Urban Land Institute Minnesota

Regional Council of Mayors

Policy Practice Leadership

REINVESTING IN THE REGION

An Action Plan to Make it Easier to Do Better

Many baby boomers and millennials, including college-educated knowledge workers and new immigrants, are looking for places to live and work that reflect changing market preferences for compact, green, smaller spaces in neighborhoods with a mix of uses and transit options that minimize the need to drive. To be competitive, we must offer choices that reflect these preferences, in both urban and suburban communities.

How can our region capture this growing demand while supporting livable communities?

> **"The world of land use is in the midst of change…changing entire metropolitan regions."** Patrick Phillips, ULI CEO

The rules and incentives that guide today's real estate market were designed to fit an auto-oriented land use pattern that worked well for us - then. However, our region will be at risk if we do not offer 21st century choices.

Regional Benefits. How can we make it easier to redevelop, reuse and renovate in our developed communities, using scarce public dollars to attract private investment, grow jobs and build tax base for the wellbeing of our region? How do we make the hardest development easier to do?

> **"What if there was a new economic engine for the United States that would put our people back to work without putting the government deeper in debt? What if that economic engine also improved our international competitiveness, reduced greenhouse gases, and made the American people healthier?"** The Next Real Estate Boom, Washington Monthly, Christopher Leinberger and Patrick Doherty.

We need to WORK TOGETHER and IMPLEMENT A BOLD NEW TOOL BOX.

The following action plan identifies a bold new tool box to implement **catalytic transformative investments –** projects that trigger a profound change in the built environment and/or physical infrastructure that intentionally enables and **accelerates the transition** to a **productive, sustainable and inclusive regional economy**. ***Catalytic*** is defined as housing and economic development investments that create highly visible positive change in neighborhoods and leverages significant additional resources. ***Transformative investments*** are projects that create distinctive places and strengthen local assets while increasing transportation options, stimulating job growth and expanding a full range of housing choices.

IMPLEMENT A BOLD NEW TOOL BOX

How do we make the hardest development easier to do?

Resources are scarcer than ever.

- Federal, state and local expenditures are likely to decline in future years.
- Lending institutions have stricter criteria for lending, including increased equity requirements.
- The resources that exist are often scattered too widely to have a significant impact.
- Investors and lenders are reluctant to underwrite non-traditional transformational projects.
- Compact (re)development requires complex infrastructure, utility, structured parking and place making improvements.

Many of the existing tools that support (re)development are no longer useful and inhibit private investment.

- Some of the smartest, most innovative solutions for building thriving, sustainable communities are currently not allowed by local ordinances, state statutes or federal lending criteria.
- Due to tightening of bank requirements, developers no longer have the level of margins to assume additional risk or fund burdensome regulatory requirements.
- Key (re)development opportunities often must overcome challenging land assembly obstacles.

ULI MN is partnering to advance an action plan focused on **four key strategies**.

1. **REGIONAL GOALS, RESOURCES AND COLLABORATION**

   Align, integrate and leverage regional goals and resources; support strong cross-jurisdictional leadership, partnerships and coordination.

- Implement **Reality Check** - a ULI participatory process tool among private and public sector leaders. Its goals include **increasing consensus, cooperation, and coordination** on regional land use and infrastructure strategies and investments.
- Seek **creative solutions** to make the (re)development system work better across state, regional and local policies and practices, e.g., align and pool/bundle resources; establish a predevelopment system; streamline and align approval process time frames.
- Accelerate transit and transportation system investments.

- **Invest where it matters most.**
- Establish multi-sector, public/private teams to advance catalytic transformative investments.

2. LOCAL GOVERNMENT (RE)DEVELOPMENT POLICIES AND PRACTICES

Implement (re)development policies and practices that support thriving, sustainable communities.

- Establish a vision and clearly articulate development expectations. Align tools, funding and risk management to create and implement (re)development ready sites.
- Foster collaborative and integrated strategies.
- Provide transparency that clearly defines the (re)development process.
- Work as a team to implement projects by holistically aligning commitment and approvals across all agencies and departments (planning, engineering, parks, etc.), elected offices, investment partners and corporate offices.
- Provide existing due diligence information to developers up front to increase efficiency and reduce development time and cost.
- Shift project review and approvals from reactive to proactive; fast track approvals when the project meets certain requirements; be flexible to achieve project goals.
- Analyze and modify land use regulations to allow for compact mix of uses without special approvals, e.g., consistency in comprehensive plan with mixed use zones in redevelopment districts and transportation corridors; accessory dwelling units within existing built neighborhoods; flexible parking requirements clearly recognizing the impact where there is access to transit; home based entrepreneurial businesses within existing and new neighborhoods.
- Establish a public mentor program (staff share/loan) - provide redevelopment technical assistance across cities.

3. LAND ASSEMBLY

Strengthen site acquisition tools and financing to support assemblage of key (re)development sites under multiple ownership; in some cases enable a long term hold.

- Remove impediments to fully **utilize existing programs**; identify new funding sources and mechanisms, e.g., Twin Cities Community Land Bank; Federal Congestion Mitigation Acquisition Fund; the LAAND Fund.
- Strengthen ability to use **Eminent Domain** for transformative investments, e.g., broaden exemptions.

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www.minnesota.housingpolicy.org

4. **<u>FINANCING AND TOOLS</u>**

Strengthen tools, funding programs and mechanisms by expanding local government's ability to create and implement redevelopment ready sites.

- **Increase funding allocation, flexibility and functionality for proven programs**. Leverage available resources to be more effective, e.g., Metropolitan Council Livable Communities Fund; DEED Redevelopment Fund; brownfield cleanup funds, environmental response fund; predevelopment programs; state housing bonds; State Transit Improvement Area Loan Fund.

- **Fully utilize existing tools**, e.g., county levies; bonding authority; development authorities; joint development; air rights; land leases; corridor wide AUARs and storm water management plans.

- **Refocus Tax Increment Financing (TIF)** - e.g., redefine public purpose; eliminate inconsistencies and duplication; allow pooling and sharing of tax increment between positive and negative districts; create joint powers agreements for multi-jurisdictional projects; expand allowable uses to support place making; identify best practices and encourage implementation of TIF for Transit Oriented Development; identify other value capture methods; allow capitalization of TIF to increase private investment.

- **Create funding mechanisms and tools, including patient capital, to finance complex (re)development infrastructure, utilities, structured parking, placemaking and public realm improvements** for catalytic transformative investments, e.g., reallocation of a portion of the fiscal disparities pool; revolving bridge loan fund; state housing tax credit; mixed-use financing.

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