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# **BEST HISTORIC REHAB PROJECT: Midtown Exchange a Stabilizing Force**

**BY JERRY ASCIERTO**

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**MINNEAPOLIS**—The Midtown Exchange Apartments, a 219-unit development located within the massive Midtown Exchange building in South Minneapolis, has had a stabilizing effect on its neighborhood.

The 1-million-square-foot building had been vacant for more than a decade after Sears and Roebuck, which built the towering structure as its Midwest distribution center in 1928, relocated in 1994.

“When the Sears building became vacated, the neighborhood was also deeply troubled,” said Minneapolis Mayor R.T. Rybak. “In the mid-90s, there was very high crime. A Time magazine article called that section of town ‘Murderapolis.’”

The South Minneapolis neighborhood had been on a downward path since the late 1960s, when re-zoning turned the middleclass homeownership neighborhood into subdivided rental housing. Today, the census tracts in the neighborhoods immediately around the Midtown Exchange have some of the highest poverty rates in Minnesota.

In the neighborhood, “one out of three children are being raised below the poverty line,” said Gary Schiff, a City Council member representing the district. “Plus, there are 10 gangs currently active in the neighborhood where this project is located.”

The city moved to stabilize the area by creating more homeownership opportunities in the neighborhood in the late '90s, “but it also meant that it was increasingly hard to afford to live there,” said Rybak. Additionally, the need for affordable housing was great, given the proximity to two of the city’s largest employers, Abbott Northwestern Hospital and Wells Fargo.

The city viewed the Midtown Exchange’s redevelopment as critical to the neighborhood’s revitalization. The city’s affordable housing trust fund awarded it nearly \$5 million, “the largest single contribution from the trust fund to any project since the trust fund was founded about four years ago,” said Lisa Goodman, a City Council member and chair of

the city's Community and Economic Development Committee. The average award is about \$500,000.

The results of the new development were striking. In the first six months after the Midtown Exchange opened in January 2006, crime fell by 30 percent in the 16- block radius around the building. "Housing values are up, crime is way down there, and we did it in part by creating more affordable housing," said Rybak. "Anyone who says that affordable housing increases crime should look at this story."

Of the 219 units, 62 are set aside for those earning up to 50 percent of the area median income (AMI), with another 116 targeted at those earning up to 60 percent of the AMI. Rents for the affordable units range from \$525 to \$1,000.

The developer, Sherman Associates, called it one of the most complex tax credit deals in its 28-year history. The project received equity of \$14.5 million from the sale of low-income housing tax credits (LIHTCs), and also netted \$8.5 million from the sale of historic tax credits; PNC MultiFamily Capital was the syndicator.

Additionally, Sherman Associates took out a \$13 million bridge loan from U.S. Bank. Other sources of financing include \$3 million from the Minnesota Housing Finance Agency; and \$1 million from local nonprofit the Family Housing Fund.

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## Midtown Exchange Apartments

**Developer:** Sherman Associates, Inc.

**Architect:** Elness Swenson Graham

**Major Funders:**

PNC MultiFamily Capital

U.S. Bank

City of Minneapolis

Minnesota Housing Finance Agency