



Mpact Podcast Episode 85

TOD and Affordable Commercial

With Ryan Kelley, Community Development Manager, Hennepin County, Minnesota

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Note: the times on the transcript below are about 35 seconds behind the actual time on the audio files. For example, the transcript says 19:03 but the same point in the audio is 19:41.

Timestamp summary of episode:

- 1:22 - 6:58 personal background
- 6:58 - 12:36 about Hennepin County and the community development program
- 12:36 - 19:03 affordable commercial as a focal point
- 19:03 - 28:35 commercial spaces - preservation and displacement - and healthy communities
- 28:35 - 34:17 elements of the affordable commercial incentive fund
- 4:17 - 38:09 making the case to the county board
- 38:08 - 41:59 effects of the pandemic and e-commerce on bricks & mortar commercial
- 41:59 - end projects funded and thoughts about dos and donts

[00:00:00] **Speaker:** Welcome to the Mpact Podcast. This is Kammy Horne, CEO of Mpact, formerly known as Rail~Volution. More than a year ago, we launched our new name and tagline, Mpact: Mobility, Community, Possibility. We are a national organization working at the intersection of transit, related mobility options, and community development. The podcast is a chance to

hear from a range of voices as we go deeper into how to leverage transit to make communities better for people.

[00:00:43] **Jeff Wood:** Hey there, I'm Jeff Wood, Principal of The Overhead Wire, and your host. We're joined by Ryan Kelley, Community Development Manager for Hennepin County in Minnesota. Ryan chats with us about the county's Transit-Oriented Communities program and how they support commercial preservation and aid businesses. Stay with us.

[00:01:13] Ryan Kelley, welcome to the podcast.

[00:01:15] **Ryan Kelley:** Thank you. Good to be here. Jeff.

[00:01:17] **Jeff Wood:** Good to have you here before we get started. Can you tell us a little bit about yourself?

[00:01:22] **Ryan Kelley:** Yeah, that's always tough. Where do you start? So I'm community development manager in Hennepin County in our housing and economic development division. I oversee a portfolio of programs and work with transit-oriented communities. We support small area planning efforts, communities in the county, work on the land use relation to transit and supporting cities. In Minnesota, counties have a big role financially in supporting LRT projects and some of the other transit buildout, for that matter. So we're right at the table there. And then of course there's county assets, roads, and what happens alongside those, I'm involved with. Yeah. So that's the today.

[00:02:06] **Jeff Wood:** Then what was the yesterday? What was the previous?

[00:02:08] **Ryan Kelley:** How'd I get here? I guess my planning journey, I was old when I was in graduate school, at least compared to my classmates for planning. I had a prior career in nonprofits and AmeriCorps, the Corporation for National Community Service. After college. I have a liberal arts degree from St. John's University, Minnesota. It's a local liberal arts school. BA in philosophy, which was a journey to end up with that. But I love that path as well.

[00:02:38] I lived in New Orleans for a year after college, and I taught in the Lower Ninth Ward in Elementary School. And New Orleans is just, as anybody that's been there. It's rich. And I'm not talking just about Bourbon street. That's

incredible history and culture. It's everything in New Orleans. And I'd gotten there a few times in college and connected with this school.

[00:02:56] So that's how I got there after college. And, both St. John's. I'd never thought about planning. But St. John's is rich in architecture, German monks founded it. So that's certainly reflected German architecture reflected in the original buildings. And then it also has a large collection of buildings by Marcel Breuer, Jewish architect known for brutalist architecture.

[00:03:18] So there's quite a juxtaposition. And in a very compact campus, as many Colleges are. And set amongst 2500 acres of natural area. And that, without thinking about that from a planning perspective, it certainly affects us. And I carry that thinking as I reflect on what's that mean for people in their day to day lives, their built environment.

[00:03:38] That's been my path, my passion and my lens, when I come to planning now. New Orleans influenced that. Being down there, from a built environment, but also the social aspects and very tough environment to think about the system and how things work or don't work in that city, as well as many places. But that really pushed me to want to also start thinking about public policy.

[00:04:00] When I came back to Minnesota, I worked with adults with disabilities, immigrants, and refugees on employment and on people with disabilities serving in national service programs throughout the country. And again, just this thinking about the role of place and access to jobs and what that meant for the people I was working with.

[00:04:21] So it all came together. And I don't know, I wish I could remember what I AOL'd at the time when I was looking to go back to graduate school. But one of the first things I came across was the Congress for New Urbanism. And I love so much that they talked about what they believed in. The environmental imperative was important to me. And I was thinking about, as I was going back to graduate school and, the land use role in that and the quality of our communities and how that impacts us. So I went back to graduate school for planning and did time landscape architecture, as I really think about urban design. And transit was a piece of that, but I didn't necessarily think to be a transit planner, box myself in there. I often am leading from what's our neighborhood like? And what's that mean for how we can access our daily activities? And how do we want to move around a place? And what are our

choices? And now I've worked at a couple cities. I've worked at our regional planning agency. And now I'm at Hennepin County.

[00:05:16] **Jeff Wood:** I love that framing of, I did time at the landscape architect school.

[00:05:21] **Ryan Kelley:** I'll even say that to my landscape architect friends and past professors

[00:05:25] **Jeff Wood:** That's awesome. I, it's funny. I always love hearing people's stories because, folks younger listened to the show and it's always good to have, this kind of winding path. There are some people I have had. Some people are like I just wanted to go to planning school and that's what I wanted to do is planning. But for the most part, people meander their way up into where they are today. And I think that's really fascinating. Were you always fascinated in cities? You talk about new Orleans and how that changed your mindset, but were you always just like the cities I live in, the places I call home, these are interesting places and maybe there's something more to this.

[00:05:56] **Ryan Kelley:** Yeah. I don't know if I'd qualify it as say cities, but certainly places. And I say that because I was born in Alabama. I grew up in Birmingham and then a smaller town in Minnesota. And so it wasn't always necessarily about the city, but thinking about the components. I was always noticing people and especially buildings and parks. There's three components, as I think back, look back, like I'm playing in this creek and what does that mean? Or I'm with my friends over here. Did I bike there? And so it was individually looking at the components of a city. Took me a while before I thought about all those parts together. And what I'd say, thinking about city making or building or any place. There's an interest in small communities, rural communities. And a lot of principles are the same, different scale, different context. So I think back to those places and there was always an interesting kind of how I (especially when we're younger, there's a lot more I) moved about and did what I did in those places.

[00:06:58] **Jeff Wood:** You might not learn about the us or the, we until later, I feel like you can pick that up as you emerge into adulthood. You're the community development manager at Hennepin County. And I'm wondering also, if you can tell us a little bit about the structure of government. I feel like the County is an interesting thing, especially in Minnesota. So maybe you can

give us a little background on kind of the County and the cities that are inside of it and the connections between all of those things.

[00:07:25] **Ryan Kelley:** Yeah it is interesting. And I have to remind myself of that. And, being on the National Steering Committee with M pact: when we get together and chat that reminds me, Oh, yeah, things are a little different in Minnesota, particularly related to when we're talking about a transit line and an LRT, especially. Often in the Twin Cities metropolitan region, the counties initiate that first kind of alignment exploration and decision. They're funding that. And so they have a lead role before the Metropolitan Planning Agency, Metro Transit, our regional transit agency, step in and then continue with the design and build with the federal government. And so there's that role. But Hennepin County, we have no land use authority. We're fully incorporated.

We have a very diverse typology of cities: we have rural areas, agricultural areas, to Minneapolis and everything in between. It's fun, but it also presents challenges when thinking about programming, funding and projects that we do, on, What's that look like? That's a very different sort of approach, response, strategy to pick kind of your issue in those different contexts. And how do people have access to the county service, to transit? What's that land use typology like or desired? And so I'm in housing and economic development, the other kind of standard county departments of public works, transportation, public health and others.

[00:08:54] But we in housing and economic development support through capital, funding, affordable housing development projects. Again, there's money via like public works and some of our departments into transit, outside of the roads. We work on funding sidewalks and what's bike planning regional system. And then how does that intersect with our cities, the local scale, not so dissimilar from how we might think of streets.

[00:09:20] And in my group specifically, community development, we have business support is also in our economic development department. So a lot of technical assistance and programming, growth programming for entrepreneurs, locally based entrepreneurs through second stage businesses. That's one side of our work.

[00:09:39] And then the side that I work most closely with is, it's hard to boil it down, but a lot around place- based programming work. And that comes in the form of, funding. We have programs for cities related to their business districts

and supporting them, do branding, marketing, creating a business district to small area planning.

[00:10:01] Particularly in suburban communities, if they're identifying areas that they want to transition. That change, the nature of that area, to be a more compact, diverse mix of use. I'll say neighborhood, that scale, has different meanings to different people, but we'll support that planning effort with them on doing the study, to then hopefully lead to those changes in time.

[00:10:24] And then our transit-oriented communities work is both a program, capital funding for projects, both development projects and infrastructure, that meet TOC principles in communities. And we've also started a pre-development program a couple of years ago, for emerging developers with 2 purposes. One was we wanted to work earlier with people getting into their development project on what it means to have a project. Design matters. Those details matter of these projects to make quality neighborhoods. What's the building like? What's that relationship of private realm and public realm? So we wanted to do that. We have consultants that we contract with that provide the services. So there was that aspect.

And the other then was for emerging developers and particularly women and people of color that have historically lacked access to the development industry. Financial access, and getting into the knowledge space of, what does it take to develop? We provide those services early in the pre development timeline. Try and give a product some deliverables, some assessment. Is this going to work? And this is what it takes to do development.

[00:11:29] And then they might move on from there.

So that's a little bit of what we do and how we work with our city partners. So we're also, we're convening. There's money, we're good stewards of thinking about how we can invest in the public good with the property tax dollars or bonding, that we might have, and aligning with county climate goals, disparity reduction goals.

[00:11:49] How does our programming support that? We will, either through a funding program, or we will many times convene cities around a topic for learning, shared learning. I think back to some of our, when I was at a city, on a light rail extension in Hennepin County, first ring suburb, they were called community works projects. So that was Southwest community works. Four

suburban communities in Minneapolis, this light rail line went through. And we met regularly, did housing gaps analysis. What does it mean to have affordable housing and how do we get more of that and aside from funding and number of those communities adopted inclusionary zoning policies, for example. So there was a shared learning component and the county facilitated that the logistics bringing in the speakers, etc.

[00:12:36] **Jeff Wood:** I find it interesting that you're focused a lot on the commercial side. Obviously, a lot of the discussion about corridors and TOD and even in just like the general discussion around the United States is about housing because of the housing crisis and the housing shortage.

But there's also a commercial issue that comes about when you try to build a lot of housing and you build new buildings and maybe you take down strip malls and other places that, might, might've been past their useful life to some, but there were useful definitely for places that wouldn't be able to rent a new space somewhere. So I'm curious about that discussion as well in terms of commercial spaces and their affordability and when that might've come into the discussion that you've been seeing since you started.

[00:13:17] **Ryan Kelley:** So Hennepin County has had a transit oriented development [program], now called transit oriented communities program, for I think now it's 21 years. It was created on the advent of the Twin Cities' first modern LRT line, the Blue Line [that] goes from Mall of America to the airport to downtown Minneapolis.

[00:13:33] And I use that there's been this 20 years of a TOC program and at least TOD thinking related to LRT. There's been an arc, if you will, an evolution maybe, of thinking about what is TOD and how do we use it? And what's the role, what do we need to support? And I think that's not just true of Hennepin County or Minneapolis.

[00:13:53] I think that's similar across the country in places that are similar to us in history, of timing of transit and now the LRT lines, et cetera. At that time, it was what the heck is this LRT line and we should do development differently and probably talk about density. And that's was kind of the notion.

[00:14:10] How do we support that? The market wasn't really thinking about that. That's not how things have been built. Banks, private sector weren't thinking that way. So it started there and I think, the conversation, the thinking

about density. FAR became a focus. Lowering parking ratios and projects became a piece of it.

[00:14:29] And most recently housing, affordable housing and recognizing how important it is for that access, particularly for where people live and connecting to jobs. How can they use transit and put the housing there?

But I think what's important is, and I say this often, we don't just live by transit to get to a job. I think, particularly since the pandemic and we've seen changes in travel patterns, and what it means to go from, home to downtown to work.

[00:15:00] We need to think about just regular daily access and accessibility to things we do - to grandma's house, to church, to the bar, to the grocery store and the ability to move around that way. And so yes, the housing is important and affordable housing, of course, is important. But there are also there's the commercial aspect, the businesses that we also want to be able to get to via transit.

[00:15:25] And there's also this barrier for people, a wealth building aspect: If I can own my storefront. Or if there's a barrier to having an affordable lease in these projects for a business owner from that community in particular, in many cases, to open that business. That was one piece. Like, how do we think about the other pieces of living, other than the housing that are accessible. But what also really came in and drove, I don't know, more thinking about this change, started the idea in 2020, but when we talk about a transit oriented development, it's for many good reasons. We're looking at a less than efficient use of land, often cases where transit stations are going, single story commercial, kind of strip mall, lots of parking, surface parking.

[00:16:16] From a land use perspective, both environmentally economically, those don't make a lot of sense. And when we think about the scale of a transit investment, we want to leverage that and so we need a mix of uses. We need more density, etc. In doing that, though, we really started to identify or name, in the name of doing this to the project for very many good reasons, we are tearing down a building that had affordable rents and there were small businesses in there. We had a case here, it was small businesses and several immigrant owned businesses, and they got displaced. And not that was new, it's just the thinking and how things were coming together, it was really clear and we were able to say, Oh, how? Can we have both? Is there some way to have the affordable spaces in the types of development and land use we want

to see around transit? That's one piece. The other piece is when that project happens and it's going to replace a building, how do you preserve that business? How do you keep them whole? That's really tough through that change period. That's still a question. We don't have that answer. Yeah. So we wanted to focus more on that piece. How do we incent creating these spaces for small businesses, even developments to the project itself, by people that are from the community? So there was that thinking how do we do it?

[00:17:38] I had a work group of about I put out to our communities in Hennepin County and said, Hey, I heard from them the struggle that they were experiencing. How do we talk about this? How do we name this? And what are we going to do about it? So I think I had 8 or 9 cities say, yeah, we want to meet and talk about this.

[00:17:54] And we've met a few times. And of course, one thing was, okay we need money to support the projects in some way. There's capital. And then the other was a question of are there policies? The pandemic hit as this conversation was getting underway. And I won't say it's easy, but to develop a program. We had programs like we can think about that.

[00:18:15] We have a framework, maybe to work with and to think about what it takes to support affordable commercial projects. The policy side is something we want to come back to. You brought up housing. I often compare to that, in simply that we identified this problem. We have a way to talk about affordability.

[00:18:32] There's AMI levels in housing projects. There's a funding structure and ecosystem to support that. Can we do similar things for commercial. And well, there's inclusionary zoning. So that's the policy side. But I set up the idea of a program. And due to pandemic recovery funding that the county received, they found the money to be able to support the program. And we actually funded this. We did the work, we talked about it, and then we said, Hey, we want to be able to fund affordable commercial projects.

[00:19:03] **Jeff Wood:** I do want to ask you the question about the affordable commercial incentive fund, because I think that's really important. But I still want to talk about the commercial spaces and connecting people and the access question, because I think that's a really important part of this, there was a study in the journal nature cities that came out recently about 15 minute cities, and they built this algorithm to like redistribute commercial and,

services to make sure that everybody in these 40 regions could be, what it would take to make a 15 minute city and their kind of end state was that.

[00:19:32] In a place like, let's just say Atlanta, which is one of the ones they studied, it's not really possible, because ultimately, There's so many land uses and it's so spread out that if you were able to, or if you went to redistribute, that wouldn't be possible because there's just so many things that need to be done to make that happen.

[00:19:48] And so I find that interesting too, in the context of what you're talking about specifically, because. You're trying to create these spaces where people still have access to the businesses that they had before and make sure that the commercial spaces that existed continue to exist, but they're also, getting the pressure of, displacement.

[00:20:06] They're getting the pressure of maybe being relocated. And so there's a tension between that, between providing local services and local access, and then also creating something that drives community value. You said. Basically the light rail line, you're spending a lot of money on it. So you're going to want to have the ability to leverage that public investment by getting more investment through tax base creation and things like that.

[00:20:27] So all those things come together. And I'm curious, like your thoughts on that specific idea of maybe a 15 minute city and the preservation versus just making it so that people have access to things within 15 minutes.

[00:20:39] **Ryan Kelley:** Yeah you named it, the tension. I think too again, and I hate to just use this, but it is very context sensitive in terms of what is the fabric there now and the space in that area. Versus, I think things play out differently in we'll say a more suburban context, with what that land us is and how that plays out and how that changes and the development pressures that exist in an area like that. Usually that comes pretty heavily as light rail is getting built compared to in a city that already has the buildings and it's about the space. Not that there's not the same risk of displacement or that it doesn't take place.

One of the strategies is, we are starting now, looking at a fund that helps people buy their building. So it's not necessarily the redevelopment, but I think that gets a bit of what you call preservation aspect. There's one piece that is the building coming down?

[00:21:30] Another piece is the, Are you being priced out of the neighborhood? And what we really tackled and focused on more is the are you being priced out. I would say, I think there's, there are responses and strategies via a project if you are being directly displaced at time of a construction, and I think that has some different strategies than what we were trying to address.

[00:21:54] And I should say, as we, the conversation came out of our TOC work in programming and thinking. It then got funded via the program. I bring it back up because that was funded by federal pandemic recovery dollars, which tweaked our framing of how we dealt with this. And that was not exclusive to transit-oriented areas, that programming. And so we were thinking a little differently. Part of that was areas most impacted by the pandemic, communities that have also historically been impacted and had disinvestment. And then of course that was much amplified via the pandemic. And so we looked at, Can we support either the new spaces in any project that's happening, but also there's an idea of being able to have people own their space.

[00:22:41] Is it a commercial land trust? We have a number of projects we've supported that had, they were mixed use, but they condo'd their commercial portion and each individual tenant space so that the business owner could own it. It's affordability up front. Does it preserve, not necessarily, but what it hopefully is doing and theoretically is doing, is then allowing that business owner though to benefit from a sale or the price if they choose or have to being in that space that there's a, they can realize financial gain from that, that they haven't been able to in past process.

[00:23:17] **Jeff Wood:** What is like a healthy urbanism and commerce look like?

[00:23:22] **Ryan Kelley:** Wow, I have to define that? No okay here's my example. Here's my example.

[00:23:27] **Jeff Wood:** Right now in Barcelona, and this was reported in the El País, which is a Spanish newspaper that does an English language version. They're redoing La Rambla. Which is a street and it's a very tourist street.

[00:23:39] And what they're doing is they're redoing the street. They're making the sidewalks five meters wide, which is like 16 feet or something along those lines. They're reducing the amount of space that cars can take up on the street, making it open for buses and things like that. But one of the goals of the

organizers is to reduce the over tourism in the area, get rid of unwanted uses in their words, right?

[00:24:02] Which is like the tacky shops and the restaurants that cater to this over tourism and the stag and Hindus that are happening that the locals don't want, there's also the issue of Airbnbs and, short term rentals and those types of things, basically they're redoing the street and then they had discussed doing some other things like.

[00:24:20] Having some sort of a, like a rent control or a social housing for their commercial spaces so they could get local businesses in, but that part didn't get to the final stages of their plan. They also have this discussion about, housing to get the quote unquote, mix of people that they're looking for.

[00:24:37] That's not just all tourists or all locals, right? So they want a good mix. And with that kind of in mind and thinking about the redevelopment of a space holistically in that fashion, trying to get to the place where you get this urbanism and commerce that you're looking for, I'm wondering what a healthy level of that looks like when you're thinking about these corridors or when you're thinking about saving a business or helping a business save itself that, might get pushed out because of TOD, because you're looking for a certain like mix of uses.

[00:25:07] You're looking for a certain mix of people that are coming to these places. You don't want to exclude, you don't want to displace, but you also are looking for kind of an economic development solution and a tax base solution and an access solution that is meant to improve a place. What is the healthy result that you're looking for?

[00:25:25] **Ryan Kelley:** Yeah, we haven't framed it that way, but that's exactly a question we wrestle with. What's his struggle is? What's the right number? What's the right number of units? We just, we say there's this shortage. What do we put here? And how much affordability? In housing, I think the approach right or wrong is if you're building a mixed use project here with 100 units of housing, and you're going to put in

5 commercial spaces. We're saying, okay, that meets these sort of density goals, very high-level speaking, because I don't like the word density. I think there's bad density, but and this is, I don't know the right number, but can you have at least 1 of those 5, is it 3 of 5, or all 5 of those commercial spaces, be at

an affordable lease or for sale to a business or a local small business owner. Not a national chain, not a franchise. That's not what we're trying to support. We're trying to make that an opportunity space for someone in that community to be able to open their business or keep their business, have their business.

[00:26:28] I can't answer is it 30 percent of all new businesses that open should be X percent of market rate. What I know is, redevelopment projects happen, whether all residential, whether all mixed use. We have, we will fund in TOC 100 percent non-residential project too. We need multiple tenants in there and that is balancing that density -land use part of the equation.

[00:26:53] And what we're saying is we want to see some amount of that space be affordable for some amount of time also. Housing is often looking at a 40 year term or more in some cases. Commercial can't do that. The nature of how businesses operate is very different, of course. But we know that most don't want vacant land or vacant building.

[00:27:12] And if something's going to go in there, how many of those spaces can we have be more obtainable and be more affordable? And we, of course, in no way drive market. We have a very small pool of funding to try and further this goal of having, in this case, business owners from a community be able to have a business in that community and stayed there and overcome. When we build new for many reasons, it's incredibly expensive.

[00:27:41] And then, of course, that gets reflected in lease rates. But is there a way to offset that some and what are the levers? Providing this type of funding is one and trying to provide that affordability. But what we do think about is, is this coming from the community? We had, people talked to us about, they wanted to do cooperative ownership of a small business center.

[00:28:04] I don't know how many of those we should have in a place, but that's a model that can benefit that neighborhood, that area, in a wealth building opportunity. So it's a great question. I don't know how many places should you get to a bike via this type of infrastructure? It plays out, but I think we know some of the, we talk about groceries and food deserts, being able to access certain foods at certain price points is important, thinking about the geographic nature of that, but access transit, bike, walk, car that plays out differently.

[00:28:35] **Jeff Wood:** So let me ask you about the affordable commercial incentive fund, because I'm wondering how you got that going, what it means and, what are you trying to solve for specifically? We talked about that a bit, but maybe in more concrete terms.

[00:28:47] **Ryan Kelley:** So I kept weaving that in because that's the attempt we made to try and get it having these affordable spaces in many ways.

[00:28:55] When we developed the program, again, I had mentioned it wasn't exclusive to our transit-eligible areas, which is on LRT and high frequency local bus service and BRT lines. We had that open county wide. We defined some high level goals. And it was affordable commercial, meaning either lease or for sale. And we look to you to tell us that it was affordable. So part of that, again, I said, you can't do an AMI like housing. Commercial world just doesn't work like that. It's so super hyper local. And we look for people to show us, all right, here's what these types of spaces go for, and here's what we're doing.

And we were neutral on the model of if it was lease, if it was for sale. We need, we wanted it to work for the developer and or business owner. We can't put something too heavy that all of a sudden a business is forced to fail or a development project not actually happen. We had to play around with what are those numbers?

[00:29:48] Is it again? This 50 percent of your spaces are affordable at 20 percent below market. That fluctuated. We wanted to allow for that to be a successful project. And we also were open to business incubators. We had cities that were opening or going to open or wanted to build business incubators, which is an important piece of the small business and new entrepreneur ecosystem.

[00:30:15] And we did a carve out, if you will, of community institutions. And that was hard to define. But what we were getting at was there are organizations that are so significant in their community, in their neighborhood, that also play a role. What we did define in that was they play a role in economic achievement, job training skills along those lines.

[00:30:44] So an example, Minneapolis American Indian Center has a wide breadth of programming, in particular for indigenous people and the urban Indians in Minneapolis. They provide, along with a variety of other programs and work, they do several aspects of job training and building those skills. And

so those types of organizations were eligible because they played such a significant role in that community vitality, both cultural community and physical community. Those buildings and the spaces and the gatherings that happen in those spaces are important. And in fact, some of these same projects as they were doing, usually expansions, renovations, capital campaigns to improve or expand their services, they were making such incredible improvements to their building in space that related to the public realm, and we're in your transit stop or at a transit stop. And double win, triple win, if you will, and what was happening. Not just those services provided and quality, but also then, and what that building meant to the neighborhood as it was getting underway.

[00:31:48] So those high level goals was just getting the spaces built. The development projects, incubators, institutions, helping them open. And then on that affordable commercial side, we looked for people to present the ideas. We didn't know a best model. We had a relatively new commercial land trust startup here.

[00:32:08] We had funded one of their first projects through TOC because it was on a transit corridor and we'd been pivoting. I probably lost my own track of the TOC evolution. We pivoted our TOC program, from not just being seen as another affordable housing program. We have funding for that. I'm not saying there's enough funding, but in T.O. C. we wanted to provide this other piece, of the commercial retail, other spaces, and what's that look like? And so we had been pivoting that in making non-100 percent affordable housing projects competitive for our funding. And that tied in with our developing this affordable commercial program. Pandemic recovery funding came, which gave us money to do the program.

[00:32:49] And at any rate, we had also been able then to look at some projects that we thought we would probably fund out of the affordable commercial program compared to what we were doing in TOC. So that commercial land trust had happened. And we saw a couple commercial land trust type projects come in. A number of mixed use projects, housing and affordable housing, but with commercial that they were condoing out. And those are under construction today, a project, 110 units, affordable housing and four commercial spaces on the 1st floor that are each being sold to those business owners and underway.

[00:33:26] We have a couple of projects that have opened. But what was great is, it allowed people to say to us what might work for their location and their situation. And that's okay, because those developers and business owners, we didn't have so much because this was about the project getting built. We interacted, but we needed to see that work, and they could say to us, here's the model, and it's going to provide some affordability.

[00:33:49] And we said, okay. And I think it's important that we allow for that to the degree we can, different models of achieving the goal. But it's tough as a, it's tough period, but especially thinking about a government program and now we try and do. procurement and all these other aspects. And we're still wrestling with a lot of the, it was a 1 time program.

[00:34:08] We still will fund projects like that TOC. We still are trying to achieve it, but we're wrestling with some of these questions that you've brought up.

[00:34:17] **Jeff Wood:** How do you make the case for this type of program? Because when you go to the Hennepin County board, you have to ask them to approve the funding, right?

[00:34:24] How do you go about that? And what do they need to know in order to say go? Yeah,

[00:34:30] **Ryan Kelley:** I don't take it for granted. I'm always thankful we had a board that said, Let's try this. Because we developed a program idea. Yeah, again, the pandemic, that changed the world for everyone and how we were thinking about things and the space we were in and the responses we were doing.

[00:34:46] We didn't want this to be just a quick fix response to the here and now impacts of the pandemic. We had that programming too, a small business relief revenue loss. We were working on that the other side of our work, along with many others. This was meant to be hopefully about a more long term lasting solution.

[00:35:06] Again, particularly we wanted to invest in those areas, those communities, geographic and demographic that have had historic disinvestment. And particularly, again, we're significantly feeling the effects of the pandemic. How do we start to change that paradigm and shift that long term coming out of the pandemic?

[00:35:29] And so we had a suite of programming. This was one program, which was about another change that was related again, but now I'll call it forward looking, meaning the horizon. And said to the board, Hey, we want to try this. And we're hearing there's an issue. And again, coming out of kind of that TOC conversation.

[00:35:47] And we think this will make an impact. We had data behind some level, but we didn't know exactly how it was going to play out. It also definitely, of course, helped to have the federal pandemic recovery money come in. I would have had a harder time. I'm sure to say, board, I need X million dollars.

[00:36:03] And we had a 10 million program. That's what we were able to use out of our allocation. But being able to have that funding come in. But the board still had, that was discretionary. They didn't have to approve that. 10 million going to this program. And they did. And I think because of the work we've been doing via TOC and our small business support, there was already work and discussion conversations happening related in this space.

[00:36:28] So it wasn't a complete out of the blue surprise, maybe, but it was new and they were willing to take a chance. And we have. Fabulous and just incredible projects that have opened or are under construction and some to come. Development isn't easy and doesn't always happen, right? Especially these types of projects.

[00:36:47] That was the other thing. We know just development, period, can take a long time. Lots of twists and turns, but these are difficult projects. Many times newer developers. Tough areas to build in, just market wise. The market conditions at the time for any development project, and then layering in affordable commercial.

[00:37:04] And even if the developer is defining that, it's still, that's tough to work with. And what's that really mean? As I started digging into my pro forma, we tried to make sure to manage expectations. We needed to spend the money in a very quick amount of time, but Federal rules, but we wanted to say, don't expect these to open up in a month.

[00:37:23] This is going to be a tough road and possibly longer than we're normally used to.

[00:37:29] **Jeff Wood:** It's just amazing to me to think about just the impacts, a lot of those RF funds and others had on people being able to do little projects like this. Not that it's little, but like smaller than building a light rail line.

[00:37:39] Just like thinking about. Doing these experiments or just having the slack to be able to come in and do something maybe different because it's important to the community. And I feel like we're about to hit a period where that all disappears, right? Where folks are coming up against this wall of budget constraints and things like that.

[00:37:54] And so there was just this time period where there was money for these types of things, and I really think that should be studied more because there's something to be said about. Creating capacity and, building these programs that will have long term long serving benefits. That's right.

[00:38:09] You mentioned the pandemic and the impacts of that. Does that set you up long term too, for this program? Because of the impacts of e commerce too, I'm thinking of like how things have changed the landscape for brick and mortar has definitely changed. And so the small businesses and such might need even more help because of just the sheer overpowering this of the e commerce.

[00:38:29] eCommerce world, the Walmarts and the Amazons and everything of the world that just are taking over. And some of these spaces in the real world can't necessarily keep up.

[00:38:38] **Ryan Kelley:** Yeah. We thought about that and I don't, I'm a little reluctant to say this cause I don't know how accurate, certainly it felt a bigger issue in the pandemic when we're talking about.

[00:38:49] Bricks and mortar retail spaces. And it's not just, It's commercial. There might be a mix of offices. It's restaurants. It's shops. It's all of the above. Yeah. Gosh, everybody's ordering online. What will this look like? And of course, it's still in our mind. We're not saying you have to build these spaces. We're saying if you build, can you have some that are affordable?

I would say, I'm just trying to think. Through the projects that we put funding into both through our TOC program that has funded similar projects to what we were doing in the community investment initiative. I think most all those developments filled or have leases for when they're built, businesses to occupy

those spaces. And I think this is true, in any development, for a long time, and while it still plays out today, there was the push to have, you need to have storefront retail on the 1st level and mixed use development.

[00:39:42] That kind of simplified an ideal, the principle, the ideas about the activity on that street level that, defaults to retail and that can be great. But it also can sit empty and then it's not active. And then the project goes bankrupt. In any area, not just when we're talking about affordable commercial, what happens and what's played out here, because I think these projects, I know, these projects have been born out of community, the relationship and the intentionality to have a business in that space has been so much more so much greater. And it wasn't just build to spec. There's the punch line. They weren't just building these spaces to spec. They knew that they wanted commercial in this project because they'd heard, they being developer or community group that was pushing for this project, that there was a need for space for these businesses. And then there was the lengthier hard work to connect with businesses to see who needed space, wanted space, and would go in here and now they have it. And so they're full. And so I just, I say that because for them, they need bricks and mortar. They want it. And maybe that's, not their only sales model. Maybe they're doing e commerce as well, but they still are desiring or it's effective and beneficial to have a storefront as well. So I think a bigger question is trying to just fill the dearth of expansive spaces, existing vacant spaces that, chase the chains for. All of these projects, their local small businesses coming out of the community that they're in.

[00:41:14] And we've started to look into that. There's more to look into there. Because so far, I'll call it successful. It's playing out where e commerce isn't impacted them. And I think, they've done their business plan and development pro forma in making those decisions to play out and it's working.

[00:41:31] So I'm thinking about our cultural shift from the pandemic, I think. A lot of people want to be out and about around people again. And I haven't looked at the numbers like did Amazon decline, sales in the past year compared to 2020, 2021 or not. But we certainly know more people are shopping out and being out, going out, we're still in that kind of unknown transition period, I think of what a longer term impact will be.

[00:41:59] **Jeff Wood:** So you mentioned the American Indian Center, there's the Pillsbury House Theater, there's the Coliseum building. Do you have any,

I'm not going to ask you if you have a favorite, but are there some wins? I want to know what you learned from some of those projects.

[00:42:10] **Ryan Kelley:** I think sometimes people will go to the one that was the hardest or they didn't like, it's Oh my gosh, is this going to happen in the amount of work? And, but also I, I think of the ones that are open. We have some others that are happening and so many have just such I've been working with development and programs for well, in this world of planning for 12, 15 years. The projects we saw in the community investment initiative were just, they were so exciting.

[00:42:36] The Coliseum you mentioned that when what's so cool about that is it was - damn complex - but it was a local CDC community development corporation, Redesign. They were the developer, but what was so great about that project is it just hit so many levels of goals and priorities. A 6 story historic building on the corner of one of the busiest transit corridors in Minneapolis was damaged significantly in the civil unrest after the murder of George Floyd. And community said, hey, we want this and we want what it used to be. And of course, over decades, various iterations of uses. So local CDC led the redevelopment, the renovation and redevelopment of it. Three small business owners partnered to be owners.

[00:43:27] In that project as developers and the model of, the developer backing out and equity change over time and within that space. Now, there will be gosh, 30 plus small businesses and particularly by park owned businesses, an incubator affordable space. And just from a, what does that building mean to the community?

[00:43:50] And we talk about design principles and relationship, the ownership model for these developers, a developer building, which we need capacity to do that. Someone can't just step up and say, hey, I want to build a building. That takes a while. And so there's a capacity question, then a funding question as well.

[00:44:05] And then the services that are happening within that building. It's just remarkable. And it opened on Juneteenth of this year. It's such an incredible story. That project's amazing, but amazing. I love Minneapolis American Indian Center. Cause I remember the, their director, Mary LaGarde, when she first started their campaign, Oh my gosh, five, Ish years ago, it was

pre pandemic and we talked and she just as many directors and particularly nonprofit organizations community organizations are they're, it exhausts me.

[00:44:40] She's we need to do this. And we just, I, talked to her about various ways of looking at funding and what was out there and then they got it underway and we were able to participate. But again, that project, because it met many goals. What it's meant for American Indian community and. The history of that building and then the changes they were making to that building were just so beautiful and impactful as well.

[00:45:04] And then I don't know if you mentioned, but another one that's been great is Juxtaposition Arts, which is on the north side of Minneapolis on West Broadway Avenue. And it's a artists, creative organization. And it's for youth and the youth that come in are both staff, they run, they learn, they apprentice in a variety of creative industries.

[00:45:28] And so the programming of course, has been incredible for many years. And they just did a major expansion and renovation of their space. And it's just unbelievable. What that facility now looks like, and what it does for the community from a physical aspect on the corner that they exist. So it's yeah, and we have others underway.

[00:45:48] Pillsbury mentioned is great too. Yeah, I, they're certainly not a favorite. I love these ones that have opened because again, they're tough projects. It's development and they're tough and you just sit there and hope and work on. Are they going to happen? And when they do, it's super exciting. And so we've had a number of these projects open over the past year and some underway.

[00:46:10] Pillsbury is getting underway and I'm so excited to see theirs really come to fruition.

[00:46:15] **Jeff Wood:** If somebody else around the country is trying to recreate this program that you've created, what is something that you would tell them not to do?

[00:46:23] **Ryan Kelley:** There's a couple things that come to mind. One is don't define. If you're looking at affordable commercial, don't define what that is.

[00:46:31] One, I don't know that you really can. And if they think they can, I truly, I'd love to hear because we'd like to have something that's a little more consistent. To the degree we can, but I don't know what that looks like. We're wrestling with that. But I don't think like many programs where we say you have to do this and this is how we fund it.

[00:46:48] When you're talking about affordable commercial, defining that model to provide affordability I think is too limiting and doesn't allow for some really truly beneficial to the community models to happen. So that'd be one thing. The other though, and this is true not just of affordable commercial, but is.

[00:47:05] We're, we try and be better. We work with our partners on how to communicate this better. Development is not easy and trying to just really communicate the risks as particularly emerging developers are trying to get into the space the time and the money and the difficulty it takes, so it's not what not to do, but it's just such an important piece.

[00:47:32] And I think too, the way it's defining. Where you hope to be coming in, if you're funding such a program, meaning, are you early trying to seed that project? Are you coming in late to get them over the final hurdle to get built in the twin cities? And in Minnesota, we are very fortunate to have a lot of foundations and philanthropies and governments willing to invest in a variety of projects, but that's also a very difficult system to navigate and how do we work together?

[00:48:03] But it's also, how do we fit? To help that stakeholder, that person we're trying to work with be successful. And so thinking about really carving out those parameters so it's clear to them as well gives a better chance of success.

[00:48:19] **Jeff Wood:** And here's my last one, what do you hope to see next at Hennepin County in terms of the programs and policies that are building on the ones that you've already built?

[00:48:27] **Ryan Kelley:** We are furthering this work in our TOC program. It'd be great if we could expand that more and look at more projects like this and fund more projects like this. The other thing we're looking at and have been discussing is The idea of the gentle density, the missing middle and, that.

[00:48:49] That is a product as a design is out there that I think is great. And I think is a part of the housing shortage conversation. It's a part of the land use climate conversation and, but it's very tough to build. It's tough from a city zoning perspective, which is where I think a lot of the attention has been and great work has been done, but it's also hard to finance.

[00:49:12] And build, pencil out. And so that's a space trying to explore. We emphasize those types of projects in our pre development funding, like that's a scale that we like to support because it can be less complicated. If you got a city where you can build it, and, but then it's thinking about that financing.

[00:49:33] And so we've also made that, though, a strong project type in our program, but I'm thinking about that role and what that how that plays out in various, a variety of communities and contexts, both in permission and. Again, that finance piece, it's a, it's been a big thing wrestling around in addition to this affordable commercial and we'd like to find more models.

[00:49:58] I think too, we are digging into the projects we funded. We want to try and understand what can we learn from those models as they, they're just getting built. So it's going to be some time. How do they last? What, we have to look at these various time points of what happens along their existence.

[00:50:12] Thanks. We want to dig into that more and see what is the right space. And I've been asking on TOC, where's the role for us? Is it still in density? Is it in the infrastructure aspect? Is it in affordable commercial? To my point about our board with the affordable commercial program, we're one of very few agencies in the country that has this discretionary TOC program.

[00:50:34] I think it's remarkable and it's very helpful to see the kind of things we want to see. And are we in the right space still to really, are we incentivizing the things that we want to see the right way regarding the transferring communities and County priorities? We still have that support. So we're digging in a little bit to that question though.

[00:50:53] **Jeff Wood:** Where can folks find more information about the program or where can people find you if you wish to be found?

[00:50:59] **Ryan Kelley:** Yeah I'm on LinkedIn, Ryan Kelly, K E L E Y, and our Hennepin County housing and economic development webpage has a number of our programs, including our transit oriented communities program.

[00:51:10] And I think I'm linked to on that.

[00:51:12] **Jeff Wood:** We'll link those in the show notes for sure too.

[00:51:14] **Ryan Kelley:** Great. Yeah. Great.

[00:51:15] **Jeff Wood:** Ryan, thanks for joining us. We really appreciate your time.

[00:51:17] **Ryan Kelley:** Absolutely. Jeff. Thank you.

[00:51:25] **Speaker:** Thanks for listening. And thank you to Hilary Reeves who leads Mpact:Voices and the development of this podcast. Find out more about our work by visiting our website, mpactmobility.org. That's M as in Mobility and Pact as in agreement. [Mpactmobility.org](https://mpactmobility.org). Sign up for our newsletter to make sure you hear about new podcasts as they come out.