

RESOLUTION 99R-312

By Thurber, Ostrow, Cherryhomes, Campbell, Johnson

Adopting an Affordable Housing Policy for the City of Minneapolis.

Whereas, since 1995 the affordable housing shortage has intensified in the City of Minneapolis, the metropolitan community, and the State for a variety of reasons including Federal and private disinvestment in multi-family housing operations and development, lack of support for low-income housing development regionally, conversion of subsidized units to market rate rentals, and demolition, with the result being a tight housing market and a vacancy rate under 2%; and

Whereas, the City of Minneapolis recognizes that the most severe shortage of affordable housing affects those families whose income is at or below 30 percent of the metropolitan median family income (MMI), or about \$19,080 for a family of four; and

Whereas, jobs that pay \$15,000 to \$18,000 per year (including food preparation worker, housekeeper, home health aide, teacher aide, restaurant cook, janitor, file clerk and bank teller) may be scattered among the region's employment centers but affordable housing is not available in many communities; and

Whereas, the Minneapolis Plan adopted by the City Planning Commission on June 30, 1998, calls for an increase in the supply of housing affordable for all incomes in the interest of promoting the well-being of families and children as well as the economic social health of the region; and

Whereas, the Minneapolis Housing Principles adopted on June 30, 1995, support the development of a variety of housing types, as well as a balance of subsidized housing throughout the city and metropolitan area; and

Whereas, the Resolution on Affordable Housing Policy adopted by the City of Minneapolis in August 1998 recognizes that there is a serious shortage of affordable rental housing in Minneapolis resulting in fewer housing options for low-income individuals and families; and

Whereas, the Mayor, in her Framework Address, envisioned a doubling of the City's direct investment in affordable housing, but also recognized that "we must begin to think strategically about delivering services and deploying staff more cost-effectively, which may include eliminating services;" and

Whereas, the City of Minneapolis promotes healthy, stable, mixed income, racially integrated neighborhoods through policies and programs that address fundamental needs for jobs, transit, and a variety of housing opportunities; and

Whereas, since 1994, the Minneapolis Community Development Agency (MCDA) has assisted in the development or preservation of 4,234 affordable rental units and has expended \$29,440,000 (\$5.9 million per year), in investment which leveraged an additional \$109,500,000 from primarily public and some private sources; and

Whereas, almost 80% of the units produced or preserved were for families with incomes at 60% of the Twin Cities median or below; and

Whereas, the City of Minneapolis appointed an Affordable Housing Task Force in August 1998 that met for 10 months to study the issue and presented the Council with a thoughtful report and list of recommendations to help deal with the affordable housing crisis;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

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 6th and 7th 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.

18. This policy is effective upon date of enactment and applies to projects approved by the City Council after that date.

Adopted. Yeas, 8; Nays, 5 as follows:

Yeas - Campbell, Biernat, Colvin Roy, Lane, Johnson, Thurber, Ostrow, Cherryhomes.

Nays - Niland, Goodman, Herron, Mead, McDonald.

Passed September 7, 1999.

RESOLUTION 2001R-057
By Niland, Mead, Goodman, McDonald, Herron

**Strengthening the City of Minneapolis/Minneapolis Community
Development Agency's Affordable Housing Policy.**

Whereas, the City of Minneapolis continues to have an affordable housing crisis;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City of Minneapolis/Minneapolis Community Development Agency (MCDA) adopt the following affordable housing policies:

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 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).

Adopted. Yeas, 12; Nays none.

Absent - Cherryhomes.

Passed February 16, 2001. J. Biernat, Vice President of Council and President pro tem.

February 2001

AFFORDABLE HOUSING POLICY: Internal Guidelines for Compliance

All City/MCDA financially assisted rental housing projects of 10 units or more shall have at least 20% of the units affordable at or below 50% MMI.

If a project is subject to the regulatory or statutory affordability requirements of HOME, tax credits, housing revenue bonds, etc., those requirements will govern all facets of compliance. The following guidelines shall apply to projects that do not have funding sources with established affordability controls.

1. *Financially assisted means: Tax Increment Financing; pollution remediation; condemnation; land buy-downs; issuance of bonds to finance the project and direct subsidy.*
2. *20% of the total units (rounded to the next highest number) shall be affordable units. The goal of the policy is to designate affordable units of all sizes. To the extent possible, the affordable unit mix shall be representative of the unit mix of the overall development.*
3. *“Affordable at or below 50% MMI” shall mean units with rents not to exceed 30% of 50% of area median income adjusted by size (1.5 persons per bedroom), including all utilities (consistent with LIHTC rent calculations.)*
4. *Units must be occupied by households with low incomes (consistent with LIHTC income calculations). If tenant income increases above 140% of area median, the next available unit of comparable or smaller size must be rented to a qualified low income household at the affordable rent level, provided that the unit mix for the affordable units does not change materially over time.*
5. *Owners must submit an annual report to MCDA or its monitoring agent certifying affordable rents and tenant incomes within 120 days of substantial completion and annually thereafter within 60 days thereof. The format of the report shall be in a form acceptable to the MCDA. MCDA or its monitoring agent will perform periodic on-site inspections/audits of rent and income documents. Developers will be responsible for paying monitoring fees if MCDA retains an outside monitoring agent.*
6. *Units must remain affordable for a minimum term of 15 years.*
7. *MCDA documents will contain a provision that MCDA assistance will become payable if units do not remain affordable for the entire 15 years. For pay-as-you-go tax increment, a portion of the tax increment revenue will be suspended and withheld for non-compliance.*

The penalty may also include an extension of the period of affordability by the period of the non-compliance.

- 8. Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.*
- 9. MCDA loan agreements and redevelopment contracts, together with a regulatory agreement/deed of restrictive covenants, will contain all of the above requirements.*

Memo To: Earl Pettiford, Manager Housing Development
Bill Tetzlaff, Manager Business Development
Jack Kryst, Manager Project Planning and Finance

Memo From: Jerrold Boardman, Director of Housing

Date: September 4, 2001

Re: Internal Policy on implementing 20% affordable housing requirements for all housing projects in excess of 10 units.

The amended housing policy, Resolution 2001R-057, adopted by the City Council on February 24, 2001 which states:

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 ownership, 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.

We are now starting to see proposals for housing development where the developers want to meet the affordable housing unit requirements of 20% off site. Because of this, there needs to be an internal policy on how the project coordinators need to approach this with the developers.

Internal Policy: The developer of a housing project falling under this section of the City's Housing Policy has an option of providing 20% of the affordable units on site, paying into an affordable housing fund managed by the MCDA, or developing these units as part of another project that the developer and the MCDA is currently committed to. If the developer intends to satisfy the terms of this policy in an off-site development, These units must be in addition to 20% units required of the off site project. The developer must cover the cost of affordability for those additional units.

If the development is rental, the standard for affordability is at least 15 years. If the development is ownership, there needs to be a recapture provision on sale (preferably with an interest attached). This will most likely be a deferred second mortgage that is the difference between the market value and the affordability for a household at 50% of MMI. The recapture funds would be paid to the MCDA affordable housing fund.

If funds are paid into the affordable housing fund, the MCDA will then determine how these funds can best be used to forward affordability goals of the City. The amount of payment will be reviewed and updated on an annual basis.

Based on current funding gaps on affordable rental housing development, a cost per unit subsidy of \$80,000 will be paid into an affordable housing fund by the development to meet resolution requirements.

CC: Steve Cramer, Executive Director
Keith Ford, Deputy Executive Director
Terrell Towers, Director Economic Development
Chuck Lutz, Deputy Director of Special Initiatives