



# research works

A bridge linking housing research and practice

volume 4, number 6

## Excellence in Historic Preservation



Courtesy of the National Trust for Historic Preservation.

*The redeveloped Midtown Exchange offers housing, office and retail space, as well as a bank, hotel, and county service center.*

What cost more than \$190 million and rests on three square blocks in the inner city of Minneapolis, Minnesota? According to various accounts in the *Minneapolis Star Tribune*, it might be a "drab behemoth turned urban dynamo" or a "retail white elephant turned city blockbuster." In fact, it's the Midtown Exchange, a recent winner of the prestigious National Trust/Housing and Urban Development Secretary's Award for Excellence in Historic Preservation. The award recognizes projects that advance the goals of historic preservation while providing affordable housing and expanded economic opportunity for low- and moderate-income families and individuals, particularly in areas that are part of a community revitalization plan.

This year, Ryan Companies US, Inc. received the Award for Excellence in Historic Preservation for

successfully redeveloping the long-vacant and deteriorating Sears Tower, built in 1928 in downtown Minneapolis, as a thriving, mixed-use historic landmark. The Midtown Exchange consists of seven floors of apartments, eight floors of condominiums, nine floors of office space, a county service center, and a global market bustling with restaurants and vendors of fresh foods and crafts. Taken as a whole, the project reflects the ethnic diversity of the neighborhood. The complex also hosts a branch bank, a hotel, additional retail space, parking, and a Metro Transit facility. Two nearby parks offer playgrounds, biking, hiking, tennis and basketball courts, softball and soccer fields, and winter ice skating.

The developers maintained the historic integrity of the structure, which is listed in the National Register of Historic Places, with original materials and design elements such as mushroom columns, high concrete ceilings, and the 16-story art deco tower. The redevelopment also features several choices in mixed-income housing. Of the 219 rental units, 57 for-sale condominiums, and 88 for-sale historic lofts, more than 60 percent are affordable to low-, very low-, and moderate-income families.

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The Minneapolis City Council reached a final development agreement with Ryan on May 4, 2004 that outlines the financial, employment, and community development goals for the old Sears property. Each component of the project was to be developed by Ryan or a co-developer designated by Ryan and approved by the director of the city's Community Planning and Economic Development Department. Approval depended on a review of the performance contract, construction plans, qualifications, and financial capacity of the assigned co-developer. Ryan secured Allina Health Systems as its anchor office tenant and elicited assistance from real estate agents, nonprofits, and public agencies to develop rental and housing sales, the county service center, the transit center, and the global market. Ryan developed the commercial office space, parking ramp, and hotel components.

Financing for the project was complex. *The Midtown Exchange News*, an online interactive public forum on key issues concerning the redevelopment project ([www.ci.minneapolis.mn.us/cped/midtown\\_exchange.asp](http://www.ci.minneapolis.mn.us/cped/midtown_exchange.asp)), outlines the financing sources for the total project cost of \$192.2 million. HUD estimates that a total of \$16.1 million was funneled through its programs into the project. This figure includes \$6.5 million from the Section 108 Loan Guarantee program, \$2 million in Economic Development Initiative (EDI) grants, \$2.6 million from the Community Renewal Initiative for empowerment zone tax incentives, \$3.2 million in Community Development Block Grant (CDBG) program funds, and \$1.8 million from the HOME Investment Partnerships program.

Such a large, multifaceted project required significant cooperation and coordination from many participants. One example illustrates the complex web of funding sources for the condominiums. Project for Pride in Living, a nonprofit co-developer, developed the 57-unit condominium project with the help of the following contributions from public and private sources:

- Wells Fargo's Housing Foundation approved a \$20,000 grant;
- Ryan donated land to the project;
- The Minnesota Housing Department made \$500,000 available, \$100,000 of which came from the Family Housing Fund;
- Hennepin County brought \$60,000 in Affordable Housing Incentive Funds and \$140,000 for transit-oriented development to the project;
- The Minneapolis Community Planning and Economic Development Department gave \$740,000 through its Affordable Homeownership Program;
- The Metropolitan Council provided \$600,000 in Livable Community Demonstration Accounts for the project; and
- The city added \$133,000 from its Empowerment Zone monies.

When asked on the *Midtown Exchange News* about the kinds of money being spent on the project, a Ryan spokesperson acknowledged that considerable cost and investment challenges were involved in trying to achieve three objectives at once: historic preservation, the development of affordable housing, and inner-city redevelopment.

Funding sources, such as historic rehabilitation tax credits, low-income housing tax credits, and tax increment financing, also played a significant role in shaping the financial package for this redevelopment project. In particular, a new U.S. Treasury Department program called the New Markets Tax Credit (NMTC) program proved to be extremely valuable. In a recent interview, the chief financial officer at Ryan, Tim Gray, described a "long, arduous search" for available NMTCs that resulted in the company's securing "almost \$65 million in credits that leveraged more than \$12 million in equity investments."<sup>1</sup>

For additional information about the Midtown Exchange, go to [www.ryancompanies.com/project-Experiences/MixedUse/MidtownExchange.htm](http://www.ryancompanies.com/project-Experiences/MixedUse/MidtownExchange.htm). To read about rehabilitation for affordable housing and how tax credits can be an important component in its financing, see the two-volume *Best Practices for Effecting the Rehabilitation of Affordable Housing* at [www.huduser.org/publications/affhsg/bestpractices.html](http://www.huduser.org/publications/affhsg/bestpractices.html) or order it for a nominal fee from HUD USER by calling 800.245.2691 and selecting option 1. **HLI**

1. Mark Anderson, "Federal Tax Credit Program Bears Fruit, but Will It Survive?" *Finance & Commerce*, 15 February 2007.

## Promoting Homeownership: Local Educational Institutions Take Action

As respected community stakeholders, repositories of knowledge about homeownership programs, and sources of design management strategies, institutions of higher education (IHEs) are in a unique position to create homeownership opportunities in their communities. The experiences and successes of IHEs fill the pages of *Ideas That Work: Building Communities through Homeownership*, a report recently published by HUD's Office of University Partnerships (OUP). *Ideas That Work* describes many IHE activities that promote homeownership, such as applied research, community planning and revitalization, construction of affordable housing, homebuying education, and financial assistance.

### Research and Technical Assistance

Many university researchers apply their knowledge and skills to supporting community-based homeownership programs. For example, at the Energy Center of the University of Texas at El Paso, researchers found that low-income households spend 14 percent of their income on heating, cooling, lighting, and appliance energy expenses, four times more than the average household. This research serves as the basis for an outreach program aimed at educating low-income homeowners on ways of making their homes more

energy-efficient. The outreach program also tries to convince for-profit builders to use energy-efficient features and offers nonprofit housing developers a \$500 subsidy for every house they build that meets recommended energy-efficiency standards. In addition to reducing energy dependence, this approach recognizes the role of reduced operating costs in promoting long-term affordability.

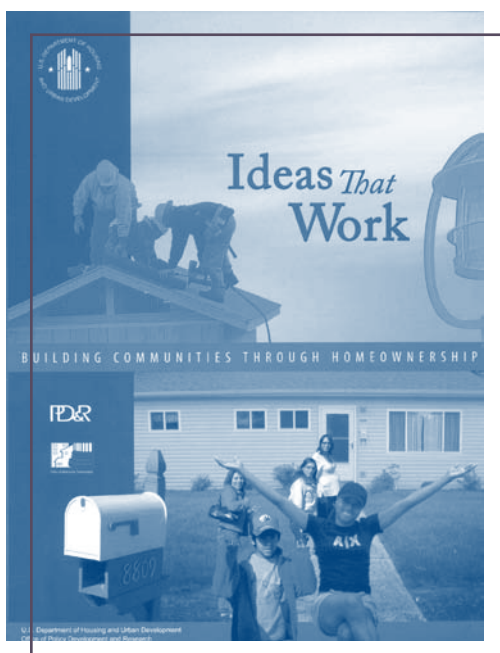
### Creating a Desirable Living Environment

Some IHEs actively promote affordable homeownership in areas that may be unappealing to potential homebuyers. These areas frequently have multiple vacant lots, homes needing repair, poor schools, and few places to shop. These IHEs enhance their communities by building affordable housing, marketing neighborhoods to prospective buyers, and creating viable revitalization strategies.

The University of Tennessee at Chattanooga has developed community partnerships that have changed traffic patterns, rehabilitated homes, and built a new school, parks, and university housing in the Martin Luther King neighborhood of Chattanooga. Johnson C. Smith University in Charlotte, North Carolina and LeMoyné-Owen College in Memphis, Tennessee each started community development corporations (CDCs) in the 1990s. Through their CDCs, the schools provide opportunities for affordable homeownership in deteriorating neighborhoods where rental units prevail. The Le Moyné-Owen College CDC maintains a revolving loan fund and offers technical assistance from its School of Business to revive the small-business economic base in these neighborhoods. The CDC is responsible for bringing the first full-service bank to one such neighborhood. In Dayton, Ohio, Wright State University is creating a rent-to-own program designed to help stabilize neighborhoods by rehabilitating older single-family homes.

### Preparing Future Homeowners

To assist first-time homebuyers in overcoming obstacles such as poor credit or unfamiliarity with mortgages, some colleges and universities have taken steps to educate prospective homeowners. The University of Texas-Pan American in Edinburg offers money management classes for those who would benefit



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One January night in 2005, an estimated 754,147 homeless Americans spent the night either in shelters (55%), or on the streets, in abandoned buildings, and other places not meant for human habitation (45%). Researchers who compiled data for HUD's first *Annual Homeless Assessment Report to Congress* based this estimate on two kinds of information:

- Unduplicated counts of sheltered homeless persons from a national sample of local communities using a new Homeless Management Information System (HMIS).
- One-night counts of unsheltered individuals reported by local communities.

This study represents an evolution in the methods used for collecting information about the homeless. The new HMIS tool, adopted in 80 localities, improves estimates of the number of homeless and provides new information on the characteristics of sheltered homeless persons.

**Who Are the Sheltered Homeless?**

Approximately 66 percent of those who used an emergency shelter or transitional housing at any time during the period of February 1 to April 30, 2005 were unaccompanied individuals, and 34 percent were in families with children. Sixty-five percent of sheltered homeless adults were men, 59 percent were members of minority groups, 41 percent were between 31 and 50 years of age, and 19 percent of the adults were veterans. Compared to the general U.S. population, these groups are disproportionately represented in the sheltered homeless population.

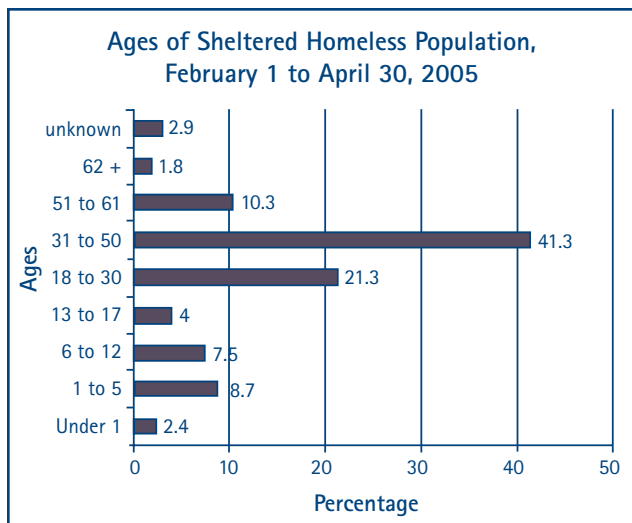
One-third of the sheltered homeless were part of a family needing accommodation, and two-thirds of these families were members of a minority group. Women comprised 84 percent of the adults in these families, and 61 percent of the children were 17 years of age or younger. The HMIS data revealed a difference in the prior-night living arrangements of unaccompanied persons and adults in families. The latter more often came from their own housing unit or that of a family member or friend, whereas unaccompanied individuals were more likely to have stayed in a different emergency shelter, another transitional housing location, or on the streets. Twenty percent of adults in families had stayed in a home they rented or owned the night before entering an emergency shelter

or transitional housing. This group included families fleeing domestic violence, experiencing family break-ups, or facing eviction. Another 29 percent of adults in families stayed with a friend or relative the night before. Thus, nearly half of the adults with children were in a conventional housing situation the night before entering shelter.

**Where Do the Homeless Find Shelter?**

Most sheltered homeless people (75%) used emergency shelters and transitional housing located in central cities, rather than in suburban or rural areas. In the central city, a sheltered homeless person was more likely to be unaccompanied, older, a minority, or disabled. Those seeking homeless residential services in suburban and rural areas were more likely to be part of a family.

Between February 1 and April 30, 2005, 73 percent of shelter recipients used emergency shelters, 23 percent used transitional housing, and 4 percent used both types of services. The two types of shelter services have different purposes, which are reflected in their average lengths of stay. Emergency shelters provide short-term shelter until other provisions are found, whereas a stay in transitional housing can be as long as two years, while difficult issues contributing to homelessness are resolved. In both types of housing, unaccompanied people stayed for shorter periods of



Source: The *Annual Homeless Assessment Report to Congress*, U.S. Department of Housing and Urban Development, Office of Community Planning and Development, February 2007, p. 34.

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## Promoting Homeownership: Local Educational Institutions Take Action continued from page 3

from a basic understanding of budgeting, banking, and credit systems. Indiana University-Purdue University Indianapolis grants \$150 in cash and coupons to potential homebuyers who attend financial literacy classes. Ohio's Youngstown State University created personalized homeowner education classes; its partners provide guidance from counselors throughout the loan and home purchasing process.

### Providing a Financial Boost

IHEs sometimes provide financial assistance to low- and moderate-income families. The Women's Center at San Antonio College in Texas partnered with the city to create individual development accounts (IDAs). Individual savers participate in these IDAs and work with the bank to develop a personalized educational, homeownership, or business goal. The city then offers a 4-to-1 match on deposits up to \$1,000. In California, Long Beach City College provides technical and financial assistance to family childcare workers who want to purchase homes and create home-based businesses.

Other IHEs offer help with downpayments and closing costs. Whereas the University of Chicago gives homebuying assistance to full-time employees, Elizabeth City State University in North Carolina gives this aid to households purchasing homes with guidance provided by its Community Development Program.

### Hands-On Experience

IHEs often promote affordable homeownership by giving students hands-on learning opportunities that offer long-term benefits to students, local neighborhoods, and potential homeowners alike. In response to the construction industry's need for qualified labor, students in the residential construction program at California's Bakersfield College receive skill training on homes they build, and the college sells at affordable prices, in revitalizing neighborhoods. At Valparaiso University in Indiana, student and faculty volunteers build houses that are sold to low- and moderate-income families at cost.

In a novel approach, Los Angeles Trade-Technical College established a mortgage finance program that promotes minority employment in the mortgage finance industry. As a result, the college hopes to increase the number of mainstream lenders serving the minority and low-income markets, as well as to help students understand the significance of homeownership as a means of stabilizing neighborhoods.

For additional examples and information about how IHEs expand and encourage homeownership, see *Ideas That Work* at [www.oup.org/files/pubs/ideasthatwork.pdf](http://www.oup.org/files/pubs/ideasthatwork.pdf), which can be downloaded at no cost. The report is also available in print, free of charge, from the OUP Clearinghouse by calling 800.245.2691 and selecting option 3 or by sending a request to [oup@oup.org](mailto:oup@oup.org). **HJ**

### Updated Data Sets

**A Picture of Subsidized Households** — Describes 4.9 million households living in HUD-assisted housing in 2000. The data are summarized at the census tract, project, public housing agency, state, MSA, city, and national levels. [www.huduser.org/picture2000/index.html](http://www.huduser.org/picture2000/index.html)

**GSE Mortgage Data** — 2005 census tract and national details about income, race and gender of borrowers, LTV ratios, loan seasoning, purchase/refinancing, and affordability. Also added is data on single-family and multifamily mortgages purchased by government sponsored enterprises. [www.huduser.org/datasets/gse.html](http://www.huduser.org/datasets/gse.html)

**HUD's Subprime & Manufactured Home Lender List** — The 2005 list of lenders who specialize in subprime loans can be downloaded as an Excel file from [www.huduser.org/datasets/manu.html](http://www.huduser.org/datasets/manu.html)

### New Research Tools

**The Map Gallery** — The public is welcome to download maps from the gallery and incorporate them into their own research projects. Presently, maps focus on damage done by Gulf Coast storms where subprime lending is most prevalent, and on areas where FHA and subprime lending patterns converge. Visit this new feature regularly, as it will be updated on an ongoing basis. [www.huduser.org/maps/](http://www.huduser.org/maps/)

**Aggregated Data on USPS Vacancies** — The United States Postal Service now provides HUD with aggregate data on addresses identified as having been vacant or inactive during the previous quarter. This tool permits neighborhood change to be tracked on a quarterly basis. [www.huduser.org/datasets/usps.html](http://www.huduser.org/datasets/usps.html)

"Good design can make a world of difference to the people who will live in the affordable housing you help build, and to the surrounding neighborhood," says the Affordable Housing Design Advisor website. The Design Advisor is a trusted resource for architects and other professionals taking on the challenge of producing well-designed affordable housing. The website succinctly addresses the questions of what constitutes good design, why good design is important, and how organizations and individuals can incorporate elements of good design in their housing projects.

The Design Advisor was created by the Department of Housing and Urban Development's Office of Policy Development and Research, in partnership with the New Jersey Institute of Technology's Center for Architecture and Building Science Research (CABSR), which maintains the website; the American Institute of Architects; Enterprise Community Partners, Inc.; and other organizations engaged in the production and preservation of affordable housing. The website is part of the Campaign for Excellence in Affordable Housing Design, which promotes good design to community-based development organizations.

## Criteria for Good Design

Although opinions and definitions of what constitutes good design vary, the Design Advisor asserts that good design...

- Meets the users' needs;
- Understands and responds to its context;
- Enhances its neighborhood; and
- Is built to last.

## Meeting User Needs

Residents are the best and final judges of any design. According to the Design Advisor, "Well-designed projects understand the needs of their occupants and how these needs impact physical design." For example, elderly residents might require certain accessibility features, such as a single-story floor plan, to make daily life more comfortable and convenient. Families with children might need quiet areas for studying and large gathering areas in which to play and spend time as a family. The Design Advisor website notes, however, that "...while occupant needs are a critical consideration, some design flexibility must also be maintained to allow for changes in use over time."

## Understanding and Responding to Context

Affordable housing developers rarely have the luxury of a blank canvas for their designs. They must instead work within existing neighborhoods with distinct characteristics that will influence their design decisions. The Design Advisor provides various elements and a list of questions that should be considered during the design phase to ensure that the project fits into the neighborhood: How have the surrounding homes been designed and built? Are there porches? How is open space handled?

## Enhancing the Neighborhood

"All projects, no matter how small, have a responsibility beyond simply meeting the needs of their users. They have a public responsibility to add to and enhance the neighborhoods in which they are built," says the Design Advisor. Although a project that simply meets the minimum housing code requirements might be acceptable for occupancy, the addition of simple amenities—such as landscaping, bay windows, or front porches—adds character, enhances the existing fabric of the neighborhood, and helps ensure its long-term success.

## Built to Last

The selection of materials is another important aspect to consider when designing and building new affordable housing. The selection of high-quality materials helps create a look that makes residents feel proud of their homes. In addition, selecting energy-efficient and green building products can help reduce the home's overall operating costs. Although the Design Advisor recommends using high-quality materials and finishes whenever possible, it also recognizes that affordable housing developments must work within limited budgets.

## Why Good Design Is Important

"An affordable housing project can be resisted by the community every step of the way, or welcomed," says the Design Advisor. Good design can help overcome some community resistance, because a well-designed project that enhances the neighborhood benefits everyone. In addition, a good design can help influence other neighborhood improvements that will increase the area's attractiveness.

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## Learning More about the Homeless continued from page 4

time than did families, and unaccompanied females tended to stay longer than males.

### A Shift in Policy

Little evidence exists that the size of the homeless population has increased markedly over the past decade, although the total inventory of shelter beds increased slightly. Perhaps the most important development since 1996 is a significant shift in the distribution of available beds. The number of emergency shelter beds dropped by 35 percent, while transitional housing capacity grew by 38 percent and permanent supportive housing beds increased by 83 percent. These changes reflect a policy shift that emphasizes providing more permanent housing opportunities for the homeless. Of 31,000 new beds made available in early 2005, 59 percent went to permanent supportive housing, 26 percent to transitional housing, and 15 percent to emergency shelters.

Most local communities that receive federal funds to address homelessness will soon use the HMIS. HUD will continue to help communities develop and implement accurate methods for conducting street and shelter counts. As the HMIS matures, and as data accrue, we will learn more about who is homeless, why they are homeless, and what resources are needed to reduce or eliminate homelessness in a particular community.

The *Annual Homeless Assessment Report to Congress* is available online and can be downloaded at no cost by going to [www.huduser.org/publications/povsoc/annual\\_assess.html](http://www.huduser.org/publications/povsoc/annual_assess.html). Those interested in additional



*One-third of the sheltered homeless in 2005 were families with children.*

research on homelessness might also want to review the following three reports from HUD's Office of Policy Development and Research: *Strategies for Preventing Homelessness* ([www.huduser.org/publications/homeless/prevent\\_homelessness.html](http://www.huduser.org/publications/homeless/prevent_homelessness.html)); *Strategies for Reducing Chronic Street Homelessness* ([www.huduser.org/publications/homeless/chronic\\_homeless.html](http://www.huduser.org/publications/homeless/chronic_homeless.html)); and *Predicting Staying In or Leaving Permanent Supportive Housing that Serves Homeless People with Serious Mental Illness* ([www.huduser.org/publications/homeless/permhsgstudy.html](http://www.huduser.org/publications/homeless/permhsgstudy.html)). They can be downloaded at no cost, and print copies can be ordered from HUD USER for a small fee by calling 800.245.2691, option 1. **HUD**

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## Design Advisor Promotes Affordable Housing continued from page 6

### Achieving Good Design

According to the Design Advisor, "The principles of good design are the same for every project, no matter its cost, but designing affordable housing presents unique challenges." The website incorporates the experience of design professionals, gives examples of exemplary projects, and provides step-by-step checklists to help ensure project success.

### Tools and Resources

The Design Advisor includes various tools and resources to help affordable housing developers

better understand the design process while improving the overall quality of their projects. Visitors will find forms, checklists, and worksheets created specifically for the Design Advisor. Resources include documents, handbooks, and manuals created by other organizations that expand on specific issues discussed on the site.

For more information on how the Affordable Housing Design Advisor can help shape your next affordable housing design project, visit the website at [www.designadvisor.org](http://www.designadvisor.org). **HUD**

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In the Next Issue of... <sup>research</sup> **works**

- The Empowerment Zone/Enterprise Community program was designed to inspire Americans to work together to revive the nation's most distressed urban and rural areas. Initially, six urban empowerment zones and 65 urban enterprise communities were named to receive assistance for developing opportunities in their areas. One of the original urban empowerment zones was recently awarded the U.S. Department of Housing and Urban Development Secretary's Opportunity and Empowerment Award at the American Planning Association's Annual Meeting this past April. We'll examine the Federal Empowerment Zone program and the difference it has made for the award winner, the American Street Empowerment Zone Neighborhood.
- Fourteen new houses in Blacksburg, Virginia's historic district received a 2007 ENERGY STAR® Award for Excellence in Energy-Efficient Affordable Housing, one of only six awarded. Initially subsidized with a CDBG small cities grant from the Virginia Department of Housing and Community Development and later from Blacksburg's CDBG funds, the seven "green" duplexes are approximately 25 percent more energy-efficient than the average new home. We'll look at the partnership between Blacksburg and Community Housing Partners Corporation and at the energy-efficient, affordable houses that have been built as a result.
- The HUD USER website features a new study commissioned to review the status of impact fees as they relate to issues of equity and housing affordability. The report is published as a guide to help practitioners in designing or revising impact fee structures to cover the cost of infrastructure for new development, without disproportionately burdening lower income homebuyers. We'll review findings and some of the many useful features of this guidebook.
- Change in the nation's housing stock over time is the subject of two new reports recently released by HUD's Office of Policy Development and Research. In one, the housing stock profiles in 2003 and 2005 are compared to determine how or why housing units left and entered the inventory between the two years. In another, the rental stock is examined for changes in rental unit affordability during that period. We'll discuss the findings of these important new studies.

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