

OPE!



HOW TO GET HOUSING IN YOUR SMALL TOWN

NAHRO Fall Conference

September 12, 2023

WHO IS THIS GUY?

Education

- BA from University of MN
- MA in Mgmt. & Leadership from CSS

Professional Licenses

- Series 6 and 63, securities (previous)
- Accident & Health, Life Insurance (previous)
- NMLS (previous)
- Real Estate Broker (current)

Work Experience

- County Real Estate Appraisal
- Financial Advising
- Mortgage Lending
- City, County, EDA and HRA experience in Economic and Housing Development

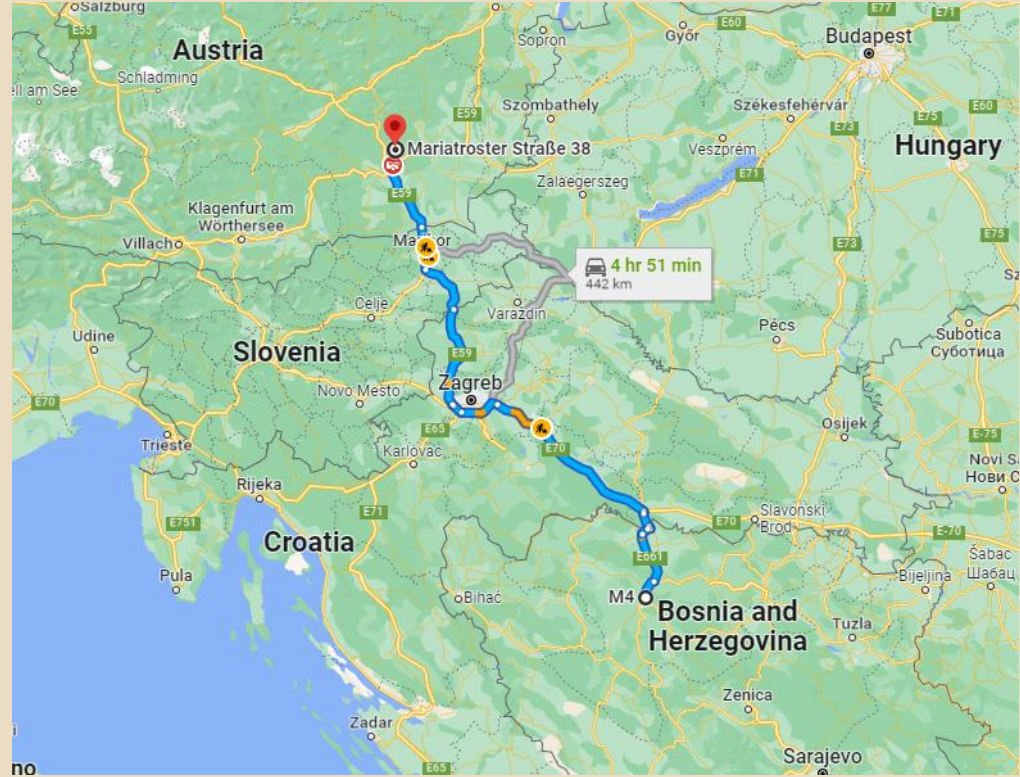
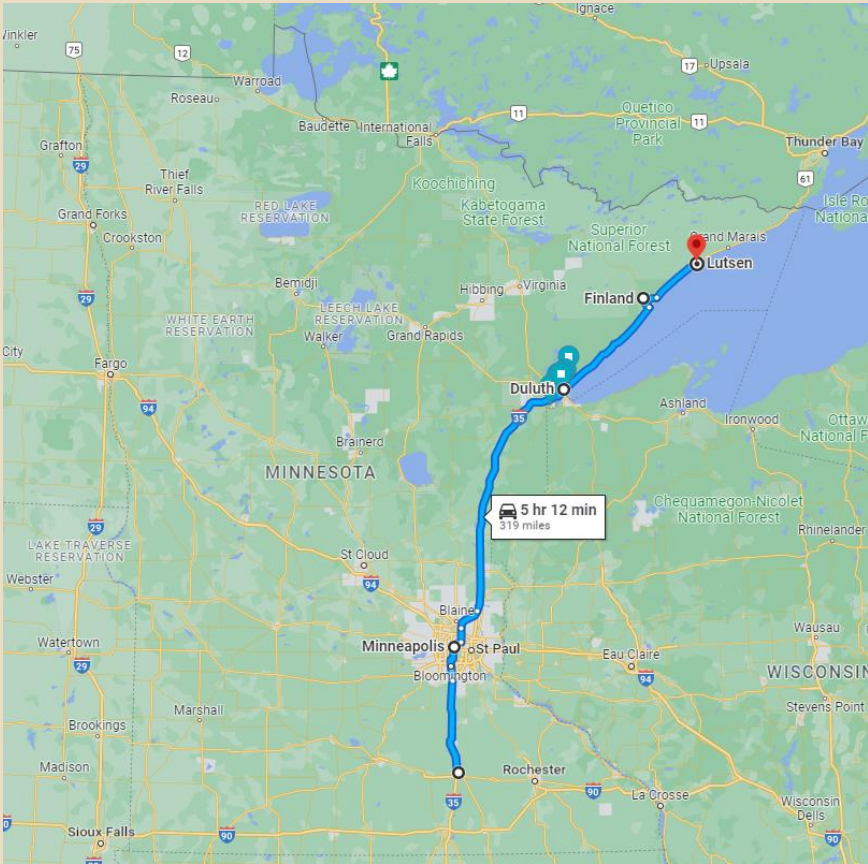
HOUSING EXPERIENCE

Worked directly on development & rehab projects for (approx.) 1,200 units

- These are built, being built, or have agreements to be built.
- First Director of a new HRA.
 - (e.g. A small business with more rules and more bosses)
- Lead development and establishment of a Housing Trust Fund and Rehab/ADU/Infill Programs
- My personal housing voyage.
 - Sold # 8 in May; in the middle of rehab now.



MINNESOTA IS BIG



MINNESOTA IS DIVERSE





The Housing and Redevelopment Authority of Cook County catalyzes and advocates for the creation of safe, stable and attainable housing opportunities for current and future residents.

A LITTLE ABOUT US

- We are small and young.
 - Established by resolution in August, 2021.
 - First Board Meeting in November 2021.
 - Staff started 4/25/22.
- Development is our focus.
 - No direct HUD funds.
 - No public housing.
 - Funded via general county levy.
- We are the least densely populated county in the State at 1.6 people per square mile.
 - Lots of ground to cover with minimal density.
 - St. Louis is 29.2/sq. mile.
 - Ramsey is 3064.9/sq. mile.
 - Over 90% of the county is public land.
 - Nearest metro areas are Duluth and Thunder Bay.
 - About the same distance away, depending on where you are in the county.

INCONVENIENT TRUTHS

- Development is iterative.
- Development is wrought with challenges.
- Development is ultimately a math problem.
- Development is a often question of political will.
- Development will make people excited and/or angry.
- Development is a numbers game.
- Development is a negotiation in risk tolerance.



WHAT WE ARE GOING TO DO

1. Unpacking Your Housing Problem
2. Group Exercise
3. A Housing Development Case Study
4. The Role Local Government
5. Q & A

UNPACKING YOUR HOUSING PROBLEM

WE KNOW THE PROBLEM

“We need more housing!”

1. How much and says who?
2. What kind?
3. Where can it go (versus where should it go)?
4. Who is going to build it?
5. What about the math?



HOW MUCH AND SAYS WHO?

Get to know your market

- Where are the biggest needs?
 - Different in the city vs. townships?
- How do parts of your market differ (values, utilities, amenities, jobs)?
 - This will impact site selection and financing
 - Ex: Higher values in Chester Park/UMD (Bluestone) versus Morgan Park (Grand Ave Estates).
- Do you have a housing study?
 - 3rd party expert on demand.
- Where are there land opportunities?

HOW MUCH AND SAYS WHO?

- Do your elected/appointed officials agree on what housing you need?
 - Council/County Board?
 - HRA/EDA?
 - Planning Commission?
 - City/County Administrator?
- Build consensus (or at least an understanding) around the need

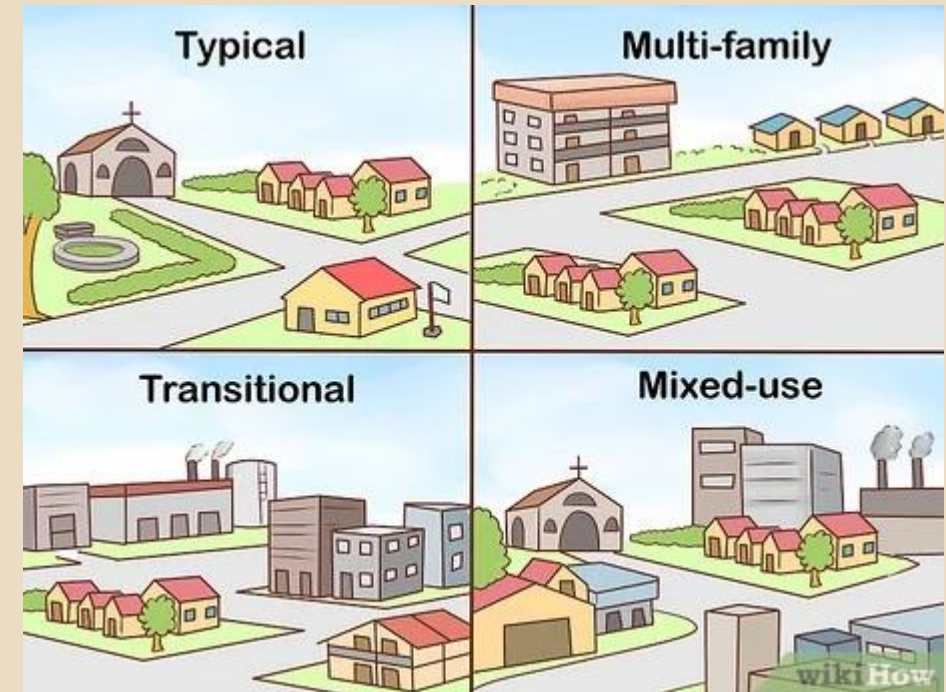
WHAT KIND?

- Determining Factors:
 - Demand
 - Zoning
 - Micro economic environment
 - Macro economic environment
 - Land availability
 - Population and demographics



WHERE CAN IT GO (VERSUS WHERE SHOULD IT GO)?

- Does your municipality have a Comprehensive Plan?
 - Is it from 2002?
 - Does it align with current needs?
- Do you have sites for the kind and amount of housing you need?
- Are there opportunities to rezone?
 - Will you have the support you need?



WHO IS GOING TO BUILD IT?

According to the National Center for Construction Education and Research:

Causes of the Labor Shortage

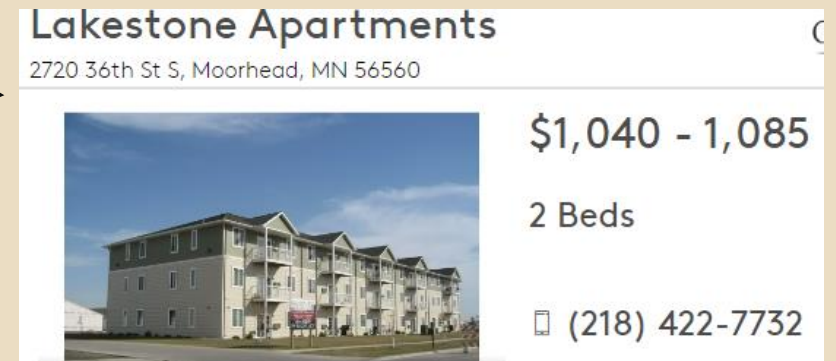
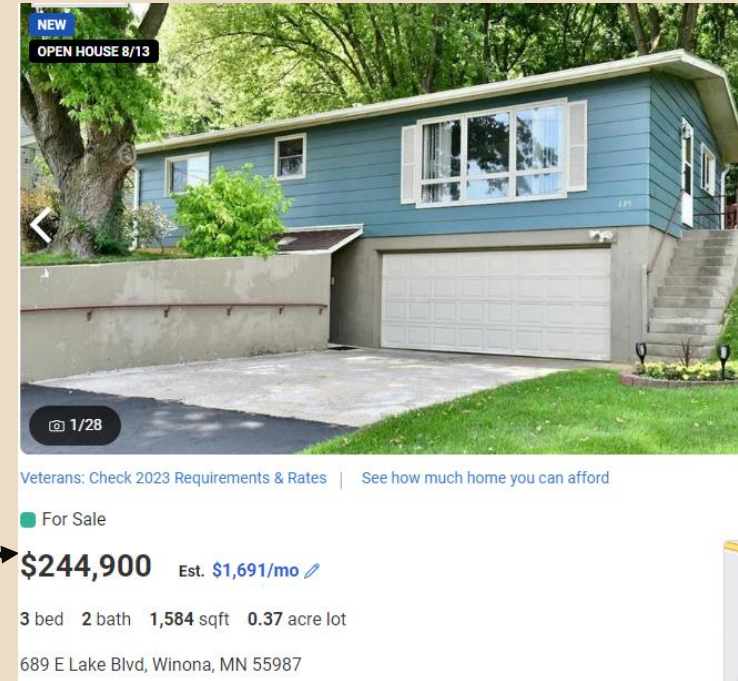
The US currently lacks around 430,000 construction workers and the industry **has only recovered 67%** of the jobs lost in March and April 2020. What's going on? There are several factors at play affecting the current construction labor shortage, including:

- **The Great Resignation:** The pandemic forced people to reevaluate their priorities, leading to disgruntled workers quitting their jobs en masse worldwide. Many people in the construction industry retired earlier than normal as well.
- **An aging workforce:** Baby boomers are beginning to retire, but there aren't enough people to replace them. Younger professionals are showing less interest in joining the construction industry.
- **Higher wages elsewhere:** The transportation and warehousing industries began offering better wages in 2021, prompting people to leave the construction field. Construction industry wages haven't increased to match the pace of inflation.
- **Fewer immigrants:** Due to COVID-era restrictions on immigration and travel, there are fewer traveling or migrant workers available to fill positions.
- **Time constraints:** Lack of childcare and restrictive government office hours can make it hard to get the necessary paperwork to apply for jobs, attend training and start a new career.

WHAT ABOUT THE MATH?

#1 reason you are not having more housing built in your community = Bad math.

- What are your incomes?
- What are rents/home prices?
- Sale price versus build cost:
 - New build = **\$225/sf**
 - Existing home price = **\$155/sf**
- Rent price versus build cost:
 - 2 bed/1 bath for \$1,040 for 860 sf = **\$1.21/sf**
 - Market rate = approx. \$250/sf build cost
 - Renting at **\$1.80+/sf**



GROUP EXERCISE

PART I

On your own, answer these questions about your community in 5-ish minutes:

1. How much and says who?
2. What kind?
3. Where can it go (versus where should it go)?
4. Who is going to build it?
5. What about the math?

PART II

- In 5-ish minutes
 - As a group (your table), discuss the hardest elements of securing new projects in your community.
 - Pick one top challenge you all share.
- In 5-ish minutes
 - Discuss one or two solutions or things you could try or change to address that top challenge.
 - Select a person to report out.
- Each group shares their challenge and proposed solution/action item.

A HOUSING DEVELOPMENT CASE STUDY



Switchback Village

Future 51-unit, mixed income apartment project with second phase option.

HOW MUCH AND WHO SAYS?

1. Housing study
2. Get to know your market
 1. Where are the biggest needs?
 1. Different in the city vs. townships?
 2. How do parts of your market differ?
 3. Where are there land opportunities?
1. Cook County Housing Needs Analysis
 1. <https://www.cookcountyhra.org/resources>
 2. Get to know your market
 1. Greatest need is in and around Grand Marais.
 1. Townships want housing, but no utilities and distance from services make it challenging. GM = jobs and amenities hub.
 2. Higher values in town, on lakes/water and along Lake Superior shore.
 3. Publicly owned property (City, County, ISD) and MN Power

HOW MUCH AND WHO SAYS?

- Do your elected/appointed officials agree on what housing you need?
 - In Cook County, all types needed.
 - Where different types go depends on who you ask (per usual!).
- Build consensus (or at least an understanding)
 - Housing summit in September, 2022
 - Numerous community presentations
 - Hospital Board, School Board, County Board
 - EDA
 - City Council, Planning Commission
 - Chamber of Commerce
 - Visit Cook County
 - Community Groups

WTIP

[HRA director says he remains focused on housing after merger with the EDA fails to move forward](#) - June, 2023

[Cook County Board denies merger of HRA and EDA](#) - May, 2023

[City council makes dark sky proclamation and continues EDA/HRA merger discussions](#) - April, 2023

[HRA preps for busy spring as projects, possible merger with EDA move into spotlight](#) - April, 2023

[City approves rezoning of Creechville property, discusses leash laws, and EDA/HRA merger](#) - February, 2023

[HRA and EDA in Cook County discuss possible merger](#) - January, 2023

[State auditor explains why special taxing district could address housing crunch in Grand Marais](#) - January, 2023

[Tax incentives will be a key tool to solve local housing crunch, officials say](#) - November, 2022

[Healthy Homes Initiative available to Cook County homeowners and renters](#) - October, 2022

[Cook County businesses connect with HRA to address local housing crunch](#) - October, 2022

[WTIP hosts community conversation about Cook County housing crunch](#) - September, 2022

[Cook County forum to focus on solutions to local housing crunch](#) - September, 2022

Cook County News Herald

[HRA to hold public meeting to discuss selling property to build single family homes above Birch Grove Community Center](#) - May, 2023

[The county board votes 3-2 against merging HRA and EDA](#) - May, 2023

[EDA and HRA boards vote to merge; now it's up to the county board and Grand Marais City Council to decide](#) - March, 2023

[HRA Director explains Tax Increment Finance Districts to Grand Marais City Council](#) - November, 2022

[The Cook County Housing and Redevelopment Authority](#) - September, 2022

[Cook County PHHS and HRA aim to improve existing housing stock for community members in need](#) - August, 2022

[HRA Director Jason Hale discusses getting land from the city for affordable housing](#) - August, 2022

Boreal

[Cook County needs more housing: A conversation with HRA Director Jason Hale - Part 1](#) - August, 2022

[Cook County PHHS and HRA aim to improve existing housing stock for community members in need](#) - July, 2022

North Shore Journal

[Federal and State Funding Resources for North Shore Home Buyers](#) - November, 2022

Twin Cities PBS

[Cook County Housing Crisis](#) - August, 2022

WHAT KIND?

Determining Factors:

1. Demand
2. Zoning
3. Micro economic environment
4. Macro economic environment
5. Land availability
6. Population and demographics

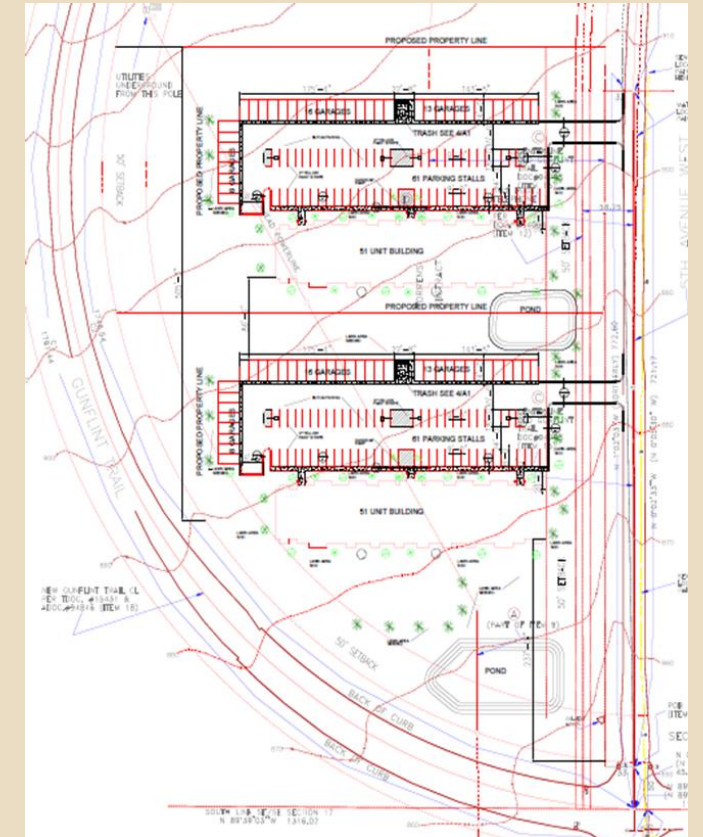
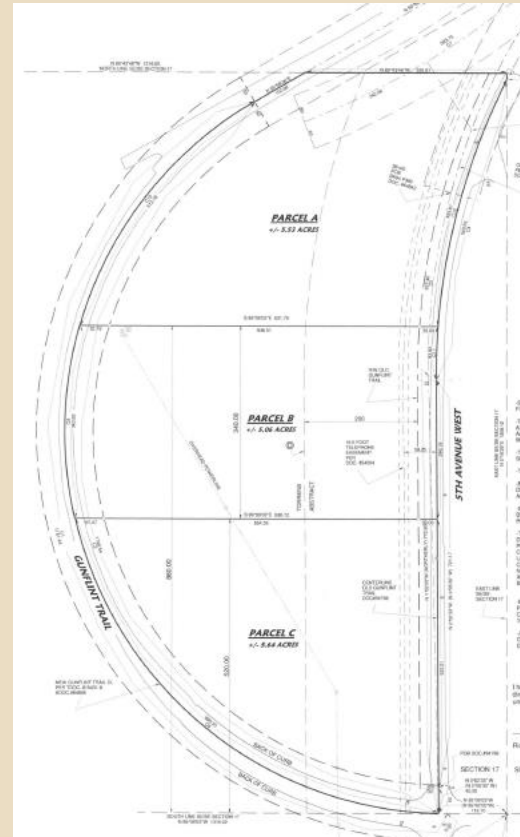
Cook County Factors:

1. Housing Study = 600+ units by end of 2026
 1. Demand does not always match reality.
2. Density is a priority.
3. Few local resources, need to maximize leverage.
4. Rate environment and timing
5. 91% unavailable (so you're saying there's a chance!)
6. Population = 81st out of 87 MN counties
 1. Most people over 18 in MN (we're old)
 2. \$60,000 HH AMI

WHERE CAN IT GO (VERSUS WHERE SHOULD IT GO)?

Switchback Village

- Land limitations
 - Utilities means in Grand Marais.
 - Big enough site for multifamily?
- Rezoning
 - Rezoned in 2021 for recreation as a part of larger effort
 - Needed to rezone again for residential
- CUP
 - Residential (R-1) in Grand Marais requires CUP for larger (7+) multifamily projects



WHAT ABOUT THE MATH?

- Funding (initial sources)
 - Developer secured debt: \$6M
 - Developer equity: \$2.6M
 - Land equity: \$200,000
 - IRRR Infrastructure grant: \$500,000
 - Local match using ARPA: \$500,000
 - HRA Pre-development: \$20,000
- Projected Total Project Cost \$9.8M



AND AFTER ALL OF THAT WORK...

NIMBY!

- It is alive and well. Unwell? It's still a thing.
- If you know how much, what kind, where to put it, have solved the math, and have leaders on board...

Hard to argue against housing.

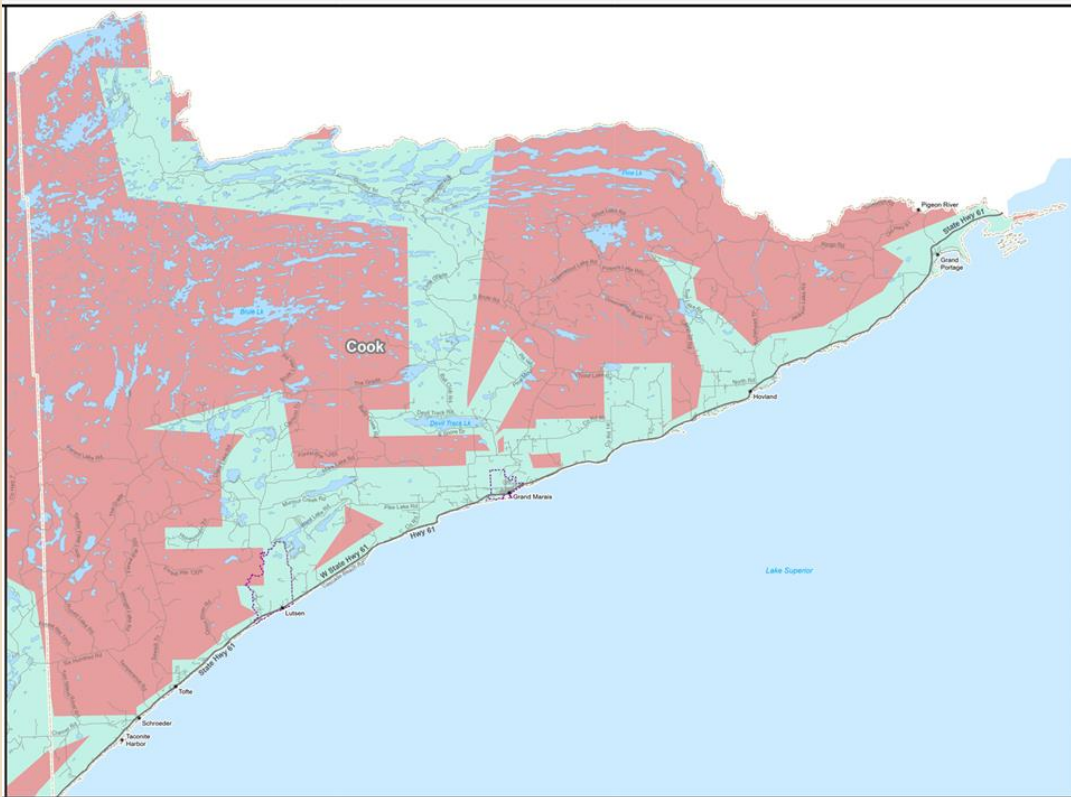
Switchback Village had 7 public meetings. The CUP meeting:

- Standing room only
- Facebook petition
- Rumor mills
- But: YIMBY advocates!



THE ROLE OF LOCAL GOVERNMENT IN DEVELOPMENT

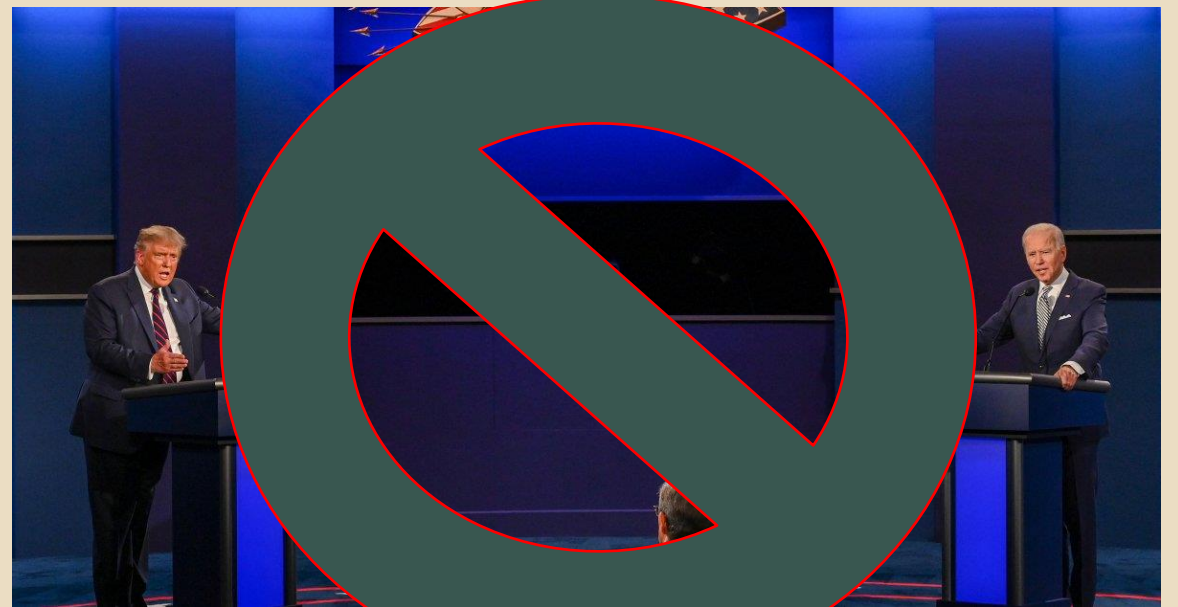
PROCESS



- Land use and permitting.
 - Do you know your local:
 - Land use/building permit application process?
 - Jurisdiction for various elements, including:
 - Wetland reviews
 - Road maintenance
 - Utilities (public, private, combo?)
 - Building official, Planning/Engineering/Streets departments, County Assessor
- Financial assistance application?
 - Make them pay to play

POLITICS

- What do your leaders/officials want/support?
 - Housing should be apolitical.
- Who are the gatekeepers to making change?
- If everyone agrees you need housing, what is the political hold up?



POCKETBOOKS

What resources can you offer and/or pursue?

- State

- MHFA
 - \$1.3 billion in State funds this year.
- DEED
- MPCA

- Federal

- IRA
- HUD (of course)

Local

- TIF/TAF
- Property
- ARPA/CARES
- Creative loans
- Pre-development funds?
- Tourism/retail/other tax toward housing?

FINAL THOUGHTS

1. Don't let the perfect be the enemy of the good.
2. We cannot LIHTC/HUD our way out of the housing crisis.
3. Failing is not trying something new and complaining about the same problem.
4. Housing is infrastructure.

ANY QUESTIONS?