Agenda
City of Minnetonka
Study Session
Monday, Feb. 4, 2019
6 p.m.
Council Chambers

1. City Manager’s Report
2. Public Safety Facility Finishes Update
3. Diversity and Inclusion Update
4. Affordable Housing
5. Adjournment

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.
City Council Study Session Item #2  
Meeting of Feb. 4, 2019

Brief Description: Police and Fire Facility Finishes Update

Background

The Minnetonka Police and Fire departments have been involved in a facility study since May of 2016, when Wold Architects and Engineers were hired to conduct a Public Safety Facilities Analysis.

Since that time, the council has been engaged in the process with study session reviews on September 19, 2016 that covered a project update and a facility tour and on January 30, 2017 with a facility study update. The latter study session covered topics such as a space needs assessment, alternative site location evaluation, proposed site design and a cost analysis. The council also reviewed the project and likely financing scenario during the 2018-2022 and 2019-2023 Capital Improvement Program deliberations and approvals.

During the fall of 2018 the project was introduced during the concept plan review process and was reviewed by the planning commission and council. On Jan. 17, 2019 the planning commission recommended approval of the land use and permitting aspect of the project submittal, with final review granted by the city council on Jan. 28, 2019.

The project architects and staff have also been working to advance the project from a land use and approvals standpoint to the next phase of architecture and design. Representatives from Wold Architects and Engineers, the project architects, will be on hand at the study session to present the interior and exterior materials, details and finishes involved in the facility project. The purpose of this update is to inform the council, as owners of the facility, with these project details.

Discussion Point

- Does the city council have any questions or comments on design features of the public facilities project?

Summary

This project would ensure that Minnetonka police and fire facilities meet service demands of today and the future by addressing the following needs:

- Improve safety and response
- Accommodate growth and changing workforce
- Protect investments in equipment

Submitted through:
   Geralyn Barone, City Manager

Originated by:
   Perry Vetter, Assistant City Manager
Brief Description: Diversity and Inclusion Update

Background

Although Minnetonka has a positive reputation for ensuring employees and the public feel welcome and included, there is always opportunity for self-evaluation and room for constructive enhancements to improve the environment. In 2017, city staff established an internal diversity and inclusion (D&I) committee, to assist in identifying organizational obstacles to city employment and services and develop an implementation plan to reduce or remove those obstacles. The initial purpose was to help in retaining a positive workplace culture while unprecedented turnover occurred in the organization. The group was initially formed to help identify what the current workplace culture is, what we’ve lost and what we’ve gained, and what we need to do to make sure employees feel welcome and included. Former City Clerk David Maeda led this committee’s work.

Beginning in 2018, with the support of the city council, city of Minnetonka staff began participation in the yearlong Government Alliance on Race and Equity (GARE) introductory cohort learning program. GARE is a national network of government personnel working to achieve racial equity and advance opportunities for all. A goal for participation in the GARE program was to assist the staff D&I committee with one band of the inclusion spectrum, race and equity, by helping build capacity to analyze policies, practices and procedures. Assistant City Manager Perry Vetter led this committee’s work.

As part of the cohort tasks, staff collected demographic information, created a racial equity narrative and learned the use of a racial equity toolkit for the evaluation of policies and procedures from a race and equity standpoint. Throughout the course of the cohort work, staff began the process of creating a racial equity statement and racial equity plan.

While the above initiatives were primarily internally focused, a third effort was launched in 2017 with the creation of a community engagement officer within the police department. Officer Scott Marks leads this effort with the support of fellow officers to increase engagement externally in the community by a variety of methods. One of the most notable was the establishment of the faith leaders’ consortium, inviting leaders of each local place of worship to join together for an ongoing dialogue. The police department, acting as a catalyst to the effort, has now created this network that is self-sustaining within the community; the group holds regular meetings to address topics of common concern and importance. On another front, Officer Marks is engaging management staff of several multi-family apartments with underrepresented populations to initiate conversations on improving connections with the city.

Diversity and Inclusion Committee Update

Throughout 2017 and into 2018, the D&I committee met regularly to work on foundational issues to ensure the work goals were being met. Subgroups were formed to collect research on what other comparable cities were working on, conduct a peer review of our organization’s shared value descriptions, and ensure inclusion of D&I initiatives within the traditional work of the organization (such as health rewards program requirements and meeting discussions). Other
subgroups began review of current practices, such as recruitment and interview processes, employee events and how to improve the facility environment when hosting meetings or public engagements.

During 2018, the D&I committee paused its work due to a number of factors, most notably the strains on staff support due to personnel turnover; conducting special, primary and general elections; and focus on completing the GARE cohort. In the fall of 2018, staff reviewed the charge of the D&I committee and updated the group’s direction. A newly formed D&I 2.0 committee is under construction, with the goal of building awareness to remove barriers to inclusion. The updated charge will be to implement the following objectives:

1. Create an effective organizational structure for leading the D&I committee and incorporating D&I practices into our work culture
2. Educate employees on D&I issues
3. Develop tools and systems to incorporate D&I-conscious practices into city operations
4. Increase employee engagement around D&I

Each of the above listed objectives will have corresponding implementation strategies and action steps to ensure accountability.

Discussion Point:

• Does the city council have any questions on the future objectives of the city’s internal D&I committee?

GARE Cohort Work

The city’s ten-member GARE cohort work group included representation from most city departments and a diagonal slice of the organization’s hierarchy, including the city manager, several department directors, plus other supervisory and front-line employees. Throughout the year of GARE work, the cohort team participated with other jurisdictions in monthly meetings and met regularly outside of those sessions to complete homework. During the process, each member personally grew with their individual ability to analyze and discuss the topic of racial equity. A summary presentation of the GARE research, data collection and work plan is attached.

At year end, the city’s cohort members were surveyed to gather feedback on the GARE model. Although there was general frustration relating to how the materials were presented, leading to a lack of a linear learning progression and some logistics disorganization, staff also felt there were many benefits from participation. These included:

• Appreciating others’ perspectives and broadening viewpoints
• Watching Race and the Power of Illusion video on redlining
• Learning about applying a different “lens” to view the world
• Meeting and networking with other committed cohort jurisdictions
• Learning different tools and methods for us to adapt and apply
• Differentiating between equality and equity
• Watching staff transform from feeling awkward with the topic to open discussions
To conclude the work of the staff cohort, a racial equity statement and plan was created, as follows:

*Goal: All people in Minnetonka are healthy, safe and thriving.*

To support that goal, planned implementation steps include developing an internal racial equity inventory, structure and learning action plan, along with developing a system to collect racial equity data specific to Minnetonka events.

Staff has attached additional information on the year-long work of the GARE cohort team and will cover strategies for advancing the racial equity statement and plan in greater detail at the study session.

**Discussion Point:**

- *Does the city council have any questions or comments regarding the work of the 2018 GARE cohort work group?*

**Human Rights Commission Research**

Last year, the city council expressed an interest in learning about the efforts of human rights commissions in other communities. Staff found that of our ten comparison cities, Brooklyn Park, Eden Prairie, Edina and St. Louis Park have such advisory commissions, and Burnsville, Eagan, Lakeville, Maple Grove, Plymouth and Woodbury do not. At one time, Plymouth did have a commission; however, the city council disbanded the group several years ago.

Notable benefits for those communities with human rights commissions include promoting understanding and tolerance, plus encouraging participation by underrepresented groups. Staff research indicates for those cities with a commission, the primary functions include education/outreach, public policy development, and discrimination response. More detail regarding these follows.

**Education/Outreach**

This is the most common endeavor the commissions coordinate and generally have the most direct impact on the community. Examples of educational activities include hosting forums or discussions with speakers, authors, or academics who present on a civil rights issue. Commissions have also sponsored sessions about the Holocaust, Islam, and the history of slavery in the U.S. Some host public gatherings to celebrate important days in human rights history, such as Martin Luther King Jr Day. A few cities sponsor a Human Rights Award, which formally recognizes a resident or business that is working to promote civil rights in the community.

**Public Policy/Council Support**

Another effort of some human rights commissions is to ensure city policies, practices, and procedures are free from bias. For example, ADA compliance, bias response policy, police body camera policy, and an inclusive comprehensive guide plan are reviewed to ensure that all residents are served fairly and without prejudice. A few groups create reports on human rights issues in their community to assist the city council with policy making decisions.
Discrimination Response
While all commissions help to maintain policies against discrimination, a number offer a direct outlet for those experiencing discrimination in their city. Sometimes referral is made to an independent mediator. If a resident makes a request for an investigation, all commissions refer the complaint to the Minnesota Department of Human Rights for action. Some cities send a letter of support if notified of an incident of potential bias.

Feedback from the commissions’ staff liaisons indicate the need to set clear and specific goals for the commission. Some are directed by the city council, while others create a work plan that is then approved by the council. Developing a yearly work plan provides focus, and designating an annual budget for activities avoids having limited scope and impact. As with other city commissions, assigning the appropriate level of staff support is critical. Typical work completed by staff includes the preparation of meeting agenda, business item reports and minutes, research and policy development, and event planning, promotion, and execution.

Discussion Point:

- Does the city council have additional questions regarding human rights commissions in peer communities?

Additional Inclusion Work

Police Chief Outreach
A group of engaged citizens from New Hope, Plymouth and Minnetonka meet regularly with the three police chiefs to discuss ways to enhance community trust with their police departments. These discussions started in late 2016 and continue today focusing on current issues and the role of policing. In addition to these discussions, the group participated in use of force simulation training at the police training facility.

City Event Ideation Session
In the fall of 2018 Elena Imaretska, Chief Innovation Officer for Brave New Workshop and Minnetonka resident, facilitated a session with city staff and residents. The goal of the session was for staff and residents to get to know each other, build trust, and together ideate ways the city can make its community events more inclusive. At the conclusion of the session a list of ideas to consider was generated. General themes included establishing and utilizing partnerships, enhancing communications, engaging neighborhoods, updating events, and adding resources. Currently, staff assigned to organizing city activities are planning ways to incorporate these ideas or adjust events to make them more inclusive.

Hopkins Race and Equity Initiative (HREI)
HREI was formed in 2015 as a collaborative effort between Hopkins Public Schools, the City of Hopkins, the Hopkins Police Department, and Gethsemane Lutheran Church to work on race and equity in the Hopkins area. During the summer of 2018, Minnetonka’s GARE cohort work group and Mayor Wiersum participated in a one day event sponsored by HREI. This event was also attended by representatives of a number of surrounding cities and the Hopkins School District. Staff found the collaborative to be well organized with a mission to create opportunities to increase awareness and understanding.
Minnetonka Methodist Church
Minnetonka Methodist Church has been working on diversity and inclusion efforts and has reached out to create a dialogue with city staff on how best to support each other’s efforts. Staff will begin discussions with representatives on how best to execute that strategy by discussing efforts, resources, networks, trainings and facilitated discussions.

Discussion Point:

- Does the city council have any questions on the additional inclusion efforts city staff has participated in?

Next Steps

As noted, the work that was completed by staff in regards to increasing efforts related to diversity and inclusion has been rewarding and educational. As the year begins, staff plans to focus on work related to the D&I committee and explore options to optimizing partnerships. This includes potentially greater participation with HREI and working with other community groups such as Minnetonka Methodist Church.

Summary

Throughout 2017 and 2018, staff has been immersed in a myriad of efforts related to diversity and inclusion actions. At times the efforts have had both challenges and successes. While staff continues to adjust and refine the focus and structure around the work, the level of interest and dedication remains within the organization. As the greater Minnesota metro, Hennepin County and our city grow with population and anticipated shifts in demographics, ensuring an inviting, welcoming and inclusive community is essential to the success and vitality of Minnetonka.

Submitted through:
Geralyn Barone, City Manager

Originated by:
Perry Vetter, Assistant City Manager
2018 GARE Cohort Staff Members

- Geralyn Barone
- Scott Boerboom
- Eileen Connors
- Andy Gardner
- Corrine Heine
- Drew Ingvalson
- David Maeda
- Rachel Meehan
- Christine Petersen
- Kaylee Wallin
- Perry Vetter
Demographic Information Review
Demographic Information

By percentage, the percent of white alone in Minnetonka is higher than Hennepin County (70%) and the Twin Cities Region (74%).

- White alone: 86.9%
- American Indian and Alaska Native alone: 0.1%
- Black or African American alone: 3.7%
- Asian alone: 4.3%
- Hispanic or Latino: 2.0%
- Two or more races: 2.6%
- Some other race alone: 0.4%
Demographic Information

Percentage of Residents or Students of Color

City of Minnetonka: 9%
Minnetonka School District: 16%
Wayzata School District: 34%
Hopkins School District: 43%
Demographic Information

- The White Alone population in Minnetonka will continue to fall, but not drastically.
- Black and Hispanic/Latino groups grew substantially in Minnetonka during the 1990s and 2000s; however, their growth rate of increase appears to be leveling off. Hispanic/Latino growth appears to be slowing down in Hennepin County and the Twin Cities Region; however, Black growth appears to still be continuing in these areas.
- The fastest growing groups in Minnetonka will probably be Two or More Races and Asian.
- These trends appear to be consistent with Hennepin County and the Twin Cities Region.
Demographic Information

- There are far less White Alone children (78%) than White Alone total population (87%) in Minnetonka.
- There is nearly double the amount of Black Alone Children (6.1%) than total Black (3.7%).
- There is 50% more Hispanic/Latino Children (3.1%) than total Hispanic/Latinos (2%).
- Interestingly, the Asian Alone Children population has grown 35% over the past 4 years (4.0% to 5.4%).
- It is unclear if children that grow up in Minnetonka will continue to live in Minnetonka into adulthood.
Demographic Information

- White and Asian had the highest level of education attainment
  - Both had over 96% of people being a HS Graduate or higher; however, Asian actually had a higher Bachelor’s Degree or Higher than White (74.6% vs 59.5%)
- Black, Some Other Race, Two or More Races, And Hispanic/Latino all had HS Graduate or higher rates above 80% and had Bachelor’s Degree or Higher varying from 29% to 50%
Demographic Information

- Black, Asian, Some Other Race, Two or More Race, and Hispanic/Latino groups all have similar Labor Force Participation Rate and Employment Ratio Rates with Whites having lower participation and employment ratio.
  - Or, in other words, there are more Whites not working or not looking for work in comparison to other groups.
- Hispanic/Latinos, Some Other Race and American Indian and Alaska Natives have the zero percent unemployment rates (low data numbers?).
- Black had low employment rates (2.7%) with Whites, Asians, and Two or More Races having similar rates (4-7%).
- In addition, American Indian and Alaska Native easily have the lowest Labor Force Participation Rate (47.1%).
Demographic Information

- Two or more Races had the highest poverty rate (21.4%) followed by Black (14.4%)
- No other group had a poverty rate above 7%, with White having the lowest rate (3.8%), with the exception of American Indian and Alaska Native
History of Minnetonka
1962 Zoning ordinance:

- City had only one residential district, which allowed private detached dwellings and accessory buildings “ordinarily considered essential to the private residential use of land in suburban areas, such as guest houses, dwellings for servants, private garages, boat houses and docks, stables and pens for poultry or small animals provided the same be for the sole use of the occupants of the land”
History of Minnetonka

Affordable Housing Initiatives

- In 1974, the city approved a housing project for elderly, low and moderate income families
- In 1975, the city opposed legislation related to the ability of local governments to set minimum lot sizes
- In 1976, the Minnetonka City Council authorized staff to obtain technical assistance to establish a low interest loan and grant program to help low and moderate income homeowners
History of Minnetonka

- Established an Economic Improvement Program (EIP) with affordable housing goals
  - Current Affordable Housing Initiatives
    - Homes within Reach/WHALT
    - Housing Improvement Areas
    - Minnetonka Home Enhancements
    - Affordable Housing via TIF Pooling
Community Partners
Minnetonka partners

- Employee Diversity and Inclusion Committee
- Place of Worship
  - Minnetonka United Methodist
  - ICA
- Hopkins School District
- City of Hopkins
- TwinWest Chamber of Commerce
  - St. Jude’s, Carlson Companies, UHG (United Health Group) and Cargill
Our Racial Equity Narrative
MINNETONKA, MINNESOTA

Minnetonka strives to be a community where all people have a sense of belonging and potential for success. However, we recognize there is a history of individuals in our country and in our community impacted by deliberate institutional decisions and historical imbalance. We will leverage individual and collective talent, build community connections, work to understand and learn, and employ racial equity tools in decision-making to elevate opportunities for all. We will work to achieve racial equity so everyone has a strong sense of belonging, has equal access to services and can participate in an open, accessible and transparent conversation. A commitment to racial equity is essential to the health of our community.
GARE Team Feedback

What did you find frustrating or negative with the GARE Cohort?
What was the most beneficial or positive aspect of the GARE Cohort?
GARE Team Feedback - Frustrating

- Lack of linear progression of learning
- Topics were taught without context of application
- Terminology was not intuitive
- Air of disorganization related to speaker availability, location, following agendas
- Successful examples presented didn’t correlate to GARE tools
- Cohort attrition was evident but no discussion about why it was occurring
GARE Team Feedback - Beneficial

- Appreciating others perspectives and broadening viewpoints
- Watching *Race and the Power of Illusion* on redlining
- Learning about applying a different “lens”
- Meeting and networking with other committed cohort jurisdictions
- Learning different tools and methods for us to adapt and apply
- Differentiating between equality and equity
- Watching staff transform from feeling awkward with the topic to openly discussing
Our Racial Equity Statement

November 14, 2018 Cohort
Racial Equity Statement

All people in Minnetonka are healthy, safe and thriving.
### Goal: Result

**Goal: All people in Minnetonka are healthy, safe and thriving.**

<table>
<thead>
<tr>
<th>Community Indicator</th>
<th>Outcomes and Actions</th>
<th>Timeline</th>
<th>Accountability</th>
<th>Performance Measure</th>
<th>Progress Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI: Who we are and what we are aiming for</td>
<td>OA: Connects the indicator - i.e. - Can we own it? What is in our role? Why is it important?</td>
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<td>PM: Is someone better off? How well are we doing? How much are we doing?</td>
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</tbody>
</table>
# Racial Equity Plan

**Goal:** All people in Minnetonka are healthy, safe and thriving.

<table>
<thead>
<tr>
<th>Community Indicator</th>
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</tr>
</thead>
</table>
| • Develop an internal RE inventory, structure and learning action plan (normalizing) | • Internal influencers  
• Internal RE survey  
• Learning methodology  
• Training Options | | • Meet with D&I committee  
• Identify internal influencers (part of survey)  
• Include in Health Rewards  
• Review HR process/teams for hiring | | • Funded additional training in 2019 budget |
| • Develop a system to collect RE data specific to Minnetonka events (organizing) | • Perceived demographics  
• Event participation  
• Demographic change data from day to night  
• Focus groups for events  
• Pre-questions of event audiences of preregistered events | | • Include event managers  
• Ad-hoc data teams to use/view results  
• Focus groups to evaluate events  
• Compare events of peer cities | | |
Equality doesn’t mean Equity
City Council Study Session Agenda Item #4
Meeting of Feb. 4, 2019

Brief Description: Affordable Housing

Background

As a follow up to the comprehensive plan discussions and the study session in June of 2018, staff has compiled additional materials for continued conversations about housing. Housing and the availability of affordable housing is directly related to the city’s part in accepting and managing regional growth. Housing also has a direct relationship to a city’s economic health. The ability for a city to attract talent and provide employment base to companies is a current and future issue for the city’s strategic plan.

The city of Minnetonka has a long history of promoting diversity in the types and size of housing units available in Minnetonka, including the production of new affordable rental and ownership opportunities. Over the past 20 years, the city has analyzed and implemented dozens of housing centric policies and programs to address the changing needs of the community. A summary of key milestones is outlined below:

- 1994 Minnetonka was the first city to receive Livable Communities Development Account grant dollars to redevelop West Ridge Market with affordable housing
- 1996-2010 - Livable Communities Act Participant
- 1998 – Draft Policy - City Assistance to Affordable Housing Developments (incorporated into 1999 comprehensive plan)
- 1999 - 2020 Comprehensive Plan – Housing Chapter
- 8/6/2001 – WHAHLT (Homes within Reach) Business Plan/History supported by city council
- 2/3/2004 – Economic Development Authority (EDA) resolution supporting 10% to 20% of units in new housing developments as affordable housing
- 2008 – 2030 Comprehensive Plan – Housing Chapter
- 2009 ULI Minnesota – Opportunity City Pilot Program Summary Report
- 2012 – first Economic Improvement Program (EIP)
- 2013 – Southwest LRT Housing Inventory
- 2014 – Southwest LRT Housing Gaps Analysis
- 2016 – Southwest LRT Corridor Housing Strategy
- 2017 – Draft Housing Study (Marquette Advisors)
- 2018/2019 – Draft 2040 Comprehensive Plan (including updated housing plan)

Additionally, Minnetonka staff are actively participating in several affordable housing work groups that are researching, lobbying for, and implementing new approaches to fund affordable housing programs, preserve existing naturally occurring affordable housing (NOAH), and protect tenants. Some of the organizations leading this coordinated effort include: The Housing Justice Center, Urban Land Institute Regional Council of Mayors, Minnesota Housing Finance Agency, the Governor’s Task Force on Housing, and the Local Initiatives Support Corporation. Several cities (including Minnetonka) and counties in Hennepin and Ramsey Counties, are also
attending the housing workgroup meetings to share their efforts and streamline legal review of new concepts and programs.

Since 2012, staff has annually prepared the five-year EIP, a document that includes a complete summary of the city’s economic development activities. A chapter devoted specifically to housing programs and financing outlines the city’s commitments. Both the Economic Development Advisory Commission (EDAC) and the city council review and discuss the EIP each year, with final adoption by the council.

In 2018, the council and economic development advisory commissioners participated in several discussions (see meetings referenced at end of report) regarding the draft 2040 Comprehensive Plan to discuss the city’s current and future housing needs to define goals and strategies to support the following goals:

- Goal 1 – Preserve the city’s existing housing stock
- Goal 2 – Encourage affordable housing production
- Goal 3 – Provide a range of housing choices
- Goal 4 – Increase housing options for seniors

Through these conversations, dozens of strategies were discussed that would further the city’s commitment to creating and preserving affordable housing, in addition to the many programs and policies currently in place. As a result, three key themes emerged as the leading efforts to pursue:

1. Renew the EDA’s 2004 commitment on the inclusion of 10% to 20% of affordable housing units in multi-family developments
2. Explore opportunities to protect renters from housing displacement
3. Explore opportunities to preserve NOAH (Naturally Occurring Affordable Housing) properties

**Affordable Housing Production**

In 2004, the EDA approved a resolution supporting the inclusion of 10%-20% of the total units in multi-family developments as affordable housing. At the time, the council and EDA asked staff to pursue this goal when meeting with developers proposing new multi-family developments including townhomes, apartments and condominiums as a way to increase affordable housing in the city. This tool was critical to the production of hundreds of units of affordable housing in the city over the past 15 years, as it has provided flexibility through years of market volatility when affordable housing or mixed income housing is more difficult to finance.

Currently, Minnetonka has 564 units of contract affordable multifamily housing and 188 contract based for-sale housing units available. The city’s Marquette Advisors report estimates that there are approximately 5,000 units of naturally occurring affordable rentals in the community. Additionally, of the newly approved projects in Opus, 570 units (54%), of 1,063 are considered affordable at or below 80% Average Median Income (AMI). The city continues to utilize Tax Increment Financing (TIF), TIF Pooling, and Tax Abatement as the main financial tools to bridge the gap of obtaining affordable housing units.
Over the past few years, more metropolitan cities have been exploring or have adopted similar policies or ordinances, sometimes referred to as mixed income policies or inclusionary housing policies that require all new multifamily rental and ownership development to include a certain percentage of units at various levels of affordability. In their simplest form, mixed-income policies and proposed ordinances require developers to sell or rent a percentage of new residential units to lower-income residents. Some polices apply just to one area of the city or specific types of buildings. Some programs partially offset the cost of providing affordable housing through incentives such as TIF financing, parking reductions, fee reductions or allowance of higher density.

More recently, cities such as Edina require developers to “pay in lieu” of providing affordable housing to build housing reserves for other projects. For example, Bloomington is proposing (not adopted at the time of this report) an ordinance that would require developers to pay a fee of $9.60 per square foot of leasable space as the amount required to opt-out of providing affordable units. For illustration purposes, the Marsh Run project proposed by Doran has approximately 144,000 net square feet of leasable space. If the payment in lieu as proposed in Bloomington were applied, the developer would be required to pay the city $1,382,400 to opt-out of providing affordable units in the building.

Similarly, Edina’s payment in lieu fee policy is based off of the number of units that would be required to be affordable by the city’s policy in the proposed buildings. Developers can choose to pay $100,000 per unit that the city would require to be affordable (ranging from 10%-20% of the total units) to the city’s housing fund instead of including those units in the project that is being proposed. For illustration purposes, The Marsh run project is 175 units, the payment in lieu would amount to offset 10% of the units as affordable would be roughly $1,800,000. The city of Minnetonka committed $4.8 million in TIF Housing to support affordability of 35 units for a term of 30 years. The city’s commitment amounts to $137,142 per unit or $4,571 per unit/per year.

The downside to payment in-lieu is that the city then has to decide which future projects would receive the incentive to include affordability, which could lead to questions about equity in the community, how the dollars are distributed, and where the housing is located. Additionally, the cost to produce affordable housing varies greatly depending on financing sources, and the amount collected as payment in-lieu likely will not cover the full cost of providing the opt-out units in another location or for the full 30-year term which is currently required by the city. Finally, a more philosophical question would be whether or not developers should bear the cost of providing funding for affordable housing, or if it should be the greater community investment as occurs with TIF, TIF pooling, HRA levy, etc. Based on these concerns and the potential for other actions noted below, staff is not supportive of a payment in-lieu policy at this time.

Below is a summary of cities with affordable housing policies or programs:
<table>
<thead>
<tr>
<th>City</th>
<th>Type of Program</th>
<th>Percentage of Affordable Units</th>
<th>Affordability Level</th>
<th>Additional Information and Enforcement Mechanism</th>
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</thead>
<tbody>
<tr>
<td>Minnetonka</td>
<td>EDA Resolution supporting 10%-20% affordable housing</td>
<td>10%-20% of units affordable</td>
<td>No city assistance for 10%, TIF assistance if 20% or more units affordable at 50% AMI</td>
<td>Project-by-project decision</td>
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<td>30-year term of affordability</td>
<td>2004 EDA Resolution</td>
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<tr>
<td>Bloomington</td>
<td>Opportunity Housing Ordinance (proposed)</td>
<td>9% of units affordable at 60% AMI or below; or</td>
<td>All new multifamily with 20+ units require 9% of units at 50% AMI or below</td>
<td>Draft Ordinance 1.24.2019</td>
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<td>Build required units off site; or</td>
<td>All new single-family with 20+ units affordable at 110% AMI or below</td>
<td>Link to draft ordinance</td>
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<td></td>
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<td>Payment in lieu into housing trust fund, $9.60 per leasable square foot</td>
<td>NOAH properties-20+ unit properties with substantial rehabilitation must preserve 20% of units at 60% AMI and below</td>
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<td>Additional incentives such as density bonus and parking flexibility</td>
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<tr>
<td>Golden Valley</td>
<td>Mixed income Policy</td>
<td>At least 15% of total multi-family project units at 60% AMI, or</td>
<td>All market rate and for sale housing with 10 or more units requiring land use approval or requesting city assistance</td>
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<td>At Least 10% of total multi-family project units at 50% AMI, or</td>
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<td>Mixed Income Policy</td>
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<td></td>
<td>10% of for-sale units at 80% AMI</td>
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<td>Link to Policy</td>
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<tr>
<td>City</td>
<td>Policy</td>
<td>Affordable Housing Policy</td>
<td>Draft policy presenting to council on Feb. 19, 2019 (report not available at this time)</td>
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<tr>
<td>Eden Prairie</td>
<td>Policy in draft</td>
<td>Formal goal of 20% of units affordable for assistance</td>
<td>Formal goal of 20% of units affordable for assistance</td>
<td></td>
</tr>
<tr>
<td>Edina</td>
<td>Affordable Housing Policy</td>
<td>All multi-family projects with 20+ units.</td>
<td>50% or 60% AMI for multifamily</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>New rental must provide 10% of rental area at 50% AMI or 20% of rental area at 60% AMI, or</td>
<td>Homeownership set by MN Housing</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$100,000 per unit payment in lieu</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>New for sale must include 10% affordable</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affordability Term for Rental- 15 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ownership – 30 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Louis Park</td>
<td>Affordable Housing Policy</td>
<td>New multi-family, mixed use, renovation project, or change in use with at least 10 units, or</td>
<td>For multi-family Projects 18% affordable at 60% AMI or 10% of units affordable at 50% AMI</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>For sale projects, at least 15% of units affordable at 80% AMI</td>
<td>For sale projects, at least 15% of units affordable at 80% AMI</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>25 year affordability term.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richfield</td>
<td>Inclusionary Affordable Housing Policy</td>
<td>Housing development that receives city assistance:</td>
<td>20% of units affordable at 60% AMI, or</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% of units affordable at 60% AMI, or</td>
<td>20% of units in ownership project</td>
<td></td>
</tr>
</tbody>
</table>
20% of units in ownership project affordable at 115%, or
15% of net present value of tax increment generated pledged to development fund over 10 years
Affordability term 10 years

Minneapolis Housing Policy
For residential projects with more than 10 units:
20% of multifamily affordable at 50% or 60% AMI
10% of ownership products available at 80% AMI
20 – 30 year affordability term.

Affordable Housing Production Recommendation

The council should consider renewing the 2004 resolution committing to 10%-20% affordable housing in all new projects or direct staff to explore additional options. Minnetonka’s current resolution allows for greater flexibility when reviewing development proposals.

Discussion Point:

- **Does the city council agree with renewing the 2004 EDA resolution regarding affordability in all new housing projects?**

Tenant Protection

Several cities in the metropolitan area are considering or have adopted ordinances to protect tenants in affordable rental housing who are facing displacement by providing notice to tenants when transitions from current affordable housing uses are planned, and providing tenant
relocation assistance when affordable housing is converted to market rate and tenants are required to move without adequate notification or cause.

In basic form, these ordinances protect residents of apartment buildings with three or more units where a minimum number of units (15%-20%) are affordable at 60% AMI or less. These units are at the greatest risk of transitioning from affordable to market rate as investors purchase and renovate the buildings to obtain higher rents. The chart prepared by Marquette Advisors shows the total supply of affordable housing in Minnetonka (which also includes the 564 contractual units of affordable housing).

<table>
<thead>
<tr>
<th>Neighborhood</th>
<th>30% of AMI</th>
<th>50% of AMI</th>
<th>60% of AMI</th>
<th>80% of AMI</th>
<th>Totals (&lt;80% of AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedar Lake</td>
<td>71</td>
<td>614</td>
<td>701</td>
<td>124</td>
<td>1,509</td>
</tr>
<tr>
<td>Glen Lake</td>
<td>316</td>
<td>101</td>
<td>3</td>
<td>420</td>
<td></td>
</tr>
<tr>
<td>I-394 McGinty</td>
<td>0</td>
<td>0</td>
<td>195</td>
<td>256</td>
<td>452</td>
</tr>
<tr>
<td>Minnetonka Blvd CR 101</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Minnetonka Mills</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Ridgedale</td>
<td>0</td>
<td>542</td>
<td>516</td>
<td>248</td>
<td>1,306</td>
</tr>
<tr>
<td>Shady Oak Excelsior</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Shady Oak Opus</td>
<td>52</td>
<td>570</td>
<td>164</td>
<td>101</td>
<td>887</td>
</tr>
<tr>
<td>TH7 &amp; CR 101</td>
<td>169</td>
<td>288</td>
<td>463</td>
<td>20</td>
<td>940</td>
</tr>
<tr>
<td>Williston TH7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>City of Minnetonka</td>
<td>608</td>
<td>2,014</td>
<td>2,140</td>
<td>752</td>
<td>5,514</td>
</tr>
</tbody>
</table>

Sources: Marquette Advisors; Housing Link

Under the ordinances, new owners of affordable housing could be required to pay relocation benefits to tenants if the owner increases rent, re-screens existing residents, or implements non-renewals of leases without cause, within a 90-day period following the ownership transfer and the tenant chooses to move because of these actions. Failure to provide notice or pay relocation benefits results in an administrative fine of $500 plus the relocation amount. The city’s main leverage is embedded within rental licensing programs or residents reporting a sale without proper notice. Below is a summary of cities with adopted ordinances:

<table>
<thead>
<tr>
<th>City</th>
<th>Type of Program</th>
<th>Description</th>
<th>Additional Information and Enforcement Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saint Louis Park</td>
<td>Tenant Protection Ordinance</td>
<td>Establishes a tenant protection period following the sale of a multifamily building, for buildings with at least 15% of units at 60% AMI for buildings with more than 3 units. 90 day protection period for tenant in event of rental</td>
<td><a href="#">Link to Ordinance</a>  Penalty of administrative fine plus $500 fee.</td>
</tr>
<tr>
<td>City</td>
<td>Tenant Protection Ordinance</td>
<td>Protection Period Following the Sale of a Multifamily Building, for Buildings with at Least 15% of Units at 60% AMI for Buildings with More than 3 Units</td>
<td>Link to Ordinance</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Golden Valley</strong></td>
<td>Tenant Protection Ordinance</td>
<td>Establishes a tenant protection period following the sale of a multifamily building, for buildings with at least 15% of units at 60% AMI for buildings with more than 3 units. 90-day protection period for tenant in event of rental increase or sale of building, rescreens, or non-renewal without cause.</td>
<td>Penalty of administrative fine plus $500 fee.</td>
</tr>
</tbody>
</table>

**Tenant Protection Recommendations**

The council should consider a draft ordinance that would provide protection to tenants that reside in Naturally Occurring Affordable Housing rental properties. As stated above, a rental licensing program makes the ordinance a more viable way to enforce the regulations.

**Discussion Point:**

- Does the city council wish to consider a draft ordinance related to tenant protections in NOAH rental properties?

**Rental NOAH (Naturally Occurring Affordable Housing) Preservation Opportunities**
The multifamily housing market is experiencing significant rental increases due to the perfect storm of factors: a short supply of rental housing, extremely low vacancy rates, and high demand for housing. These factors encourage investors to purchase formerly affordable rental buildings to convert to higher amenity properties as an investment opportunity. This trend has decreased the amount of naturally occurring affordable housing in the region that is available to lower income households. Additionally, the rate at which new affordable housing is being produced cannot keep up with the market demand for these units. Many cities are exploring opportunities to prevent the loss of naturally occurring affordable housing (properties that are not currently under contract to provide affordable housing). There are approximately 5,000 affordable rental NOAH properties in Minnetonka (see chart above).

**NOAH Recommendations**

The following are new opportunities that have potential to have the greatest impact to preserve NOAH properties in Minnetonka. The council should consider directing staff to explore these NOAH preservation strategies.

- **The 4d Classification program** would allow owners of market rate multi-family rental housing to utilize a state provision called 4d, also known as Low Income Rental Classification (LIRC). LIRC allows eligible properties that receive “financial assistance” from federal, state, or local government (that agree to certain rent and income restrictions) to receive a tax classification rate reduction of .75% (reduced from 1.25%) in return for committing to keep at least 20% of the units in their building affordable at 60% AMI for a minimum of 10 years.
  
  - Cities are not required to formally create a program, but doing so allows the city to add its own city housing policy goals. The city currently reviews and facilitates requests for this program.

- **A NOAH Legacy Education Program** would encourage multifamily NOAH property owners the ability to connect with socially driven investors with the goal of preserving affordability through the sale of a property. Staff would reach out to owners of Class B and Class C apartments that could potentially qualify as NOAH properties, to link owners with for profit and non-profit affordable housing developers and financial tools. This would help educate property owners about the opportunity to connect with preservation buyers if a sale is planned in the future and provide information regarding available financing tools to keep units affordable.

- **A multifamily rental rehabilitation loan program** would provide moderate rehabilitation assistance to eligible landlords in exchange for the preservation of affordable housing. This program could be developed with future guidance from the council and an identified funding source.

**Discussion Point:**

- **Does the city council support consideration of the described new program opportunities to preserve NOAH rental property?**
Single Family Affordable Housing

Of all of the categories to address affordable housing, the single family housing market is the most challenging. To understand the challenges, highlights about the single family housing market are listed:

- Detached single family residences comprise 55.9% of the housing stock in the city.
- Of the 16,000 single family homes in Minnetonka, 8,555 (54%) are valued under $300,000 ($234,000 considered affordable to 80% AMI – income $71,900).
- Approximately 6% of the city’s entire single family housing stock turns over in a year.
- Approximately 2/3rds of the homes sold in Minnetonka over the past 5+ years are single family homes.
- There are a large number of senior home owners in Minnetonka, with more than 54% of the city’s home owners being age 55+.
- The average single family home price in 2017 was $467,691. This is considerably higher when compared to townhouse sales ($265,649 avg.) and condos ($176,102 avg.).
- Pricing of new homes currently listed for sale ranges from $574,900 to $2,200,000, with an average of just under $985,000.

Based on the statistics, it is clear that new construction is not a feasible or viable way of providing affordable housing in the single family market. There are a number of existing units, under $300,000, that our city loan programs target for down payment assistance and renovations.
There has been interest expressed about affordable homes for public services workers. While there are questions about Fair Housing compliance, this may be an issue to be considered through jurisdictional personnel policies. Again, a reminder that affordable housing would be considered a salary of approximately $50,000 (80% AMI) for a one person household.

**Single Family Affordable Housing Recommendation**

Staff believes there are three ways to address ownership product:

- Invest more dollars in Homes within Reach (could be considered during review of EIP)
- Increase loan programs for the under $300,000 valued existing homes
- Encourage construction of other types of affordable ownership product (condos, townhomes, co-ops)

**Discussion Point:**

- *Does the city council support further exploration of the single family affordable housing recommendations?*

**Other Tools**

The city has historically not provided city financial assistance to a project without the provision of affordable housing. Each of the following existing city policies furthers the implementation of affordable housing:

- TIF Policy
- TIF Pooling Policy
- Tax Abatement Policy
- Housing Improvement Area Policy

Staff does not suggest changing any of these policies as they appropriately address the city’s goal to support affordable housing.

**Discussion Point:**

- *Does the city council concur that existing financial tools should remain in place?*

**Summary**

At its study session on June 11, 2018, the city council expressed interest in exploring additional strategies for housing preservation, tenant protections, the establishment of a fair housing policy, and revisiting the EDA resolution from 2004 that recommends 10-20% of affordable units in multifamily housing development. Staff suggested prioritizing these efforts to be reviewed by EDAC and council in 2019 as part of a housing implementation strategy. Further, the city council adopted the draft 2040 Comp Plan on Jan. 7 that incorporates many of these strategies.

The council formally established a Fair Housing Policy in November 2018. This policy ensures that fair housing opportunities are available to all persons regardless of race, color, religion,
gender, sexual orientation, and marital status, status with regard to public assistances, familial status, national origin, or disability.

Should the council wish to pursue the noted recommendations related to affordable housing production, tenant protections, NOAH, and single family housing affordability, the next step is for further vetting of these options by the Economic Development Advisory Commission.

Submitted through:
Geralyn Barone, City Manager

Originated by:
Julie Wischnack, AICP, Community Development Director
Alisha Gray, EDFP, Economic Development and Housing Manager

Attachments:
AMI and Affordable Housing

2011-2020 Affordable Housing Action Plan
• Existing Housing Tools and Implementation Efforts

Affordable Housing Goals

Housing Strategies and Tools for the City of Minnetonka

Introduction to Mixed Income Housing

Supplemental Information

Jan. 7, 2019 – City Council Final draft of 2040 Comprehensive Plan

Sept. 4, 2018 – Joint Study Session – Comprehensive Plan Discussion

June 11, 2018 – City Council Study Session – Comprehensive Plan Housing Chapter

Aug. 23, 2017 – Comprehensive Guide Plan Steering Committee Meeting

2030 Comprehensive Plan
The Area Median Income (AMI) is the midpoint of a region’s income distribution – half of families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds set relative to the area median income—such as 50% of the area median income—identify households eligible to live in income-restricted housing units and the affordability of housing units to low-income households.

Low-income households and levels of affordability
Your housing element and implementation program must address affordable housing needs within three levels of affordability:

- At or below 30% AMI
- Between 31 and 50% AMI
- Between 51 and 80% AMI

The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country by household size. For the Twin Cities region in 2017, HUD has defined the three levels of affordability as:¹

<table>
<thead>
<tr>
<th>Household Size:</th>
<th>Extremely Low Income (30% of AMI)</th>
<th>Very Low Income (50% of AMI)</th>
<th>Low Income (80% of AMI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-person</td>
<td>$19,000</td>
<td>$31,650</td>
<td>$47,600</td>
</tr>
<tr>
<td>Two-person</td>
<td>$21,700</td>
<td>$36,200</td>
<td>$54,400</td>
</tr>
<tr>
<td>Three-person</td>
<td>$24,400</td>
<td>$40,700</td>
<td>$61,200</td>
</tr>
<tr>
<td>Four-person</td>
<td>$27,100</td>
<td>$45,200</td>
<td>$68,000</td>
</tr>
<tr>
<td>Five-person</td>
<td>$29,300</td>
<td>$48,850</td>
<td>$73,450</td>
</tr>
<tr>
<td>Six-person</td>
<td>$32,960</td>
<td>$52,450</td>
<td>$78,900</td>
</tr>
<tr>
<td>Seven-person</td>
<td>$37,140</td>
<td>$56,050</td>
<td>$84,350</td>
</tr>
<tr>
<td>Eight-person</td>
<td>$41,320</td>
<td>$59,700</td>
<td>$89,800</td>
</tr>
</tbody>
</table>

Thinking about specific jobs helps make this more concrete. For a four-person household with only one wage-earner, positions as home health aides or funeral attendants would provide an income at 30% of AMI; positions as interior designers or bus drivers would provide an income at 50% of AMI; and positions as accountants or police officers would provide an income at 80% of AMI. For a more in-depth look at how full-time jobs do not always mean there are affordable housing choices, visit the Family Housing Fund’s website.

Having an income below these thresholds makes households eligible for certain housing programs (other social programs use thresholds relative to the federal poverty guidelines). For example, to be eligible for a Housing Choice Voucher, household income must be at or below 50% of AMI; a three-person household with an income up to $40,700 would be eligible for a voucher as would a five-person household with an income up to $48,850.

Translating incomes into affordable housing costs
These income levels are also a way to assess housing affordability. We say that a housing unit is “affordable at 80% of AMI” if a household whose income is at or below 80% of AMI can live there without spending more than 30% of their income on housing costs. What this means in practice differs for rental and ownership units.

Affordable rents for housing units vary by the number of bedrooms in the housing unit. This is because the income limits vary by household size, and the number of bedrooms affects how many people a unit can comfortably house.² Here are affordable monthly rents at the different income levels for 2017:
Calculations of affordability for ownership units are more complicated because there are more variables in monthly housing costs – such as generalized assumptions\(^3\) about down-payments and mortgage interest rates – and each homeowner will have a different experience. Each year, the Council develops affordability limits based on forecasting what those annual assumptions will be; these are used to inform development funded through the Livable Communities Act programs. While we can’t predict what future home prices will be, we can look backward at the estimated market values for 2016; these are the basis of the Council-provided maps showing ownership units that are affordable to households at 80% of AMI.

Affordable purchase prices are provided for both 2015 and 2016 below. If your community chooses to develop a map with a different data source to satisfy this requirement, please contact Council staff to find out which affordability limit you should use.

<table>
<thead>
<tr>
<th>Number of bedrooms</th>
<th>Affordable rent (including utilities) at 30% of AMI</th>
<th>Affordable rent (including utilities) at 50% of AMI</th>
<th>Affordable rent (including utilities) at 80% of AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$474</td>
<td>$791</td>
<td>$1,265</td>
</tr>
<tr>
<td>1-BR</td>
<td>$508</td>
<td>$848</td>
<td>$1,356</td>
</tr>
<tr>
<td>2-BR</td>
<td>$610</td>
<td>$1,017</td>
<td>$1,627</td>
</tr>
<tr>
<td>3-BR</td>
<td>$705</td>
<td>$1,175</td>
<td>$1,880</td>
</tr>
<tr>
<td>4-BR</td>
<td>$786</td>
<td>$1,311</td>
<td>$2,097</td>
</tr>
</tbody>
</table>

For a full explanation of how these amounts were calculated, see HUD’s website.

These rents assume that a household should pay no more than 30% of its monthly income on rent (including utilities), and (in keeping with IRS regulations) that a housing unit can comfortably hold 1.5 times as many people as the number of bedrooms it has.

For all years, in addition to the 29% housing debt to household income ratio, we assumed a 30-year fixed-interest mortgage, a 3.5% down-payment, a property tax rate of 1.25% of property sales price, and $100 / month for hazard insurance. For 2017, we assumed a 4.375% interest rate and mortgage insurance premiums at 0.85% of unpaid principal. For 2016, we assumed a 3.60% interest rate (the average rate in the Midwest in 2016) and mortgage insurance premiums at 0.85% of unpaid principal. For 2015, we assumed a 3.84% interest rate (the average rate in the Midwest in 2015) and mortgage insurance premiums at 1.35% of unpaid principal.
**MINNETONKA HOUSING ACTION PLAN**
**FOR THE YEARS 2011-2020**
**METROPOLITAN LIVABLE COMMUNITIES ACT**

**Introduction**

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the communities to sign up to participate in the program, negotiating a series of affordable and lifecycle housing goals with the Metropolitan Council for 1996-2010.

In August 2010, the Minnetonka City Council passed a resolution electing to continue participating in the LCA for the years 2011-2020. As part of that resolution, the city agreed to the following affordable and lifecycle housing goals:

<table>
<thead>
<tr>
<th>Category</th>
<th>Goal Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Affordable Units (rental and ownership)</td>
<td>246 to 378</td>
</tr>
<tr>
<td>New Lifecycle Units</td>
<td>375 to 800</td>
</tr>
</tbody>
</table>

The purpose of this Housing Action Plan is to outline the steps and tools that the city may use between the years 2011-2020 to help meet its LCA goals.

**Overview of Minnetonka Housing Trends**

**Development Conditions**

Minnetonka is a desirable community in which to live. Its natural environment, good schools, and homes on large lots contribute to the attraction of Minnetonka as a great place to live, work and play. As such, the demand for these community attributes has led to increased home values that have risen to the point that most single-family homes, despite their age, are not affordable to low and moderate income families. Land values, in particular, have increased substantially, making it difficult for developers to build affordable and mid-priced single-family homes.

Additionally, Minnetonka is a fully developed city with little vacant or underdeveloped land available for new housing development. With the combination of increasing land values and little developable land, most of the affordable homes in the community are rental units and for-sale condominiums and townhomes.

**Aging of the Population**

One of the biggest demographic shifts affecting this nation is the aging of the “baby boomer” generation (the large generation of people born between 1946 and 1964). This trend is already apparent in Minnetonka, where the median age in 2007 was 52 years old and 44% of the households were age 55 and older. As the population continues to
age, housing location, types, and proximity to public transit or transit alternatives will become increasingly important.

Preservation and Rehabilitation of the Existing Housing Stock

Much of Minnetonka’s single-family housing stock was built between 1950 and 1970 while most multi-family housing was built in the 1970s and 1980s. As the housing stock continues to age, additional maintenance and repairs will be needed in order to keep homes in adequate condition and to preserve neighborhood character. Older homes may need to be updated in order to attract younger families to the community. Also, as both Minnetonka’s population and housing age, older residents may require increased support through funding and in-kind service programs that will help them to maintain and make necessary repairs to ensure that their homes are safe, accessible, energy efficient, and habitable.

While not all older homes are affordable, older homes tend to be the more affordable housing stock in Minnetonka. The preservation of these homes is critical to providing homeownership opportunities for those who could normally not afford to live in the community.

Current Housing Conditions

In 2007, there were approximately 22,500 housing units in Minnetonka, of which 76.6% are owner-occupied. The housing stock includes a mix of the following types:

- 57% single-family
- 20% condominium/townhome
- 18% general-occupancy rental
- 5% senior (including independent and assisted living facilities)

Land values in Minnetonka continue to greatly influence the cost of housing. In Minnetonka, land accounts for about one-third of a home’s total value, thus making up a large proportion of the home value. For a single-family home, the median value is $326,850, with only about 1% of the single-family homes valued under $200,000. The median value of Minnetonka’s multi-family for-sale homes (i.e. condominiums and townhomes) in 2007 was $200,000. Multi-family homes contribute to the bulk of the city’s affordable for-sale housing stock because they are generally more affordable than Minnetonka’s single-family detached homes.

The average monthly rents at Minnetonka’s market-rate multi-family apartments are much higher than other market-rate apartments in the metropolitan area. In the 1st Quarter 2007, Minnetonka’s average apartment rents were $1,106 compared to the metropolitan area’s average apartment rental rate of $876. Additionally, only about 20% of Minnetonka rental units are considered affordable under the Metropolitan Council’s definition.
**Housing Goals**

In addition to the city’s agreement to add new affordable and lifecycle housing units as set out in the 2011-2020 affordable and lifecycle housing goals with the Metropolitan Council, the city's 2008 Comprehensive Plan update also provides a series of housing goals that the city will be working towards achieving. These goals include:

1. Preserve existing owner-occupied housing stock.
2. Add new development through infill and redevelopment opportunities.
3. Encourage rehabilitation and affordability of existing rental housing and encourage new rental housing with affordability where possible.
4. Work to increase and diversify senior housing options.
5. Continue working towards adding affordable housing and maintaining its affordability.
6. Link housing with jobs, transit and support services.

More details on these goals as well as action steps are provided in the 2008 City of Minnetonka Comprehensive Plan Update.

**Tools and Implementation Efforts to Provide Affordable and Lifecycle Housing**

**Housing Assistance Programs**

The purpose of housing assistance programs is to provide renters or homeowners help in obtaining a housing unit. These programs can be federal, state, or local programs. For the years 2011-2020, Minnetonka anticipates the following programs will be available to Minnetonka residents.

**Section 8 Voucher Program**
The Section 8 Voucher Program is funded by the U.S. Department of Housing and Urban Development (HUD), and administered by the Metro HRA on behalf of the city. The program provides vouchers to low income households wishing to rent existing housing units. The number of people anticipated to be served depends on the number of voucher holders wishing to locate in Minnetonka as well as the number of landlords wishing to accept the vouchers.

**Shelter Plus Care**
The Shelter Plus Care program is another federal program administered by the Metropolitan Council and sometimes the City of St. Louis Park. This program provides rental assistance and support services to those who are homeless with disabilities. There are a small number of these units (less than 10) in the city currently, and it is unlikely there will be any more added.

**Minnesota Housing Finance Agency Programs**
The Minnesota Housing Finance Agency (MHFA) offers the Minnesota Mortgage Program and the Homeownership Assistance Fund for people wishing to purchase a
home in Minnetonka. The Minnesota Mortgage Program offers a below market rate home mortgage option, while the Homeownership Assistance Fund provides downpayment and closing cost assistance. It is unknown how many people are likely to use these services as it seems to depend on what the market conditions are.

Homes Within Reach
Homes Within Reach, the local non-profit community land trust, acquires both new construction and existing properties for their program to provide affordable housing in the city. Using a ground lease, it allows the land to be owned by Homes Within Reach and ensures long-term affordability. Additionally, if rehabilitation is needed on a home, Homes Within Reach will rehabilitate the home before selling the property to a qualified buyer (at or less than 80% area median income). It is anticipated that approximately three to five homes per year will be acquired in Minnetonka as part of this program.

City of Minnetonka First Time Homebuyer Assistance Program
In 2010, the city levied for funds to begin a first time homebuyer assistance program. The program is anticipated to begin in 2011. General program details include funds for downpayment and closing costs of up to $10,000, which would be structured as a 30 year loan and available to those at incomes up to 115% of area median income or those that can afford up to a $300,000 loan. The number of households to be assisted depends on the amount of funding available for the program. Currently, this program is anticipated to be funded with HRA levy funds.

Employer Assisted Housing
Through employer assisted housing initiatives, Minnetonka employers can help provide their employees with affordable rental or home ownership opportunities. There are several options that employers can use to both increase the supply of affordable housing, as well as to provide their employees with direct assistance by:

- Providing direct down payment and closing cost assistance
- Providing secondary gap financing
- Providing rent subsidies

No employer assisted housing programs have been set up to date; however, it is a tool that the city has identified in the past as an opportunity for those who work in Minnetonka to live in Minnetonka.

Housing Development Programs
Housing development programs provide tools in the construction of new affordable housing units—both for owner-occupied units as well as rental units.

Public Housing
There are currently 10 public housing units, located in two rental communities, which offer affordable housing options for renters at incomes less than 30% of area median income. The Metropolitan Council and Minneapolis Public Housing Authority administer
the public housing program on behalf of the city. It is not anticipated that more public housing units will be added to the city.

**HOME Program**

HOME funds are provided through Hennepin County through a competitive application process. The city regularly supports applications by private and non-profit developers that wish to apply for such funds. Homes Within Reach has been successful in the past in obtaining HOME funds for work in Minnetonka and suburban Hennepin County.

**Other Federal Programs**

The city does not submit applications for other federal funding programs such as Section 202 for the elderly or Section 811 for the handicapped. However, the city will provide a letter of support for applications to these programs.

**Minnesota Housing Finance Agency Programs**

The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, mainly for the development of affordable rental housing. Similar to federal programs, the city does not usually submit applications directly to MHFA; however, it will provide letters of support for applications to the programs.

**Metropolitan Council Programs**

The Metropolitan Council, through participation in the LCA, offers the Local Housing Incentives Account and Livable Communities Demonstration Account programs to add to the city’s affordable housing stock. Over the past 15 years, the city has received nearly $2 million in funds from these programs, and will continue to seek funding for projects that fit into the criterion of the programs.

**Twin Cities Habitat for Humanity**

The Twin Cities Habitat for Humanity chapter has had a presence in Minnetonka in the past, completing four affordable housing units. At this time there are no projects planned for Minnetonka, as land prices make it significantly challenging unless the land is donated. The city is willing to consider projects with Habitat for Humanity in the future to assist those with incomes at or below 50% of area median income.

**Tax Increment Financing**

Minnetonka has used tax increment financing (TIF) to offset costs to developers of providing affordable housing in their development projects. The city will continue to use TIF financing, as permitted by law, to encourage affordable housing opportunities. Unless the state statutes provide for a stricter income and rental limit, the city uses the Metropolitan Council’s definition of affordable for housing units.

**Housing Revenue Bonds**

The City has used housing revenue bonds for eight rental projects since 1985. Housing revenue bonds provide tax exempt financing for multi-family rental housing. The bond program requires that 20 percent of the units have affordable rents to low and moderate income persons. The city will continue to use housing revenue bonds for projects that
meet housing goals and provide affordable units meeting the Metropolitan Council’s guidelines.

Housing and Redevelopment Authority (HRA) Levy
By law, the city’s Economic Development Authority (EDA) has both the powers of an economic development authority and a housing and redevelopment authority (HRA). It can use these powers to levy taxes to provide funding for HRA activities, including housing and redevelopment. The city first passed an HRA levy in 2009 to support Homes Within Reach, and now uses the funds to support its own housing rehabilitation and homeownership activities for those at 100-115% of area median income.

Community Development Block Grant (CDBG) funds
CDBG funds are allocated to the city by HUD each year. Based upon the needs, priorities, and benefits to the community, CDBG activities are developed and the division of funding is determined at a local level. CDBG funds are available to help fund affordable housing.

Livable Communities Fund
In 1997, special legislation was approved allowing the City to use funds remaining from Housing TIF District No. 1 for affordable housing and Livable Communities Act purposes. The city can use these funds to help achieve its affordable housing goals.

Housing Maintenance and Rehabilitation
As the city’s housing stock continues to age, a number of programs are already in place to help keep up the properties.

Minnesota Housing Finance Agency Programs--Rental
The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, for the rehabilitation of affordable rental housing. The city does not submit applications for these programs as the city does not own any rental housing; however, it will provide letters of support for those wishing to apply.

Minnesota Fix-up Fund
The Minnesota Housing Fix-Up Fund allows homeowners to make energy efficiency, and accessibility improvements through a low-interest loan. Funded by MHFA, and administered by the Center for Energy and Environment, the program is available to those at about 100% of area median income.

Community Fix-up Fund
The Community Fix-Up Fund, offered through Minnesota Housing, is similar to the Fix-Up Fund, but eligibility is targeted with certain criteria. In the city, Community Fix-Up Fund loans are available to Homes Within Reach homeowners, since community land trust properties cannot access the Fix-Up Fund due to the ground lease associated with their property.
Home Energy Loan
The Center for Energy and Environment offer a home energy loan for any resident, regardless of income, wishing to make energy efficiency improvements on their home.

Emergency Repair Loan
Established in 2005, the City’s Emergency Repair Loan program provides a deferred loan without interest or monthly payments for qualifying households to make emergency repairs to their home. The amount of the loan is repaid only if the homeowner sells their home, transfers or conveys title, or moves from the property within 10 years of receiving the loan. After 10 years, the loan is completely forgiven. This loan is funded through the City’s federal Community Development Block Grant (CDBG) funds in order to preserve the more affordable single-family housing stock by providing needed maintenance and energy efficiency improvements. The program is available to households with incomes at or below 80% of area median income. On average, 10 to 15 loans are completed each year.

City of Minnetonka Home Renovation Program
In 2010, the city levied for funds to begin a home renovation program. The program is anticipated to begin in 2011. This program would be similar to the existing federal community development block program (CDBG) rehabilitation program. The challenge with CDBG funding involves the maximum qualifying household income of 80% of AMI. Use of HRA funds, would allow the City of Minnetonka Home Renovation Program more flexibility to include households up to 115% AMI, which equates to 82% of all Minnetonka households. The program would be geared toward maintenance, green related investments and mechanical improvements. Low interest loans would be offered up to $7,500 with a five year term.

H.O.M.E. program
The H.O.M.E. program is a homemaker and maintenance program that is designed to assist the elderly. The H.O.M.E. program assists those who are age 60 and older, or those with disabilities with such services as: house cleaning, food preparation, grocery shopping, window washing, lawn care, and other maintenance and homemaker services. Anyone meeting the age limits can participate; however, fees are based on a sliding fee scale. Nearly 100 residents per year are served by this program.

Home Remodeling Fair
For the past 17 years, the city has been a participant in a home remodeling fair with other local communities. All residents are invited to attend this one day event to talk to over 100 contractors about their remodeling or rehabilitation needs. Additionally, each city has a booth to discuss various programs that are available for residents. Approximately 1,200 to 1,500 residents attend each year.
Local Official Controls and Approvals

The city recognizes that there are many land use and zoning tools that can be utilized to increase the supply of affordable housing and decrease development costs. However, with less than two percent of the land currently vacant in the city, most new projects will be in the form of redevelopment or development of under-utilized land. New infill development and redevelopment is typically categorized as a planned unit development (PUD), which is given great flexibility under the current zoning ordinance.

Density Bonus
Residential projects have the opportunity to be developed at the higher end of the density range within a given land use designation. For example, a developer proposing a market rate townhouse development for six units/acre on a site guided for mid-density (4.1-12 units/acre) could work with city staff to see if higher density housing, such as eight units/acre, would work just as well on the site as six units/acre. This is done on a case by case basis rather than as a mandatory requirement, based on individual site constraints.

Planned Unit Developments
The use of cluster-design site planning and zero-lot-line approaches, within a planned unit development, may enable more affordable townhome or single-family cluster developments to be built. Setback requirements, street width design, and parking requirements that allow for more dense development, without sacrificing the quality of the development or adversely impacting surrounding uses, can be considered when the development review process is underway.

Mixed Use
Mixed-use developments that include two or more different uses such as residential, commercial, office, and manufacturing or with residential uses of different densities provide potential for the inclusion of affordable housing opportunities.

Transit Oriented Development (TOD)
TOD can be used to build more compact development (residential and commercial) within easy walking distance (typically a half mile) of public transit stations and stops. TODs generally contain a mix of uses such as housing, retail, office, restaurants, and entertainment. TODs provides households of all ages and incomes with more affordable transportation and housing choices (such as townhomes, apartments, live-work spaces, and lofts) as well as convenience to goods and services.

Authority for Providing Housing Programs

The City of Minnetonka has the legal authority to implement housing-related programs, as set out by state law, through its Economic Development Authority (EDA). The EDA was formed in 1988; however, prior to that time, the city had a Housing and Redevelopment Authority (HRA).
AFFORDABLE HOUSING GOALS

Progress on the city’s affordable housing goals.

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the first communities to sign up to participate in the program. At that time, a series of affordable housing goals for the city was established for 1996 to 2010. The city has elected to continue to participate in the LCA program, establishing affordable and lifecycle housing goals for 2011 to 2020.

### 1995-2010 AFFORDABLE HOUSING GOALS

<table>
<thead>
<tr>
<th>Goals (1995-2010)</th>
<th>Results</th>
<th>Percent Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Affordable Ownership Units</td>
<td>180 Units</td>
<td>202</td>
</tr>
<tr>
<td>New Affordable Rental Units</td>
<td>324 Units</td>
<td>213</td>
</tr>
<tr>
<td>New Rental Units (All)</td>
<td>540 Units</td>
<td>697</td>
</tr>
</tbody>
</table>

#### 1995-2010 New Affordable Ownership Units

<table>
<thead>
<tr>
<th>Project</th>
<th>Year Completed</th>
<th>Affordable Units</th>
<th>EIP Program Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gables of West Ridge Market</td>
<td>1996-1997</td>
<td>90</td>
<td>Boulevard Gardens TIF</td>
</tr>
<tr>
<td>Habitat for Humanity</td>
<td>1999</td>
<td>4</td>
<td>None</td>
</tr>
<tr>
<td>Ridgebury</td>
<td>2000</td>
<td>56</td>
<td>Ridgebury TIF</td>
</tr>
<tr>
<td>The Enclave</td>
<td>2002</td>
<td>1</td>
<td>None</td>
</tr>
<tr>
<td>The Sanctuary</td>
<td>2005-2007</td>
<td>3</td>
<td>-Grants</td>
</tr>
<tr>
<td>Lakeside Estates</td>
<td>2005</td>
<td>1</td>
<td>-Homes Within Reach</td>
</tr>
<tr>
<td>Cloud 9 Sky Flats</td>
<td>2006</td>
<td>34</td>
<td>None</td>
</tr>
<tr>
<td>Wyldewood Condos</td>
<td>2006</td>
<td>8</td>
<td>None</td>
</tr>
<tr>
<td>Minnetonka Drive</td>
<td>2007</td>
<td>1</td>
<td>None</td>
</tr>
<tr>
<td>Deephaven Cove</td>
<td>2007</td>
<td>2</td>
<td>-Grants</td>
</tr>
<tr>
<td>Meadowwoods</td>
<td>2007/2008</td>
<td>2</td>
<td>-Homes Within Reach</td>
</tr>
</tbody>
</table>

#### 1995-2010 New Affordable Rental Units

<table>
<thead>
<tr>
<th>Project</th>
<th>Year Completed</th>
<th>Affordable Units</th>
<th>EIP Program Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excelsior Court Apartments</td>
<td>1996</td>
<td>24</td>
<td>Boulevard Gardens TIF</td>
</tr>
<tr>
<td>West Ridge Retirement</td>
<td>1997</td>
<td>45</td>
<td>Boulevard Gardens TIF</td>
</tr>
<tr>
<td>Boulevard Gardens</td>
<td>1997</td>
<td>46</td>
<td>Boulevard Gardens TIF</td>
</tr>
<tr>
<td>Crown Ridge Apartments</td>
<td>1997</td>
<td>46</td>
<td>Boulevard Gardens TIF</td>
</tr>
<tr>
<td>Minnetonka Mills</td>
<td>1997</td>
<td>30</td>
<td>Minnetonka Mills TIF</td>
</tr>
<tr>
<td>Cedar Pointe Townhouses</td>
<td>1997</td>
<td>9</td>
<td>Cedar Pointe</td>
</tr>
<tr>
<td>The Oaks at Glen Lake</td>
<td>2008</td>
<td>13</td>
<td>Glenhaven TIF</td>
</tr>
</tbody>
</table>
### 2011-2020 AFFORDABLE HOUSING GOALS

<table>
<thead>
<tr>
<th>Goals (2011-2020)</th>
<th>Results</th>
<th>Percent Achieved (to date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Affordable Units (rental &amp; ownership)</td>
<td>246 to 378</td>
<td>130</td>
</tr>
<tr>
<td>New Lifecycle Units</td>
<td>375 to 800</td>
<td>684</td>
</tr>
</tbody>
</table>

### 2011-2020 New Affordable Units (rental and ownership)

<table>
<thead>
<tr>
<th>Project</th>
<th>Year Completed</th>
<th>Affordable Units</th>
<th>EIP Program Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Glenn by St. Therese</td>
<td>2011</td>
<td>30</td>
<td>Glenhaven TIF</td>
</tr>
<tr>
<td>The Ridge</td>
<td>2013</td>
<td>51</td>
<td>TIF Pooling</td>
</tr>
<tr>
<td>Tonka on the Creek</td>
<td>2016</td>
<td>20</td>
<td>Tonka on the Creek TIF</td>
</tr>
<tr>
<td>At Home</td>
<td>2016</td>
<td>21</td>
<td>Rowland Housing TIF</td>
</tr>
<tr>
<td>Cherrywood Pointe</td>
<td>2017</td>
<td>8</td>
<td>N/A</td>
</tr>
<tr>
<td>Shady Oak Apartments</td>
<td>2017*</td>
<td>49</td>
<td>TIF Pooling</td>
</tr>
<tr>
<td>The Mariner</td>
<td>2017*</td>
<td>55</td>
<td>TIF Pooling</td>
</tr>
<tr>
<td>Opus Station Apartments</td>
<td>Proposed 2018*</td>
<td>450</td>
<td>TIF Housing</td>
</tr>
</tbody>
</table>

*Indicates projects that are approved, but not yet constructed therefore affordable and lifecycle units are not counted in 2011-2020 goals.

### 2011-2020 New Lifecycle Units

<table>
<thead>
<tr>
<th>Project</th>
<th>Year Completed</th>
<th>Lifecycle Units</th>
<th>EIP Program Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Glenn by St. Therese</td>
<td>2011</td>
<td>150</td>
<td>Glenhaven TIF</td>
</tr>
<tr>
<td>The Ridge</td>
<td>2013</td>
<td>64</td>
<td>TIF Pooling</td>
</tr>
<tr>
<td>Tonka on the Creek</td>
<td>2016</td>
<td>100</td>
<td>Tonka on the Creek TIF</td>
</tr>
<tr>
<td>At Home</td>
<td>2016</td>
<td>106</td>
<td>Rowland Housing TIF</td>
</tr>
<tr>
<td>Applewood Pointe</td>
<td>2017</td>
<td>89</td>
<td>Applewood Pointe TIF</td>
</tr>
<tr>
<td>Lecesse*</td>
<td>2017</td>
<td>32</td>
<td>N/A</td>
</tr>
<tr>
<td>Cherrywood Pointe</td>
<td>2017</td>
<td>2</td>
<td>N/A</td>
</tr>
<tr>
<td>Zvago</td>
<td>2017</td>
<td>54</td>
<td>Glenhaven TIF</td>
</tr>
</tbody>
</table>

*Indicates projects that are approved, but not yet constructed therefore affordable and lifecycle units are not counted in 2011-2020 goals.
The following is a list EIP programs and their contribution to the city’s affordable housing goals.

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>AFFORDABLE HOUSING CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Housing</strong></td>
<td></td>
</tr>
<tr>
<td>CDBG Program Administration</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Emergency Repair Program</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Employer Assisted Housing</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Fair Housing</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Homes Within Reach</td>
<td>Preservation of affordable housing</td>
</tr>
<tr>
<td>Housing Improvement Area (HIA)</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Minnetonka Heights Apartments</td>
<td>172 affordable units participate in program</td>
</tr>
<tr>
<td>Minnetonka Home Enhancement program</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Owner-Occupied Housing Rehabilitation</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Public Services</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Next Generation Program</td>
<td>Program could preserve affordable units</td>
</tr>
<tr>
<td>Tax Exempt Financing</td>
<td>Program may add or preserve affordable units</td>
</tr>
<tr>
<td>TIF Pooling</td>
<td>51 units added through The Ridge</td>
</tr>
<tr>
<td>Welcome to Minnetonka program</td>
<td>No direct impact</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td></td>
</tr>
<tr>
<td>Economic Gardening</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Fire Sprinkler Retrofit</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Grants</td>
<td>May assist with components of projects that have affordable units</td>
</tr>
<tr>
<td>Industrial Revenue Bonds (Common Bond)</td>
<td>No direct impact</td>
</tr>
<tr>
<td>GreaterMSP</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Minnesota Community Capital Fund (MCCF)</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Minnesota Investment Fund (MIF)</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Open to Business</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Outreach</td>
<td>No direct impact</td>
</tr>
<tr>
<td>PACE</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Economic Development Infrastructure</td>
<td>No direct impact</td>
</tr>
<tr>
<td>TwinWest</td>
<td>No direct impact</td>
</tr>
<tr>
<td><strong>Transit</strong></td>
<td></td>
</tr>
<tr>
<td>Commuter Services</td>
<td>No direct impact</td>
</tr>
<tr>
<td>LRT</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Transit Improvements</td>
<td>No direct impact</td>
</tr>
<tr>
<td><strong>Redevelopment</strong></td>
<td></td>
</tr>
<tr>
<td>Predevelopment Projects</td>
<td>May assist projects that are developing affordable housing</td>
</tr>
<tr>
<td>Village Center</td>
<td>Help to guide areas where affordable housing may be developed</td>
</tr>
<tr>
<td><strong>Tax Increment Financing (TIF)</strong></td>
<td></td>
</tr>
<tr>
<td>Development Agmt/TIF Admin</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Beacon Hill TIF District</td>
<td>44 affordable units added in 1994 (prior to affordable housing goals). Preserved in 2010.</td>
</tr>
<tr>
<td>Boulevard Gardens TIF District</td>
<td>227 affordable units added in 1996/1997</td>
</tr>
<tr>
<td>Glenhaven TIF District</td>
<td>43 affordable units added in 2008 and 2011</td>
</tr>
<tr>
<td>Minnetonka Mills TIF District</td>
<td>30 affordable units added in 1997. Even though district has expired, units remain affordable</td>
</tr>
<tr>
<td>Tonka on the Creek TIF District</td>
<td>20 affordable units expected in 2015</td>
</tr>
<tr>
<td>Applewood Pointe TIF District</td>
<td>9 affordable units completed in 2017 (will not meet Met Council guidelines, therefore not included in goals)</td>
</tr>
<tr>
<td>At Home Apartments</td>
<td>21 affordable units completed in 2016</td>
</tr>
<tr>
<td><strong>Tax Abatement</strong></td>
<td></td>
</tr>
<tr>
<td>Ridgedale</td>
<td>No direct impact</td>
</tr>
<tr>
<td>Tools</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Identification of buildings; Document the problem</strong></td>
<td>There should be an organized effort to track the most significant examples of this trend as well as identify buildings as soon as they come on the market (if possible before that). The City can also do a housing study that will identify the housing inventory and at-risk properties.</td>
</tr>
<tr>
<td><strong>Advanced Notice</strong></td>
<td>The City must be given advanced notice prior to the sale of any building.</td>
</tr>
<tr>
<td><strong>Help preservation buyers to buy at risk buildings</strong></td>
<td>Several of our non-profit housing providers are actively competing in the market for these properties, but they are disadvantaged in competing against for-profit purchasers on price and timing with the complex financial process. The City can help notify preservation buyers when they know properties will be up for sale (e.g. Seasons Park).</td>
</tr>
</tbody>
</table>
# Right of First Refusal

When owners offer their buildings for sale, they would be required to notify tenants and the designated unit of government. Tenants or the government unit would then have a defined period of time to match the essential terms of the offer (price, timeline, etc.). If they are able to do so, they have the right to purchase the building themselves. This prevents tenant displacement and can help a preservation buyer be competitive. It can be hard to anticipate where these purchase opportunities will materialize, making it difficult to know where to push for local ordinances. Could get complicated determining what the offer’s “essential terms” are. Minnesota has a ROFR for manufactured home parks.

# Local programs offering rehab financing in return for affordability commitments

Many cities, like Minnetonka, have a supply of aging complexes that have deferred maintenance. Many managers of these complexes cite the costs of improvements as a reason to either 1) not make improvements or 2) increase the rents once improvements are made. Municipalities could offer rehab financing (low interest loans, forgivable grants) with commitments to maintain affordability over a set period of time. This could be done with CDBG dollars. Preserves affordable housing units in the City as well as makes the property safe housing for residents. Administration of the financing (could be done in conjunction with a local nonprofit), funds for the financing. Bloomington—using their HRA levy money to put $50,000 every year for a NOAH fund to preserve developments. It has been proposed to Brooklyn Park, in conjunction with their Rental Rehab Program.

# 4d Property Tax Program

This is essentially a tax credit given to housing providers who receive a government subsidy, and in exchange provide a percentage of their units at affordable levels (60%/50% AMI) for a set period of time. This is a program Minnetonka had when it was funded at the state level. That funding has dried up, and it seems that most people think 4D has gone away. However, the statute allows for “local subsidies.” Increases the number of new affordable housing units in the City. Providing the pot of money for developers to tap into; the program is voluntary. Suggested to Brooklyn Park.
### Prohibition of Section 8 Discrimination

Changes to business practices in Minnetonka resulted in the following properties no longer accepting Housing Choice Vouchers:

- Christopherson Properties (no new) (2014)
- Concierge Apartments (2015)
- Woodlake Park Apartments (2016)
- New Orleans Court Apartments (2016)
- Winton Housing Apartments (2016)
- Richland Court Apartments (2016)
- Fountainhead Apartments (2016)
- Seasons Park (2017)

This ordinance would say that properties cannot exclude applicants simply because they use a rent subsidy.

Voucher holders would not lose housing every time a building changes policies and practices.

There would also more housing options available to voucher holders.

Oftentimes the challenge will be for the HRA to lessen the administrative burden on landlords participating in the HCV program. However, given Minnetonka has its own HRA, landlords have said their experiences with the program are positive and feel the city is very responsive. Therefore, the challenge is minimal for the City.

St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie

### Just Cause Eviction

Just Cause Eviction protects tenants from eviction for improper reason as well as prevents involuntary displacement through lease non-renewals or notices to vacate. This would allow landlords to evict a tenant only for certain reasons, such as failure to pay rent or for violation of the lease terms. As we saw at Crossroads, the new screening criteria was the reason many tenants’ leases to not be renewed. Just Cause would allow these renters to continue living there until they break a condition of their new lease. It can be tied in with rental licensing.

Prevents involuntary displacement and protects tenants from eviction without a proper reason.

St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie

### Incentives to address landlord concerns about renting to certain groups of tenants

Risk Mitigation Fund is oftentimes associated with the Housing Choice Voucher program. This Fund can be created as a response to the extremely low vacancy rate and the disparity between cost of living and wages. It serves as a damage fund to supplement costs the security deposit does not fulfill. It also has been offered as short-term vacancy reimbursement.

Incentivizes landlords to participate in voucher programs, providing voucher holders with more access to housing options.

Provides insurance to landlords for any monetary losses from potential damage to property.

Funding the RMF; perpetuating stigma that voucher holders cause more damage (no evidence to support this)

Minneapolis HRA, Metro HRA, Dakota County CDA; many models across Minnesota.
<table>
<thead>
<tr>
<th><strong>Housing Strategies &amp; Tools for the City of Minnetonka</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inclusionary Housing</strong></td>
</tr>
<tr>
<td>While this is in Richfield’s guidelines to develop housing with 20% affordability, a policy would ensure that this happens with every development. It also can be applied to rehbabbed developments.</td>
</tr>
<tr>
<td>Increases the number of new affordable housing units in the City.</td>
</tr>
<tr>
<td>Only applies to new construction, therefore not addressing the need to preserve and maintain NOAH</td>
</tr>
<tr>
<td>St. Louis Park, Edina, Minnetonka, Golden Valley, Eden Prairie, Minneapolis and others are considering</td>
</tr>
<tr>
<td><strong>Increasing Local Government Leverage through Zoning</strong></td>
</tr>
<tr>
<td>Minnetonka could structure its zoning so as to prevent an owner engaging in conversion actions from doing so before obtaining the city’s zoning related approval.</td>
</tr>
<tr>
<td>Provides the City of Minnetonka with more leverage to intervene.</td>
</tr>
<tr>
<td>Minneapolis</td>
</tr>
<tr>
<td><strong>Rental Assistance</strong></td>
</tr>
<tr>
<td>42% of Minnetonka households are cost burdened* (Marquette). Rental assistance would lessen the burden by supplementing income, so housing costs are no more than 30% of income. *Under 80% AMI</td>
</tr>
<tr>
<td>Residents would be able to afford housing costs without sacrificing other basic needs.</td>
</tr>
<tr>
<td>It is costly and unsustainable. As rent increases, rental assistance is insufficient and cannot serve as many households.</td>
</tr>
<tr>
<td>Hennepin County &amp; a number of cities</td>
</tr>
<tr>
<td><strong>Comp Plan: Include Strong Language and Solutions regarding Affordable Housing</strong></td>
</tr>
<tr>
<td>As Minnetonka completes its Comprehensive Plan, it is encouraged that the Plan has detailed solutions with strong language around the preservation of naturally occurring affordable housing. This plan will guide the City’s housing efforts in the next ten years.</td>
</tr>
<tr>
<td>Strong language can positively guide the City’s housing efforts in the next ten years.</td>
</tr>
<tr>
<td>A number of Hennepin County cities</td>
</tr>
</tbody>
</table>
RESOLUTION 2004-002

RESOLUTION APPROVING THE ECONOMIC DEVELOPMENT AUTHORITY’S RECOMMENDATION ON THE INCLUSION OF 10% TO 20% OF THE TOTAL UNITS IN MULTI-FAMILY DEVELOPMENTS AS AFFORDABLE HOUSING

BE IT RESOLVED by the Economic Development Authority of the City of Minnetonka, Minnesota as follows:

Section 1. Background.

1.01. The City of Minnetonka and Metropolitan Council have worked together to create affordable housing goals for the development of new affordable housing units within the city.

1.02. The Economic Development Authority has been working to accomplish these goals and include affordable housing in new housing developments by recommending that 10% to 20% of the total units in a housing development be made affordable.

Section 2. Economic Development Authority Action.

2.01. The Economic Development Authority of the City of Minnetonka hereby affirms their recommendation that 10% to 20% of the total units in new multi-family housing developments be sold at an affordable price as set forth by the Metropolitan Council.

Adopted by the Economic Development Authority of the City of Minnetonka, Minnesota on February 3, 2004.

Peter Sf. Peter, President

ATTEST:

Ronald Rankin, Secretary
ACTION ON THIS RESOLUTION:

Motion for adoption: Duffy
Seconded by: Larson
Voted in favor of: Duffy, Larson, Robinson, St. Peter, Thomas, Wagner, Walker
Voted against:
Abstained:
Absent:
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Economic Development Authority of the City of Minnetonka, Minnesota, at a duly authorized meeting held on February 3, 2004, as shown by the minutes of the said meeting in my possession.

Ronald Rankin, Secretary
Mixed Income Housing –
An Introduction for the Minneapolis/St. Paul Region

This report made possible by The Minneapolis/St. Paul Regional Mixed Income Housing Feasibility Education and Action Project, a project sponsored by The Family Housing Fund and the Urban Land Institute Minnesota/Regional Council of Mayors (ULI MN/RCM) Housing Initiative, with funding support from The McKnight Foundation and Metropolitan Council.

Background
The economy and housing market in the Minneapolis/St. Paul region have largely recovered from the recent recession. However, for many people, even a full-time job does not guarantee access to a home they can afford\(^1\). Housing sale prices increased 7 percent from 2014 to 2015, and rental prices in some neighborhoods are not affordable to many people in the local workforce.

Ensuring that there is a full range of housing choices with access to quality jobs and transportation options is critically important to regional economic competitiveness. In a recent survey conducted by Greater MSP, young transplants to the region were asked what they looked for in choosing a community to live – overwhelmingly the No. 1 attribute was the availability and affordability of housing.

What is Mixed Income Housing?
Mixed income housing refers to developments that are primarily market rate, but have a modest component of affordable housing. Often, the development is 80 or 90 percent market rate units, with the remainder of the homes reserved for low- or moderate-income residents.

\(^1\) For more information, see the Family Housing Fund publication: Working Doesn’t Always Pay for a Home

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Research indicates that mixed income communities are a key part of building economic prosperity and competitiveness by attracting and retaining residents to support key employers.

One strategy to meet this goal is to work with local developers to reserve a portion of their new units for low- or moderate-income residents. In some cases, the affordable housing set aside can be mandatory, and in others, it is part of a voluntary program that is supported by incentives, such as density bonuses or tax increment financing. While this strategy has worked well in many cities throughout the country, it is a relatively new – but quickly expanding – concept in the Minneapolis/St. Paul (MSP) region.

There are many types of mixed-income housing policies. While this report groups them for simplicity, cities can select elements to create a unique structure that fits their local market and achieves their community goals. The most common policies are listed below:

- Mandatory mixed income housing policies (inclusionary housing): Requires all new housing to include a portion of the units reserved for lower-income households.
- Planning and zoning policies: Requires a mix of incomes to be included in new housing if developers request or receive a land-use modification, such as zoning changes, density bonuses or parking reductions.
- City subsidies: Requires a mix of incomes in new housing if the city provides a public subsidy, such as tax increment financing (TIF), fee waivers or tax abatements.

There are also a number of non-zoning strategies that can promote affordable housing, like requiring mixed-income housing when selling city land.

Learn More

This publication is an introduction to mixed-income housing. To learn more, visit housingcounts.org.

To explore the economics of mixed-income housing and to design a mixed-income policy, visit Family Housing Fund/Urban Land Institute of Minnesota’s interactive, mixed-income calculator: http://mncalculator.housingcounts.org/
The Need – Housing for All

The Minneapolis/St. Paul region continues to grow and thrive. Good schools, beautiful parks and great neighborhoods attract employers and families to the area. Sperling’s BestPlaces called the Twin Cities “the most playful metro in America” because of its museums, playgrounds and recreational opportunities. Companies, taking advantage of a well-educated workforce, continue to add many new jobs. These regional strengths impact market prices and put additional strain on people with lower than average incomes, who also make an important contribution to the economy.

As the population grows, home prices rise, and it becomes harder for families with modest incomes to afford a safe and decent home. Additionally, much of the region’s new development has been luxury rentals, which do not meet the need for housing across all income levels. Currently, over 140,000 households are severely cost-burdened renters, meaning they pay more than half of their income in rent. Forty percent of new households in the coming decades will be low income, and consequently will struggle to find housing if cities do not intentionally create a full range of housing choices. Between 2020 and 2030, the Minneapolis/St. Paul region will need to add 37,400 homes affordable to low- or moderate-income households to meet the future demand created by economic growth (Metropolitan Council, 2040 Housing Policy Plan).

The lack of affordable housing impacts not only residents, but also the business community, the environment and the regional economy. When people cannot find affordable housing near their jobs and move outside of the urban core, there is a cost. People commute long distances, creating traffic and pollution. Employers have trouble hiring and retaining the employees they need. Equally important, families are affected. If parents are spending 30, 40 or even 50 percent of their income on housing, they have less to spend on everyday needs from local retailers and are unable to save for college or invest in their children’s future.

While cities and nonprofit organizations have long invested in affordable housing development, the current strategies alone cannot meet the need. Stakeholders are looking for innovative solutions to complement existing public programs and investments. As detailed in this report, more and more cities are implementing mixed-income policies that integrate affordable housing into new market rate developments. Communities often embrace mixed income housing because people want housing options, but these communities are more reluctant to support affordable housing concentrated in one project or area. Additionally, research has shown that mixed income communities are good for families. The neighborhoods in which children grow up have a powerful effect on the likelihood of graduating high school, going to college or getting a high-paying job.

2 http://inclusionaryhousing.org/inclusionary-housing-explained/what-problems-does-it-address/economic-integration/
Generally, proving affordable housing means ensuring there are homes for people of various income levels in a community. Often, policymakers use the area median income (AMI) as a benchmark to define “low income” and “moderate income” within a city, county or metropolitan area. The AMI in the Minneapolis/St. Paul region in 2016 was $85,800 for a family of four. The U.S. Department of Housing and Urban Development (HUD) states that households should not pay more than 30 percent of their income for housing. “Affordable housing” is typically defined as housing that costs no more than 30 percent of a low- or moderate-income household’s earnings.

Often, community members are surprised to discover that many of their neighbors or family members would qualify for low- or moderate-income housing. Because housing prices have generally increased faster than incomes, many homeowners who bought their property years ago would not be able to purchase a home in the same neighborhood at today’s prices. Specifically, according to Family Housing Fund, a family would have to earn $44,100 per year ($21.20 per hour) to afford to rent a two-bedroom apartment, or $60,000 per year ($28.85 per hour) to afford to buy a modest single-family house. However, half of the jobs in the Twin Cities metro area pay less than $41,930.

Different cities prioritize their efforts to provide housing affordable to different income levels, based on the local housing market and needs. Some sample incomes, professions and affordable housing prices are listed below.

<table>
<thead>
<tr>
<th>Percent of AMI</th>
<th>60%</th>
<th>80%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample household</td>
<td>Single mom, works as teacher, raising two kids</td>
<td>Family with two parents and two kids. Dad is a chef and mom is a half-time nurse’s aide</td>
</tr>
<tr>
<td>Typical income</td>
<td>$52,000</td>
<td>$62,000</td>
</tr>
<tr>
<td>Affordable rental price including utilities</td>
<td>$1,300</td>
<td>$1,700</td>
</tr>
</tbody>
</table>

Note: Some cities will target different income levels, such as 50 percent of area median income. The affordable price is adjusted for household size. Different cities may make slightly different assumptions in their calculations. Source: Metropolitan Council
Mandatory Mixed Income Housing Programs

Mixed income housing (sometimes referred to as inclusionary housing) programs are local policies that tap the economic gains from rising real estate values to create affordable housing for people with lower incomes. In their simplest form, mandatory mixed income housing programs require developers to sell or rent a percentage of new residential units to lower-income residents. Mandatory mixed income housing programs often apply to all developments, but some apply in just one area of the city or to specific types of new buildings. The required set-aside is typically between 5 percent and 30 percent of new housing units or floor area.

Many, but not all, programs partially offset the cost of providing affordable units by offering developers benefits such as tax abatements, parking reductions or the right to build at higher densities. Most programs recognize that it’s not always feasible or desirable to include affordable on-site units within market-rate projects. In these cases, developers can choose an alternative, such as payment of an in-lieu fee or provision of affordable off-site units in another project.

While planning flexibility and local subsidies partially offset developers’ costs of providing mandatory affordable units, these same incentives can help entice developers to voluntarily provide affordable housing. This type of voluntary or incentive-based mixed-income housing policy is discussed in more detail below.

Planning and Zoning Incentives

Many cities tie mixed income requirements to zoning changes or planning flexibility. These programs are as varied as they are numerous. Essentially, they all offer flexibility in the usual zoning code rules, such as increased height or density, to incentivize developers to building affordable homes.

Planning incentives, as compared to financial incentives, which are described below, are often desirable from the city’s perspective because they do not have a significant impact on the city’s budget. Planning incentives create new value and can feel like a win-win option. However, to be effective, the value of the incentive must be large enough to offset the additional developer costs. In many cities in the Minneapolis/St. Paul region, this has not been the case; developers have not participated in voluntary programs because the balance of incentives and requirements are not properly aligned. This is the inherent challenge in voluntary programs.

Density Bonuses and Parking Reduction

Many communities offer planning incentives, such as density bonuses or reduced parking requirements, to developments that include affordable homes. Sometimes there is a set formula. In contrast, the City of Minnetonka does not have a set formula, rather they negotiate the number of units individually with each developer. Density bonuses are common across the nation, with many examples from North Carolina to California.

Depending on the local housing market and land use policies, planning incentives can be very valuable to developers. Where the zoning code strictly limits density, a developer can use the density bonus to build more housing units on a site and increase the project profitability by enough to fully offset the cost of providing affordable housing. Even reduced parking requirements can be valuable enough to significantly offset affordable housing requirements, particularly in

To learn more about the value of incentives, visit the Mixed-Income Housing Calculator

www.mncalculator.housingcounts.org
places where expensive structured parking (multi-story or underground garages) is the only option. However, increased density may not benefit all projects. An important limit to density bonuses is the additional construction costs of different construction methods associated with taller buildings. For example, the cost per square foot to build a five-story or six-story building would likely not change significantly. Here, a density bonus makes sense.

However, to add a seventh floor typically costs more because the taller building requires more expensive steel-frame construction instead of wood-frame construction. In this case, a density bonus would not benefit the developer because the change in construction type could add millions of dollars in costs – more than the value of adding more units.

Zoning Changes and Variances
Some cities require affordable housing for all developments that request or receive a zoning change. In some cases, the rezoning is initiated by the city and the requirements are mandatory. For example, cities often rezone the land around transit stations to allow higher density development. This rezoning, as well as the public investment in transit, creates significant value, which can help offset the cost of the affordable housing requirements. Tyson’s Corner in suburban Virginia is one of the most famous examples of this approach. The county rezoned the land around a planned railway station in exchange for 20 percent of the units being affordable. All the new housing developments were required to provide affordable housing, but because the increased density was so valuable, developers generally approved of the new rules.

Similarly, some cities require affordable housing if developers request a zoning change or variance. In these cases, the program are considered voluntary. For example, the City of Edina requires that developers provide 10 percent of all units as affordable when rezoning a parcel to Planned Unit Development or making a Comprehensive Plan Amendment. Other cities, like Chaska, Minnesota, apply the policies to a broader set of zoning variances, including amendments to lot sizes, increased densities, reduced setbacks and reduced rights-of-way. According to Kevin Ringwald, Chaska’s Planning and Development Director, “The policy has worked for us. Originally, we were only getting very expensive housing and now we are getting a good mix. By being flexible and finding the right incentives, we have mixed income housing on a lot of sites that would not have considered it.” Nationally, the City of Boston is a commonly cited example of this approach.

Other Planning Incentives
Another planning incentive is to add more approval certainty for projects that include affordable housing. Because projects that receive pre-approval are lower risk, often developers will accept a lower rate of return in exchange for meeting the agreed-upon conditions for pre-approval. Additionally, the faster processing can reduce interest costs on loans. For example, a city could eliminate a conditional use permit requirement for developments that meet strict design guidelines and include affordable housing. The city would review projects administratively to ensure that the design standards are met.

However, the value of certainty alone, though significant, does not often entice developers to voluntarily provide affordable homes, particularly in places that already have efficient, developer-friendly approval processes. Some cities combine fast-track processing and administrative approvals with other incentives as part of a total benefits package. The SMART housing program in Austin, Texas, is a successful example of this package approach. While beneficial for developers, streamlined approvals limit opportunity for public input during the development process. Cities should work with their residents before adopting a policy so they understand the tradeoffs and ensure the design review process and other safeguards are robust.
Public Subsidy Policies

A number of cities have programs that require developments that receive tax increment financing or other public subsidies to provide affordable housing. This policy can be useful, particularly when development would not be possible without some sort of financial assistance. Financial incentives are relatively common in the Minneapolis/St. Paul region, but less common in other places.

The major disadvantage of public subsidy programs is the cost. Public funding is limited and cities must carefully evaluate how to best use their scarce resources. For example, it is sometimes more cost effective to use the money to directly subsidize 100 percent affordable housing developments. One reason for this is that local funds can be combined with state and federal affordable housing subsidies, such as Low Income Housing Tax Credits. Because of how the programs are structured, mixed income buildings are usually not competitive for Tax Credit funding. For this reason, traditional, 100 percent affordable housing projects often provide affordable housing opportunities at a lower cost to cities, with the tradeoff that the affordable housing is more concentrated.

Another disadvantage of providing financial incentives to mixed income developers is that they can lead to increased land prices (see below).

Other Strategies

Surplus Land
Selling surplus city land provides an opportunity to promote mixed income housing. While preparing an announcement for the sale of land, cities have the option of including specific terms, such as requiring mixed income housing as a condition of the sale. While the sale proceeds may be lower, this is an opportunity to advance the city’s mixed income housing goal, and developers may respond with creative approaches.

Land Economics

Zoning changes significantly affect the price of land because zoning often dictates the number of housing units that can be built on a given parcel. This affects a developer’s potential profit on new construction and the amount they are willing to pay for land. Developers often refer to the cost of land not in terms of price per acre, but rather as price per unit or “price per door.” If a parcel is zoned for 100 units (assuming it is realistic to build those units), and the price per door is $20,000, a developer would pay $2,000,000 for the land. However, if the zoning were changed to allow 200 units, a developer would potentially be willing to pay up to $4,000,000 for the same parcel.

Reducing parking requirements also increases land prices. Parking structures are expensive to build, and the net result is developers can pay less for land if parking requirements are high. Especially in transit-oriented locations, developers can reduce their costs per unit by providing fewer parking spaces. By reducing their development costs, developers are able to pay more for land and still meet their profit targets.

Conversely, rules that add costs to developers, like affordable housing requirements, decrease the amount that developers can pay for land and still make a profit. This is why it is often beneficial to combine affordable housing planning and zoning changes. Tying affordable housing requirements to upzoning has two benefits: it helps stabilize rising land prices, and it ensures that community members, not just landowners, share in the benefits of higher density development.

Land values don’t change overnight, and some communities have carefully phased in mixed income requirements with the expectation that developers, when they can see changes coming, will be able to negotiate appropriate concessions from landowners before they commit to projects that will be impacted by the new requirements. Similarly, some programs have a clearer and more predictable impact on land prices than others. Consistent, widespread and stable rules translate into land price reductions more directly than complex and changing requirements with many alternatives.
What’s Happening in the Minneapolis/St. Paul Region?

<table>
<thead>
<tr>
<th>City</th>
<th>Type of Program</th>
<th>Percentage of Affordable Units</th>
<th>Affordability Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomington</td>
<td>Public Funding Policy</td>
<td>Project-by-project decision, typically 10-20%</td>
<td>Project-by-project decision</td>
</tr>
<tr>
<td>Chaska</td>
<td>Mixed Income Policy with goal of all developments that need city approvals contributing (may use density bonuses and other flexibility)</td>
<td>30% of Units</td>
<td>80% AMI</td>
</tr>
<tr>
<td>Eden Prairie</td>
<td>City Subsidy Policy</td>
<td>20% of Units</td>
<td>50% AMI</td>
</tr>
<tr>
<td>Edina</td>
<td>Zoning Changes Policy (may also use density bonus, parking reduction and public subsidies)</td>
<td>10-20% of Units</td>
<td>50-60% AMI for rental or approximately 110% for ownership</td>
</tr>
<tr>
<td>Minnetonka</td>
<td>Mixed Income Policy with goal of all developments that need city approvals contributing (may use density bonuses and other flexibility)</td>
<td>10% of Units Generally, 20% when using city financing</td>
<td>60% AMI generally 50% when using city financing</td>
</tr>
<tr>
<td>St. Louis Park</td>
<td>City Subsidy Policy</td>
<td>8-10% of Units</td>
<td>50-60% AMI for rental or 80% for ownership</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>Density Bonus and City Subsidy Policies</td>
<td>20% of Units</td>
<td>50-60% AMI</td>
</tr>
<tr>
<td>St. Paul</td>
<td>Policy is under development</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

Please see original policies for full details.
Case Study

St. Louis Park, MN

**Details:**
St. Louis Park has long promoted affordable housing, with an explicit policy in their comprehensive plan. However, as one council member observed at a housing-focused retreat in 2014, “We have promoted affordable housing for a decade but not produced any affordable homes.” And so began the discussion about what the city could actually do to create workforce housing units.

The city held a series of public meetings and work sessions discussing all the options. There was a clear preference for mixed-income housing, which would spread affordable units among the more high-end rental units that developers tended to produce. A common theme in the discussion was about public subsidies in the form of tax increment financing provided to new developments. This type of subsidy was (and remains) relatively common in St. Louis Park. Many felt that if the city contributed money toward a development, they should have high standards and expect clear benefits.

Specifically, the city decided on a policy to require 8-10 percent of new homes that receive public funding to be affordable. Tax increment financing is the most common subsidy in St. Louis Park, but the policy applies to all types of public funding. While some stakeholders wanted higher requirements, the council and staff felt that it was better to have a modest policy that did not adversely impact development. The city intentionally created a policy, and not an amendment to the zoning ordinance, to avoid potential legal challenges.

It appears to be working. In the year and a half since the policy was passed in St. Louis Park, there are 253 affordable homes proposed or approved. “We have really not received much pushback from developers,” explains Michele Schnitker, Housing Supervisor and Deputy Community Development Director. In fact, several developers have voluntarily provided more affordable homes, 20 percent of all units, so they could qualify for Affordable Housing Tax Credits. On the city council level, there has been discussion about strengthening the policies. A recent development was exempt from the policy because it did not ask for any public subsidy, and at least one council member questioned whether there was anything that could be done to ensure that the development was mixed income. In response, staff are now studying the strategy of tying affordable housing requirements to zoning changes, density bonuses or other incentives.

Schnitker offered lessons for other cities, “Creating a policy is a balance. Look at your market, and work with the developers. Think about multiple strategies because there is not just one solution.”

**Type of policy:** Voluntary/incentive based – financial assistance

**What is covered:** 10+ unit developments seeking financial assistance

**Year adopted:** June 2015

**Results:** 253 affordable homes proposed or approved

**Requirements:**
- **Rental** – 8% of units at 50% of AMI or 10% of units at 60% of AMI.
- **Ownership** – 10% of units at 80% of AMI.
Case Study

Minnetonka, MN

Type of policy: Voluntary/incentive based
What is covered: The goal is all developments, with flexibility and staff discretion
Year adopted: 2004
Results: Over 500 affordable homes
Requirements: 10% of new units affordable generally at 60% of AMI; 20% of units affordable to 50% of AMI when using public subsidies

Details:
Minnetonka has quietly and steadily worked to ensure their community has homes that are affordable to all. For more than a decade, they have had a policy that aims to ensure that 10-20 percent of all new homes are affordable, and much of this has been done without city financial subsidy. The city has worked hard to avoid controversy, engaging neighbors when they have concerns and partnering with the faith community. When there have been reservations, the city has used the flexibility built in to the policy to quietly address them. The city has avoided attention – even rejecting awards – so that it can focus on implementing its policy. Julie Wischnack, Community Development Director, reflected on the program, “Our approach has been to partner rather than mandate, and developers respect that. It has worked and you can tell that by the numbers of units we have created. It has been very successful.”

City staff, planning commission and city council all review new projects and discuss the unique circumstances. Often, the city allows developers to increase density or reduce parking to help offset the cost of affordable homes. However, they only use tax increment financing strategically and do not waive fees. Instead, the details are all project specific. For example, extra height might be most useful in one case, but allowing mother-in-law apartments or duplexes might be valuable in another. The city’s comprehensive plan has facilitated this method because the high-density zones do not have limits on the number of units per acre. One other important feature of their program has been to work closely with Homes Within Reach, a community land trust. This partnership has allowed the city to create single-family, owner-occupied affordable homes.

Minnetonka offers a few key lessons for other cities: 1) Use a thoughtful, deliberate process and engage stakeholders when developing a policy; 2) Ensure that the comprehensive plan supports the policy goals; 3) Build in high expectations, but some flexibility, recognizing that each development is different; and 4) Take advantage of the flexibility provided by TIF pooling.
Hello:

I am a member of the Minnetonka Affordable Housing Team. At the upcoming study session on February 4th I hope you will address and seriously consider the following items for tenant rights:

- **90 Day Tenant Grace Period Ordinance**: Requires 90 day period after a multifamily building is sold where rents cannot be raised, tenants cannot be re-screened or evicted without cause. If any of these happens, tenants will receive relocation benefits.

- **90 Day Advance Notice of Sale**: This ordinance would notify tenants and the City 90 days before a property owner enters into a purchase agreement with a new owner, so that tenants and the city could organize a preservation buyer to also bid on the building.

- **Just Cause Protection**: Would establish a city wide standard incorporated into leases that would outline the only reasons landlords could evict tenants and consider renewed leases. These protections already exist for tenants in mobile home parks and public housing, this ordinance would extend protections to all tenants.

- **Deposit and Fee Caps**: This would establish a cap or ban on application fees and would limit security deposit to 30-50% of a tenants monthly rent. Landlords shall also have to provide tenants documentation showing apartment condition prior to their move in.

- **Repair and Deduct**: If a landlord does not make a required repair within the required two week period, the tenant can make the repair themselves and deduct the cost of the repair from their rent with receipts.

- **Ban The Box & Limited Look Back**: The City should implement a defined period of years after which a landlord cannot look into a potential tenant's criminal & civil history, including rental history (evictions)

Neighborsing communities have committed to these types of tenant protection rights and I want the city of Minnetonka to do so as well.

I would also like to see the city formalize in writing an ordinance that requires new multifamily developments to include affordable housing in at least 20% of the units and target affordability under 50% AMI. I’m not satisfied to have the city just “suggest” this as a goal to new developers.

I do hope your housing work session can engage in conversation about these topics and I encourage you to advocate for them.

Thanking you in advance,
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