

Partnership Feasibility Study

Findings, Conclusions & Recommendations

May 2011



Prepared for:



**WEST SUMMIT NEIGHBORHOOD
ADVISORY COMMITTEE**

Prepared by:



Introduction and Executive Summary

The University of St. Thomas (UST) and the West Summit Neighborhood Advisory Committee (WSNAC) retained Smith Partners PLLP to explore the feasibility of a public-private partnership to promote neighborhood livability and housing market stability. We interviewed neighborhood residents and UST personnel selected by the project steering committee. In addition to our own research, the UST Geography Department completed a Residential Property Analysis in the St. Thomas Community, which we reviewed for our work.

Our findings indicate that the conversion to non-homestead properties in the UST neighborhood has increased well above what would generally be considered a “tipping point,” which warrants concern that disinvestment and decline could follow. At the same time, UST has shown a strong commitment to addressing student behavior issues as they impact the neighborhood, and there has been marked progress in reducing complaints during the 2010-11 school year. UST has also made good progress in implementing the housing Buy-back program. While it is critical that UST and WSNAC continue to work together to address these housing market and livability issues, we find that forming a new partnership with other institutions is not an appropriate means to address them.

The neighborhood conditions surrounding UST certainly do not present a crisis for UST, but the increase in student rentals and overall non-homestead ownership that has now risen above the “tipping point” does present chronic concerns and creates a tension in the UST – neighborhood relationship that will persist absent critical change. It is quite obvious that a great deal of controversy and conflict have characterized the process preceding and following the CUP for UST campus development, but it is also very clear that both UST and neighborhood leaders are committed to collaboration and progress. UST’s mission and values present a strong platform for affirming a ‘right relationship’ with the neighborhood.

We recommend three integrated initiatives to stabilize the housing market: continuing the Buy-back program and extending it at a more modest level for ten additional years; initiating a downpayment assistance program with special incentives for UST employees to acquire homes in the neighborhood; and UST sponsorship in cooperation with WSNAC of a market study to facilitate private development of student rental housing in priority areas adjacent to campus. We also recommend a series of initiatives to improve neighborhood livability, including landlord and tenant training, alignment of UST research and service learning activities, and integration of campus and parish ministry. We also recommend consideration of an environmental sustainability initiative to expand the conversation and offer an opportunity for UST and neighborhood residents to build new relationships of trust and success. Finally, we recommend that, rather than create a new CDC or some other form of partnership, all parties involved renew their commitment to WSNAC as the appropriate forum for this work.

Background

UST has a long history in St. Paul, tracing its roots in the neighborhood back to its founding in 1885. Blessed with great success throughout this history, UST experienced significant growth from the mid-1970s to the early 1990s. Enrollment during that time grew from about 2,500 mostly male undergraduate students to more than 10,000 undergraduate and graduate women and men located on multiple campuses. Enrollment at the St. Paul campus is currently approximately 7,600 students. UST has committed to a maximum enrollment on the St. Paul campus of 8,750.

The UST undergraduate population increased from 4900 in 1989 to 5900 in 2010. The on-campus housing capacity increased by 1000 beds during this period, and the percentage of undergraduates students living in residence increased from 33% to 44%.¹ Past discussions between UST and neighborhood representatives have referred to an “aspirational goal” that 60% of undergraduate students live on campus, but that is not an adopted goal of UST – nor does it appear to be one in which UST is presently interested. The university has achieved its maximum debt capacity, having invested over \$200 million in facility construction in the past ten years, and therefore it has no immediate short term plans to construct additional on-campus housing.²

With the growth in UST’s St. Paul campus enrollment during the 1990s, there was also a significant increase in the number of students living off campus in the surrounding neighborhood. Over the past decade, between 1500 and 1800 students have resided within the six block area surrounding the St. Paul campus.³

This growth in undergraduate students living off campus has prompted neighborhood controversy. Neighborhood residents became concerned with the conversion of single family homes to student rentals. UST’s expansion plans to redevelop two blocks on Summit Avenue in 2004 became controversial, and the Conditional Use Permit (CUP) approved by the City of St. Paul approved UST’s expansion plans but, by mutual agreement of UST and neighborhood organizations, also placed limitations on UST’s future growth. The CUP required that UST capitalize a community development corporation or establish a similar initiative for the purpose of purchasing, rehabilitating, and selling to non-student owner-occupants a total of 30 houses over a period of 12 years.⁴ Houses acquired and sold through this effort must have a restrictive covenant at the time of sale requiring use of the property for non-student, owner-occupied residential uses only.

The CUP also required the establishment of a university – community advisory council, with UST participation at the level of senior management and the board of trustees, charged with “resolving university/community problems, and providing a channel for communications on campus master planning and development, and to enhance

¹ WSNAC minutes, D. Hennes, May 11, 2010.

² Id.

³ Records of UST Neighborhood Liaison J. Hershey; Off-Campus Student Housing Study, April 2010.

⁴ City of St. Paul Council File #04-792, paragraph 10.

university/community relations.”⁵ Further, this council’s work is to include “all issues affecting local residents, including but not limited to: the creation and management of a CDC or similar initiative to purchase and rehabilitate housing in the neighborhood; parking; St. Thomas construction impacts, including the building of parking lots, athletic fields; student housing (both on and off-campus); and neighborhood quality of life issues such as the impact of student party houses.”⁶

The West Summit Neighborhood Advisory Committee formed in 2005 and has met monthly, organizing its work through Subcommittees focusing on Campus Development; Housing; and Traffic, Parking, Safety, and Student Relations. Neither WSNAC nor UST established a CDC to work on the housing issues, but instead UST has assumed direct responsibility for the housing Buy-back program, working in cooperation with WSNAC. To date, UST has acquired 18 homes through the Buy-back program, and is on schedule to complete the required 30 acquisitions and resale by 2016.

UST has committed to WSNAC with participation by a member of its Board of Trustees, Vice President for Community Relations, Neighborhood Liaison, Assistant Dean of Students, and Department of Public Safety. Neighborhood leaders from the Union Park, Macalester-Groveland, Neighbors United, and Summit Avenue Residential Preservation Association organizations have actively committed to WSNAC. UST and WSNAC members have also participated in the International Town and Gown Association, including sending representatives to the 5th Annual ITGA “Best Practices in Building University/City Relations” Conference.

⁵ Id. at paragraph 11.

⁶ Id.

Project Scope and Process

WSNAC and UST retained Smith Partners in 2010 to assess the UST – WSNAC relationship and to determine whether a public-private partnership model would be a viable and beneficial alternative approach to promoting neighborhood livability and housing market stability. It is important to note that both UST and WSNAC are identified as the clients for this project. As a result, our aim is to provide recommendations that we believe will be seriously considered by both UST and WSNAC for implementation.

A project steering team comprised of Scott Banas, Doug Hennes, Jeanne Matross, Jim Sachs, Leo Viktora, and John Hershey met to guide the project work plan and review progress. Based on the guidance from the Steering Team, we made an effort to learn from diverse perspectives about the UST – neighborhood relationship. Our work should be considered a qualitative assessment, and not a scientific or statistically valid survey of UST or neighborhood opinions.

Smith Partners interviewed individuals identified by the Steering Team in September through November of 2010, and conducted follow up interviews in January through March 2011. A list of individuals interviewed for this project is included in the Appendix. We attended the WSNAC meeting on May 11, 2010 to gather background information; presented our preliminary recommendations to WSNAC on January 11, 2011; and participated in a follow up review and discussion of those recommendations on March 8, 2011.

The Findings, Conclusions, and Recommendations presented below have been reviewed and revised, based on the comments received in this review process.

Findings

The information learned by Smith Partners through interviews and research for this project supports the following findings:

1. *Residents interviewed generally rate the UST–Neighborhood relationship more poorly than UST representatives interviewed.*

While certainly not a representative or statistically valid sample, the residents and UST representatives selected by the Steering Team for interviews clearly expressed differing levels of satisfaction with the relationship:

Non-Scientific Rating of UST-Neighborhood Relationship

	5 Excellent	4 Good	3 Average	2 Fair	1 Poor
UST	*	*	** 3.5	*	
Residents				**	1.5 **

2. *Residents are primarily concerned with the increase in student rentals, and the related impacts to neighborhood livability.*

When asked to identify their top concerns, residents primarily stated that it is the increase in student rental properties, and the resulting impacts to neighborhood life. The following account reflects the concerns described by several neighborhood residents:

When we bought our home, we knew that St. Thomas was a key factor in the neighborhood. There were four houses on our block that rented to students, and we felt that was okay. But then the grandma next-door to us sold her home to an absentee landlord who then rented the house to students, and then the young family on the other side of us did the same thing. At that point, we gave up and decided it was time to move.

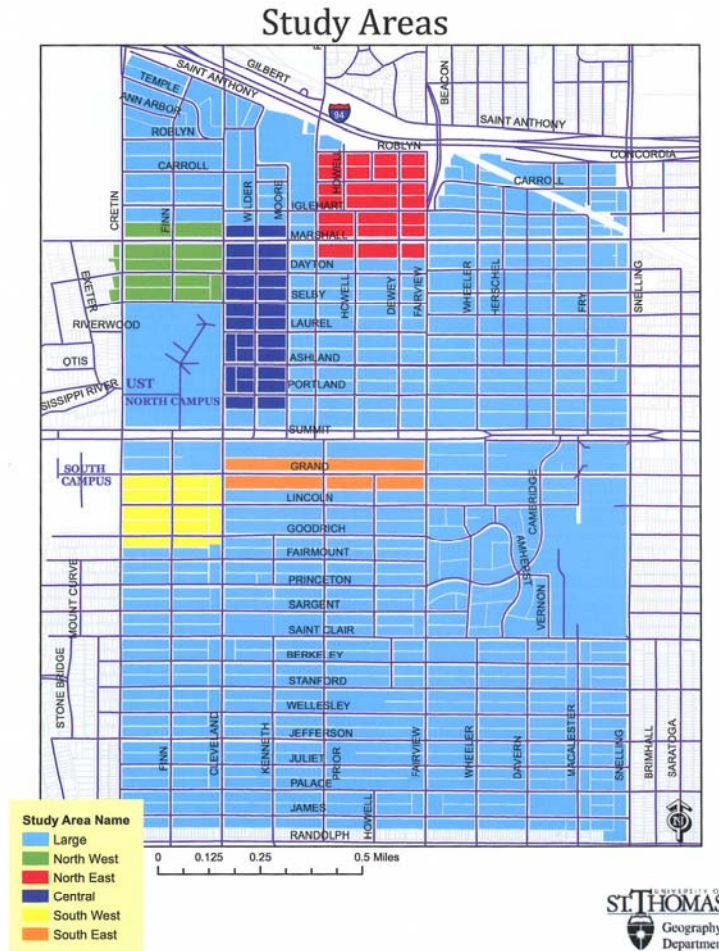
Certainly this same level of conversion to student rental has not occurred on every block in the neighborhood, but the increased presence of renting students has led some single family property owners to express concerns about this change impacting the stability of the neighborhoods surrounding UST.

3. *A study by the UST Geography Department confirms a significant increase in conversion from homestead to non-homestead properties in the UST area.*

In cooperation with WSNAC, UST’s Geography Department provided a “Residential Property Analysis in the St. Thomas Community” in January 2011. This study examined housing changes from 2002 to 2009 in an area bounded by I-94, Cretin, Randolph, and Snelling. Non-homestead properties grew from 10.6% of the total residential parcels in this area in 2002 to 21.4% in 2009:

Year	Total Residences	Non-Homestead	%
2002	5,194	551	10.6%
2009	5,097	1,094	21.4%

The UST Geography Department study also examined five focus areas in the blocks surrounding the UST St. Paul campus, identified in the following map:



During the same period, non-homestead parcels grew from 23.9% of the total residential parcels within these focus areas in 2002 to 40.5% in 2009:

Year	Total Residences	Non-Homestead	%
2002	666	159	23.9%
2009	659	267	40.5%

There is currently no data available to identify how many of these new non-homestead properties are student rentals. While it seems likely given the location that student rentals are an important element, it is also important to note that there are a variety of possible factors influencing this change. Indeed the City of St. Paul as a whole saw an increase in conversion to non-homestead properties during this same period. Whatever the explanation, both UST and WSNAC have good reason to be concerned with this increase.

- 4. An increase to over 30% non-homesteads would generally be considered a “tipping point” for a single family residential neighborhood that could lead to disinvestments and decline.*

There is no precise formula, but the urban and community planning literature recognizes that changes in residential neighborhoods can become so significant that they pass a “tipping point” that makes reversal difficult. Several studies have examined the impact of increased student rentals on existing single family neighborhoods. A 2005 study for the City of Milwaukee noted that “when a neighborhood experiences absentee ownership for over one-third of the properties, it begins to exhibit signs of disinvestment and decline.”⁷ Similarly, a University of Georgia study concluded in 2002 that most of the health streets in residential neighborhoods surrounding the university had 25% or fewer rentals.⁸

- 5. UST is institutionally strong and successful, and no major changes to the St. Paul campus are on the horizon.*

By most any measure, UST is enjoying strength as an institution of higher learning in a very challenging environment. UST can continue to count on strong enrollment as it completes the building program indentified in the CUP. No further changes to the St. Paul campus are currently planned or under discussion.

- 6. UST is committed to addressing student behavior issues.*

The Dean of Students office, the Neighborhood Liaison, and the Department of Public Safety have committed to a series of initiatives in cooperation with WSNAC and the City of St. Paul to address student behavior problems through a social host ordinance, renter education, and other pro-active prevention measures. While neighborhood residents continue to express concerns about late night “roving bands of students,” and also continue to report property damage, overall the number of complaints with the Department of Public Safety has declined.

- 7. UST is on track to complete the Buy-back program on schedule.*

UST has acquired 18 homes through the Buy-back program, and is on schedule to complete the required 30 acquisitions and resale by 2016. This is a significant and new undertaking for UST that was implemented as a condition of the CUP. UST and WSNAC representatives have debated whether the Buy-back effort should focus on certain geographic areas, or pursue a scatter site approach whenever properties may become available. They have also debated whether the program should focus only on converting rental properties to single family, or to also acquire existing single family parcels in order to prevent their conversion to rental. The program currently has targeted

⁷ A strategy and vision for the UWM neighborhood, City of Milwaukee, 2005.

⁸ Walker, Robert P. A Survey of residential streets near University of Georgia, 2002; see also Ohio University Off-Campus Capacity Analysis, Ohio University, 2006.

15 acquisitions in a core area near Cleveland, and is confined only to acquisition of existing rentals for conversion purposes.

8. *UST has a history of collaboration with other higher education partners, but these key issues of neighborhood livability and housing market stability are not conducive in the near term to engaging other partners.*

The scale and nature of the issues presented here do not lend themselves easily to some form of broad partnership with other institutions. Rather, the focus should be on how UST and WSNAC can mobilize resources to solve problems in a creative and collaborative fashion.

Conclusions

1. *UST is not facing a crisis . . .*

There are a number of examples of universities, such as the University of Pennsylvania, Johns Hopkins Medical School, and others, that have found their very institutional survival threatened by intense poverty and crime in their surrounding neighborhoods. Institutions confronting such challenges have mobilized major investments and organizational strategies for community collaboration and transformation.

By contrast, the West Summit neighborhoods have historically presented an attractive residential community setting for UST to recruit and welcome students and faculty for the foreseeable future. As a result, the housing market stability and residential livability concerns identified in the CUP process and by WSNAC have not surfaced as a defining institutional issue for UST leadership.

2. *. . . but a chronic problem.*

The increase in student rentals and overall non-homestead ownership that has now risen above the “tipping point” does present chronic concerns and creates a tension in the UST – neighborhood relationship that will persist absent critical change. Over time, a level of non-homestead ownership above the “tipping point” will lead to disinvestment and a decline in the general livability of the neighborhood. Such decline will inevitably pose a challenge for UST. West Summit neighborhoods constitute the front door and the back door for UST; UST and its community of students, parents, and faculty have a very big stake in the long term vitality, safety, and stability of these neighborhoods.

3. *There are important opportunities and a strong foundation from which to work . . .*

UST is certainly not alone in experiencing these “town-gown” challenges, and there are a number of well-accepted strategies recommended below, which provide opportunities for success. A critical element in this success, however, is a matter of attitude. It is quite obvious that a great deal of controversy and conflict have characterized the process preceding and following the CUP for UST campus development, but it is also very clear that both UST and neighborhood leaders are committed to collaboration and progress. Throughout our interviews, we encountered moving stories of neighborhood residents who exhibited great caring for the wellbeing of UST students, as well as UST representatives who demonstrated deep knowledge and concern for the health of the community. This capacity for mutual concern will be an important asset going forward.

4. *. . . in a way that celebrates UST’s mission and values.*

UST’s mission and institutional values also present a strong platform for affirming a ‘right relationship’ with the neighborhood – through morally responsible leadership,

critical thinking and analysis, wise actions, and skillful work in pursuit of the common good.

Recommendations

Based on the findings and conclusions set forth above, Smith Partners makes the following recommendations:

1. Housing Market Initiatives:

UST and WSNAC should undertake a series of initiatives to stabilize the residential housing market, with the specific goal of reducing non-homestead properties back to a level below the 30 percent “tipping point” within the five focus areas. The combination of initiatives described below address a specific, although ambitious goal of “re-converting” 100 parcels to homestead status in the next ten years. This level of change is required in order to return near the level of non-homestead ownership of 27 percent in 2002. WSNAC’s Housing Subcommittee should continue to work with UST and the UST geography department to define the appropriate area of focus for these initiatives.

- a. Revise and Extend the Buy-back Program

As UST and WSNAC continue to refine the approach to target the best use of resources in the Buy-back program and complete the original goal of 30 acquisitions by the year 2016, it will be important to continue this type of program for high priority, strategic acquisitions within the focus areas. As UST completes the original quota of 30 acquisitions by the year 2016, it would be reasonable to target an additional 15 acquisitions by the year 2026. While every acquisition is somewhat different, we can also fairly assume that UST’s experience will lead to greater efficiencies in these acquisitions. UST and WSNAC’s Housing Subcommittee can work to refine the approach to target the buy-back efforts where they will bring the greatest reward in stabilizing the neighborhood housing market.

- b. Downpayment Assistance

Downpayment assistance programs frequently provide institutions like UST with a cost effective way to combine the promotion of homeownership in the surrounding neighborhood with a valuable employee benefit. Typically, a downpayment assistance program would provide for a forgivable loan that becomes a grant after a certain period, say five years, of homeownership and residency. The covenant utilized for the buyback program could also be employed with this downpayment assistance. UST should work with WSNAC to define the areas of focus and further criteria for the program. We recommend that UST provide 40 grants of \$5,000 over a ten year period for anyone interested in purchasing a single family residence within the focus areas, and 40 grants of \$7,500 for UST employees to do the same. Typically, a nonprofit organization experienced in managing such downpayment assistance would charge approximately seven percent for the administration of the program, or UST could administer the program internally.

c. Student Rental Housing Development

UST in cooperation with WSNAC should explore the private development of student rental housing in specific locations adjacent to the St. Paul campus (these locations would then be considered outside of the focus areas for purposes of tracking the “tipping point”). Ultimately, reversing the trend of conversions to non-homestead student rentals requires providing alternative student housing opportunities. UST representatives have made it clear that, for a variety of reasons (e.g. space planning and financial capacity), construction of new dormitories on campus is highly unlikely in the near future. The WSNAC Housing Subcommittee should lead a process, working closely with UST, to identify priority sites or areas for private development of student rental housing. Depending upon the current ownership of these sites, some discretion is required in this process to avoid inflating the market. There may be sites currently under UST ownership that are appropriate, or other sites that could be acquired for this purpose. There may also be privately owned sites where the owner is interested in development of student rental housing, and strong cooperation from WSNAC and UST would provide important assurance for success.

At the same time, neighborhood leadership and education will be important to gain community support for the increased density that will be required in these select locations. It must be understood that generalized neighborhood resistance to new rental housing will only serve to maintain market pressure to use single family structures for student rentals.

Once WSNAC and UST have identified potential sites or areas, UST should sponsor a market study to recruit and guide appropriate developers. A leading market research firm is Maxfield Research, www.maxfieldresearch.com, which has extensive relevant experience. Such student market studies cost about \$8,500, with an additional amount for a student preferences survey.

Once WSNAC and neighborhood leaders provide support for this effort, UST sponsors a market research study, and priority sites are under control (either by UST or a cooperating landowner), UST and WSNAC could then proceed with a Request for Proposals. The current housing market should provide a nice selection of experienced developers who have the capacity to achieve these objectives without further financial investment or exposure from UST.

The following table presents the estimated costs of these housing market initiatives:

Housing Market Initiatives
 Recommended Program Budget

<u>Year</u>	<u>Buyback Program Existing/Extended</u>	<u>Downpayment Assistance</u>	<u>Market Study Rental Development</u>
2011	\$ 110,000		
2012	110,000	53,600	\$ 10,000
2013	110,000	53,600	
2014	110,000	53,600	
2015	110,000	53,600	
2016	110,000	53,600	
2017	50,000	53,600	
2018	50,000	53,600	
2019	50,000	53,600	
2020	50,000	53,600	
2021	50,000	53,600	
2022	50,000		
2023	50,000		
2024	50,000		
2025	50,000		
2026	50,000		
TOTAL	\$ 500,000 ¹	\$ 536,000 ²	\$ 10,000

Notes

¹ Existing costs of buy-back program to continue through 2016 (noted in *italics* and not counted in total). New costs would start in 2017 at a reduced level of effort to reflect approximately 50% fewer acquisitions.

² Annual average of 4 grants of \$7,500; 4 grants of \$5,000, plus program administration.

2. Neighborhood Livability Initiatives

- a. Organize landlords for training and promotion of best practices.

UST and WSNAC should organize and promote a landlord workshop to all landlords known to be renting to UST students. Potential landlord leaders should be identified and asked to recruit others. The workshop should combine information on neighborhood and UST concerns, best rental and management practices, and resources for landlords.

- b. Continue and formalize rental training for students.

UST should provide continued annual training to students who live off campus and are renting in the neighborhood.

- c. Proactively identify UST assets that can be ‘shared’ with neighborhood residents, and marketed as such.

UST has a variety of amenities that it shares with neighborhood residents. A communications effort to highlight these assets would serve to continue to facilitate positive relationships.

- d. Align student research projects, other service learning activities to connect with the neighborhood.

UST students regularly engage in research projects of interest and benefit to the neighborhood, and numerous student groups also are engaged in volunteer activities to assist seniors and others, such as Meals on Wheels, a Brush with Kindness, after school tutoring programs, athletic coaching, etc. All of these efforts could have greater strategic value and impact in the neighborhood with more alignment and coordination. UST faculty and students could regularly bring a list of potential research projects to WSNAC and WSNAC could provide feedback on project priorities and development. UST administration could inventory service learning and volunteer activities for similar coordination with WSNAC.

- e. Integrate campus and parish ministry.

On campus ministry and the neighborhood parish offer the potential for strong relationship building among students, faculty, and neighborhood residents. Joint worship or service activities are a place to start, and ultimately a great deal of coordination and leadership could be possible.

3. Environmental Sustainability Initiative

While the assigned scope of our work has been to focus on housing market stability and neighborhood livability issues, and these issues remain central to UST and WSNAC, it might also be useful to expand the conversation and offer an opportunity for UST and neighborhood residents to work together and build new relationships of trust and success. A shared commitment to the cause of environmental sustainability clearly provides such an opportunity.

Environmental stewardship is clearly an institutional priority for UST, a policy priority for the City of St. Paul, and an organizational priority for the member organizations of WSNAC. There is a clear opportunity to align these efforts and leverage resources, while at the same time re-brand the relationship between UST and neighborhood residents.

Potential areas of opportunity include energy conservation, development and use of alternative energy sources, transportation demand management, recycling, composting, waste reduction, stormwater management, and drinking water conservation. WSNAC could facilitate the identification of focused initiatives with clear benchmarks and targets. If UST and WSNAC could celebrate marked progress in this area of common priority, it would significantly improve the overall civic climate and promote progress on the housing and livability issues as well.

4. Leadership and Governance

The CUP envisioned that WSNAC’s work would include “the creation and management of a CDC or similar initiative to purchase and rehabilitate housing in the neighborhood.” A proposal to create City West CDC was submitted to UST by an experienced housing and development consultant, Gabler Housing Solutions Corp., but was not adopted due to cost considerations. UST has proceeded to implement the Buy-back program using its internal resources.

A CDC potentially could also serve a governance function to guide housing market initiatives, but it is clear that UST would prefer not to delegate such matters to an independent body. While there has been a rotation of neighborhood representatives in WSNAC, there has also been some important continuity of leadership. As a result, WSNAC broadly serves as an important forum for addressing these neighborhood issues.

For WSNAC to continue to function well and to implement ongoing housing and livability initiatives successfully, it will also be important for the neighborhood representatives to perceive strong commitment to collaboration from UST’s senior leadership. Embracing the recommendations outlined above in some fashion can assist in that regard. It will also be important for the neighborhood representatives to commit to communication with neighborhood residents to build support for the student rental housing recommendation in particular.

We have concluded that WSNAC provides an appropriate forum for this work, and that all parties involved should renew their ongoing support and commitment to its success.

APPENDIX

LIST OF INDIVIDUALS INTERVIEWED

Elise Amel, Associate Professor of Psychology UST
Scott Banas, Neighborhood Resident
Mike Barrett, Assistant Director of Public Safety UST
Jay Benanav, Neighborhood Resident
Jane Canney, Vice President for Student Affairs, UST
Jim Gabler, Neighborhood Resident
Catherine Hansen, Adjunct Faculty/GIS Lab Manager UST
Doug Hennes, Vice President for Community Relations UST
John Hershey, Neighborhood Liaison, UST
Karen Lange, Dean of Students UST
Fr. John Malone, Vice President for Mission UST
Dan Meuwissen, Director of Public Safety UST
Alyssa Rebensdorf, Neighborhood Resident
Jim Sachs, Asst. Dean of Students UST
Russell Stark, St. Paul City Council
Tom Vallenga, Neighborhood Resident