Putting Infill to Work as a Community Development Strategy: The Franklin-Portland Gateway

by

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Introduction

Many central cities across the United States have been impacted by a variety of economic, demographic, and land use changes that have taken place over the last half century. While effects vary, in general these shifts have resulted in patterns of business and commercial disinvestment, concentrations of poverty, and under-maintained or vacant housing units, buildings and land parcels in central city areas. Community and economic development in these areas is a complex task requiring reinvestment on a number of levels, including increasing the availability of quality affordable housing, job opportunities, and commercial offerings. While not a silver bullet, the infusion of investment through infill development, particularly mixed-income, mixed-use development, offers a means to approach community and economic development in such a multi-faceted manner.

Vacancies and abandonment have proliferated in older central cities due to a variety of factors, including widespread out-migration of the middle class following WWII, and the ensuing growth of markets and the availability of land for development at the urban fringe. With declining demand for central city properties, a pattern of loss of ownership and abandonment is initiated in which nonessential repairs to buildings are delayed or stopped, mortgages go into default, and owners cease paying property taxes. As of a 1998 national survey that sought to gather information on vacancies in cities with populations of 100,000 or more, on average, fifteen percent of a city’s land was deemed vacant, abandoned, or contaminated.

Not only is abandonment a symptom of changing patterns of investment and housing preferences, it is also a key barrier to the recovery and growth of declining urban areas. As put by Burchell (1981):

Abandonment is both a symptom and a disease- a symptom in that it indicates poverty, selected migration, employment loss and usually a generalized decline of the tax base and resulting municipal fisc; a disease

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in that it becomes a causal mechanism, exercising a distinct feedback mechanism which accelerates and perpetuates urban decline\textsuperscript{3}.

In a 1997-98 study, a survey of the 200 most populous cities in the United States was conducted in order to investigate the nature and dimensions of the property abandonment problem. The authors found that vacant property was indeed perceived by city administrators as a significant problem, particularly in moderately growing or declining cities in the Northeast, Midwest, and the South. Survey responses showed that abandoned and vacant properties were perceived to have negative impacts on community life, including significant impacts on housing and neighborhood vitality, crime prevention efforts, commercial district vitality, and overall quality of life\textsuperscript{4}.

Infill development, an approach which includes new development on vacant lots in urbanized areas, redevelopment of underused buildings and sites, and the rehabilitation of historic buildings for new uses, offers a means to address the vacant and abandoned property issue. As described by the Northeast Midwest Institute, it is a planning and design strategy that “channels economic growth into existing urban and suburban communities and conserves natural resources at the periphery of the metropolis”\textsuperscript{5}. Infill development can be used as part of a regional strategy to accommodate population growth in a sustainable manner while maximizing the use of existing infrastructure. For central city areas in which vacant land has become a breeding ground for crime, vandalism, drug use, and other activities that diminish the quality of life in a given neighborhood, well designed and implemented infill development offers the potential for a breath of new life. Infill housing development that specifically targets a range of household incomes, as well as mixes uses within a single infill development, has the potential to allow for a number of benefits to accrue for residents and neighbors of the development.

\textsuperscript{4} Accordino and Johnson, 2000
\textsuperscript{5} Strategies for successful infill development. 2001. Northeast Midwest Institute/Congress for the New Urbanism. P.11
First, mixed-income development is seen as a means to introduce affordable housing in a manner that will contribute to stable and sustainable communities. There are several notable elements of the rationale behind this view of mixed-income housing that speak to social, physical, and financial outcomes. In theory, these developments allow low-income households to access better housing options and neighborhoods, and benefit from relationships with co-located higher-income households, overall reducing the incidence of social ills. In addition, the inclusion of market-rate units along with affordable units should force developers to construct and maintain higher-quality developments than they would if it were affordable-only. Through cross-subsidization of market-rate units to affordable units, inclusion of market-rate units can also reduce the external subsidies needed for the provision of affordable housing. It is also thought that mixed-income development is more palatable than affordable-only developments to communities in which the units are located, in part due to higher quality design and maintenance standards required of such developments.

Mixed-income housing can also be politically palatable because it ties into issues related to regional economic growth. It is widely noted that there is a growing shortage of workforce housing in many metropolitan areas across the United States. This lack of adequate housing for moderate-income households-- including service workers, office personnel, teachers, police officers, hospital workers, firefighters, municipal workers, and low- to mid-level management-- in central cities contributes to a set of factors limiting both community and regional economic growth. For example, a study on workforce housing conducted by the Minnesota Family Housing Fund reported that the Twin Cities lose out on $128 million in annual consumer spending due to the lack of workforce housing in the city. There are thus economic reasons to support mixed-income housing, which allows a broad range of housing needs to be met at once.

It is important to note that planned mixed-income development has been adopted by HUD through the HOPE VI program as a means to replace earlier models of public

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housing which resulted in pockets of concentrated poverty. However, these developments are few and far between, direct housing assistance only reaches one-in three eligible households, and there is a lack of public support for these kinds of low-income housing programs. The question here is how municipalities can create an environment where mixed-income development is more feasible as a means to serve a broader spectrum of central city working-families.

The emphasis here is also on mixing uses within a single development. This draws in part from new-urbanism, a neighborhood design strategy that is typified by mixed-use, compact, pedestrian-oriented, transit-friendly development. This type of mixed-use development is now commonly used as a strategy for large-scale suburban projects, but is also used for high-end or luxury urban infill projects designed to accommodate young professionals and retirees seeking accommodations near downtown worksites and cultural amenities. This strategy also offers a potential application for central cities, where there can be unmet demand for amenities such as retailing, grocery stores and other community gathering spots. Provision of these amenities in conjunction with affordable housing could enhance marketability of new housing developments, establish a significant degree of street-level traffic, increase convenient access to a wider range of goods and services than previously available, and offer job and entrepreneurship opportunities for central city residents. These elements also factor into neighborhood safety issues, and have the potential to contribute to overall neighborhood vitality.

Mixed-use, mixed-income infill development thus offers an approach for addressing housing needs as well as stabilizing and revitalizing neighborhoods, thereby providing a springboard for additional community and economic development in transitional areas. This draws in part on the concept of ‘environmental affordance,’ which “concerns the ability of environments to support or constrain different types of activities and meanings.” While the notion of using the built environment to impact social behaviors has been widely discredited as ‘physical determinism,’ Emily Talen, in her work exploring the social goals of new urbanist-type design, notes that what is key is to find the balance of what can and cannot be achieved through physical design, noting

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8 Smith 2002
that the structure and composition of physical space can be conducive to community
development, social equity, and the promotion of the common good\textsuperscript{10}.

If all this is true, infill development should be advocated more strongly as an
approach to urban revitalization. However, a host of barriers exist to infill development,
particularly to mixed-use, mixed-income real estate projects in central-cities. This paper
is meant to explore those obstacles, and discuss some tools and policy measures to
mitigate them. Additionally, a case study of the Franklin-Portland Gateway project is
presented to elucidate some of the factors that are key to planning and designing infill
projects that are meant to contribute to sustainable community development.

**Barriers to Infill Development**

There are a number of barriers to infill development, ranging from issues
stemming from the regulatory environment of a given municipality, to assembling a
financing package that would allow developers to pursue infill projects in a feasible
manner. The following section is meant to summarize some of the main obstacles to
infill development, with particular attention to mixing uses and income-levels within a
single project.

*Land assembly*

One set of major obstacles to infill development revolves around land assembly
issues. A major barrier to central-city development efforts is the cost of site assembly. In
blighted areas, site assembly, which might include acquisition of land, relocation of
existing structures, demolition of existing structures, environmental hazard mitigation,
and site preparation could cost about $15 per square foot, versus $0.25 to $4.00 per
square foot of open land in suburban sites\textsuperscript{11}. Parking requirements for high-density,
mixed-use development may also increase the land area needed for development,
increasing costs and making siting difficult in already-developed urban areas\textsuperscript{12}.

*Housing Policy Debate*. 12(1).
In and of itself, land acquisition may introduce a number of complexities into the development process. There may be obstacles to gaining clear title on land parcels due to difficulty in finding and negotiating with land owners, and the title clearing process can be time-consuming and can layer additional risk on the developer\textsuperscript{13}. Increases in land costs can arising from timing of land acquisition and speculation around redevelopment sites; once landowners become aware of redevelopment, they may price their parcels above market-value\textsuperscript{14}. Developers would thus gain from buying parcels early in the development process, but carrying costs of undeveloped land are high.

\textit{Land use regulations}

Land use regulations also present a set of difficulties, especially for mixed-use development. Local zoning regulations and building codes may prohibit the mixing of commercial and residential uses, and may place limitations on density levels. Obtaining permits and approvals for zoning changes and variances can extend over several years, raising risks and costs for developers. Additional difficulties may arise if developers are dealing with historic areas for which there are strict design standards as well as extensive review and approvals processes\textsuperscript{15}.

\textit{Infrastructure}

Another challenge to infill development is in working with the existing physical conditions in central city areas. Central-city infrastructure, such as road and alley conditions, drainage and sewer controls, and overhead and underground cables, may be inadequate for accommodating multi-family infill development, or may be aged and deteriorating due to lack of maintenance. It may not be clear who is responsible for funding project-related infrastructure improvements, and as such, it may become the subject of lengthy or costly negotiation\textsuperscript{16}.

\textsuperscript{15} Haughey, 2001.
\textsuperscript{16} Ibid.
Financing

There are a number of obstacles associated with securing financing for infill activities through commercial lenders and private investors, largely revolving around a perception of increased risk of the market, as well as in estimating capital and operating budgets. Lending institutions have difficulty appraising the value or estimating the risk of infill development projects because they are few comparable projects in the market, leading them to miscalculate either figure or avoid infill projects altogether. Additionally, while underwriting criteria vary, lenders may place limits on loan size due to a desire to minimize their exposure in a given project, and may impose higher rates of return to compensate for additional risks borne during pre-development, construction, and lease-up periods.

The nature of the developers drawn to infill development, as well as the scale of the projects they pursue, may also introduce barriers to financing. The developers who often want to invest in central city areas and gear developments toward a particular niche, whether historic preservation or the creation of affordable housing, are undercapitalized and may have limited capacity to finance and perform all development functions. Lenders may be hesitant to extend financing to these smaller developers with limited experience, or to developers who work in partnerships to achieve all development functions. In addition, the smaller size of projects pursued by niched agencies may bar them from accessing the full spectrum of loan sources. For example, national lenders often require minimum loan amounts that will generate adequate fees to cover transaction costs.

Mixing uses within one development complicates financing as well. Lending institutions typically separate their residential and commercial lending departments, and may apply different criteria to each property type. Additionally, not all lenders offer financing for multiple property types, forcing developer’s to secure loans from multiple

17 Ibid.
19 Ferris, 2001
20 Northeast Midwest Institute, 2001
private financing sources\textsuperscript{21}. Financial institutions may also be hesitant to extend funding for mixed-use projects due to an inability to sell such mortgages on the secondary market; Fannie Mae and Freddie Mac do not play a large role in securitizing mixed-use development because these institutions place restrictions on the percentage of revenue and/or tenancy stemming from non-residential uses within projects eligible for financing products\textsuperscript{22}. Additionally, lenders may be skeptical about the ability of a developer to build and manage a development with multiple uses\textsuperscript{23}.

Due to barriers in securing private financing, infill projects often include a degree of public financing, which also serves as a complicating factor. Developing a public financing package is difficult and requires long-term commitments from governing bodies, a politically tricky task. Approvals processes for public funds, including bond issues, tax credits, CDBG and HOME funds, and tax-increment financing, are complicated and require legal expertise as well as an understanding of development economics\textsuperscript{24}.

\textit{Marketing}

Assessing the market for housing development in central cities presents challenges due to patterns of disinvestment, housing abandonment and the lack of supporting services and facilities. Central-city schools, which are “perceived as ineffective (and even unsafe) warehouses of poorly educated, disadvantaged, and minority students” can be a marketing barrier for attracting families with school-age children to inner city areas\textsuperscript{25}. It can thus be difficult to determine the target market for a ‘pioneering’ project in a distressed area. Market evaluation can also be difficult in central city areas where there has been little new development that might shed light on the performance potential of housing or commercial offerings. Additionally, traditional analysis might show an ample supply of housing to serve current residents. Complex

\textsuperscript{23} Steinacker, 2003
\textsuperscript{24} Ferris, 2001
\textsuperscript{25} Suchman, 1997
and tailored analysis might thus be required to identify the demand for housing in central city locations\textsuperscript{26}.

Mixing incomes within one development may itself present marketing barriers. There is a perception that mixed-income housing will not be appealing to middle-income households who can afford market-rate housing in other areas because they do not want to live in such close proximity to low-income households\textsuperscript{27}. This is problematic, since a critical factor for making mixed-income projects financially feasible is cross-subsidization between market-rate and affordable units\textsuperscript{28}. Thus, there must be an adequate number of occupied market-rate units in such developments to ensure a stream of rental revenue that will cover debt service and operating expenses of the development. Attracting and retaining moderate-income households thus requires savvy marketing and management of the development, with an eye to the varying needs of occupants at different income-levels. More successful mixed-income developments provide units targeted to a graduated range of tenant-incomes, thus downplaying the difference between tenants at either end of the range\textsuperscript{29}. With a growing number of mixed-income developments on the market, more information regarding successful compositions of housing developments will become available. However, gaps in information and success rates render planned mixed-income development more complicated and risky than conventional market-rate development, which leads developers to avoid engaging in such projects.

\textit{Environmental and Social concerns}

There are multiple forms of contamination that can be present on infill sites. These include asbestos and lead in older buildings, and petroleum products, industrial chemicals, and poly-chlorinated biphenyls in soils. There is generally a degree of uncertainty regarding levels of environmental contamination, as well regarding the costs and duration of clean-up on a proposed infill site, raising risk for developers and

\begin{footnotesize}
\textsuperscript{26} Ibid.
\textsuperscript{27} Myerson, Deborah. 2003. \textit{Mixed Income Housing: Myth and Fact.}. Urban Land Institute
\textsuperscript{29} Myerson, 2003
\end{footnotesize}
lenders\textsuperscript{30}. Additionally, if using brownfield sites for low-income housing development, questions revolving around environmental injustice and ‘dumping’ arise\textsuperscript{31}.

Other equity-driven concerns center on a long-standing debate about the potential for gentrification to accompany redevelopment. Even for infill development projects intended to serve low- and moderate-income communities, redevelopment activities may still result in the displacement of low-income and minority residents, raising questions of whose interest is being taken into account through these activities\textsuperscript{32}. Additionally, mixed-income development may result in fewer needy families being served due to the fact that the success of the development to some extent hinges on attracting moderate-income households to both seek housing and other commercial offerings. Thus, only a certain proportion of units can be set aside as affordable or subsidized units, and the lowest income families will likely not be served.

\textbf{Overcoming Barriers}

Given the litany of barriers to infill development of any kind, it may not be surprising that Terrence Farris concludes his review article on the barriers to infill by promoting more efficient suburban growth rather than urban infill. However, although there are formidable barriers to infill development, they are not universal, and can be mitigated. Development challenges are not unique to central city areas, with exclusionary zoning, taxes, endangered species laws, costs of new infrastructure, and environmental protection issues among a host of issues arising from urban fringe development\textsuperscript{33}. Fulton, in his comment on Farris’ article, points out that urban areas and even older suburbs are gaining a competitive proximity advantage compared to greenfield locations due to the growing inconveniences and expense associated with commuting\textsuperscript{34}.

\textsuperscript{30} Haughey, 2001
\textsuperscript{31} Steinacker, 2003
\textsuperscript{32} Bohl, 2000
\textsuperscript{33} Hudnut, William. 2001. “Comment on J. Terrence Farris’s “The Barriers to Using Urban Infill Development to Achieve Smart Growth.” \textit{Housing Policy Debate} 12(1)
\textsuperscript{34} Fulton, William. 2001. “Comment on J. Terrence Farris’s “The Barriers to Using Urban Infill Development to Achieve Smart Growth.” \textit{Housing Policy Debate} 12(1)
Municipalities seeking to encourage infill development can adopt a number of tools and policy measures to lower the above noted barriers. The following section presents a summary of some of the main strategies that would serve to ease the development process.

Parcel Assembly and Land Banking

Given the expense and risk for developers in assembling central-city land under what is likely to be fragmented ownership, by assembling land and preparing it for redevelopment, municipalities can enhance the potential for infill development. Some localities have established redevelopment authorities that acquire, assemble, clean up, and package land for resale, with Chicago, Atlanta, Norfolk, and Houston as examples of cities with such programs\textsuperscript{35}. In addition, Cleveland, Ohio provides an example of a successful assembly and land banking program. The city and county cooperate in expediting foreclosure on delinquent properties, which are then either sold to adjacent owners or held in a land bank. The program also offers a mechanism for waiving unpaid charges and other discounts for properties that are proposed for redevelopment\textsuperscript{36}. Some cities offer title clearing assistance by dedicating staff persons to researching and resolving title problems\textsuperscript{37}. Creating and maintaining an inventory of vacant and city-owned land parcels within a municipality would also allow for developers to gain information about land potentially available for development, and can enable a system wherein cities would be able to swap city-owned property for developer-owned property in instances where developers are seeing to develop specific sites\textsuperscript{38}.

Regulatory Framework

Zoning and permitting processes in many cities has also been streamlined to allow for more efficient and less costly redevelopment activity. Tampa and Chicago are

\textsuperscript{35} Haughey, 2001
\textsuperscript{37} Haughey, 2001
\textsuperscript{38} Suchman, 1997
examples of cities that have implemented time-saving procedures in their review and
certification processes, including upgrading technology to accommodate electronic
applications\(^{39}\). Municipalities can also offer priority permit processing for infill
development, or develop thresholds under which smaller projects can avoid extensive
review processes\(^{40}\). Additionally, cities can promote infill by adopting more flexible
zoning standards that allow for innovative design, mixed-uses, density bonuses, as well
as reduced setback and parking requirements. Several other measures to facilitate the
development process include designating ‘by-right’ zones, where permits are
automatically issued if a project meets specified guidelines, granting waivers and
variances in order to enable creativity and flexibility in design, or consolidating reviews
to decrease fees and permits\(^{41}\).

**Infrastructure Improvements**

Municipalities can address physical infrastructure and environmental
contamination issues through a variety of means to make infill a more attractive option
for developers who may avoid central cities due to aging or inadequate infrastructure and
amenities. One strategy is to create a focused public investment strategy which directs
investments toward areas selected for redevelopment. By upgrading infrastructure, parks,
libraries, public education, streetscaping, and other public amenities, the marketability of
these target areas for private investment can be considerably improved. A related
strategy is to create service area tiers, in which localities assume the bulk of costs for
improvements in central locations an incentive to develop these areas first, and
developers take on most or all of the costs of extending services to outer rings\(^{42}\). There
are several strategies that cities can use to finance infrastructure improvements, including
earmarking a percentage of sales tax for improvements and the creation of public
improvement districts\(^{43}\). Jurisdictions can use these funds to institute subsidy programs
to reduce fee burdens in areas targeted for infill versus suburban sites. For instance,

\(^{39}\) Haughey, 2001
\(^{41}\) Suchman, 1997
\(^{42}\) MRSC, 1997
\(^{43}\) Haughey, 2001
municipalities can offer discounts on impact fees and water and sewer hook-up fees as part of an infill incentive program\textsuperscript{44}. Financial assistance can also be offered for environmental clean-up through direct assistance, subordinated loans, and land cost write-down\textsuperscript{45}.

\textit{Financing Assistance}

Challenges in assembling a financing package can be reduced by municipalities through public assistance in accessing local, state, and federal funding streams, which include low-income housing tax credits, new markets tax credits, historic preservation tax credits, tax-exempt bonds and CDBG funds, as well as gap financing offered through low-interest loans, deferred payment loans, and equity investments. City financing can be used to assist infill development in a number of ways, including the provision of predevelopment grants and loans to explore feasibility, writing down the cost of land, advancing loans again committed equity or debt, and the creation of tax-increment financing districts\textsuperscript{46}.

\textit{Marketing}

While the question of marketability of mixed-income housing remains, census projections of overall population growth, a significant rise in non-traditional and immigrant households in central cities, as well as a migration back to downtown areas, point to a rising demand for well-designed, mixed-income housing in nearly every urban area\textsuperscript{47}. However, as noted above, assessing the market for infill can be a difficult and costly task. Municipalities can assist with this facet of encouraging infill development by conducting marketing studies which can then be shared and used by developers in seeking sites for investment. The Seattle Planning Department and the Puget Sound Regional Council have taken a step in this direction by conducting a study to determine

\begin{footnotesize}
\textsuperscript{44} Bragado, 2001  \\
\textsuperscript{45} Haughey, 2001  \\
\textsuperscript{46} Bragado, 2001  \\
\end{footnotesize}
the factors in attracting residents to dense central cities\textsuperscript{48}. More thorough examinations of market demand and features rendering a site attractive for investment can be taken on by cities seeking to direct investment to priority areas.

\textit{Master Planning and Community Involvement}

Master planning for a central city area can spark meaningful debate and discussion regarding how a community can be affected by various changes to the landscape. By engaging community members in envisioning changes in land use within a given community, an avenue for education about the strengths of infill development is opened. Additionally, it serves as a mechanism to gain buy-in and support for master planning efforts from community members who are able to gain a sense of ownership over the planning process. The provision of factual information on the impact of mixed-use, mixed-income development may serve to reduce resistance to this type of development, either from individuals who fear the addition of low-income households to a neighborhood, or from those concerned about displacement and gentrification due to the inclusion of market rate units. Public debate and discussion may also allow for environmental and social justice advocates and organizations to become involved in the planning process, thus fueling support of infill through a coalition of institutional partners.

\textit{Conclusion}

Municipalities thus have a number of tools that can be incorporated into a set of policy measures that would lower the barriers for mixed-income, mixed-use infill development. While there is limited evidence that can be used in proving that these developments achieve all the ends that they theoretically address, they certainly have potential for positive benefits for urban areas as one element amongst other programs aimed at central-city revitalization. Commitment from political and financial institutions, as well as from developers, is needed for such changes to take place on the ground.

\textsuperscript{48} Suchman, 1997
The following case study provides an example of a mixed-income, mixed-use infill project that has as its goal spurring community development in a long-neglected area of central Minneapolis, Minnesota. Its mission and manner of development should serve as an example of the type of development that municipalities should seek to encourage through some of the above noted policy measures as a means to breathe new life into declining central city areas.

The Franklin-Portland Gateway

Though currently the site of a vacant and graffiti-covered gas station, an abandoned car dealership, and trash-strewn parking lots, the intersection of Franklin Street and Portland Avenue in central Minneapolis is undergoing a transformation. A mixed-use, mixed-income housing development, the product of a partnership between two community development corporations, Hope Community, Inc. and Central Community Housing Trust, is slated to renew the physical landscape of this long-neglected entrance to the Ventura Village neighborhood. But the intent on the part of the developers is that the physical redevelopment will also spur a social transformation; that the physical redesign and reinvestment will bring a renewed sense of community to this neighborhood with a long history of poverty, drug use, and crime.

The developers, both non-profit agencies, are committed to offering high quality affordable housing in a mixed-income environment, as well as to providing community space and neighborhood-scale retail offerings. The intersection is being redesigned to serve as an anchor and a hub of activity for the community, and will hopefully spur increased social and economic reinvestment in the neighborhood. This project represents a prime example of the possibility of reclaiming of vacant and underutilized space and gearing redevelopment for revitalization rather than gentrification.

The following section provides background information on the Ventura Village neighborhood, the developers of the Gateway project, and the vision and process leading to the development of the Gateway, as well as lessons to take from the case.
**Ventura Village**

Ventura Village is the northern sub-region of the Phillips neighborhood of Minneapolis. Just 10 blocks south of downtown, Phillips is one of the most ethnically and racially diverse neighborhoods in the city, with people of color representing 68 percent of residents as of the 2000 census. Ventura Village is a representative slice of the neighborhood; the following table shows the demographic figures for Ventura Village as of the 2000 census:

<table>
<thead>
<tr>
<th></th>
<th>Phillips Neighborhood</th>
<th>Ventura Village</th>
<th>City of Minneapolis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Native American</td>
<td>11.9%</td>
<td>10.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Black</td>
<td>29.4%</td>
<td>34.2%</td>
<td>18.0%</td>
</tr>
<tr>
<td>Latino</td>
<td>22.1%</td>
<td>19.1%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Asian</td>
<td>6.1%</td>
<td>4.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>White</td>
<td>31.6%</td>
<td>31.1%</td>
<td>65.1%</td>
</tr>
<tr>
<td>Total non-white</td>
<td>68.4%</td>
<td>68.9%</td>
<td>34.9%</td>
</tr>
</tbody>
</table>

Table 1. Demographic Profile of Phillips, Ventura Village, and the City of Minneapolis

Statistics on poverty and unemployment rates for Ventura Village run well above city-wide averages, with 33.5 percent of families falling below the poverty line, as compared to 11.9 percent city-wide, and 14.4 percent of workers unemployed, as compared to 5.8 percent city wide. The housing stock of the neighborhood is also heavily skewed toward the rental market, with 84.1 percent of units renter-occupied, compared to 51.4 percent of units renter-occupied city-wide.

The neighborhood, however, features a number of amenities that render it well suited for stabilizing activity. A number of major employers are located in or near to the neighborhood, including banking institutions, hospitals and other medical services, and several colleges and universities. The neighborhood is served by ten Metro Transit bus lines, which provide access to employment destinations such as downtown Minneapolis, the Mall of America, and the Minneapolis/ St. Paul Airport. Also, a Light Rail Transit System will soon be operating in the Twin Cities, and a station is proposed at the eastern

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49 Figure from 2000 Census, compiled by the Phillips Neighborhood Network, http://www.ppn.org
50 Ibid.
end of Ventura Village. A number of other developments are underway or recently completed at the east end of Franklin Street, mainly initiated by the American Indian Neighborhood Development Corporation, which include:

- Many Rivers, a 50-unit mixed-income rental building with 6000 square feet of commercial space on the street level
- The recently opened 20,000 square foot Franklin Street Bakery, anticipated to create 35-40 jobs over the next several years, as well as to contribute to neighborhood vitality
- The Ancient Trader’s Market, a recently completed commercial node anchored by a drug store and featuring a restaurant, a coffee shop, and other neighborhood services

There is thus a growing mass of reinvestment at the eastern end of the Franklin Street Corridor serving to boost civic pride and change the image of the once-worn down and dilapidated neighborhood artery. Additionally, the recent establishment of a Comprehensive Land Use Master Plan for the neighborhood, a document which grew out of community discussion and which sets forth strategies to address housing, transportation, safety, economic vitality, employment, and education, will serve to guide growth and development in a manner which is consistent with community–driven goals and needs. However, the west end of the neighborhood has seen less reinvestment activity than then eastern end, which is where Hope Community, Inc. comes into the story.

**Hope Community**

Hope Community, Inc. has been anchored near the corner of Franklin and Portland for its 27-year history, first functioning as homeless shelter, and eventually taking on a broader role of community developer. Over the last ten years, Hope has

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redeveloped the city block surrounding its original offices, naming the area the Hope Community Court. Single-family houses and duplexes have been rehabilitated, and the interior of the block has been transformed into community space by removing fences and the alleyway and creating community playgrounds and gardens in their stead. Within their promotional literature, Hope maintains that by creating pedestrian friendly spaces that are networked and which can be visually monitored by all neighbors, a sense of connection among community members is restored. This model of redevelopment is based on what Hope Director Deanna Foster terms the “creation of relational space”\(^5^3\). By creating space that is conducive to community interaction, the hope is that the community will be enriched, empowered and knit together, ultimately forming a positive and safe environment for families and children in the community and beyond. Hope has also extended redevelopment planning to Peavey Park, located adjacent to Hope Community Court. Through a planning process involving community members, an architect and representatives of the Minneapolis Parks and Recreation Board, a master plan for the park was created, and passed by the Board\(^5^4\).

\textit{The Franklin-Portland Intersection}

\(^5^3\) Personal Communication, December 23, 2003
\(^5^4\) http://www.hope-community.org
The intersection of Franklin Street and Portland Avenue, shown above, is the meeting point of two major transit arteries carrying traffic to and from downtown Minneapolis and between Minneapolis and St. Paul. The four corners have been long vacant or underutilized, and in the mid-90s, Hope began to formulate a plan for extending the vision of the Hope Community Court to the entire intersection. The intent was to transform the area on a large enough scale that it would create its own environment and carry its own momentum. Bolstered by a $500,000 grant from the Jay and Rose Family Foundation, a local organization dedicated to supporting unmet human and social needs, Hope was able to establish an Opportunity Fund to purchase land as it became available, and to date have acquired all but one small parcel on the intersection. They have thus been able to set about transforming the area through the planning and creation of both functional and symbolic space.

Another feature integral to putting their vision in motion was partnering with Central Community Housing Trust (CCHT), a non-profit developer dedicated to strengthening the lives of individuals and families through the provision of quality

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55 Source: Ibid.
56 Deanna Foster, Personal Communication, December 23, 2003
affordable housing. While Hope has some experience in small scale redevelopment and property management, CCHT has built and renovated 1,200 units of affordable housing in the Twin Cities over the past 20 years, thus providing additional capacity and expertise in managing the redevelopment of four city corners.

Initially, another partner, a for-profit corporation formed by the owners of the north side of the intersection, was involved in the project. However, the vision of these owners, including a bid for a check-cashing business to be located at the intersection, was not in concert with Hope’s perspective on redeveloping the area. They were ultimately bought out of the partnership, another factor that Foster identified as critical for being able to maintain their vision and commitment to building community in the neighborhood.\footnote{Ibid.}

The Vision

The vision for the redevelopment of the area, dubbed the Franklin-Portland Gateway, is to create both affordable and market-rate rental opportunities, a small number of home-ownership opportunities, as well as community gathering space and neighborhood scale commercial offerings. It is intended to serve as a critical mass of businesses and people with a stake in the neighborhood. For renters, there will be approximately 111 units at market-rate, 118 units affordable to those earning 50 percent of the area median income, and 18 units affordable to those earning 30 percent of the area median income. For those seeking home-ownership, there will be 17 units, with four affordable to people earning 50 percent of the area median income.

The Gateway is being constructed in phases, with the initial phases largely affordable rental units, and the latter phases mixed-income and mixed-use. This plan is meant in part as marketing strategy; once a critical mass of redevelopment and activity on two of the corners exists, market-rate renters and buyers will be more likely to conceive of the area as an attractive community in which to settle.

The first phase, completed in late 2003, features 30 affordable one-, two-, and three-bedroom rental units, the offices for Hope, as well as the Children’s Village Center, which includes an indoor playground, classrooms, and communal space. All units
include a private balcony, hardwood flooring, energy efficient lighting and appliances, internet and satellite access and self-controlled heating and cooling. The first phase also included the renovation of a 30 rental-unit building on a block adjacent to the Gateway and the rehabilitation of the units within Hope Community Court, consisting of six rental units and four home-ownership opportunities.

The second phase will redevelop the southwest corner of the intersection, and will consist of 41 affordable units as well as 4,000 square feet of commercial space. Construction is due to begin in December of 2004 and will last approximately 10 months. The third phase, which will finish the two remaining corners, will consist of three main buildings. On the northeast corner, there will be a 54 rental and 13 homeownership opportunities, and on the northwest corner, approximately 100 units split between two structures, and another 4,000 square feet of commercial space. Construction for this phase is due to begin in March 2005 and last approximately 14 months.

*Designing by Community*

Historically, there has been some hostility between Hope and neighborhood residents, according to Jim Graham, who ultimately coordinated the development of Ventura Village’s Master Plan. An initial attempt by Hope to gain control over a significant portion of neighborhood land through an application to the city to have the area designated as a Redevelopment Zone was seen as ‘land grab’ and an effort to displace present owners. Hope backed off this measure, and it was not until CCHT came on board to the project that the neighborhood became less distrustful of the development process. CCHT was seen as a less threatening entity with a strong reputation in neighborhood responsiveness in planning. Graham holds that without CCHT’s involvement, the Gateway Project would have likely died in the pre-development stage.

To gain community support of the project from its early stages, Hope and CCHT strategized to engage community members in sharing and discussing their redevelopment plans for the intersection. Design charettes were held with the Ventura Village neighborhood group where pre-prepared aerial sketches on which participants could write

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58 Personal Email Communication, March 22, 2004
and draw were presented. This was meant both to gather neighborhood-driven goals that were ultimately incorporated into the guidelines of the projects, and to give community members a sense of ownership over the development. Another key feature in presenting information to the community was that the housing affordability issue was spoken about in terms of rent levels rather than income levels. Altering the language in this way allowed Hope and CCHT to allay concerns that they were creating a low-income ‘project’ in the neighborhood, but instead were offering a range of units at a variety of price-points\textsuperscript{59}. The neighborhood has approved the plans for the Gateway, and must approve significant changes to the plan as they arise.

Designing for Community

Much of the inspiration for the site design and the interior structure of the housing units was drawn from Christopher Alexander’s work, \textit{A Pattern Language}. This book presents a series of principles for the design of buildings and the spaces surrounding the built environment, including the intended outcomes and effects of the principles on the way people think about and use their environment. The principles are given as a set of embedded ‘patterns,’ each of which describes a problem in the environment and gives empirical evidence on how the design pattern presented can be used as a solution to that problem. Users of the ‘pattern language’ can select the patterns which are thought conducive to certain outcomes, and arrange them in a manner that leads to an overall plan that matches site design against the needs of the community for which the development is intended. In conjunction with the Cuningham Group, an architecture firm with a strong reputation in urban design and master planning, Hope used the approach laid out by Alexander in designing the bulk of the intersection. Patterns that were linked to the creation of human, personal, and relational spaces were selected in carrying out the site design in order to carry forward Hope’s vision of building community through the creation of relational space. For instance:

\textsuperscript{59} Sara Huss, Project Manager. CCHT. Personal Communication, January 5, 2004
• Alexander notes that “the more monolithic a building, the more it prevents people from being personal, and from making human contact with other people in the building”\textsuperscript{60}. As a result, structures on the Gateway site are divided into smaller buildings to keep them at a less imposing, impersonal scale, and to create community courtyards between buildings.

• As another element in reducing the imposition of buildings on human space, heights of the buildings are jogged to create a sense of enclosure.

• Alexander maintains that buildings should in most instances be kept to a four-story limit so that the street level is comfortably accessible and so that visual detail on the street level is not lost by those looking down on the street from upper stories. The Gateway is thus designed in accordance with this rule in mind, adjusting densities and layouts of units to maintain connection with the street level.

• Buildings are oriented and structured to minimize shadow footprints on land and buildings on the north side of the development. This is meant to ensure that none of the units are seen as ‘second-class,’ and to encourage use of outdoor, sunlit spaces.

• Pathways are created through and between buildings to encourage pedestrian usage and access from all sides.

• Alexander holds that buildings must be thought of as elements that shape the outdoors, and that traditional siting of buildings that included large setbacks have contributed to the destruction of outdoor space as human space. As such, setbacks within the Gateway are minimized so as to encourage pedestrian comfort on the street, increase ‘eyes on the street’ and leave room for interior courtyard and communal space. Terraces are also included to increase the likelihood for ‘eyes on the street.’

The siting and use of high quality building materials is also meant to increase the appeal and longevity of the development. One of the buildings has been turned slightly

to allow units to gain a view of downtown, a factor that will help in marketing the units to market-rate renters. The building on the northeast corner will use steel frame construction rather than being stick-built, which, while contributing to expense, will also allow the interior spaces to be remodeled with ease in the future should needs and tastes of residents change, thus avoiding functional obsolescence. Additionally, large and small units will be intermingled, with no differentiation between affordable and market-rate rental units. To increase marketability, the for-sale units will be separated spatially from the rental units, with entrances and exits dedicated specifically for these units.  

Inclusion of Commercial Offerings

The Gateway will ultimately include approximately 8,000 square feet of commercial space, which is intended to be filled by a mini-market grocer, a branch bank, and other local-serving retailers. In managing the commercial space, Hope and CCHT are aiming to apply lessons learned from experience with East Village, another mixed-use affordable housing development at the opposite edge of the Phillips neighborhood developed by CCHT. This development includes 180 affordable housing units and three commercial spaces. Maintaining these commercial spaces has been a challenge, largely due to inexperience and a lack of professionalism on the part of retailers stepping into the space. While Hope and CCHT are looking to attract entrepreneurs to fill the commercial space with neighborhood-scale retail, they are not aiming to be an incubator or invite inexperienced retailers who might need a large degree of ‘hand-holding’ in order to get a business off the ground. The commercial space is meant in part to serve as a revenue generator, but in the short-term, Hope and CCHT acknowledge that the inclusion of commercial space is likely to be more costly than profitable. But the other intent of the inclusion of commercial space is to meet neighborhood demands and contribute to long-term sustainability of the development, and although the Gateway’s priority does not lie primarily in economic development, they see mixed-use development as an important and worthwhile investment toward a total revitalization effort.

62 Huss, 2004
City Approval Process

The Gateway is very much in line with the comprehensive plan of the City of Minneapolis, called *The Minneapolis Plan*, with the following elements applying to the Gateway:

- Encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods.
- Support development in commercial corridors where it enhances the street’s character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services
- Increase the variety of housing types (affordability, style, location) throughout the city, its communities and metro area, giving prospective buyers and renters greater choice in where they live
- Increase the city’s population and tax base by developing and supporting housing choices citywide thought preservation of existing housing and new construction
- Encourage in-fill housing
- Support the development of residential dwellings of appropriate form and density.

However, several elements of the development sparked concern from planning staff. Tom Leighton, the Minneapolis City Planner who reviewed the plans for the first phase of development, had particular concern with the addition of affordable units to an area already impacted by low-income and minority households. However, city staff ultimately recognized that in order to achieve redevelopment of the area, affordable housing would need to be a component since all subsidies available for redevelopment in the Twin Cities are tied to the provision of affordable housing units. While Leighton commented that the city would have ideally wanted the development skewed more toward market-rate units, Hope and CCHT are committed to providing units that will be

63 [http://www.ci.minneapolis.mn.us/](http://www.ci.minneapolis.mn.us/)
affordable to the communities they traditionally serve, and the city approved the mix of units set forth by Hope and CCHT 64.

Other zoning changes and variances have been granted in a piecemeal fashion, but the Gateway has been granted the status of a Planned Unit Development, which allows relief from strict compliance with zoning regulations which would otherwise limit the creativity and design of the development. Setback changes have been largely approved, and building heights are still in negotiation. However, Hilary Watson, the city planner reviewing plans for the second and third phases of the development, does not anticipate any serious complications. Overall, her view is that the development provides the right mix of features for the intersection in increasing tax value, filling vacant land, and with the scale and siting, encouraging interaction at the street-level 65.

**Financing**

Pulling together a financing package for the Gateway has been, and will continue to be, complex, with funding from a number of public and private funds. The Gateway has received funding from several agencies with whom they have long-standing relationships, including the Greater Metropolitan Housing Corporation, which has provided $65,000 in loans for the first phase, and has committed $500,000 for the next two phases. Other sources of pre-development financing include:

- The National Housing Network, which provided $300,000 for acquisition of the properties on the northern two corners for phase III
- The Local Initiatives Support Corporation, which has an office in the Twin Cities and has provided just under $100,000 in recoverable grants
- Franklin Bank, which provided loans for property acquisition for phase I.

Other funding sources include:

- Minneapolis Department of Community Planning and Economic Development
- Minnesota Housing Finance Agency
- Family Housing Fund
- Minneapolis Empowerment Zone
- Federal Department of Housing and Urban Development

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Delays and initial underestimates lead to cost overruns for the first phase of construction, which ultimately resulted in the need to negotiate a $300,000 settlement with the contractor in an attempt for HOPE to cut their losses. The Gateway is also currently applying for a second allocation of Low-Income Housing Tax Credits to contribute to covering cost overruns, and while the Minnesota Housing Finance Agency has gone through the first step of approving a waiver of a provision that permits only one allocation of LIHTC per applicant, it is unclear whether the board will approve this measure. If supplemental tax credits are not a viable avenue for garnering additional equity in the project, the city may come forward to provide additional gap financing. Thus far, the city of Minneapolis has granted funds from its Affordable Housing Trust Fund for the first phase of the project. Funding from this stream is based on how well a given project measures against a set of ranked criteria, with more points allocated to those projects that are mixed-use, have large bedrooms, offer supportive services, have funds committed, are transit oriented, and offer play space for children. Higher ranking is also allocated to projects which are in non-impacted areas, but the majority of proposals for affordable housing are sited in impacted areas, including the Gateway. The Gateway has applied for a second round of funding for the next phase of development, but Dollie Crowther of the City of Minneapolis indicated that many good proposals for funding are being submitted, and with a limited pool of resources, many developments will not receive funding in upcoming rounds.

It has been a struggle to keep both the project going and the organization afloat, and Marcia Cartwright, Real Estate Specialist at Hope, acknowledges that Hope is lucky both that the contractors agreed to continue working through the financing problems that have arisen, and that the organization has a substantial amount of foundation support to

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66 Marcia Cartwright, Real Estate Specialist. Hope Community, Inc. Personal Communication, April 8, 2004
67 Dollie Crowther, Planner. City of Minneapolis. Personal Communication, March 15, 2004
68 Ibid.
carry operating costs. Financing for the second and third phases of the Gateway is still floating, but Cartwright anticipates that that there will be fewer complications due to lessons learned from the first phase. However, she notes that the pools of money that are available are shrinking, and that the application process is growing ever more competitive. Perhaps as a result, she stressed the importance of establishing positive and strong relationships with both private and public sector partners, and in designing a project that fits the preferences of public sector funders. This second piece, however, requires a keen sense of balance in not compromising too much on the vision and mission of a given project in order to qualify for certain pools of funds.

**Management and Services**

The Gateway is slated to be under tight management, and according to Ms. Foster, where people wanting to pursue detrimental and/or illegal activities will not remain\(^{69}\). She indicated that the Gateway will not be a place that tolerates or allows for such activity. With Hope’s offices on-site, a watchful eye can be kept on the project with regard to management issues. Service provision through the Gateway will take shape as community activities and self-leadership opportunities, since Ms. Foster maintains that mandated activity does not create community. However, adult education and child care services, including language and financial literacy skills, as well as community art projects, will be organized as activities in which both residents of the Gateway and community members at large can participate in on a voluntary basis. This model of ‘supportive’ housing is one that Hope has worked to ‘sell’ to the public, and they have hired a staff consultant and invested in technology that will allow for program evaluation and measurement of outcomes. Information from this type of analysis has aided in applying for funding streams which require supportive services as part of a given project\(^{70}\).

\(^{69}\) Foster, 2003  
\(^{70}\) Cartwright, 2004
Lessons to Learn

The planning and implementation of the Gateway project has coordinated a number of elements that should contribute to a sustainable community and economic development effort:

- Community involvement in the planning process
- Carefully considered design
- Commitment to high quality building materials
- Willingness to challenge regulatory environment
- Integration of uses and incomes
- Partnering to increase capacity and expertise
- Creative and aggressive financing
- Attention to scope and scale of redevelopment activity

Marcia Cartwright, Real Estate Specialist at Hope, holds that one of the most significant and unique features of this project lies in its relational and collaborative aspect. Working in conjunction with CCHT has allowed Hope to leverage financial, political, and community support that would have been difficult or impossible if working alone. She holds that development is very much about building relationships, and the partnerships that have been formed have been remarkably beneficial to all parties in terms of strengthening capacity, sharing knowledge, and increasing competitiveness for scarce resources\(^71\).

This project has been primarily driven by the commitment on the part of the developers, without a great deal of ‘incentivizing’ on the part of the city or financial institutions. Although the City of Minneapolis is nominally supportive of infill development efforts, as indicated by sections of the Minneapolis Plan, without regulatory support and cultural shifts within financing institutions, the barriers for this type of development remain high. Additionally, infill development as a community development strategy may not work without being integrated into a more comprehensive strategy that includes workforce development, coordinated social services, community participation, community-based policing, and aggressive marketing\(^72\). Hope will only be providing minimal services for neighborhood residents, and while there is buy-in from

\(^71\) Cartwright, 2004  
\(^72\) Suchman, 1997
neighborhood leaders, there is sure to be some remaining tension with residents of surrounding neighborhoods who may feel displacing effects as the area undergoes transition. Additionally, Hope and CCHT have yet to form a concrete plan for marketing the units to the families they hope to serve. It is thus yet to be seen whether the Gateway can provide the degree of momentum needed to anchor community and economic development activities on the western edge of the neighborhood. However, as noted by Ventura Village community member Jim Graham:

"The Gateway is an essential part of a much larger plan that would be incomplete without it. That plan will take a neighborhood that in 1997 asked to be declared a "National Disaster Area" because of crime and blight to a neighborhood that is the shining [sic.] example of urban redevelopment. A shining example without displacing the residents that make up the heart of the community and are its most valuable resource."  

As part of master planning effort that infuses the area with a significant degree of reinvestment, the Gateway is thus aptly named; the project provides the doors to significant possibility for reclaiming and transforming the intersection, the neighborhood, and the community at large.

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73 Graham, 2004
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Appendix 1. Photos of current conditions (Feb 24, 2004) at Franklin and Portland, and renderings of the next two phases of construction (www.cunninghamgoupr.com)

A. Phase I: The southwest corner. Grand Opening of the Children’s Village held March 16th, 2004

B. Phase II: The southwest corner

C. Phase III: The northeast corner

D. Phase III: The northwest corner