



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** May 18, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte

**Prepared by:** Cynthia Lee, Manager, Multifamily Housing, Phone 612-673-5266

**Presenter in Committee:** Cynthia Lee

**Approved by:** Lee Pao Xiong, Director, Housing \_\_\_\_\_

**Subject:** Unified City Of Minneapolis Housing Policy: Restated and Consolidated;  
Replaces Previous Housing Policy Documents

**RECOMMENDATION:** Adopt the attached resolution establishing a Unified City of Minneapolis Housing Policy

**Previous Directives:** In January, the 2004 Minneapolis Housing Policy Agenda was presented to the City Council. In that document, the number one overarching policy effort committed CPED to clarify, streamline and implement existing city housing policies. The existing city housing policies were adopted by the City Council at various times as described herein.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.**  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (Summarize below)

**Ward:** City wide

**Neighborhood Notification:** Not applicable. No new policies are being proposed at this time. All existing city housing policies have been subject to the applicable neighborhood notification, review, and comment requirements.

**City Goals:** Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

**Comprehensive Plan:** Consistent with sections 4.9 through 4.19

**Zoning Code:** Not applicable.

**Living Wage/Job Linkage:** Not applicable.

## **Background/Supporting Information**

In January, the 2004 Minneapolis Housing Policy Agenda was presented to the City Council. In that document, CPED commits to clarify, streamline and implement existing city housing policies.

Currently, city housing policy is contained in a number of documents which have been approved at various times for specific reasons. The result is a somewhat fragmented and confusing policy environment.

At this time staff proposes to restate and consolidate the existing city housing policies in to one unified document. All policy language is being adopted verbatim from existing policies unless minor paraphrasing was necessary. No policy changes are being proposed at this time.

In a few cases, staff suggests eliminating outdated policy language. The proposed policy also separates process, performance and implementation steps from policy objectives. Implementation steps should appear in documents such as the city's Consolidated Plan, departmental Business Plans and/or program guidelines rather than the policy itself. Although the attached policy resolution does not incorporate implementation language, the key portions are embodied in the FY 2004 Minneapolis Consolidated Plan authorized by the city council in March 2004.

The text below outlines the proposed changes. The new unified policy language appears in the attached resolution. Staff feels that this a succinct and clear policy document.

## **EXISTING CITY HOUSING POLICIES SHOWING PROPOSED CHANGES**

### **Notes on format:**

- **All text is shown unchanged from actual existing city documents, unless noted as a "paraphrase".**
- **Sections highlighted in yellow are policy statements.**

- Sections highlighted in pink are implementation or process steps.
- A section shown with a strikethrough line reflects language that should be deleted because it is either obsolete, duplicated elsewhere, or is a completed activity.

## **The Minneapolis Plan: updated April 2003**

### **Section 4 - Marketplaces: Neighborhoods**

- 4.9.1 Minneapolis will grow by increasing its supply of housing.
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households
- 4.11 Minneapolis will improve the availability of housing options for its residents
- 4.12 Minneapolis will reasonably accommodate the housing needs of all its citizens
- 4.13 Eliminated
- 4.14 Minneapolis will maintain the quality and unique character of the city's housing stock, thus maintaining the character of the vast majority of residential blocks in the city.
- 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- 4.16 Minneapolis will work closely with Neighborhood Revitalization Program (NRP) planning and implementation to ensure that NRP plans are consistent with the City's Housing Policy.
- 4.17 Minneapolis will promote housing development that supports a variety of housing types at designated Major Housing Sites throughout the city.
- 4.18 Minneapolis will encourage both a density and a mix of land uses in TSAs that both support ridership for transit as well as benefit from its users.
- 4.19 Minneapolis will require design standards for TSAs that are oriented to the pedestrian and bicyclist and that enforce traditional urban form.

### **~~Housing Principles: adopted July 6, 1995~~**

- ~~• The variety of housing types throughout the city, its communities, and the metropolitan area shall be increased, giving prospective buyers and renters greater choice in where they live.~~
- ~~• The management, quality and balance of subsidized housing throughout the City and the Metro area shall be improved.~~
- ~~• Housing markets that are already strong shall be preserved and strengthened.~~
- ~~• The quality of Minneapolis housing stock shall be improved.~~

### **Minneapolis City Goals and Expectations: adopted January 2003**

Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

### **Affordable Housing Policy: adopted September 7, 1999; amended February 16, 2001**

1. That the City of Minneapolis hereby launches an "Affordable Housing Initiative." The City of Minneapolis shall have as a clearly stated goal, consistent with the Minneapolis Plan, to grow the population and to have no net loss of housing across all income levels. The City/MCDA's policy will be positive gain on affordable housing units. Each year the City/MCDA will create more units affordable at 30-50% of MMI through new construction/positive conversion than the number of habitable units affordable to 30-50% of MMI that are demolished as a result of City/MCDA sponsored projects. Funding for housing programs serving those above 50% of MMI shall continue and those programs will remain a vital part of the City's housing policy.

~~2. The MCDA will be directed to complete in 2000 as many as possible of the "Pending 2000" projects identified in the attachment shown in Petn No 265151, and to begin working on projects to be produced in 2001/2002 using up to \$7.5 million of direct MCDA expenditures to leverage an additional \$22.5 million from public and private sources and bond proceeds as appropriate.~~

3. The City of Minneapolis will increase its allocation to the Affordable Housing Initiative beginning in 2001 with the goal of a total annual MCDA investment of \$10 million per year subject to the following:

a. Any such allocation or investment will come exclusively through the reallocation of existing City financial resources, not through additional taxes.

b. These resources may include an allocation of NRP funds if such reallocation is recommended as a result of the NRP Phase II redesign process.

c. The City will identify specific programmatic and funding goals for the Initiative and other programs impacted by this reallocation in the Budget process which began with the Mayor's Budget Framework Address and will continue through public mark-up and public hearings to a final vote on December 9, 1999.

d. The City shall also respond to the recommendations of the Task Force by reevaluating the CDBG allocation process to accommodate other needs.

e. The City shall have as a goal, annual increases in this commitment to the extent additional private and public resources become available.

4. That the City of Minneapolis shall require in all City/MCDA financially assisted rental housing projects of 10 units or more that at least 20% of the units will be affordable at 50% or below of MMI. With the exception of senior-only housing, the City shall further require that all publicly assisted rental projects accept the use of Section 8 rental assistance either by site-based or portable certificate. For the purposes of this provision, financial assistance shall include tax increment financing, pollution remediation, condemnation, land buy-downs, issuance of bonds to finance the project, and direct subsidy.

5. The goal for City/MCDA production of units affordable to 50% and below of MMI will be 650 units in 2000. The City shall have as a goal annual increases in the production of units to the extent additional private and public resources become available. Staff should recommend annually the appropriate goals for production of units.

6. The City/MCDA's policy will be to challenge other units of government, private foundations, and lending institutions to work with the City/MCDA in affordable housing development to achieve a positive gain of units affordable at 30% of MMI in the city. The City/MCDA's goal is to leverage additional resources from these partners to produce 75 units or more affordable at 30% of MMI each year.

7. To affect the current need for multi-bedroom units, the following goals are established: 70% of affordable housing funds should be allocated to the production of units with 2 or more bedrooms, and 30% should be allocated to the production of units with 0-1 bedrooms. Staff should recommend annually what the appropriate mix of production of bedroom units should be.

8. The MCDA is directed to prepare for the increased level of production and preservation implied by the additional resources available in 2001, including development of a new program to provide capital funding for private property owners willing to participate in the City's "Affordable Housing Initiative."

9. To avoid concentration of poverty, the emphasis in impacted areas shall be on the preservation, rehabilitation and stabilization of existing affordable housing. In the non-impacted areas, the emphasis shall be on construction and positive conversion of new affordable housing. The City establishes as a goal that at least 50% of new City-produced affordable housing units will be in the areas of the city where it is presently lacking.

10. The MCDA Executive Director is directed to work with the interdepartmental working group consisting of Public Works, Inspections, and other departments and jurisdictions, whose purpose is to review proposed demolitions of affordable housing units, create alternatives wherever possible, review current ordinances that may be barriers to the creation of affordable housing units; and, to report regularly to the City Council and the Mayor.

11. The City will have a coordinated housing and economic development strategy. New affordable housing will be targeted for designated growth areas, and commercial and transit corridors that can benefit from and support increased housing density. Zoning and land-use designations for these areas may be modified as needed to accommodate such housing.

12. Additionally the MCDA is directed to:

a. Work with the Minneapolis Public Housing Authority to complete construction of 74 "Hollman" scattered site units in Minneapolis by April 2000 utilizing \$300,000 as approved by the City Council on August 27, 1999 plus matching funds to be obtained from the Family Housing Fund.

b. Pursue meeting the full range of housing needs in the City of Minneapolis through partnerships with MHFA, CDC's, corporations, and private lenders.

c. Launch the proposed workforce initiative to work more closely with METP and MCDA Project Coordinators on increasing the employment impact in City neighborhoods of MCDA-assisted projects and businesses.

~~d. Report to the City Council as to the impact on the affordable housing crisis of Seniors remaining in their homes due to a lack of attractive senior/life-cycle housing options, and advise as to how the City's senior housing policy may be integrated with the Affordable Housing Initiative.~~

~~e. Recommend to the City Council creative and cost effective strategies to address the affordable housing crisis in ways that avoid raising the City's property taxes. Working with City Planning and Intergovernmental Relations Departments, MCDA staff shall investigate an array of strategies, including but not limited to the following:~~

~~1) An amendment to the City's zoning code that would allow "caretaker" units in existing multifamily buildings that cannot now be legally occupied to be rented on an affordable basis to families earning 30% or less of MMI. The staff report on this potential strategy item shall consider conducting a test of the proposed amendment within the 6<sup>th</sup> and 7<sup>th</sup> wards.~~

~~2) The establishment of a scattered site housing cooperative and/or land trust as a means of providing a homeownership option affordable on a long term basis to families earning 50% of MMI or less. The staff report on this potential strategy shall consider incentives that could be offered to current "over income" homeowners to sell their homes to the cooperative or land trust.~~

~~f. Develop an estimate of how much of the affordable housing crisis in the City of Minneapolis (in terms of numbers of dwelling units) may be attributable to the 1986 Federal tax reform, which removed substantial incentives for the private market to invest in rental housing.~~

~~13. The City of Minneapolis will adopt as a top priority lobbying for increased Federal, State, and other public funding for affordable housing, and will seek partnerships with private sector and philanthropic organizations to leverage funding for affordable housing.~~

~~14. The City will actively engage a broad base of public and private partners such as the Minneapolis Foundation and the Minneapolis Housing Partnership to implement a comprehensive and sustained public education campaign on affordable housing. The City will participate in a region wide effort to promote awareness of the positive impact of affordable housing, and change negative stereotypes about affordable housing and the people it serves.~~

~~15. The MCDA and other appropriate departments, including but not limited to Intergovernmental and Inspections, will provide ongoing and annual evaluation of the Affordable Housing Initiative, including a report to the community at an annual public hearing on a variety of elements including:~~

~~a. City production and preservation of affordable housing.~~

~~b. City effectiveness in engaging regional partners in the Affordable Housing Initiative.~~

~~c. Stability and viability of neighborhoods.~~

~~d. Recommendations for appropriate modifications to the City's housing goals and processes.~~

e. Recommendations on priorities for the use of affordable housing funds.

16. The City of Minneapolis will work with private sector financial institutions and others to develop incentives for affordable housing development and preservation, with special emphasis, but not limited to serving those at 30% MMI, and with a focus on linking incentives to housing opportunities in proximity to jobs and transit.

17. The City of Minneapolis will be an active partner in the City-County Homeless Task Force to address the housing needs of the homeless.

Amendment:

1. Twenty percent (20%) of the units of each City/MCDA-assisted housing project of ten or more units will be affordable to households earning 50% or less of the Metropolitan Median Income (MMI). It is understood that these affordable units may include any mix of rental and/or homeownership, and can be located on the project site or anywhere within the City of Minneapolis. Any specific projects requesting exemptions to this requirement must seek City Council approval on the basis of alternative public purpose.

2. The MCDA will aggressively pursue finding for operating subsidies and/or rental assistance on City/MCDA-assisted housing projects of ten or more units from all possible funding sources including but not limited to the Minneapolis Public Housing Authority, Minneapolis Housing Finance Agency, Hennepin County, Federal Government and Metropolitan Council. To the extent that leverage resources are available for operating support or project based rental assistance, at least 50% of the units affordable at 50% of MMI as required in paragraph one shall be affordable on a project-by-project basis at an income level of 30% or less of MMI. No City or MCDA funds or resources shall be used for operating subsidies and/or rental assistance for any units or projects initiated or created under this policy.

3. The City/MCDA's affordable housing progress reports will include:

a. the address, number of bedrooms, and where readily available, affordability of all units demolished as a result of City/MCDA sponsored projects;

b. the address, number of bedrooms, and affordability of all units developed as a result of City/MCDA-sponsored projects;

c. the source and amount of funding expended by the City/MCDA for each project by address;

d. an account of units by non-duplicative categories (new construction, positive conversion, etc.) that meet the City/MCDA's production goals.

4. Fifty percent (50%) of the City/MCDA's affordable housing funds will be used for the capital cost of production of units affordable at 30% or below of the MMI. When units require operating subsidies and/or rental assistance these will be secured through partnerships with other funding sources including but not limited to MPHA, MHFA, Hennepin County, and so forth.

5. The MCDA staff will recommend an implementation and funding strategy by September 30, 2001 to meet the MCDA's production target by December 31, 2002 of

~~2,110 units affordable at 50% or below of MMI (this strategy will include a sub-target of units produced through new construction/positive conversion).~~

**~~(Convention Center SRO) Replacement Policy: adopted September 10, 1986 (paraphrase)~~**

~~Replacement housing is required for all Downtown projects with public financial assistance causing the loss of low income SRO/efficiency rental units.~~

**SRO Replacement Policy: adopted September 29, 2000**

That the City of Minneapolis enacts a policy prohibiting the demolition/condemnation/elimination of SRO-type housing for any project receiving City assistance in the City of Minneapolis, as defined in the Affordable Housing Resolution, unless demolition/condemnation is unavoidable, in which case replacement of such units will be required as part of the project finance plan.

Be It Further Resolved that the Minneapolis Community Development Agency and the Planning Department are directed to establish a public-private working group to identify possible sites for the creation of SRO-type housing in Minneapolis consistent with the production goals of the City-County Task Force on Homelessness.

**Senior Housing Policy: adopted December 28, 2001**

1. That the following senior rental housing development goals and objectives are hereby adopted:

- Support development of affordable and mixed-income senior rental housing in all quadrants of Minneapolis. Senior rental housing may include independent rental, congregate, and/or assisted living projects.
- Seek opportunities for public and private partnerships.
- Seek new financing options outside of existing affordable housing resources.
- Identify appropriate sites for senior rental housing development based on market information, not solely on opportunity. Locate senior developments close to transit, retail and services.
- Ensure quality management and supportive services.
- Encourage high quality design and amenities.

2. That the local public agency roles related to senior rental housing development shall be as follows:

- MCDACPED: Continue to identify and make available appropriate sites for senior rental housing development. Provide tax increment, housing revenue bond and gap financing as described below.
- MPHA: Serve as the public owner of essential function bond-financed development, seeking opportunities for public-private partnerships. Issue essential function bonds. Provide Project-Based Section 8 and other financing resources.
- City Planning: Revise city policy documents to include senior housing strategies and assist with project regulatory review and approvals.
- Hennepin County: Provide service coordination and funding.

3. That the following financing tools will be developed to facilitate construction of senior rental housing:

- Housing Revenue Bonds from City's Entitlement Allocation: create a priority and/or set-aside for senior housing development and continue to provide 501(c)(3) bond financing to non-profit developers.
- MCDACPED Gap Funds: Beginning in 2002, create a priority for senior housing development within the multifamily program guidelines (CDBG/HOME/Development Account funding) and continue to utilize tax increment financing to the extent possible.
- Essential Function Bonds: With MPHA as the issuer, authorize a limited amount (up to \$5,000,000) of essential function bond debt per year, structured as rated revenue (FHA or other) or investment grade rated bonds. Maximum of \$30,000,000 for the total amount of outstanding bonds at any given time.
- MPHA Resources: Project-Based Section 8, Replacement Housing Factor funds, Ross Funds for assisted living projects, and other HUD funds.
- Utilize other sources such as Hennepin County, FHLB, DHS, NRP, etc. to the extent possible and continue to seek other financing tools in order to minimize competition with affordable family housing development.

**Preservation/Stabilization of Federally Subsidized Low Income Housing Policy: adopted September 1991. (paraphrase)**

The preservation and stabilization of federally (HUD) subsidized rental housing that is in danger of converting to market-rate housing, having subsidies expire, or is deteriorating due to poor management, is a priority for the City. The highest priority is the preservation of subsidized housing for families with children (2+ bedroom units). Federally subsidized housing for singles (efficiency and 1 bedroom units) should only be preserved to the extent there are federal funds available, with the exception of special needs populations.

**Hennepin County City-County Task Force Report on Homelessness: Adopted May 5, 2000 (singles and youth) and August 10, 2001 (families)**

The central message of the task force is that we must address the affordable housing crisis if we ever hope to alleviate homelessness in Hennepin County.

The City/County Homeless Task Force concluded that the major problem underlying shelter use is the lack of affordable permanent and supportive housing; and found that the metropolitan region is experiencing a severe shortage of affordable housing which is exacerbating homelessness in our community; and that there is a need for a metropolitan-wide response to issues of homelessness.

(Numerous implementation steps are included in the two Homeless reports; they are not repeated here.)

Resolution:

### **Adopting a Unified City of Minneapolis Housing Policy.**

Whereas, the City of Minneapolis desires to clarify and streamline existing City housing policies by adopting a unified document that consolidates various fragmented policies of the City; and

Whereas, the unified policy restates, consolidates and replaces, in part or in whole, as indicated, previous City housing policy documents;

Now, Therefore, Be it Resolved by the City Council of the City of Minneapolis:

That the City of Minneapolis hereby adopt the Unified City of Minneapolis Housing Policy and rescind previous housing policies to the extent such previous policies are replaced by the Unified Housing Policy as indicated below:

1. Consistency With The Minneapolis Plan and General Principles

Minneapolis housing policy shall be consistent with The Minneapolis Plan, goals 4.9.1 through 4.19. The City will foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

(Restates parallel language in Minneapolis City Goals and Expectations: adopted January 2003).

2. Affordable Housing

The City of Minneapolis has launched an “Affordable Housing Initiative.” The City of Minneapolis shall have as a clearly stated goal, consistent with The Minneapolis Plan, to grow the population and to have no net loss of housing across all income levels. The City policy will be positive gain on affordable housing units.

Each year the City will create more units affordable at 30-50% of Metropolitan Median Income (MMI) through new construction/positive conversion than the number of habitable units affordable to 30-50% of MMI that are demolished as a result of City sponsored projects.

Funding for housing programs serving those above 50% of MMI shall continue and those programs will remain a vital part of the City’s housing policy.

Twenty percent (20%) of the units of each City assisted housing project of ten or more units will be affordable to households earning 50% or less of the MMI. It is understood that these affordable units may include any mix of rental and/or homeownership, and can be located on the project site or anywhere within the

City of Minneapolis. For the purposes of this provision, financial assistance shall include tax increment financing, pollution remediation, condemnation, land buy-downs, issuance of bonds to finance the project, and direct subsidy. Any specific projects requesting exemptions to this requirement must seek City Council approval on the basis of alternative public purpose.

The City will have a coordinated housing and economic development strategy. New affordable housing will be targeted for designated growth areas and commercial and transit corridors that can benefit from and support increased housing density.

The City will focus on linking incentives to housing opportunities in proximity to jobs and transit.

No City funds or resources shall be used for operating subsidies and/or rental assistance for any units or projects initiated or created under this policy.

(Replaces and rescinds the Minneapolis Affordable Housing Policy: adopted September 7, 1999 and amended February 16, 2001).

### 3. SRO Replacement

That the City of Minneapolis prohibits the demolition/condemnation/elimination of SRO-type housing for any project receiving City assistance in the City of Minneapolis, as defined above, unless demolition/condemnation is unavoidable, in which case replacement of such units will be required as part of the project finance plan.

(Replaces and rescinds (Convention Center SRO) Replacement Policy: adopted September 10, 1986 and SRO Replacement Policy: adopted September 29, 2000).

### 4. Senior Housing

The City has the following goals and objectives:

- Support development of affordable and mixed-income senior rental housing in all quadrants of Minneapolis. Senior rental housing may include independent rental, congregate, and/or assisted living projects.
- Seek opportunities for public and private partnerships.
- Seek new financing options outside of existing affordable housing resources.
- Identify appropriate sites for senior rental housing development based on market information, not solely on opportunity. Locate senior developments close to transit, retail and services.
- Ensure quality management and supportive services.
- Encourage high quality design and amenities.

(Replaces and rescinds the Senior Housing Policy: adopted December 28, 2001).

5. Preservation/Stabilization of Federally Subsidized Low Income Housing

The preservation and stabilization of federally (HUD) subsidized rental housing that is in danger of converting to market-rate housing, having subsidies expire, or is deteriorating due to poor management, is a priority for the City. The highest priority is the preservation of subsidized housing for families with children (2+ bedroom units). Federally subsidized housing for singles (efficiency and 1 bedroom units) should only be preserved to the extent there are federal funds available, with the exception of special needs populations.

(Replaces and rescinds the Preservation/Stabilization of Federally Subsidized Low Income Housing Policy: adopted September 1991).

6. Homeless Housing

We must address the affordable housing crisis if we ever hope to alleviate homelessness in Hennepin County. The major problem underlying shelter use is the lack of affordable permanent and supportive housing. The metropolitan region is experiencing a severe shortage of affordable housing which is exacerbating homelessness in our community and there is a need for a metropolitan-wide response to issues of homelessness.

The City of Minneapolis will be an active partner in the City-County Homeless Task Force to address the housing needs of the homeless.

(Replaces and rescinds the Hennepin County City-County Task Force Report on Homelessness: adopted May 5, 2000 (singles and youth) and August 10, 2001 (families)).

The Housing Principles adopted by the City Council on July 6, 1995 are hereby rescinded.