INCLUSIONARY HOUSING POLICY

HOUSING TASK FORCE – SEPTEMBER 11, 2019

CURRENT PROPOSAL – HIGHLIGHTS

- Mandatory with or without city subsidy
- 10+ units applies
- For rental, developer takes choice of 5 at/below 30%, 10 at/below 50% or 15 at/below 60% of area median income (AMI) **subsidized projects subject to additional negotiation*
- Requirements remain in perpetuity
- All units built on site, except for possible payment in lieu on owner-occupied product
- Possible payment in lieu (if not building units) based on size and/or value of homes

	Bloomington	Edina	Richfield	St. Louis Park	Eden Prairie (Draft)
Policy applies when	Public financing involved	Public financing involved or site rezoned to a PUD	Public financing involved	Public financing involved, request for land use changes through PUD is made, or comp plan amendment is needed	PUD requested, comp plan change is required, or public subsidy is involved
Development Size	20 units or more	20 units or more	5 units or more	10 units or more	10 units or more
Housing Types	Rental (new construction & rehab), owner-occupied	Rental (new construction, NOAH rehab), owner-occupied	Rental (new construction), owner-occupied	Rental (new construction, rehab), owner-occupied	Rental (new construction), owner-occupied
Term	20 Years	At least 20 years	26 years (if TIF), no less than 10	25 years	In perpetuity
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%) Ownership of AMI): 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	Rental: 5% at 30% AMI, 10 at 50% or 15% at 60% Ownership: 10% @ 115% or 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	For owner-occupied housing, as option to direct building of units, with amount determined based on average size or sales price of units in development
Costs Offsets	Density bonus, TIF, slew of others	Density bonus, TIF, property tax abatement	Density bonus, property tax abatement	Density bonus, reduced development requirements	TIF, others?

PROPOSED RENTAL FRAMEWORK

<u>Projects not requesting public subsidy</u>

Developer choice of:

- 5% of units at/below 30% AMI, *or*
- 10% of units at/below 50% AMI, *or*
- 15% of units at/below 60% of AMI

Duration: in perpetuity

Cost offsets contemplated based on a demonstrated gap

*<u>Projects requesting public subsidy (e.g. TIF)</u>**

Per TIF Housing District regulations:

- 20% of units affordable at/below 50% AMI
- Additional affordability to be negotiated

Duration: in perpetuity

Any additional cost offsets based on demonstrated existing gaps

*projects receiving non-city subsidies such as LIHTC may be deemed to have met the base affordability requirements but must still select/comply with the 'in perpetuity' requirement

“COST OFFSETS” IN USE BY OTHER LOCAL CITIES

- Density Bonus
- Parking Reduction
- Unit Size Reduction
- Development Fee Waivers / Deferments
- Landscape Fee Reduction
- Expedited Plan Review
- Pooled TIF
- Deferred Low Interest Loans
- Reduced Development Requirements
- Partial Waiver of Building Permit Fee
- Housing TIF
- Property Tax Abatement
- Alternative External Materials Allowance

OWNER-OCCUPIED FRAMEWORK

- Build Units Option: Build 10% but not less than 1 unit affordable to household earning 115% or less (~ +/- $330k) of the area median income (higher / lower than 10 units preferable?)
- In Lieu Options:
  - Pay amount equal to $15 / per usable square foot in the average home in the new development x the number of homes representing 10% of units but in no case less than 1 unit (ex: $33k/per), *or*
  - Pay amount equal to 5% of the averaged initial sales price of homes in the new development x the number of homes representing 10% of units but in no case less than 1 unit (ex: $30k/per)

*Any IH units built under this framework of supported via in-lieu payments will be kept affordable long-term via restrictive covenants on the deed

HIGHLIGHT ON KEY ELEMENTS

- How much affordability & at what AMI levels
- Depending on above, what ‘cost offsets’/goodies can the City use to support development?
- Is handling of unsubsidized vs. subsidized projects clear enough?
- Desirability of payment in lieu for owner-occupied projects
- Size of payment in lieu

SPOTLIGHT ON SMALLER ELEMENTS

- Development size—10,15, 20 units? Difference 'tween owner-occupied and rental?
- Compliance alternative: Dedication of land for affordable housing
- Compliance alternative: Rehab and deed restriction of NOAH units
- Exemptions? (e.g. student housing, certain types of senior housing, etc.)
- Income Ceilings? (once occupied, allowing tenant income to rise above initial eligibility threshold)

MAJOR QUESTIONS OUTSTANDING

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

QUESTIONS & DISCUSSION