

Mixed Income Redevelopment in North Omaha: The Next Bite of the Elephant

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EDITOR'S INTRODUCTION

In Volume 41 No 3, (Fall 2012) of the *Real Estate Review*, Othello Meadows, Executive Director of the Omaha non-profit development corporation, Seventy-Five North, introduced us to a vision for redevelopment in an area of the city that had proved almost immune to the successful accomplishment of such efforts historically. His non-profit, with the assistance of the non-profit Purpose Built Communities of Atlanta, is working to redevelop a 23 acre site of former Omaha Housing Authority housing on Omaha's near north side into a mixed-use, mixed-income community that would attract residents from all socio-economic and demographic groups.

This ambitious effort was expected to span a number of years, and require the participation and support of a diverse segment of the city's population. In the last article, Meadows summarized the initial phases of the non-profit's work, the formation of the development organization and selection of its board of directors, the creation of the redevelopment vision, and the process by which Seventy-Five North insured community buy-in. He also identified some of the significant issues and pitfalls associated with implementing this redevelopment vision.

In this article, Meadows updates the reader

on Seventy Five North's progress in project development. This article focuses on the selection of a Master Developer for the project, the further creation of the development team, and the refinement of the project concept, financing plans, etc. He also updates the reader on the process for resolving some of the important issues that were identified in the first installment.

The development of federally subsidized, sustainable, mixed income communities as a replacement for dilapidated, obsolete public housing authority projects has been the principal goal of the Hope VI program (now the Choice Neighborhood program) established by the U.S. Department of Housing and Urban Development (HUD) in 1992.

The Purpose Built Communities model, established by this Atlanta based organization in 2009, is similar to other programs developed nationwide with HUD assistance, however, it also involves a bit of an evolution in the focus, a greater degree of targeting community enhancement objectives.

For example, the typical HOPE VI HUD grant projects have focused the development of replacement housing through public—private partnerships, and some funding for transformation of current residents, with

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some projects including improved schools, retail opportunities and crime reduction. In the Omaha project, the community development components of the project are viewed as more than mere challenges. Rather, they are considered the major focus of program development.

To this end, we learn that private philanthropy will play a significant role in project development. Further, the reorganization of the Omaha Public School District by the State of Nebraska unicameral legislature has been required to make the project feasible.

We anticipate publishing a third installment of the Seventy-Five North story, further documenting its development process when the project site plan and financing are finalized, and the project is under construction. It is our hope that this staged look at the development process will provide the reader with increased appreciation and understanding of the ways that mixed income project concepts can be successfully implemented.

INTRODUCTION

Since the first article in this series, Seventy-Five North (75 North) has taken several significant steps towards beginning the physical redevelopment of the Highlander neighborhood. The process is slow and tedious which makes each accomplishment, no matter how slight, feel like winning the NBA championship.

Also, since the last article was prepared for the *Real Estate Review* we have completed an exhaustive selection process for a development partner, submitted a disposition application through the Omaha Housing Authority, to the U.S. Department of Housing and Urban Development (HUD) to close on the sale of the development site, and are

nearing the completion of a comprehensive site plan.

Aside from the work that centers on the physical redevelopment of the land 75 North has made significant progress in areas that we believe are every bit as important to the success of this project as what is actually built. For example, the last article discussed our emphasis on education, not only as a means of combating poverty but as a redevelopment tool. Since then, there have been several recent developments within Omaha Public Schools (OPS) and its board that have proved to be very complimentary to our efforts.

As 75 North continues to push forward with this initiative, the opportunities to learn and improve upon what is envisioned present themselves almost daily. Our strategies are constantly evolving based on what is actually encountered as we peel back each layer. This second installment of the redevelopment story focuses on the process used in developer selection, as well as the challenges faced in developing a more specific redevelopment concept and strategy for this near North Omaha neighborhood.

DEVELOPER SELECTION PROCESS

One of the first tangible action steps that 75 North took was the selection of a development partner in the transformation of the Highlander neighborhood. Omaha is a city with no shortage of accomplished developers that create communities of the highest quality. Many of these developers and builders work not only locally but nationally and internationally as well.

What the local market is missing, however, is a pool of developers that are experienced in the creation of truly mixed-income com-

munities that are intentionally interwoven into the fabric of the surrounding, existing neighborhood.

As is typical in many mid-sized cities, developers in Omaha fall into two broad categories. The first of those categories is made up of developers that build market rate housing. At times, these developments may include rent-controlled or “affordable” units to satisfy local or municipal regulations or goals, but those “inclusionary” units usually make up a very small portion of the total unit count.

The second category is that of affordable or low-income housing builders who are usually reliant on a combination of tax credits and other public financing sources. Because one of 75 North’s stated goals is to create a community with true economic diversity to serve as a means of stabilizing a decaying neighborhood, it is imperative that we identify and partner with a developer that understands both these development types; the market rate and affordable components of development.

As discussed in the first installment of this series 75 North is in a partnership with Purpose Built Communities of Atlanta, Georgia. Purpose Built Communities (Purpose Built), is a non-profit organization with pioneering expertise in implementing mixed income development concepts; it serves as a consultant to 75 North on the Highlander project.

Purpose Built’s role is to provide guidance to communities seeking to create a project with mixed-income housing, outstanding educational opportunities, and wraparound community services and amenities. They are currently working on projects that are being

implemented to some degree in eight cities across the country.

Thus, Purpose Built has extensive experience in partnering with many of the leading mixed-income developers. This “inside” knowledge proved very useful throughout the process of selecting a partner. This was especially true at the outset.

Identifying the Developer Selection Committee

75 North’s first task was to identify a committee to do the necessary legwork leading to developer selection. Fortunately, the board members of 75 North provided a good cross section of the skills and experience that would be necessary in this process. Also, the task would require a significant investment of time and energy. Members needed to be willing to devote this to the selection effort.

The members of the developer selection committee consisted of Marty Shukert, former Director of Planning and Community Development for the City of Omaha and principal with RDG Planning and Design, a national architecture and engineering firm; Kristen Williams, Director of Community Initiatives at the Sherwood Foundation; Curtis Marshall, Vice President of Customer Service with the InfoGroup, and Dennis O’Neal, retired president of First National Bank of Omaha.

Having a team that was experienced in planning design, finance and business development provided 75 North with the ability to evaluate developers from different perspectives. Additionally, having a team member from the Sherwood Foundation, the largest private foundation in the city, brought an essential depth of knowledge in public private partnerships.

Once a team was identified, 75 North set

out to create a process that would be both thorough and efficient. The process that was followed is outlined below:

The Developer Selection Committee Process

The Committee set about to undertake the process with the following steps.

1. Identify the Top 6 Mixed-income Developers

- Utilize Purpose Built/Network member experiences
- Utilize information gathered from prior site visits
- Prepare the invitation to respond to the Request for Quote (RFQ)
- RFQ released 9/3/2012

2. Determine the RFQ Review Criteria

- Technical capacity
- Commitment to community justice/opportunity must be demonstrable
- Financial Capacity (ability to secure tax credits, traditional financing, and grants)
- Responsiveness to neighborhood architecture/culture
- Ability to attract commercial development
- Specify a due date

3. Visit sites of successful developer projects and conduct interviews

- Site visits were scheduled for October and November of 2012
- Visited top 2 developers' sites

- Used real estate advisory group to help evaluate what is being seen from a construction and management perspective

4. Selection

- The committee makes a selection based on scoring matrix that encompasses written responses, site visits, and real estate advisory group's input
- Decision made by the end of January 2013

5. Board Approval

- Committee's selection is submitted to the full board for approval

Once the process was outlined and agreed upon, 75 North leaned heavily on Purpose Built's experience to identify those firms that would be invited to respond to the RFQ.

We specifically created a "Request for Qualifications" rather than a "Request for Proposals" for two reasons. First and foremost, we wanted to make it clear that we were seeking a *partner* rather than hiring a developer. Secondly, we didn't want respondents to simply pull the documents from a previously planned community off the shelf and submit those to us. It was our belief that this process needed to be collaborative and start without presupposition.

We received six responses to the RFQ after its release. The respondents represented a good cross-section of the mixed-income development community. We received responses from large firms that work from coast to coast, as well as four to five person shops with a much smaller footprint.

Purpose Built's knowledge of most of these

firms allowed for a higher level of comfort where capacity was concerned and made it easier to hone in on finding the right fit for our project that accommodated adequate local control.

After narrowing the field down to two respondents using the criteria listed above, the selection committee embarked on the next step of the process—site visits. The committee felt that it was important to visit the finalists within a small window of time in order to make comparisons more salient. Members spent a day with each organization in the city of their respective headquarters, visiting representative development projects. These visits took place within 5 days of each other.

The committee requested that each developer show an older development as well as newer properties in their portfolio. The thought was that seeing properties of various tenures would provide a better idea of how their developments held up over time.

The site visits were well organized and provided an enormous amount of information for the committee to ponder. In spite of that, by the end of the second site visit the committee was no closer to a decision than it had been before leaving Omaha.

Both developers' built to a market rate standard. They both managed to a market rate standard. They both understood how to create a completely new community within a community that looks like it is supposed to be there. Both developers understood the need to integrate community services and amenities into their properties.

After the last visit, the selection committee sat in the terminal waiting for its flight back to Omaha and openly wondered how to make

a decision when both candidates had made such strong cases. Obviously, this was a great problem to have, if not an easy one to reconcile.

The selection committee took a week to decompress and then reconvened to discuss the visits and to make a decision. Ultimately, in what was a very close and difficult decision, Brinshore Development, LLC was selected as the developer.¹ Brinshore's ability to manage and complete large developments while maintaining a relatively streamlined operation won the selection committee over. And the ability to work, at every stage, with the principals was a compelling factor in this choice.

Interestingly, the two finalists represented a "David vs. Goliath" scenario. The other finalist was a large and well-respected organization that operates nationally. In many ways, the selection committee viewed this as a positive, especially from a capacity and financing standpoint. This firm clearly had the heft to manage this project in whichever direction it went.

However, it was clear that our day-to-day contact person wouldn't be the people who had been wooing us. To be fair, there were no concerns about the ability of the people who would be our points of contact, it was just reassuring to know that with Brinshore we were always going to be working with the people who built the company and had the most invested in it.

THE MASTER PLANNING PROCESS

As the principals in this project, Seventy-Five North and Brinshore Development are leading the master planning process. From the outset, both organizations understood the importance of building a strong and lo-

cally connected team for this project. Brinshore, based in Chicago, needed local knowledge on a variety of fronts.

Architecture

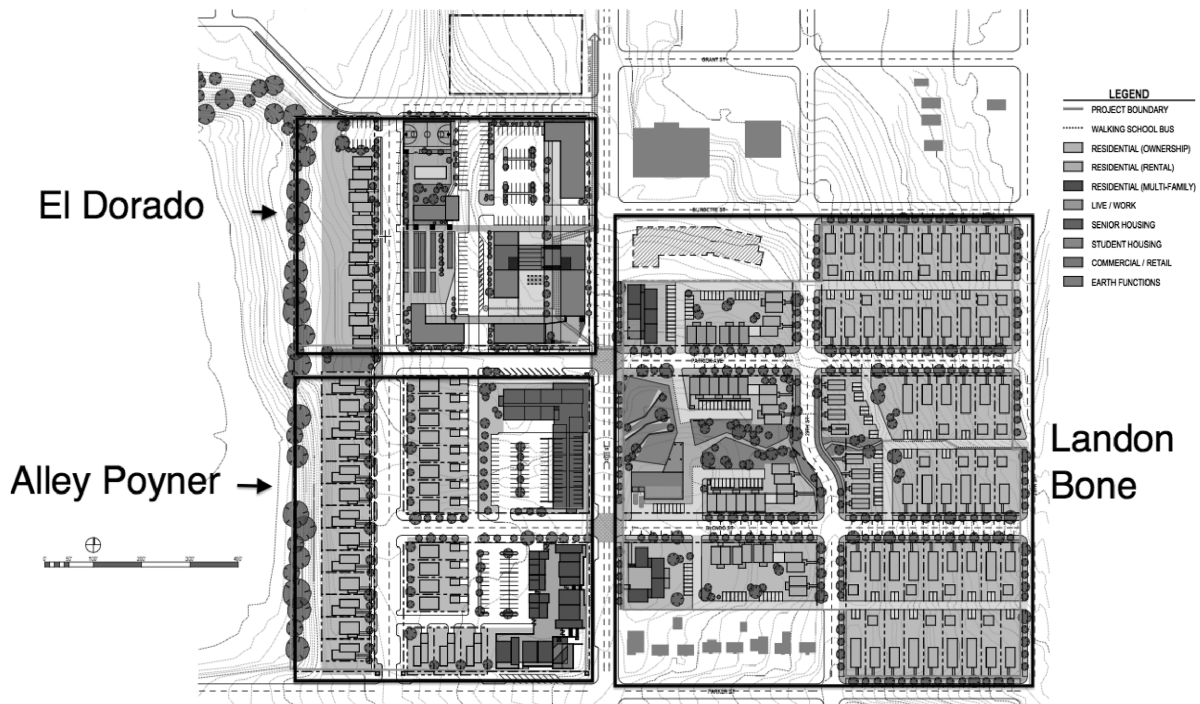
Establishing a relationship with a local architect was a primary concern to insure that the vagaries of local permitting weren't an impediment and to effectively integrate the design into the existing fabric of the neighborhood. In addition there was an emphasis on preventing the newly designed neighborhood from have a cookie cutter or prepackaged feel. Hence the project has engaged three different architectural firms.

- (1) Alley Poyner Machietto Architecture of Omaha, Nebraska was chosen to fill the role of local architect.

- (2) Landon Bone Baker Architects of Chicago, Illinois, and
- (3) El Dorado Architects of Kansas City, Missouri.

As shown in Figure 1, Conceptual Site Plan, the site has been divided into three distinct portions, with each firm taking responsibility for one section. The northernmost section of the site plan, basically everything north of Patrick Street and west of 30th street, has been designed by El Dorado. At the time of this writing this area is slated to host the majority of our non-residential or non-traditional residential uses. This could include space for various community and educational providers, recreational facilities, community gardens, and arts education and residency programs.

Figure 1: Conceptual Site Plan



The section of the site that lies south of Patrick and west of 30th street was designed by Alley Poyner and includes a variety of housing options such as 2–3 story multifamily rental apartments, duplexes, and single family homes. The remaining section was designed by Landon Bone Baker and is composed in much the same manner as Alley Poyner's as far as the housing mix is concerned.

Each architect brings something different to the process. Alley Poyner has a long history of bringing cutting edge design to emerging neighborhoods and has shown a tremendous dedication to projects that are transformative and aspirational. El Dorado is a young firm that brings a little more of an edge than either of the other firms and has also demonstrated an interest in bringing good design to the kind of housing that historically hasn't focused on design as much as utility, such as housing authorities and low-income builders.

Landon Bone Baker, Brinshore's usual architectural partner, brings a very clean design aesthetic to the process. Through their work with Brinshore on the redevelopment of the former site of Robert Taylor homes on the south side of Chicago, they have participated in large-scale community development in what was one of the nation's most violent and depressed of communities.

We believe that the combination of these firms' unique areas of expertise will help to create an architecturally interesting and enduring development that both fits into the existing neighborhoods and elevates it.

Community Engagement

The importance of community engagement in the master planning process cannot be

overstated. The process of deciding what, how much, and in what combination things will exist on the site is one that is fluid by necessity.

As discussed in the first installment of this series, the African American Empowerment Network (AAEN) engaged the larger North Omaha community in a series of in-depth dialogues that establish the overall direction and make-up of future development in the area. From this point forward 75 North will narrow that focus significantly to the neighborhoods that are immediately adjacent to the development site.

We are also planning to approach community engagement in a slightly different, more intentional way. Historically, communities such as North Omaha are approached as monolithic entities that differ little from neighborhood to neighborhood. Often this leads to very genuine, but not site specific, feedback about what the residents of that neighborhood view as critical to its improvement and development.

Typically, these meetings are large-scale events, held in high school gymnasiums, community centers, or school cafeterias. It is our position that scenarios like these make the intimate, rich and enlightening dialogue we are after harder to achieve.

The information that will continue to inform the master planning process for *this* neighborhood cannot be gleaned from a gym full of people from ten different neighborhoods, no matter how well intentioned. We need information from individuals that will walk their dogs by and through what we build, send their children to our partner schools, and interact in a meaningful way with the planned community.

To this end, we will hold a series of focus

group-like meetings with residents and stakeholders of the neighborhood. Additionally, less formal gatherings will be held to further encourage more authentic and genuine dialogue. We envision this process being the compass by which to measure progress through the planning period.

As with any planning process, figuring out where to start was a challenge. Complicating matters more is the fact that 75North's goal is not to simply build housing, but to build community. This means that the housing has to have an intentional relationship with the surrounding neighborhood, the schools within it, and the existing community stakeholders to a greater degree than a typical development project.

The community itself has already gone through an extensive engagement and planning process which was done at a very conceptual and theoretical level. Our task is to boil those concepts and theories down to implementable strategies that still reflect the expressed desires of the neighborhood.

Creating a Vision

Over the last four months we've held monthly, half-day meetings with the principals from 75North, Brinshore and all the architectural firms. These meetings have focused on creating an identifiable and articulable vision for the site. It is inevitable that the buildings on the plan will eventually be moved around a bit. However at the core of this vision are education, design, sustainability, health and wellness.

Figure 1 depicts the latest iteration of a site plan that looks very different from each of its predecessors. All variations have included some combination of large multifamily rental buildings, single-family homes,

duplexes, and row houses as well as non-residential community-centric buildings.

That being said, many of the design elements could still change based on a number of factors. The availability of financing, the amount of philanthropic support needed, and market demand are just a few of the factors that could bring about minor shifts in direction.

The greatest change from the first conceptual plans that has occurred to date is the inclusion of more recreational and programming space in the northwest corner of the site.

Initially, the thought was that nearly the entire site would be used to hold housing of one type or another. The open space was added in order to attract residents that have choice in housing, act as a hub of activity that signified the positive things already happening on the site, and those to come.

Several ideas have been floated as components of this section of the site. Urban agriculture, art programming and/or residences, and a public swimming pool have all been part of the discussion.

THE ROLE OF EDUCATION

From the outset of this initiative, one of the greatest challenges has been the role that education would play not only in the overall health of the neighborhood but in enhancing the ability to sell homes and rent apartments to families with children. The link between housing demand and good schools isn't breaking news. In the context of revitalizing troubled neighborhoods the importance of this connection grows exponentially.

There are always a significant number of deterrents to attracting new residents, espe-

cially those with choice, to an emerging neighborhood. Many of those can be overcome by the existence of other factors (exceptional design, the perception of hidden potential, proximity to downtown, etc.) The lack of quality educational options, however, isn't one of those deterrents that the aforementioned factors can mitigate.

As it currently stands, the educational options for families in this neighborhood are less than enticing. Two elementary schools serve this neighborhood, and both struggle mightily by every statistical measure. Howard Kennedy elementary, ranked 402nd of 410 public elementary schools in the state, and Franklin Elementary, ranked 398th, almost certainly dis-incentivize families with children from even considering Highlander as a neighborhood to settle in.

Recent developments within Omaha Public Schools (OPS) have buoyed our hopes of creating the educational pipeline discussed in the first installment of this series. At the end of last year, the Nebraska state legislature voted to shrink the OPS board (which had lost the confidence of its constituents) from 12 members to 9, and immediately required existing board members to run for their seat again. That election was held in May of this year and resulted in a board with 6 new members of the 9 elected.

The new members come from a variety of backgrounds including business, which had been notably absent from the board for years. The new members have approached the job with a desire for transparency and action, especially in the poorest neighborhoods.

75 North has met with them each individually to help them understand the need for significant change in the schools that serve

this community. The fact that this city now has what appears to be a school board that is committed to attacking the long-standing problem of underperforming inner city schools in new and innovative ways is a major boon to our efforts.

In addition to the revamped school board, OPS hired Mark Evans, who was formerly the superintendent of Andover (Kansas) Public Schools, to the same position here in Omaha. The position had been vacant for over a year due to a personnel issue that required OPS to rescind its offer to a selected candidate after she accepted the job but before she started.

The position was reopened, another national search was conducted, and Mr. Evans was eventually chosen as the right person to lead the district. An interim superintendent led OPS until Mr. Evans started on July 1st. The opportunity to start this conversation fresh, with a new superintendent and a new board eager to create momentum, is an important one for the long-term stability of this neighborhood.

NEXT STEPS

Finalizing the site plan is the first order of business for 75 North and Brinshore. Once this step is complete, it becomes much easier to create excitement about the project and to convey our goals to the community, financiers, the philanthropic community, and city officials.

Thus, the next step will be to develop conceptual renderings and elevations, which will further help to communicate the vision.

Assembling the financing necessary to make renderings, site plans, and elevations a reality has already begun and will intensify once a more developed picture of unit counts

and housing types emerges. We anticipate these details being finalized no later than the end of August.

As is always the case with mixed-income developments, a variety of funding sources will have to be utilized to build the capital stack.

- Community Development Block Grants (CDBG),
- Tax Increment Financing (TIF),
- Low Income Housing Tax Credits (LIHTC),
- New Market Tax Credits, and
- Traditional bank financing

Complicating this complex stack of financing is the fact that Nebraska has a very small LIHTC allocation—much smaller than most mixed-income developers are used to working with. This is where philanthropy can play an important role.

Strategies such as Program Related Investments (PRI's) allow foundations to make investments, in the form of loans or equity, in programming or projects that have the ability to generate some type of revenue that can be used to pay the investment back.

Whether the loan is repaid or not, the dollar amount lent counts towards the charity's giving requirement. If it isn't repaid the IRS allows the foundation to reclassify the loan as a grant. These types of tools are relatively new in Nebraska but can potentially provide critical gap funding for hard to finance projects.

Finally, 75 North is also looking for new ways to support commercial development both on site and in the surrounding neighborhood. In this case, "support" could mean 75North making strategic investments in businesses that we view as critical to the health of the neighborhood (e.g., a grocery store, a bank branch, etc.) or leasing ground floor space in the finished product as the commercial market develops.

CONCLUSIONS

As emphasized in the first article of this series, Seventy-Five North is seeking to create a place, a community in North Omaha where people feel safe, proud, and have confidence in their children's schools. At this phase in project development, we are optimistic that we will be able to achieve these goals with the planned redevelopment of the Highlander neighborhood.

We hope to bring *RER* readers an update of program implementation when we have finalized the project financing and are entering into the construction phase. At that point, many of our community enhancement issues should also have been addressed, and the project should be well on its way to becoming a reality.

NOTES:

¹Established in 1994, Brinshore Development, LLC specializes in the development of residential communities that foster conservation, sustainability, collaboration and affordability. Brinshore has developed everything from large-scale master planned communities to meticulous renovations of historic properties. Brinshore's portfolio currently encompasses more than 4,000 residential units valued at over \$1 billion.