



## **MEMORANDUM**

**March 19, 2004**

### **AFFORDABLE HOUSING POLICY: Internal Guidelines for Compliance**

(Updated and consolidated; replaces previous memos/guidelines)

Requirements Effective September 7, 1999 (99R-312) and Amended Effective February 16, 2002 (2001R-057):

- Twenty percent (20%) of the units of each City/CPED-assisted housing project of ten or more units (rental or ownership) 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.
- City/CPED assisted means: tax increment financing; pollution remediation; condemnation; land buy-downs; issuance of bonds to finance the project; and direct subsidy.
  - Clarification effective September 2000: Student rental housing financed solely with non-entitlement 501( c)(3) housing revenue bonds is exempt from the Affordable Housing Policy requirement that 20% of the units be affordable at 50% of median income. If, however, any other City/MCDA assistance is provided (tax increment, land writedown, etc.), the 20% requirement will apply.
  - Clarification effective December 2003: Housing financed solely with non-city pollution remediation funds is exempt from the Affordable Housing Policy requirement that 20% of the units be affordable at 50% of median income. If, however, any other City/CPED assistance is provided (tax increment, land writedown, etc.), the 20% requirement will apply.
- The developer of a housing project under this section of the Affordable Housing Policy has an option of providing 20% of the affordable units on site, paying in to an affordable housing fund managed by CPED, or developing these units as part of another project. If the developer intends to satisfy the terms of this policy in an off-site development, these affordable units must be in addition to the 20% units required in the off-site project. The developer must cover the cost of affordability for the additional units.

- If the developer elects to satisfy the affordable housing requirement through a payment to the affordable housing fund, the developer shall deposit a payment of \$80,000 per affordable unit in the CPED Affordable Housing Trust Fund (AHTF) program.

**Compliance requirements:**

- 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 other funding sources with established affordability controls.
1. *At least 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. CPED requirements for affordability levels of units in projects competing for funding under the AHTF shall be consistent with the affordability levels used in the AHTF ranking process and specified in the report to the City Council approving the funding. CPED loan agreements/redevelopment contracts shall reflect the appropriate levels of required affordability and unit size.*
  2. *“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). For ownership housing, “affordable at or below 50% MMI” shall mean units with a first mortgage payment (PITI plus association fees) not to exceed 31% of 50% of area median income reasonably adjusted for household size.*
  3. *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.*
  4. *Owners must submit an annual report to CPED 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 CPED. CPED 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 CPED retains an outside monitoring agent.*

5. *Units must remain affordable for a minimum term of 15 years.*
6. *CPED documents will contain a provision that CPED assistance will become payable (with interest) 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.*
7. *Except for senior housing, all publicly assisted rental projects shall accept Section 8 certificates/vouchers.*
8. *CPED loan agreements and redevelopment contracts, in some cases with a regulatory agreement/deed of restrictive covenants, will contain all of the above requirements.*

**Other City Requirements/Goals:**

- Each year the City/CPED must produce more units affordable at 30-50% median income through new construction/positive conversion than the number of habitable units affordable to 30-50% median income that are demolished through City/CPED projects.
- CPED will aggressively pursue finding for operating subsidies and/or rental assistance on City/CPED-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 CPED funds or resources shall be used for operating subsidies and/or rental assistance for any units or projects initiated or created under this policy.
- Fifty percent (50%) of the City/CPED'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.
- 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.

- 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.