

*“Housing Now!”
Basic Negotiation*

**Attorney for
Veblen Village**

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

The city 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 Veblen Village (“VV”).

The city very much wants to reach an agreement. It is concerned about bad public relations, even protests from activists. It also wants to avoid any possible court action.

Notwithstanding any of the above, the city believes that it has all of the leverage in this discussion. HN is a new organization and will probably settle for just about anything

that qualifies as an affordable housing project in the suburbs. You have been directed to be aggressive in protecting and promoting the interests of the city.

The first issue is timing. Any deal would need to be signed as soon as possible (most preferably next week). The city can handle the zoning requirements immediately and easily, but you will need assurances from HN that the facility will not be up and running until after next year. The city does not care about when construction starts, but no opening the doors to residents before next summer. This issue is critical to the city.

The second issue is the scope of the project. The city is under the impression that the HN project will be a duplex, or a triplex at the most, and that the overall design will match the mansion-like appearance of the surrounding neighborhood. While the city is somewhat ambivalent on the overall design, the city made clear that the number of participants must be small (one official said a half-dozen, but you are free to use your judgment on the final number). The number of residents is definitely a critical concern of the city.

The third issue is the qualification level for “low-income” tenants (i.e. who is qualified, based on income, to participate in the program). The city would like the threshold set as high as possible – the mayor’s deputy said something around \$100,000 salary per year so that some of VV’s residents who were not quite as wealthy could take advantage of the housing (inclusion of city residents is the bigger concern – you can use your own judgment on the threshold income level).

The last issue you discussed is the cost of the project to the city. The city is not excited about putting any money into the project at all. The city is open to leveraging existing marketing tools, like the website and the marketing staff to pitch in here and there, but wants to avoid, to the extent possible, any additional costs. The city did approve spending up to \$100,000 per year for up to four years on the project, but only if absolutely necessary. Obviously, the city would like to spend as little money as possible.

The city 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 city interests.

Push hard to get the city what it wants, but get a deal done.