

*“Housing Now!”*  
*Basic Negotiation*

**Attorney for  
Housing Now!**

## **Background**

Housing Now! (“HN”) is a small non-profit organization that creates affordable housing for the homeless. HN has only been in existence for one year and just completed its first and only housing project, a 12-unit apartment building located near the state capitol in St. Paul.

HN has been in discussions with Veblen Village, a wealthy outer ring suburb of Minneapolis, for the past few months about building a housing complex that would focus on low-income tenants. The tenants would have to meet certain financial criteria to qualify. Zoning must be addressed. Veblen Village has no land zoned to allow multi-family dwellings (e.g., apartment buildings).

HN had selected Veblen Village for its next project for a number of reasons – Veblen Village has the lowest crime in the state, has more park land per resident than any of its neighbors, and is connected to downtown by numerous transit options, including a new four-lane freeway and a brand new light rail system. In addition, HN’s mission statement specifically states that its goal is to address the lack of affordable housing outside the central cities of St. Paul and Minneapolis.

Early discussions between Veblen Village and HN were very productive; so much in fact, that HN had gone ahead and purchased a large plot of land in Veblen Village from a local developer at a fairly reduced price of \$200,000. HN has also hired a number of subcontractors to begin the work, many of whom have already begun making preparations and scheduling work (and sending invoices to HN).

Veblen Village has embarked on a public relations campaign to improve its image in the region. For several years, Veblen has been attacked in the press for its “exclusionary” housing policies and its failure to become more economically integrated.

## **Instructions**

HN has hired you to handle the negotiations. You have been directed to reach a preliminary agreement on the major terms of this project, as described below. You have full authority to reach a deal, so long as the agreement is consistent with the instructions that follow and the interests of HN.

HN very much wants to reach an agreement. It is concerned about bad public relations and embarrassment with its board and the community if it cannot get this deal done. As a new organization, it is critical to HN to get something going in the suburbs and a project in Veblen Village would be an impressive accomplishment.

As a result, HN believes that just about any deal is better than no deal at all. Get the deal done by next week. You have been directed to be very flexible and open in protecting and promoting the interests of HN.

The first issue is the qualification level for “low-income” tenants (i.e. who is qualified, based on income, to participate in the program). You need the city’s agreement on this point and have heard rumblings that the city is hoping to use this threshold to keep non-Veblen residents out of the project. The income qualification level is critical to HN. This will set a precedent for future projects and could undermine the entire mission of HN – how affordable will this affordable housing really be? HN wants the threshold to be as low as possible – something around no more than \$30,000 salary per year for at least most of the tenants. This is a critical issue for HN.

The second issue, which is related to the first, is the amount of subsidy that the city can contribute. In order to make the housing affordable, and still attractive, outside funding is needed to supplement what the participants pay for rent. HN already has grant money and some federal money secured, but it needs Veblen to contribute something – both to make the project work and as a precedent for future projects. This is a critical issue for HN. You have been instructed to get as much as \$250,000 per year (or more) for as many years as possible. You can be flexible as needed on this issue, but try to get as big a commitment as possible without jeopardizing the whole deal.

The third issue is zoning. The city must commit to making the zoning changes so that the project can go forward immediately. HN is worried about a long, drawn out zoning battle, so make sure to get the city to ensure that it will handle the zoning as soon as possible. This is a critical issue for HN.

The fourth issue is the scope of the project (how many units in the building). HN wants to see as big a project as possible, but something modest is better than nothing. HN has instructed you to be particularly flexible on this point – HN could probably only build a 20-unit or smaller building anyways. Just make sure it is not so small as to be insignificant (double figures for the number of units for sure).

The last issue you discussed is the timing of construction. HN is already paying contractors (for design and prep work) and wants to get a public relations splash as soon as possible. HN would also like to see the project up and running by early next year, if possible.

HN also recognized that you may have to make other commitments on different issues not discussed above. You are free to do so, as long as any deal remains consistent with the above instructions and comports with a reasonable extrapolation of other HN interests.