

Greater Minnesota Housing Fund Continues Eight-Year Tradition of Recruiting Outstate Employers to Invest in Affordable Housing in their Communities

Introduction

A total of \$1.5 million has been donated by the Schwan Food Company (Schwan's) toward the development of Parkway Addition II, a six-year, large-scale employer assisted housing initiative to redevelop inner-city land in Marshall, Minn., the southwestern Minnesota city the company has called its world headquarters since 1952. As one of the state's largest employers, Schwan's contribution to the city of Marshall is significant. It represents another company on a growing list of Minnesota businesses who have invested in affordable housing not only because it bolsters the local and regional economy, but because they have recognized it as a sound business practice.

Greater Minnesota Housing Fund (GMHF), the state's leader in attracting employer dollars to affordable housing, was instrumental in this effort. As a part of its Employer Assisted Housing (EAH) program, GMHF recognized the tremendous opportunity in Marshall to partner strong local business and civic leaders with the most dynamic nonprofit affordable housing developer in the state to build much-needed workforce housing in this vibrant regional center.

In addition to the Schwan's dollars, the Marshall project represents an investment total of \$3.6 million from local public and private funds, as well as state, federal and charitable dollars to develop 270 new, affordable units of housing near downtown Marshall by 2009. This initial funding commitment will leverage an estimated \$36 million in new housing development, resulting in an 11:1 return on local investment.

The Marshall project is a shining example of when business, philanthropic, nonprofit, and government organizations partner, it results in strong, healthy communities.

GMHF's Employer Assisted Housing Program: A Strong Beginning, A Strong Leader

From its inception in 1996, Greater Minnesota Housing Fund (GMHF) was challenged by its key funders and founders, The McKnight Foundation and the Blandin Foundation, to educate and engage employers throughout Greater Minnesota in affordable housing. Both of the foundations felt that employers could play a much stronger and more direct role in the creation of livable, affordable neighborhoods of workforce housing in their communities. GMHF's Employer Assisted Housing program was off the ground and running.

GMHF recognized immediately that there was a strong, sound message to bring to employers in Greater Minnesota which said that housing that is affordable to a community's workforce is not only essential to create and sustain a strong local economy, but a key objective to achieve long-term business goals and growth.

For the past eight years, GMHF staff has carried this key message to hundreds of employers from every corner of outstate Minnesota. It has not been a hard sell. Employers from Rochester to Duluth to Wilmar to Winnebago and over 20 other cities have quickly grasped the positive impacts affordable workforce housing can have on their employees and business, as well as on the greater community, providing housing for people who work in and contribute to its overall economic health.

Targeting, educating and engaging employers in the merits of employer assisted housing in the 80 counties outside of the Twin Cities metropolitan area is no small task. It has meant thousands of miles and thousands of hours of GMHF staff time annually in travel, presentations to local chambers of commerce and community leaders, extensive negotiations with employers, preparation of long-range strategic plans for the entire community, intensive project planning and design work, advice on public financing, and preparation and dissemination of educational materials.

The most prominent example of GMHF's efforts to establish meaningful employer assisted housing programs is the Rochester Area First Homes Initiative. First Homes is the largest employer assisted project in Minnesota's history. A total of \$9.6 million has been raised from local employers and institutions, \$5.5 million from GMHF, and over \$3 million from MHFA.

From small downpayment assistance programs to multi-million dollar cash commitments, hundreds of large and small employers throughout Greater Minnesota have been educated by GMHF about employer assisted housing and given the opportunity to invest in their communities through affordable housing. To date, GMHF's Employer Assisted Housing program has provided the technical assistance, intensive outreach and financial leveraging to secure significant Greater Minnesota employer investment in over 50 affordable housing projects, totaling \$16 million.

Overall, spanning all six of its major program areas (EAH, Multifamily Housing Development, Single-Family Homeownership, Building Better Neighborhoods, Rehabilitation, Supportive Housing), GMHF has provided over \$56 million to help create approximately 4,800 units of affordable housing in Greater Minnesota since 1996.

The Marshall Project: Employer Assisted Housing in Action

The seeds that lead to Schwan's \$1.5 million project funding today were planted in 2000, with the Southwest Minnesota Housing Partnership's (Partnership) successful Parkway Addition I development in Marshall. It was then that Rick Goodemann, the Partnership's executive director, first recruited Schwan's to invest in the first phase of the project.

From quiet, anonymous gifts by Marvin Schwan, to more public and diverse efforts that have mirrored the company's growth over the last 51 years, The Schwan Food Company has a strong tradition of charitable giving and community investment in the city of Marshall. The

Partnership, as the nearly exclusive developer of affordable housing in the southern region of the state, had the success and reputation to bring Schwan's to the table.

Founded in 1992, the Partnership is a private, nonprofit community development corporation providing direct community development services to local units of government. The Partnership operates as a collaborative with local partners by using the strengths of local community organizations, city staff, local nonprofits, employers and local lenders to plan for and complete essential community development projects. To-date, the organization has developed, rehabilitated, and financed over 3,900 units of affordable housing to date, bringing an investment of \$145,000,000 to the communities that it serves.

While it was not projected for completion until 2006, Parkway Addition I – which will provide 130 units of affordable housing in Marshall - was recently completed in 2003, three years ahead of schedule. The resounding success of this initial project and partnership laid a strong foundation for the planning of the current Marshall project.

As a key funder of the initial Parkway project, Greater Minnesota Housing Fund recognized the strengths of these stakeholder organizations as valuable assets to build upon. In 2001, GMHF began to work with civic leaders in Marshall to encourage development of a large-scale, mixed-income housing project that included significant financial participation from employers, the city of Marshall, philanthropy, and federal and state sources. These efforts resulted in the production and release of the Marshall Housing Action Plan (MHAP) in May 2003, a six-year housing production program designed to address the need for more affordable and market-rate housing in the Marshall area.

Throughout 2002 and 2003, GMHF worked in Marshall with Schwan's, city officials, and the Partnership to create a plan and assemble local commitments of over \$2.6 million for the next six-year stage of the Parkway Addition development.

As the lead advocate and funder for the project, GMHF's efforts resulted in a \$1 million challenge grant from The McKnight Foundation – critical dollars which leveraged city funding of \$1,120,100 and Schwan's funding of \$1.5 million.

The Next Stage: Parkway Addition II Development

Using its technical resources, GMHF staff and consultants spent many months throughout 2002 visiting potential development sites. A 90-acre parcel of in-fill, redevelopment land adjacent to Parkway Addition I, four blocks from downtown Marshall, was chosen for the next stage of affordable workforce housing development.

The next stage of the project is scheduled to begin construction this year and **will be developed in two, separate stages over the next six years**, to be completed in 2009.

(Please see box of project details on the next page...)

The full project includes:

PROJECT BREAKDOWN

Parkway Addition II, Marshall, Minn. | Construction from 2003 - 2009

- **25 existing units to be purchased and rehabilitated within existing adjacent neighborhoods:**
 - Average cost per unit of \$90,000, affordable to households at 30 percent (\$16,320) to 60 percent (\$32,640) of median income;
- **12 new starter townhomes and 71 starter, single-family homes:**
 - Average cost per unit of \$120,000 to \$130,000, affordable to households at 50 percent (\$27,200) to 80 percent (\$43,520) of median income;
- **12 new move-up/empty-nester townhomes and 50 move-up single-family homes:**
 - Average cost per unit of \$150,000 to \$160,000, affordable to households at 80 percent (\$43,530) to 115 percent (\$62,560) of median income;
- **20 new single-family executive homes:**
 - Average cost per unit of \$230,000; and
- **30 rental units**, affordable to low-income households; **25 rental units**, affordable to moderate-income households; **and 25 market-rate rental units.**

Total | All Housing: 270 units

The design and construction of Parkway Addition II will employ the principles of GMHF's **Building Better Neighborhoods (BBN)** program. For Greater Minnesota communities such as Marshall seeking to develop subdivisions and in-fill sites that contain affordable housing, the BBN program has become widely regarded as the most innovative and comprehensive assistance available in the state.

Born of the belief that people want to build strong communities, as well as own quality, affordable homes, BBN advocates mixed-income housing on compact lots; reduced street widths; low-impact infrastructure techniques; efficient land use; cost-effective, yet attractive, traditional starter home designs; and the incorporation of green space and pedestrian-friendly amenities.

As it constructs the next stages of the project in Marshall, the Southwest Minnesota Housing Partnership will look to the highly successful, BBN-based Nicollet Meadows neighborhood in Saint Peter, Minn., a highly successful BBN project it has partnered on with GMHF since 2000. The Marshall project is intended to be the next "model project" and will utilize modest-sized lots to reduce the cost of land and infrastructure, alleys with rear-loaded garages, reduced front-yard setbacks, and traditional home styles that provide expansion space. All of the homes will be

designed to be affordable to families with incomes as low as \$21,000. In Marshall, the BBN program will help to not only create a family-friendly neighborhood that complements the traditional character of the city's existing housing stock, but one of lasting value that will attract market-rate homebuyers and Schwan's executives, as well as working families in need of a starter home.

Greater Minnesota Housing Fund's tradition of creatively seeking opportunities to engage, to inspire and to partner with employers will continue as GMHF works in both small towns and regional centers throughout Greater Minnesota, providing the leadership, educational support and financing tools that maximize employer involvement in affordable housing.