villa is not far from Cannon Falls' downtown. The 47 homes in the community are largely occupied by residents earning less than 80 percent of the area median income. Residents owned their homes but not the land underneath them. In 2001 the city annexed the park, which features a playground and storm shelter.

In 2004 Northcountry Cooperative Foundation (NCF) mailed a letter to the owners of manufactured parks around the state, among them Sunrise Villa, inquiring whether any of them would be interested in selling to their residents. As it turns out, Sunrise Villa's owner, Dennis Dunker, had already agreed to sell the park to a developer when he received the letter, but he turned the correspondence over to Dan Grunenwald, an activist and resident of Sunrise Villa. Grunenwald was the catalyst of an effort to organize and prepare residents to buy their neighborhood.

THE STRATEGY

Warren Kramer, former executive director of NCF, says Sunrise Villa was involved in a land dispute when the letter arrived. Dunker had agreed to sell the park to a developer as part of a deal that included Sandstone Ridge, a neighborhood adjacent to Sunrise Villa that was slated to become single-family homes.

NCF's staff had learned about creating a resident-owned park after visiting New Hampshire where 25% of the state's manufactured parks are resident owned, Kramer says. Resident-ownership of these types of communities helps ensure their viability as affordable housing enclaves and often results in better management. The approach creates benchmarks and principles for financing resident ownership of manufactured home parks.

THE COMMUNITY AND ITS HISTORY

Cannon Falls is a small community about 40 minutes south of the Twin Cities. The small town offers day trippers a winery and a popular bicycle trail that connects to Red Wing.



“The residents and owner wanted to do the transaction so we got involved,” says Kramer. The \$962,000 required for the purchase came from several sources. Community Development Bank in Ogema offered a \$696,000 loan. The residents paid \$500 each, or \$23,500, toward the purchase while agreeing to higher lot rents to cover fees and transaction costs. The developer who was trying to purchase the community originally contributed another \$35,000 to resolve the lawsuits the parties were engaged in, and NCF took care of the rest of the financing.

The loans covered the sale price to the former owner and closing costs and allowed for \$50,000 to be held in reserve for park improvements. “Our role was as an agent or consultant helping the residents secure their community and arrange the financing—and to help them figure out how to run it,” says Kramer.

THE RESULTS

The co-op has since refinanced the property and coordinated the placement of two homes to fill their two vacant homesites. Through volunteer community and member labor, local foundation support and prudent use of their reserve funds, a new playground, resurfaced streets, a renovated storage building and a new Sunrise Villa sign are among the many projects this group has accomplished.

Sunrise Villa Cooperative is led by a volunteer board of directors who oversee the management and operations of the community. Since becoming Minnesota’s first resident-owned community, the Sunrise Villa Cooperative has been able to keep its lot rents down, conduct community improvement projects and even deliver occasional annual patronage dividends to its resident members, says Kramer.

LESSONS LEARNED

Finding funders willing to assist residents in purchasing Sunrise Villa was a huge key to success. Identifying a core of residents capable of leading the charge and convincing others of the advantages of resident ownership matters greatly.

Cooperative housing ownership support allows residents to preserve affordable housing. As Kramer notes, the profit motive is taken out of the equation, allowing owners to determine how much they need in rents annually to pay the debt and make improvements. That’s democracy in action.



Neighborhood Revitalization

Crystal Lake Estates

Heritage Greens

Kutzky Park

Park Row Crossing

Steve O'Neil Apartments





Crystal Lake Estates, Grand Rapids

Region

Community
Size

Single-Family
Homes

New
Construction

Crystal Lake Estates Wins Over Neighbors

CRYSTAL LAKE ESTATES

AT-A-GLANCE

POPULATION OF CITY: 11,211

TARGET AREA OF REVITALIZATION:

Former school site

UNITS: 21 single-family homes

TARGET POPULATION:

TIME FRAME: 2010–2012

INITIAL COSTS: \$3.1 million

PROJECT PARTNERS: Black Bear Homes, Blandin Foundation, Grand Rapids School District, Greater Minnesota Housing Fund, KOOTASCA Community Action, Minnesota Housing, Grand Rapids Housing and Redevelopment Authority, USDA – Rural Development, Wells Fargo Home Mortgage

KEY STRATEGIES: Core neighborhood development, neotraditional design, anti-NIMBY advocacy, private-sector leadership, community visioning and planning, faith-based community involvement

THE COMMUNITY AND ITS HISTORY

Grand Rapids is a small north central Minnesota city known mainly for timber and tourism. Generations of visitors have been drawn to the area's many lakes and rivers and its woodsy outdoor environment. Grand Rapids is also home to Blandin Paper Company and Blandin Foundation.

Even in small towns the challenge of finding affordable housing can be difficult for residents, especially those with larger families. About 11 percent of the city's residents live below the poverty line, making demands on affordable housing especially competitive.

When Grand Rapids opened a new middle school in the early 2000s it left a former building available for redevelopment in one of the city's oldest neighborhoods. Since the old concrete school had no architectural significance there was little support for saving it. The site not only had the advantage of being in an existing neighborhood but also had property on one side that sat next to Crystal Lake.

City leaders understood the need for more affordable housing and liked the idea that a new development would inject energy into the city's aging housing stock that had not seen many new projects in two decades.

New homes were rare and many existing residences required a great deal of rehabilitation by buyers. Young families decided against hiring contractors or doing the fixup themselves and typically went to outlying areas to buy new homes already outfitted with modern amenities.



PHOTO: WARREN HANSON



THE STRATEGY

After the school was demolished in the mid-2000s, the Grand Rapids Housing and Redevelopment Authority stepped in and bought the property for about \$2 million. A local builder, Black Bear Homes, quickly signed on to build Crystal Lake Estates, composed of all single-family homes.

When initial plans came to light for “affordable housing” at the site some neighbors expressed concerns about the quality of the homes and the character of prospective residents and homebuyers.

GMHF created architectural designs that fit with the surrounding neighbors, with front porches and garages set back from the homes. The designs incorporated “Building Better Neighborhoods” principles laid out in GMHF’s companion book. The streetscape of Crystal Lake Estates featured sidewalks and roads connected to the city’s grid.

Black Bear, GMHF and other partners revealed plans for the development at several well attended community meetings. Ultimately, the neighbors supported the development after seeing renderings showcasing front porches and traditional neighborhood design.

Through the advocacy of the local faith community, numerous congregations actively championed the need for affordable housing in Grand Rapids. Nearby residents came to understand there was little to fear and much to gain by having attractive, affordable housing in their neighborhood. Gradually neighbors became more accepting of the future home buyers and fears dissipated.



THE RESULTS

Contrary to concerns about the project, upper-income households expressed interest in buying the homes. Black Bear homebuilder Steve Gilbertson told the *Grand Rapids Herald Review* that when Crystal Lake Estates began marketing he had to turn away more than a few potential residents because they earned too much to qualify for the houses. At least seven of the initial residents were single mothers and families with children, exactly the population funders hoped to attract. “Most were happy to end up with a nice home,” he says. “It helped boost their quality of life.”

Crystal Lake Estates attracted families with children who saw in the larger homes a chance to live well while paying affordable mortgages. Affordable starter homes with affordable mortgages make an ideal fit for young families with children.

Gilbertson has a second market-rate development located on Crystal Lake at the old Armory Field area. The community features 10 active senior living units and eight market-rate homes. It’s a testament to the theory that market-rate housing and affordable housing can not only co-exist but flourish in the same neighborhood.

LESSONS LEARNED

Sometimes demolition is the right choice. With few windows or interesting architectural details, Grand Rapids saw little reason to save the school and understood demolition would open the site to a new use. Community-based planning and visioning assisted in creating a new development that fit well within the existing neighborhood.

Attention to home design built confidence. The private builder, associated with high quality homes, helped foster community acceptance of affordable development. Being transparent about what the new homes would look like was a key to selling the project to the wider community. Investing time and attention in the design of the homes made all the difference.

Be prepared for NIMBYism from unexpected places. Since the new homes were for sale, not for rent, negative reaction from local residents took partners by surprise. Having local faith community members step up to counter not-in-my-backyard concerns helped foster acceptance for their future neighbors.



Heritage Greens, Cambridge

Region

Community
Size

Apartments or
Townhomes

New
Construction

Abandoned Hospital Site becomes New Neighborhood

HERITAGE GREENS

AT-A-GLANCE

POPULATION OF CITY: 8,677

TARGET AREA OF REVITALIZATION:

Former abandoned hospital site

UNITS: 134 mixed-income, for-sale, single-family homes and affordable rental townhomes (additional homes under construction)

TARGET POPULATION:

TIME FRAME: 2004–present

INITIAL COSTS: \$2.1 million

PROJECT PARTNERS: Blandin Foundation, Bright Keys Development Corp., Central Minnesota Housing Partnership, City of Cambridge, Greater Minnesota Housing Fund, MetroPlains Development, LLC, Minnesota Green Communities, Minnesota Housing, National Equity Fund

KEY STRATEGIES: Mixed-use redevelopment of abandoned site, traditional neighborhood design, community-based planning and visioning, high design standards

THE COMMUNITY AND ITS HISTORY

The seat of Isanti County, Cambridge sits at the junction of Highways 65 and 95 about 30 miles north of the Twin Cities. Located on the Rum River, the city serves as a regional hub for the county and boasts a major medical center.

One of the largest employers and land owners for decades was the 88-acre Cambridge State Hospital. Close to downtown, it opened in 1925 and served thousands of patients before closing down in the 1990s. The complex had 15 buildings, all abandoned but for two that the state repurposed for state medical facilities. The land became a large, lonely parcel looking for a second act.

THE STRATEGY

A group of more than 150 community residents, led by Mayor Marlys Palmer, began meeting in the late 1990s to plan the redevelopment of the former state mental hospital site. The area had significant demand for affordable housing so the group brought in the St. Paul-based MetroPlains Development, LLC and Greater Minnesota Housing Fund to assist in planning and development on the site.

Vern Hanson, co-president of MetroPlains, says the city set aside nearly 30 acres from the original hospital site for public works, a hospital, and county offices. A portion of the site is planned to be a park and future library or community center. What remained became the redevelopment site of Heritage Greens and was platted for multifamily, single-family, a single commercial parcel, and senior housing.





GMHF and MetroPlains decided on a development of single-family homes more tightly spaced than typical of suburban design. “This was one of our first forays into single-family development so we brought in partners, experts with the right experience,” said Rob McCready, co-president of MetroPlains. Bright Keys Development Corporation had site layouts for single-family homes, he says, while GMHF and its consultants had a vision for the overall community. The vision was of a community built using traditional design principles such as smaller lots, homes with front porches, a central park space, sidewalks, and detached garages on rear alleys.

The partners put together an impressive collection of funders, and construction on Heritage Greens began in 2004. A community land trust and first-time homebuyer program administered by CMHP led to strong buyer interest. Cambridge community economic development director Stan Gustafson says Heritage Greens “provided needed, attractive housing and a lot of value” by showcasing a higher housing density than the city had seen before.

Heritage Greens has a compact land use plan and set of design covenants adopted by the city of Cambridge to guide homebuilders to build compatible home designs.

THE RESULTS

Today, Heritage Greens offers 134 mixed-income housing units in dozens of for-sale, single-family homes and three affordable rental townhouse complexes. The neighborhood’s walkable streets and appealing architecture continue to attract many buyers and renters. On warm days the village green serves as a central meeting place for neighbors and visitors.

Heritage Greens has struggled in a few respects. The 2008–2009 recession changed the course of the development due to lower home sales and increased demand for rental. Homes took much longer to sell because of Cambridge’s record numbers of foreclosures. Prices of homes in Cambridge plummeted far below what Heritage Greens homes were being sold for. The housing crisis and recession stalled Heritage Greens’ initial momentum.

The smaller lots and compact design of the homes was also a marketing challenge at first. “The buyers are typically looking for a split-level, three-car garage on a quarter acre

and as much square footage unfinished as they can get. This development was outside that box so it struggled overall because of that,” says McCready.

Heritage Greens is not quite finished. All of the single-family lots have been improved or sold to a builder, with 26 lots yet to be built on. 2017 and 2018 saw more building activity as the demand for smaller, less costly housing options grew. Additionally, 2-acre and 6-acre parcels remain available for multifamily or commercial development. “Heritage Greens has been an exciting project over the years and we hope things continue to move forward,” says Gustafson.

LESSONS LEARNED

The unfamiliar doesn’t always sell. Creating compact, affordable development in a city without anything comparable can be a challenge. Philanthropic or low-cost support may be required to promote a development pattern that breaks with convention.

Stay the course. “The folks in Cambridge don’t have a level of comfort with that style—they want what they see in other parts of Cambridge and Greater Minnesota. It takes a long time for a development like Heritage Greens to succeed because it’s so different. It’s waiting for the roots of the community to catch up with it,” says Hanson.

Economic shifts and consumer interests dictate the market. The housing crisis brought Cambridge more than its share of foreclosures and put too many homes on the market in competition with Heritage Greens. And many homebuyers continue to want big homes on large lots in suburban settings, a market demand that may be hard for a single new development to shake, even as it finds a market niche.



Kutzky Park, Rochester

Region

Community
Size

Single-Family
Homes

Apartments or
Townhomes

Rehabilitation
of Existing
Housing

Regional
Initiative

From Worst Home on the Block to Best

KUTZKY PARK

AT-A-GLANCE

POPULATION OF CITY: 106,000

TARGET AREA OF REVITALIZATION:

Kutzky Park neighborhood of Rochester

UNITS: Many multifamily units and single-family homes rehabilitated and sold

TARGET POPULATION: Working families seeking affordable homes near major employers

TIME FRAME: 2005–present

INITIAL COSTS: \$3.3 million

PROJECT PARTNERS: First Homes, Greater Minnesota Housing Fund, Kutzky Park Neighborhood Association, Mayo Clinic, Metro Plains Development, LLC, Minnesota Housing, Rochester Area Foundation

KEY STRATEGIES: Neighborhood revitalization, mixed-use development, employer engagement, redevelopment, new construction, and rehabilitation

THE COMMUNITY AND ITS HISTORY

First established at the beginning of the 20th century near downtown Rochester, the Kutzky Park neighborhood offers distinctive homes largely constructed in the 1910s and 1920s within walking distance today of Mayo Clinic. Named for early settler August Kutzky, who built the first home in the neighborhood in 1898, the blocks filled with middle- and upper-middle-class residents through the 1930s.

That changed in the postwar years when empty nesters began converting their properties to accommodate nurses and patients' families who came for treatment at Mayo Clinic and needed short-term housing. The next four decades would not be kind as urban decline set in, bringing drugs, crime, and dilapidation to the beleaguered stretch of Rochester.

Nonetheless, Kutzky Park's ragged charm began to attract urban homesteaders in the 1990s. That is the result of community investments and the work of brave, caring neighbors and devoted stakeholders. But it was not an easy turnaround.

THE STRATEGY

Kutzky Park's revitalization started in 2005 when neighborhood leaders tapped the Rochester Area Foundation for ideas as to how it could work to help restore the neighborhood. The Foundation's successful First Homes program had by that point met (and even exceeded) its goal of providing 875 affordable housing units in Rochester.

The goal of First Homes is to build affordable workforce homes and apartments in southeast Minnesota communities.



PHOTOS: FIRST HOMES



First Homes is a community land trust, buying properties and maintaining control of the land. Homebuyers—who qualify by earning less than 80 percent of the state median income—pay a small monthly lease fee to the community land trust. By using the trust, a typical home costs \$40,000 less than it would in a traditional arrangement. If a homeowner sells, the appreciation value is shared 50-50 with the land trust.

The practice of fixing one home at a time led to a deceptively simple motto: “Make the worst home on the block the best home on the block.”

Another program First Homes offers, “Heritage Homes,” focuses on restoring older homes. Heritage Homes is a Rochester-wide effort that focuses on acquiring homes in rough shape and either rebuilding, repairing, or demolishing them.

Prior to starting any rehabilitation, First Homes suggested the Kutzky Park Neighborhood Association start an initiative called “Imagine Kutzky” to share ideas and create a plan, according to a 2008 article in the *fedgazette*, a publication of the Federal Reserve Bank of Minneapolis.

Once founded, “Imagine Kutzky” created architectural guidelines and reviewed plans to identify homes of historic



significance as well as homes that were not historic and were in such poor condition as to merit tearing them down.

“The program transformed our neighborhood into a peaceful, abundantly livable, and lively place,” said Stephanie Podulke, Olmsted County commissioner.

THE RESULTS

By 2008 the effort saw 23 rehab projects, including a two-story Craftsman condo project, the first residential addition to the neighborhood in 20 years. An apartment known mainly for keeping the police busy was torn down and replaced by four owner-occupied condos (shown top left of p. 87).



Additional development in Kutzky Park includes Cascade Creek Apartments (pictured on p. 85), which is a 40-unit affordable rental development with an adjacent New Horizons preschool.

“It wasn’t very long ago that people didn’t want to live in Kutzky Park, and now neighbors are buying houses and fixing them up as

investments,” said Sean Allen, former director of First Homes.

“The ‘Imagine Kutzky’ concept gets people thinking big about issues like walkability and connected green space,” Allen says. We’re working on those issues, despite the tremendous challenges in an infill environment. But the community is driving the revitalization. We’re just coming in with targeted resources.”

LESSONS LEARNED

Land trust model contains costs. A key to the revitalization in Kutzky Park has been the community land trust model in securing affordability for many residents.

Stimulate reinvestment. New investment is stimulated across the neighborhood when dilapidated or blighted properties are demolished and well-designed new affordable housing is built in its place. Together these efforts serve to stabilize and revitalize the whole area. Done well, demolishing one single-family home can create opportunity to build at higher density and be more attractive. But critical mass is required to create neighborhood revitalization momentum and spur private investment.

Long-term planning required. Investing time and resources on the front end to assemble property over the course of several years was time consuming and required deep real estate experience. Overall the effort required major commitment and patience. A long-term plan was necessary to attract funding commitments from the local governments.

Layers of funding required. A multi-year commitment by the Rochester Area Foundation helped cover the several-year stretch of this revitalization effort. Significant gap money was also required in order to achieve attractive, excellent quality design as well as the affordability targets.



Park Row Crossing, St. Peter

Region

Community
Size

Apartments or
Townhomes

New
Construction

New Use for a Former Hospital and Nursing Home

PARK ROW CROSSING

AT-A-GLANCE

POPULATION OF CITY: 11,500

TARGET AREA OF REVITALIZATION:

Former hospital and nursing home site

UNITS: 40 townhomes

TIME FRAME: 2011–2014

INITIAL COSTS: \$5.8 million

PROJECT PARTNERS: City of St. Peter, Greater Minnesota Housing Fund, Minnesota Housing, Southwest Minnesota Housing Partnership

KEY STRATEGIES: Neighborhood revitalization, infill development, traditional neighborhood design, workforce family housing

THE STRATEGY

The city's hospital was vacated in 2004 and the nursing home in 2007. With two empty buildings costing \$50,000 a year to maintain, the city council first looked at the price of saving the structures before deciding the expense was simply not worth it. A child care center that occupied a section of the nursing home moved to another location and the building came down in 2010.

Facing a 1% rental vacancy rate, St. Peter, like so many cities, became acutely aware of its lack of affordable housing. "A good vacancy rate to have is around five percent but we had little available housing, especially for families," says Todd Prafke, city administrator of St. Peter.

The city sold the property for \$1 to Southwest Minnesota Housing Partnership (SWMHP), a nonprofit that had completed several projects in St. Peter, including three other apartment buildings and a townhouse development.

After studying the site, the city decided an apartment building would be too large for the neighborhood. And just a few blocks away SWMHP had recently constructed an apartment called "Central Square." The city wanted the housing to serve moderate-income families and decided on a design to construct side-by-side townhouses. "This concept isn't new elsewhere but it is new in Greater Minnesota—no one had built one for this demographic," Prafke says.

The final plan called for 40 townhouses around the perimeter of a neighborhood block with an outdoor commons area including play and picnic space between them. Initially, neighbors were wary about who would be moving in, though

THE COMMUNITY AND ITS HISTORY

Despite its modest size, St. Peter has a rich history. The Minnesota State Capitol nearly moved to the city in 1857 but the bill never passed. The city suffered a disastrous tornado in 1998 that destroyed or damaged more than 1,000 homes and apartments. The city continues to rebuild itself while remaining an active and attractive small town bolstered by the presence of Gustavus Adolphus College.



the outcry was neither loud nor long-lasting, Prafke says. Another group voicing protest was disability advocates who balked at the plan to have only two accessible units. As the city saw it, the three-story Central Square offered the kind of accessibility that two-story townhouses could not and kept the number of accessible units at two.

“We had a lot of discussion about that,” Prafke says. “We have pointed out that seniors and others are better served by having an apartment on a floor of a building. With such a limited market we saw Central Square as serving seniors, and Park Row Crossing as attracting young families. You do that by not making all Park Row units accessible.”

THE RESULTS

Park Row Crossing—blessed with a location with many assets, among them being walking distance to Gorman Park, a library and a community center—leased up quickly, with 38 units filled within days of its completion. The other two were occupied within a month.

Paulsen Architects (now ISG) of Mankato designed homes with flair and color that the neighborhood embraced. “It certainly met the target audience, and the quality of the design allayed a lot of people’s fears—it feels like it fits in that neighborhood,” Prafke says. “The council cares about design and wants it to look like the neighborhood, and Park Row does.”

Interestingly, and importantly, 16 families came from outside the region to live in Park Row Crossing. To Prafke and the council, that statistic “confirmed suspicion” that people outside the city wanted this type of housing and had a desire to live in St. Peter.

Conversely, the trend gave pause to any potential arguments from landlords that the townhouses pulled from their holdings. “This wasn’t just about pushing people to transfer their residences in town,” Prafke says. “Landlords appreciated that because it wasn’t taking from their potential clients.”

LESSONS LEARNED

Workforce family housing needed. Because the city of St. Peter and SWMHP had already worked together on other developments, the Park Row Crossing process went smoothly and suffered few stumbles. The city had evaluated the local housing market and saw a need for larger, family-oriented, moderately priced units.

Valuing good design results in livable communities. With a history of encouraging—if not in essence requiring—new developments to have good designs that fit into existing neighborhoods, the city made certain SWMHP hired an architectural firm which delivered on that promise, Prafke says.

Best practices informed development. The city reached out to the neighborhood in several ways. With the help of the University of Minnesota a charrette was held to look at what energy efficiency and wastewater techniques could be incorporated into the design, from choice of materials to rain gardens. Through community meetings the neighborhood had “multiple opportunities” to study the architecture, design, and planning of Park Row Crossing.

“This clearly is the culmination of the process we’ve been through in other developments,” Prafke says. “That included the evaluation, targeting of the marketplace, and design process. This was built on the shoulders of those other developments. This is our 2.0 development.”



Steve O'Neil Apartments, Duluth

Region

Community
SizeApartments or
TownhomesNew
ConstructionServing
Homeless/
Special Needs

Partners Come Together to Prevent and End Homelessness

STEVE O'NEIL APARTMENTS

AT-A-GLANCE

POPULATION OF CITY: 86,293

TARGET AREA OF REVITALIZATION:

Blighted downtown block

TIME FRAME: 2013–2014

INITIAL COSTS: \$13.5 million

PROJECT PARTNERS: Center City Housing Corp, Cinnare, Churches United in Ministry (CHUM), City of Duluth, Duluth ComfortSystems, Duluth Economic Development Authority (DEDA), Duluth HRA, Duluth Local Initiatives Support Corp. (LISC), Federal Home Loan Bank of Des Moines, Ferguson Co., Greater Minnesota Housing Fund, Housing and Urban Development (HUD)-CDBG and HOME, Minnesota Equity Fund, Minnesota Housing, Minnesota Power (Allete), Neighborworks, Northland Foundation, One Roof Housing, Ordean Foundation, St. Louis County HRA, UnitedHealth Group

KEY STRATEGIES: Blight removal, neighborhood revitalization, permanent supportive housing, supportive services and crisis housing for homeless, addressing homelessness of women and children

THE COMMUNITY AND ITS HISTORY

The cycle of homelessness is a monumental national problem. The National Center on Family Homelessness has said one out of 45 children will experience homelessness every year. The cycle springs from a lack of economic opportunity, drug use, mental illness, abusive relationships and other debilitating factors. And the cycle does not start and end with one family but continues for generations, leaving a mounting toll of poverty, poor health, and homelessness.

Minnesota has made preventing and ending homeless for Minnesota's children a top priority. The City of Duluth has made its own commitment to meet the needs of the young children who are the most vulnerable in their community, by providing housing and services that help keep families together.

One example of Duluth's effort to alleviate homelessness is the Steve O'Neil Apartments. Located on a hill overlooking the Duluth skyline and Lake Superior waterfront, the apartment building is well served by city bus lines, schools, jobs and medical services that are used by many residents.

The block where the apartments are located had a history as a rough-and-tumble neighborhood where narcotics had flowed freely and most of the buildings—known as the Piper Properties—were in severe disrepair. A group of citizens, the police, a coalition of churches, the city attorney's office, a Native American group, and others started a movement to put pressure on the Piper family to clean up the area.

In response to increased crime in the neighborhood in 2008, One Roof Community Housing, Churches United in Ministry





PHOTO: UNITEDHEALTH GROUP



(CHUM), Duluth Housing and Redevelopment Authority (HRA) and Center City Housing Corp. came together to purchase the land and demolish substandard properties on the block, including those owned by the Piper family, with the intent of developing housing for the homeless.

THE STRATEGY

Providing stable housing can begin to reduce the strain on homeless families and individuals. In many cities, for a variety of reasons, it is in woefully short supply. Like any large city, Duluth lacks affordable housing and has a significant homeless population. The organizations came together, with Center City in the lead, to flesh out an idea for affordable housing for families with funding from a variety of sources.

Center City took the empty block and developed the Steve O'Neil Apartments with 44 units of housing and

six emergency family shelter areas. Anticipating a resident population largely comprised of families, more than half of the units have two bedrooms and another 12 have three bedrooms. Steve O'Neil Apartments offers something often hard to find: Larger units with up to three bedrooms that help keep families intact. There are more costs associated with building the larger units, but they were needed to adequately serve the target population. All of the apartments fall under HUD's Section 8 program, meaning residents pay only 30 percent of their income for rent.

The complex offers more than just apartments. There's a family coaching center to provide support and encouragement to families. An early childhood center serves toddlers and preschoolers. There are after-school activities for all children, a computer and library center, classes and all kinds of support groups. Life coaches offer assistance with

job placement, educational resources, counseling and coordination with health care providers.
The building is staffed 24 hours a day.

Minnesota Equity Fund syndicated the project with \$10.5 million in Low Income Housing Tax Credits from investor UnitedHealth Group. That amount was leveraged to bring in another nearly \$3 million to complete the project.

The complex is named for Steve O'Neil, a longtime St. Louis County commissioner and tireless advocate for the homeless. He died in 2013 at the age of 63 from cancer. He had been a board member of Greater Minnesota Housing Fund.

Rick Klun, Center City's executive director, said O'Neil was a legend. "He's the best person I've ever known, it's just that simple—the guy should be sainted," he says. "His work with ending homelessness and treating everyone with dignity should be a model for all of us."

THE RESULTS

Steve O'Neil Apartments brings stability to the families and individuals who live there and is likely to spur economic development in surrounding blocks.

A *Duluth News Tribune* reporter, attending the February 2015 opening, noted "signs of permanence" in one woman's apartment such as a playpen and her oldest son's watercolors lining the bedroom walls. Since moving into a two-bedroom home, the tenant reported that her son had been introduced to schooling and stability for the first time.

The quick lease-up of the apartments reflected the enormous need for housing for homeless families in Duluth, says Klun. All the residents are "coming out of trauma or crisis" and they have "a long haul" before they gain more stable footing in society, he says. "Our mantra is it's all about the children—we don't want them to go through their lives without hope."

Strong support and financial backing from city and county officials was instrumental. The Steve O'Neil Apartments development was a priority of the City of Duluth, Duluth HRA, and the Saint Louis County HRA. Philanthropic investments from the Northland and Ordean foundations played a key role in the development and continuing provision of services.

Overall, Steve O'Neil Apartments created attractive new affordable homes for at-risk families with easy proximity to jobs, services and amenities. Residents develop a solid foundation from which they can access employment, develop life skills and help their children learn.

LESSONS LEARNED

Helping parents fosters early childhood development.

Parents at Steve O'Neil learn to be attentive to their children's needs and improve their parent-child relationship. They have access to a positive learning environment where their own participation in their child's development is fostered. The Duluth community naturally rallied around the needs of kids. The development's focus on children helped engage community partners, with hundreds of community organizations providing contributions when the apartment building opened to residents.

Geology and winter construction required patient capital.

A combination of Duluth geology and winter conditions led to cost challenges that required funders to be patient and understanding to bring the project across the finish line. Despite the bedrock that made the site challenging, partners agreed this was the right site for the development: It was close to downtown, services and good schools, which were all essential parts of the plan.

Attention to design feeds neighborhood renewal.

The neighborhood has benefitted first from the blight removal and second, from the attractive store-front nature of the design of Steve O'Neil Apartments, which is built to the sidewalk and continues the urban pattern for pedestrians. The new apartments provided a much-needed redevelopment boost to the neighborhood and caused no negative reactions from neighbors when it was proposed.

Experienced developers required. The combined development team of Center City Housing Corporation and One Roof Community Housing provided a strong track record and extensive expertise in low-income housing, real estate development, and supportive service delivery for homeless families and children.

Epilogue

Inspired yet?

We sincerely hope that some detail in the case studies caught your eye, whether it's an attractive façade or a surprising lesson learned. These developments are models worthy of replication in new places and in new ways. We encourage you to refer back to these projects as you undertake your own.

At Greater Minnesota Housing Fund, we are inspired daily by the creativity of our housing allies across the state. Every partner makes a difference to the form and success of a development: Site selection, target population housed, community engagement, architectural design, construction process, and funding structure. We commend all the partners who contributed to the developments highlighted in this book.

GMHF provided funding and technical assistance to many of the developments described in this book, though not all. For more information about GMHF's affordable housing and community development loan products and technical assistance, visit www.GMHF.com.



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