



Saint Paul Progress 2005: A Blueprint to Keep Saint Paul Moving Forward

The Vision For Creating New Housing Opportunities

I. Executive Summary

St. Paul, along with the rest of the Twin Cities Metropolitan Area, is facing an affordable housing crisis. The economic success the region has had in the last decade is at risk of coming to an end if affordable housing alternatives are not developed for working families.

To meet the needs of St. Paul, I am proposing a series of initiatives. As mayor, I would create the Neighborhood Redevelopment Corporation (NRC) to focus on building and rehabilitation of affordable housing. The NRC would provide the same energy and focus to housing issues that the Riverfront Corporation, Capital City Partnership, and the Lowertown Redevelopment Corporation bring to downtown redevelopment. Nothing could be more important than focusing our efforts at building housing for workers.

The NRC would work to develop affordable housing by: 1) creating and enforcing a comprehensive housing policy, 2) leveraging millions of private, foundation, and public dollars to establish an Affordable Housing Fund in St. Paul aimed at creating more affordable housing, 3) establishing the “jobs to homes” urban homestead program to create affordable housing in our many affordable neighborhoods, 4) dedicating a set percentage of the City’s budget for housing development, 5) operating a land trust to build housing on vacant or degraded lots throughout the city, 6) continuing existing City development efforts, and 7) operating a pilot project aimed at encouraging city employees to live in St. Paul. I would also help lead efforts to create statewide housing advocacy partnerships to generate more state, federal, and private resources for affordable housing.

II. Introduction

During the 1990's, residents and businesses in St. Paul experienced an economic boom. That boom, while somewhat slowed, continues today.

But the city's prosperity has not reached everyone. Economic forces that have benefited some have prevented others from finding affordable housing. In fact, the St. Paul Pioneer Press on July 13, 2000 quotes Secretary of HUD Andrew Cuomo ruing the "cruel irony" that prosperity is shrinking the stock of affordable housing nationwide: "The stronger the economy, the stronger the upward pressure on rents." Housing shortages impact families across the income spectrum. A recent legislative study estimated that the shortage of affordable housing units in the Twin Cities metropolitan area will hit 110,000 in the near future. Many of the families that struggle to find affordable housing are working families. Their problems are the result of the growing gap between the average wages and the average rents and mortgages. As wages fail to keep up with the increases in housing costs, more families fail to find safe, affordable housing.

The housing shortage threatens the vitality of the city. Children who have to worry about where they will spend the night are not focused on learning when they are in school. Workers who have to bounce between shelters and the homes of family and friends are not able to be as reliable as they would like to be.

If St. Paul's economic boom is to continue, the affordable housing shortage must be addressed.

On one end of the spectrum, low-income families find it increasingly difficult to meet their housing needs. On any given night, as many as 600 people are sleeping outside in St. Paul. Facilities such as the Dorothy Day Center, which can provide overnight shelter to about 150 people, usually have people sleeping on floor mats. Even with a new Ramsey County transitional housing facility and with faith based operations such as Project Hope, more and more families, including increasing numbers of women and children, are having their housing needs go unmet.

Some of St. Paul's most valuable resources are its senior citizens. These are the people who helped make the city great. Their hard work gave us some of the best neighborhoods in the nation. Their vision gave us a school system and a network of parks that make the city a wonderful place to live.

As their families get smaller, many seniors are preparing to leave their homes for smaller homes, town homes, or apartments. To find appropriate housing they can afford, however,

they are often forced to move to the suburbs. This is not right. We must find a way to encourage the development of more affordable senior housing so that the people who helped build this city can stay and enjoy the results of their efforts.

III. Neighborhood Redevelopment Corporation

In the last decade, the city has focused on developing the Riverfront and rejuvenating downtown. Now, some level of effort needs to be directed at developing housing.

I am proposing the creation of a Neighborhood Redevelopment Corporation (NRC). The NRC would work together with employers, financial institutions, unions, government agencies, and the non-profit and faith communities to expand available housing in St. Paul. Because not every housing option fits every individual's needs, the NRC would focus on developing a mix of housing options, including single family, multi-family, mixed use, owner occupied and rental. Specifically, the NRC would be charged with taking on a number of initiatives:

1. Developing a comprehensive housing policy for the city. This policy should include a firm requirement that 20% of all new housing must be affordable to persons whose income is at or below 50% of regional median income. We should also reserve half of those units for persons making 30% of regional median income. The policy **must** also require the construction of replacement units when affordable housing units are destroyed. While these goals have been discussed in the past, they have often been ignored. In 1999-2000, the median annual income for a family of four in the Twin Cities Metropolitan Area was \$68,000. That means that a housing development of 100 units would be required to have at least ten units appropriate for a family of four that is available for \$935 per month and ten similar units available for \$617 per month. This is true affordable housing development. **This is not being done today.**
2. Leveraging Dollars for Affordable Housing. Combining city, state, and foundation money, the city can help private developers build affordable housing by bringing down the cost of land acquisition and other construction costs that will make housing more affordable.
3. Jobs to homes urban homestead program. The NRC will seek \$50-\$100 million in foundation grants to create an Affordable Housing Fund that will provide a source of loan guarantees for local banks to originate below-market rate mortgages for first time home buyers to buy "affordable" single family homes in designated neighborhoods. The Affordable Housing Fund would also be a source of funding for down payment assistance and housing rehabilitation loans that can be included with the original mortgage

as a “Wrap-Around” mortgage secured in part with assets from the Affordable Housing Fund.

4. By state law, the city’s half-cent sales tax, of which I was the chief author, requires that 60% of the proceeds of the tax must go to “residential, cultural, commercial and economic development...” Housing advocates have expressed concerns that too little of this money is going to developing affordable housing. The NRC will work to determine an appropriate percentage of the City budget that should be set aside for housing development. This funding mechanism could be made permanent or it could have sunset provisions attached. Either way, dedicated, stable-funding sources should be made available.
5. Using Land Trusts is an excellent way to keep housing affordable. A community land trust (CLT) is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. In particular CLTs attempt to meet the needs of residents least served by the prevailing market. CLTs prohibit speculation and absentee ownership of land and housing, promote ecologically sound land-use practices, and preserve the long-term affordability of housing. Aiding land trusts in purchasing vacant and degraded lots will help keep the housing on those lots affordable.
6. The NRC will continue and expand upon current City efforts. Creating Urban Villages along West Seventh, on the West Side, and at University and Dale are very positive steps. The NRC will continue these efforts while ensuring that the projects meet affordable housing goals. In addition, funds to encourage first time home buying and housing rehabilitation should be continued and expanded.
7. The NRC would operate a pilot project aimed at encouraging City and school employees to live in the city. This project, modeled after programs by private employers around the state, would provide low interest mortgages, down payment assistance, and renovation costs to City and school employees living in St. Paul.
8. The NRC will work with developers to build a greater variety of senior housing in Saint Paul. Currently, seniors and empty-nesters who wish to sell their single-family home are being forced to move out to the suburbs to find available senior housing options. By building more senior housing, we will free up more single family housing for younger home buyers, thereby taking some pressure off the housing market and slowing skyrocketing housing values.

IV. **Working with other agencies**

As part of a metropolitan area made up of dozens of separate governments, St. Paul cannot solve all the area's housing problems. St. Paul needs to encourage other agencies to aggressively pursue a variety of housing solutions.

St. Paul needs to work with our federal representatives to encourage federal housing agencies to renew their commitment to construct affordable housing. In the past, federal funds were available for construction costs, as well as to help first time homebuyers move from rental to owner occupied properties. These funds need to be re-established.

State officials need to continue to work to encourage cities throughout the metropolitan area to develop affordable housing. The state should provide funding to help this development. The state should also impose penalties on cities that refuse to provide affordable housing. Penalties could include reductions in those communities Local Government Aid.

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Housing Policy Group
P.O. Box 40203
St. Paul, MN 55104
(651) 645-9171
www.longforsaintpaul.com