

INCLUSIONARY / MIXED- INCOME HOUSING POLICIES

HOUSING TASK FORCE – AUGUST 14, 2019

INCLUSIONARY HOUSING POLICY

- Policy that requires that a given share of new construction be affordable by people with low to moderate incomes without City subsidy
- Increasingly adopted or in development around metro, particularly in SW
- Eden Prairie already seeing success since mid-2017 in integrating into development agreements (e.g. Smith Village, Lincoln Parc, Prairie Bluffs Senior Living)
- Incorporated as a useful tool into *Aspire 2040*

INCLUSIONARY HOUSING DECISIONS

CAN...

- Be Mandatory
- Apply to any development
- Stipulate a set amount of affordability
- Apply to both rental & for-sale housing
- Apply for 15, 20, or 30 years, by example
- Apply to rehabilitations & new construction
- Offer alternative ways to meet policy
- Allow a 'payment in lieu'

OR CAN...


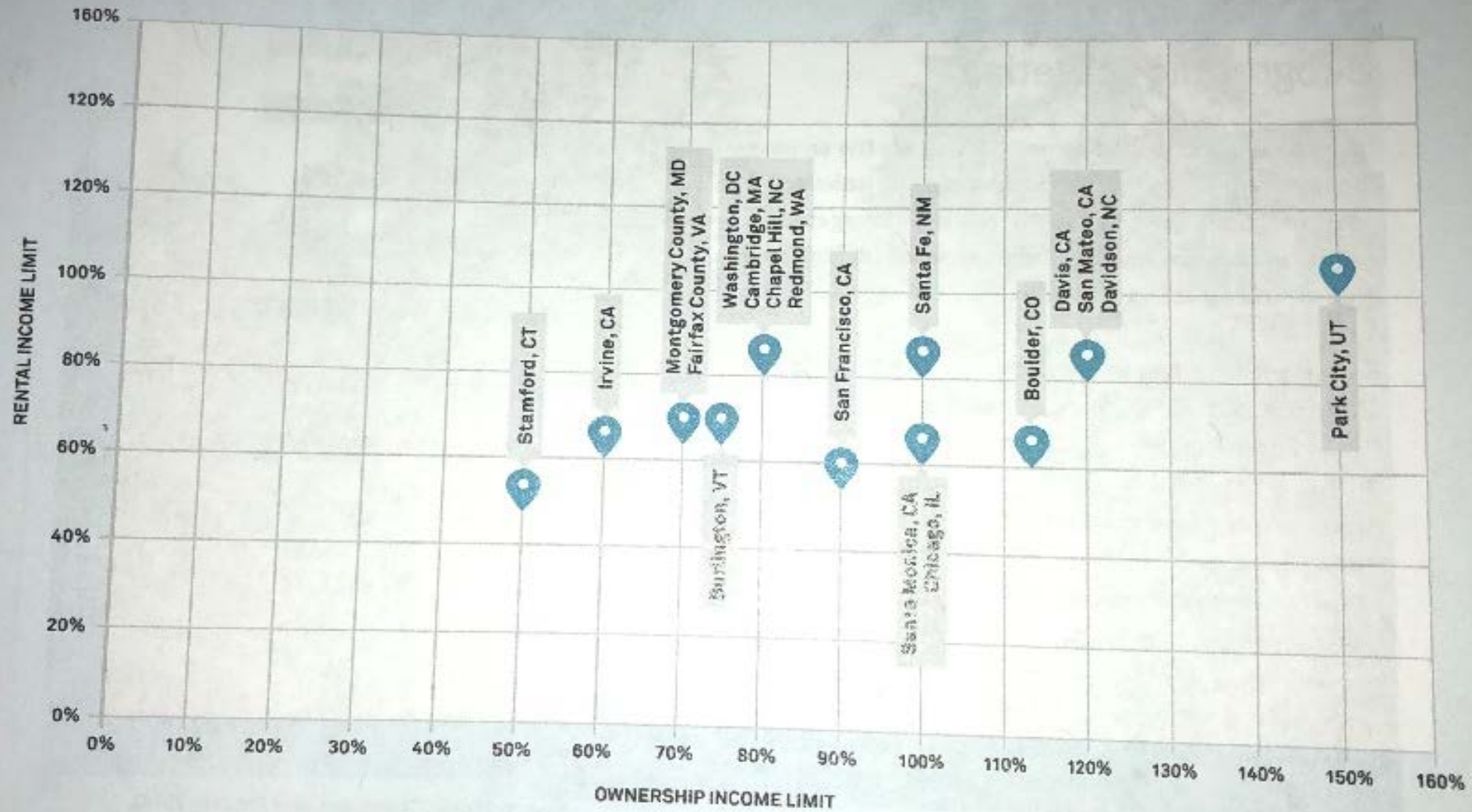
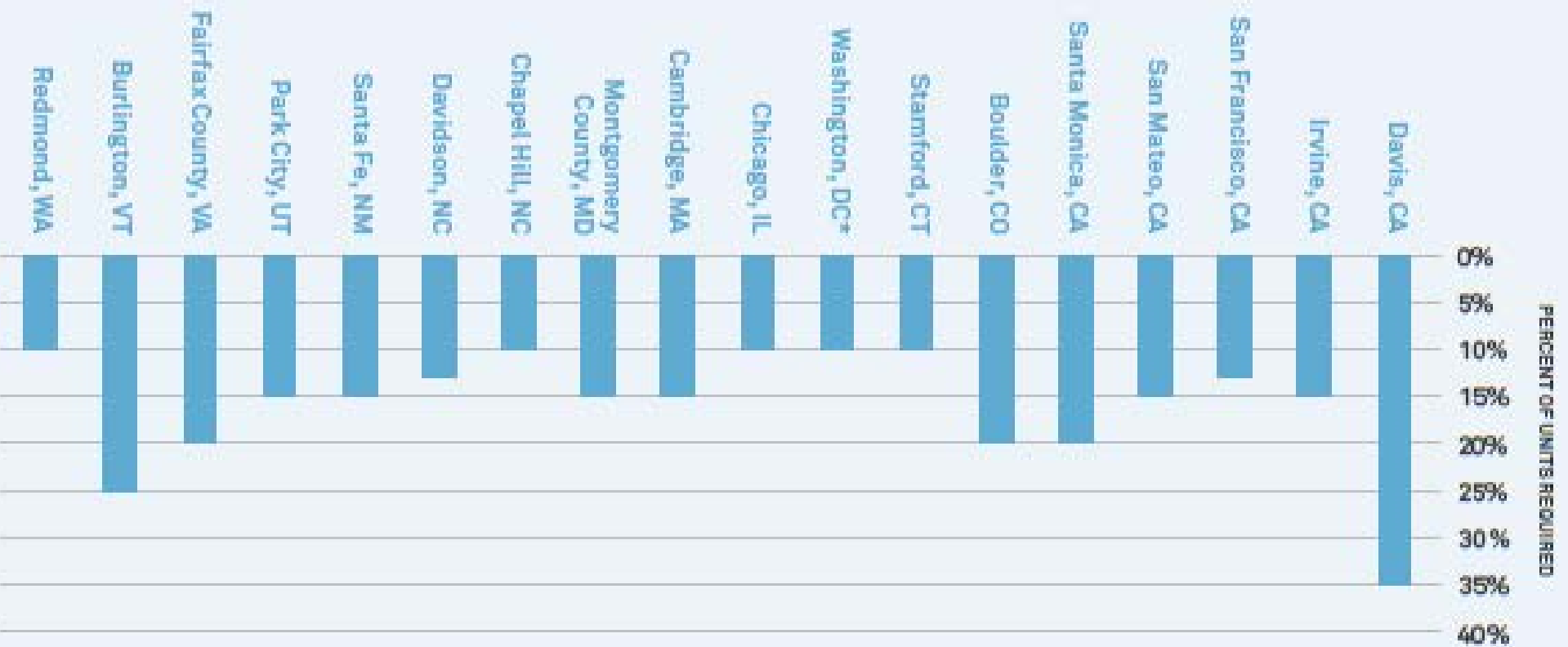
- Be Voluntary
 - Apply per a minimum size threshold
 - Offer developers a range of options
 - Apply just to rental
 - Apply in perpetuity
 - Apply only to new construction
 - Only offer on-site construction of affordable units
 - Require actual construction of affordable units
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Figure 4
Income Targeting in Selected Programs



Data Source: Hickey, Sturtevant, and Thaden (2014).

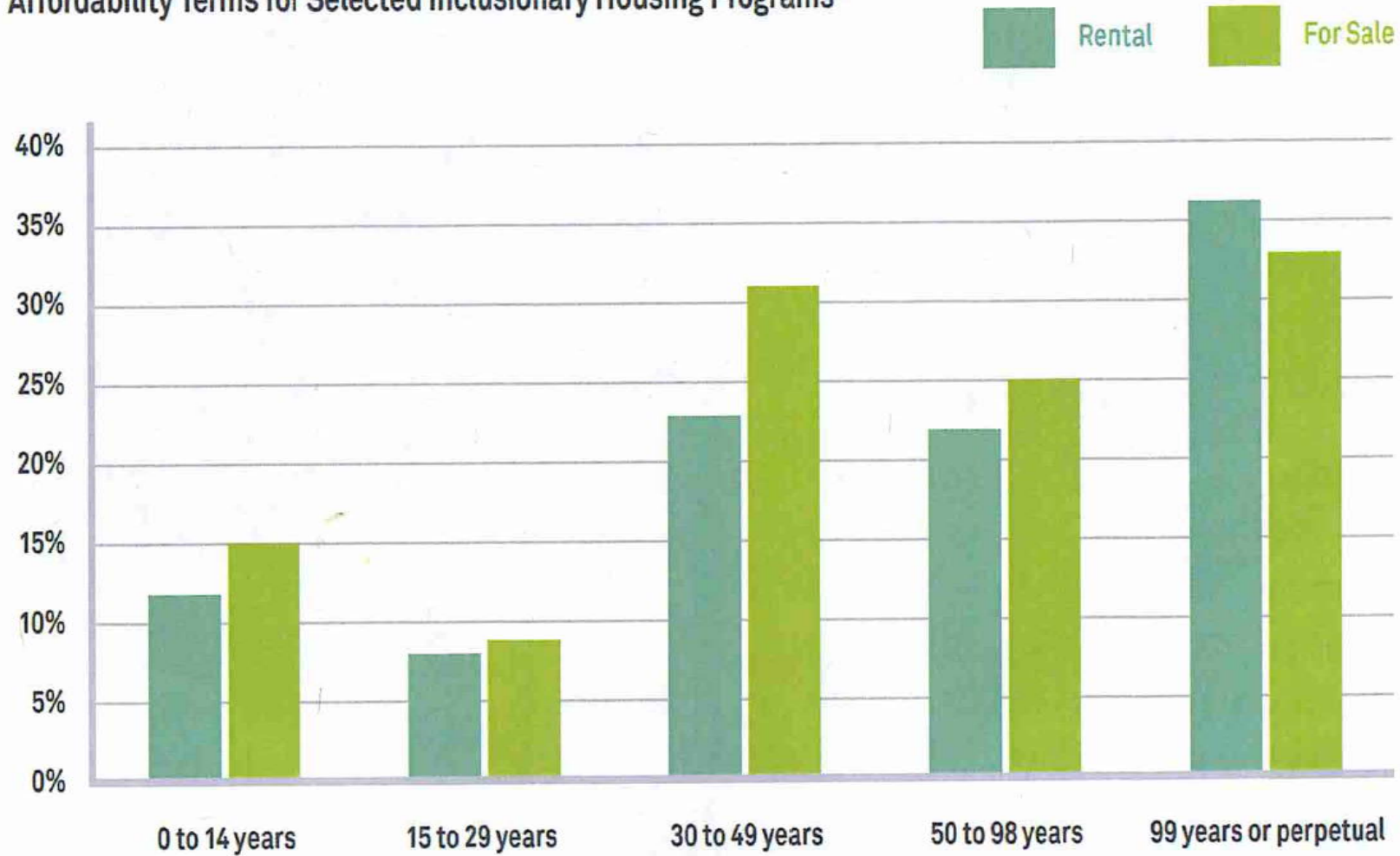
Figure 5
Set-Aside Requirements in Selected Programs



*Washington requires the greater of 8 to 10 per cent floor or 50 to 75 per cent of the bonus density.

Source: Hekey, Surtawont, and Thoden (2014).

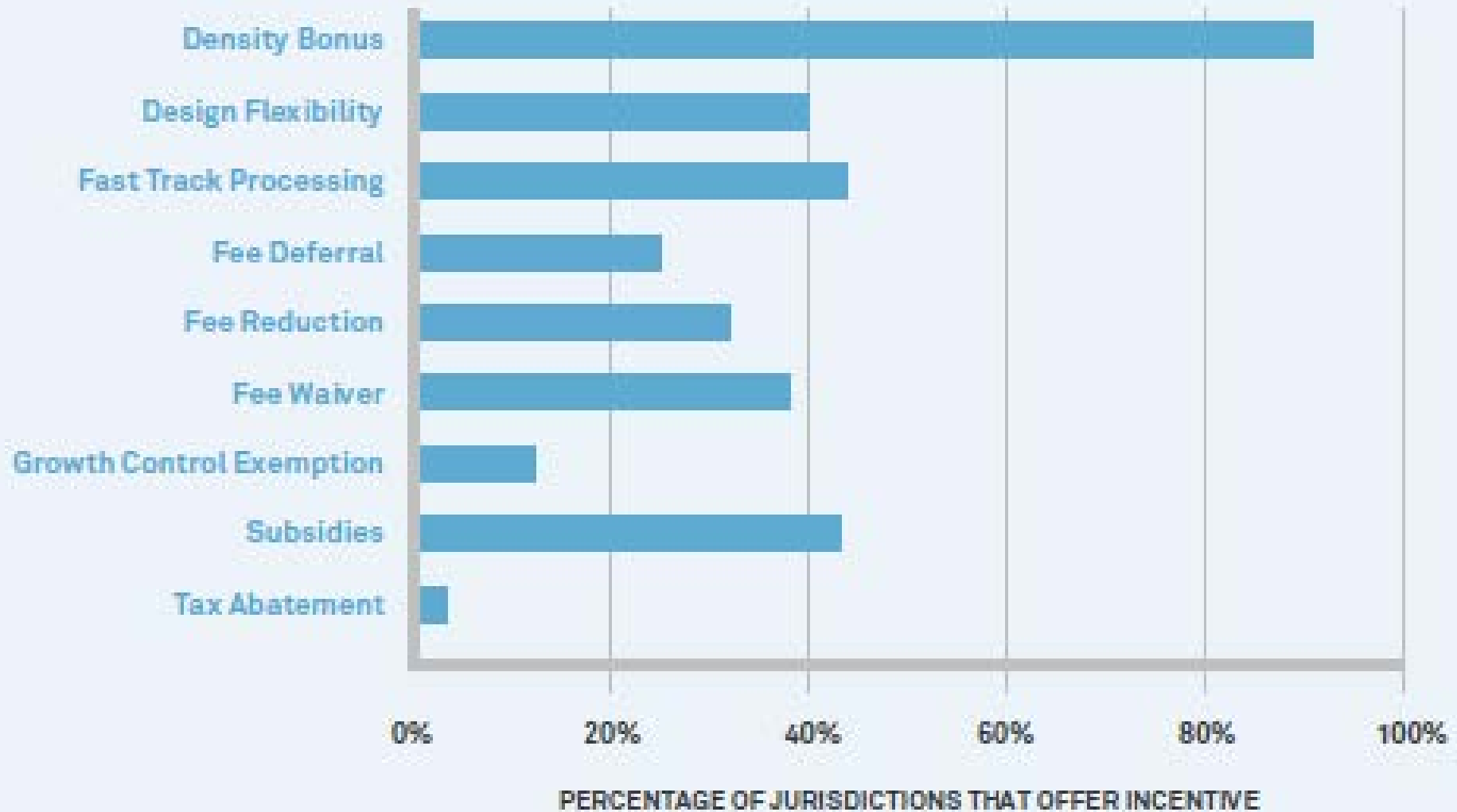
Affordability Terms for Selected Inclusionary Housing Programs



Includes 330 inclusionary housing programs for which affordability term data is available. Source: Hickey, Sturtevant, and Thaden (2014).

Figure 8

Developer Incentives



	Bloomington	Edina	Richfield	St. Louis Park
Mandatory	Yes, if public financing involved	Yes, if public financing involved or site rezoned to a PUD	Yes, if public financing involved	Yes, if public financing involved, request for land use changes through PUD is made, or comp plan amendment is needed
Development Size	20 units or more	20 units or more	5 units or more	10 units or more
Housing Types	Rental (new construction & rehab), single family	Rental (new construction, NOAH rehab), ownership (new construction)	Rental (new construction), ownership (new construction)	Rental (new construction, rehab), ownership (new construction)
Term	20 Years	At least 20 years	26 years (if TIF), no less than 10	25 years
Affordability Target(s)	Rental: 9% of total project at 60% AMI Ownership: 9% at 110% AMI	Rental 20% at 60% OR 10% at 50% AMI (NOAH rehab 40% at 60% of AMI) Ownership: 10% of units at affordable sales price	Rental: 20% at 60% of AMI Ownership: 20% at 115% AMI	Rental: 5% at 30% AMI, 10 at 50% or 20% at 60% Ownership: payment in lieu required
In Lieu Fee	\$9.60 per leasable square foot	Total buy in of \$100,000 per unit	15% of total financing provided by City; may seek approval for combo of units and in-lieu fees	Difference between market-rate sales price and affordability at 80% AMI multiplied by 15% of total units
Costs Offsets	Density bonus, TIF, slew of others	Density bonus, TIF, property tax abatement	Density bonus, property tax abatement	Density bonus, reduced development requirements



WHY A FORMAL POLICY IS DESIRABLE

- “Ad-Hoc” or deal-by-deal approaches, as opposed to “generally applicable” ones, may invite legal challenges
- A formal policy sends a consistent signal to developers so they know what to expect & can build the policy into early decision-making
- The policy can still incorporate elements of flexibility
- Covers more than what percentage of units at what AMI level, including quality standards, any available alternatives, and mechanisms for monitoring and compliance
- City can still build in a right to alter/waive policy elements in unique circumstances

RECOMMENDED ELEMENTS

- For rental housing, provide developer choice, but with options skewed toward deeper income affordability
- For owner-occupied housing, consider reasonable requirement to add units *OR* a to-be-determined “payment in lieu” of affordable units, with the payment to be used for owner-occupied affordable or affordable rental housing elsewhere
- Affordable rental units should be reasonably integrated into the development
- Housing Choice Vouchers & Affirmative Fair Housing Marketing Plan requirements

RECOMMENDED ELEMENTS CONT'D

Eden Prairie Inclusionary Framework

Mandatory system

Applies to developments of 10 or more units

For rental units, restrictions apply in perpetuity

For rental units, developers choose a level of affordability (change from 5% at 50% of AMI & 5% at 80% of AMI to 5% at 30%, 10% at 50%, or 15% at 60%)

For rental units, all units must be developed on-site

FEEDBACK THUS FAR / WHERE WE'VE LANDED

- Flexibility is desirable (though City can calibrate to suit its objectives)
- Limit to projects of a certain minimum size / don't hamper smaller developments
- Keep development on-site and fully integrated into developments
- Don't allow payments in lieu for rental development

MAJOR QUESTIONS OUTSTANDING

- Appropriate levels & percentages of affordability
- Tie to any other incentives, financial or otherwise?
- How to handle owner-occupied housing
- Sizing of payment in lieu, if any

QUESTIONS & DISCUSSION

