BEST PRACTICES TO REDUCE THE COST OF AFFORDABLE HOUSING
University of Minnesota Center for Urban and Regional Affairs; Housing Justice Center (formerly, Housing Preservation Project); Becker Consulting
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Executive Summary

In 2014, Minnesota Housing, the McKnight Foundation, ULI Minnesota /the Regional Council of Mayors, and Enterprise Community Partners sponsored Minnesota Challenge, an “idea competition” to solicit research proposals focused on reducing the cost of producing new affordable multifamily units. The University of Minnesota Center for Urban and Regional Affairs (CURA), the Housing Justice Center (formerly the Housing Preservation Project), and Becker Consulting submitted a proposal centered on how local government practices and policies affected the cost of new development, which was selected as the winning proposal. The resulting extensive research had now led to this report.\(^1\)

Very large numbers of working families in the metro area cannot afford housing. Affordable housing for these families is necessary for balanced communities and the economic well being of hundreds of thousands of households in the region. But available resources are insufficient to address the housing needs of new lower income households.

If the per unit cost for new developments can be reduced, the per unit development subsidy from funders can be correspondingly reduced, freeing up those subsidies for additional units and significantly improving the region’s ability to meet housing needs. While this report is focused largely on cost reduction per se, it also addresses additional means of reducing the pressure on federal and state subsidies by further engaging the resources of the private sector and local governments where feasible.

The potential for savings is significant.

The good news is that there are multiple areas where local government practices can reduce costs and stretch subsidies, and where there are real opportunities for improvement, by the broader adoption of a series of best practices across the region. And these cost reduction opportunities are quite significant.

Application of readily available regulatory policies and investment of a reasonable level of local resources in a local project could free up enough subsidy resources to fund one additional unit for every three to six units developed in the local project.

The report identifies eleven areas where improvements in local practices can be made. It is important to note that these changes would not require sacrifices in construction quality or durability, an area where cost reductions usually do not make sense. It is also important to note that a number of communities currently employ many of these practices; the point is to spread these best practices as widely across the Region as possible, so they can have maximum impact.

There are multiple opportunities to spread better practices.

Highlighted below are eleven areas where there is room for improvement on local city practices.

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\(^1\) What this report does not cover is the multiple other factors besides local government practices that affect the cost of producing new affordable housing. Nor does the report cover the effect of local government practices on preservation of affordable housing, or on affordable home ownership.
Supporting appropriate density. The single area with the largest impact on cost is the failure of cities to support the most appropriate and cost effective density and scale of affordable housing projects. The too frequent tendency of cities to downsize the scale and size of projects forces the project’s fixed costs to be spread across fewer units, often dramatically increasing costs. Several cities have been quite successful, however, in resisting this tendency.

Contributing local financial resources. There are a variety of financial resources available to local governments, which not only help fill the subsidy gap but which also allow those proposals to score better in the competition for state and federal resources, including tax increment, real estate tax reduction, general obligation or revenue bonds, and use of levy authority. The extent of those local contributions currently vary widely, and include in some cases underutilized sources that don’t necessarily cost local governments much.

Site identification and acquisition. Finding and acquiring sites for new developments is one of the most difficult, time consuming and expensive tasks developers undertake. A number of cities have been quite proactive in easing these burdens, from identifying appropriate sites to zoning sufficient appropriate land, making city owned land available, and even acquiring sites for affordable developers, sometimes at reduced or no cost.

Reduced parking requirements. The considerable expense of structured parking, combined with the growing feasibility of reduced car dependence in many circumstances, has engendered considerable interest in reducing the level of parking cities require be incorporated in new developments. While the reduction in city parking requirements does not necessarily always lead to fewer parking spaces (the developer and the lender will have their own views on the parking needed), there are now many examples of local government creativity in this area, with significant savings resulting.

Fee reductions and waivers. Local fees, which vary widely in amount, can easily add $20,000-$30,000 in costs per unit. Not only do the total fees per unit vary widely by city, but the practice of waiving some or all of those fees for affordable developments also varies widely.

Streamlined administrative processes. Delays in the project approval process can be quite expensive when those delays are lengthy. Although the delays are not always the fault of the city’s process, there are frequent developer complaints about city processes. There are a number of good ideas employed to minimize these delays on the local government end.

Material, site and design requirements. While city requirements regarding materials and design can add costs, most developers see the value in these requirements. One area where there may be potential for modest cost reductions is in the design of smaller, more efficient units, where city flexibility can remove one barrier to new approaches. It’s not clear that this approach is desirable for households with children.

Manufactured and modular housing. Some interesting work is being done exploring the feasibility of creating new manufactured home communities, which could potentially lead to new affordable units at a fraction of the cost of stick-built units or apartments. Many communities still attach a stigma to these communities, however, so if feasible models can be developed, cities will need to be open to these new communities.
Openness to all affordable developments. Cities frequently voice a preference for mixed income housing, which can be quite challenging when the developer tries to match affordable financing with market rate financing. Occasionally this preference for mixed income can spill over into outright opposition to all affordable projects, based on a fear of concentrating poverty. Particularly in affluent suburban communities, this fear is both misplaced and contrary to the experience many cities have had with all affordable tax credit developments.

Inclusionary Housing/Mixed Income policies. Inclusionary housing (IH) policies, also called mixed income policies, are getting considerable attention locally these days as housing markets grow stronger, making these policies more feasible. IH policies are in fact probably the most useful tool to create significant new affordability without using the usual federal and state subsidies. A number of suburban cities have used various forms of IH with success, and new policies have recently been adopted and are under active consideration in two suburban cities. While these policies may not be feasible in all cities, there are a number of cities where this approach does have promise, and there are others where improvements in current IH policies may make sense. One outcome of this project to date has been the development of a relationship with Cornerstone Partnership, a national consultant on IH policies, which has been providing assistance to a number of metro cities so far.

Addressing Community Opposition. Coping with community opposition to new affordable housing proposals can be particularly challenging for local governments, even when they are supportive of the proposals. In some cases, this opposition can lead to rejection of the proposal altogether, or it can lead to substantial delays, or it can lead to reduced project size or costly add-ons that drive up cost. While these adverse results continue to surface in the Region every year, fortunately a number of cities have developed very effective approaches to generating community support and minimizing or neutralizing opposition.

Recommendations on how to get best practices more widely employed

This is a good time for cities to be considering these issues. Metro area cities are beginning the process to plan for comprehensive plan updates due in 2018, which will include new housing elements which incorporate local plans, policies and programs to meet affordable housing production goals. To assist cities in updating these plans, the Metropolitan Council is currently developing an updated Local Planning Handbook which provides guidance to cities on all aspects of comprehensive plan updates, including affordable housing planning. The best practices referred to above are a natural fit to include in the Local Planning Handbook and we anticipate the Metropolitan Council will be reviewing this report with an eye to incorporating these practices. This report will also be used to collaborate with ULI Minnesota and the Regional Council of Mayors to update and expand the Housing Policy Tool Box as an additional “how to” resource for cities. This work will also inform affordable housing planning along transit corridors such as the Southwest LRT Corridor, and federal “New Starts” applications which now include a focus on local affordable housing efforts.

Finally, what has become clear in the course of this work is the need that a number of cities have for technical assistance with the issue of affordable housing development. This is particularly the case for many smaller communities on the fringe of the metro area who have been assigned large affordable housing goals based upon future growth projections, but who have limited staffs and little or no experience with developing affordable housing.
INTRODUCTION

This study of best local government practices to reduce the cost of affordable multifamily rental housing was funded by the Minnesota Housing Finance Agency and the McKnight Foundation as the result of the Minnesota Challenge competition that was also sponsored by ULI Minnesota/Regional Council of Mayors and Enterprise Community Partners, Inc. The goal of the Challenge was to generate ideas that would reduce the costs of rental housing and give the state and local communities additional options for providing a full range of housing choices for low and moderate income residents. We hope that this study will particularly be useful to city policy makers and development staff and to affordable housing advocates.

The description of best practices was developed from a survey of national literature\(^2\) and from interviews with 22 developers and housing/development/design professionals and with planning or development staff from 17 metro area cities and counties. An Advisory Board of housing professionals provided insights and feedback.\(^3\) We believe this sample gave us a good sense of what metro cities are doing well, but we will obviously have missed many good examples.

The study was selected for funding as the result of a competition for ideas to reduce the cost of new, multifamily rental housing. As a result, we have not looked at rehabilitation or preservation of existing housing or at policies that apply exclusively to home ownership.\(^4\) We have, however, expanded the cost reduction topic somewhat in two ways. We have added use of local financial resources, based on the observations of many who we interviewed that this is an important local policy which expands the total subsidy available and thus the amount of affordable housing produced in the region. We have also added a discussion of inclusionary housing policies, which clearly tie cost reduction policies to the production of affordable housing and which also present the potential to produce affordable housing in a greater variety of locations and in mixed income contexts. These policies may also, to some extent, require developers to employ some of their own resources to assure affordability, in exchange for public benefits such as access to transit and other public services and ability to increase density. The common denominator here are strategies which allow available resources to be stretched as far as possible.

The most important lesson from this research is that local policies that affect cost play an important role in determining whether it’s feasible to build affordable housing locally and in the amount of affordable housing that can be built throughout the region. We have reviewed national best practices, and found, for the most part, that they are being employed in at least some metro area cities. But much more widespread adoption of these practices is necessary if we are to limit costs and thus spread resources more widely, as well as make real progress addressing the affordable housing need over the next 15 years.

The best practices summarized below should be evaluated by cities and funding partners as a potential tool box of financial and regulatory resources available to assist affordable projects. No

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\(^2\) See Appendix 1.
\(^3\) See list in Appendix 2.
\(^4\) It should also be noted that local government practices are just one determinant of housing production costs. Construction costs, state building and energy codes, and inefficiencies associated with affordable housing finance, for example, also contribute but are not the subject of this study.
one tool is likely to make a project affordable. When we have discussed this project, many people reacted by assuming the focus would be on site and construction materials requirements. While those topics are important, for reasons discussed below we have focused our research on other areas which provide clear opportunities for substantial cost savings while maintaining quality and durability.

The Region’s needs for affordable housing.

Housing policies generally define low income housing as that affordable, at 30% of income, to households whose incomes are no more than 80% of the area median income (AMI), adjusted for household size as calculated by HUD. For the Metropolitan area in 2015, 80% of AMI is $65,800 for a family of four. The Metropolitan Council recently estimated that throughout the region, there were approximately 266,000 such households paying more than 30% of income for housing—the federal standard for housing affordability. Virtually every metro area community had substantial numbers of such households. People in this income range include accountants, assembly workers, police officers, interior designers, bus drivers, home health aides, retail sales workers, and a host of others necessary to virtually every city’s economy. Half of the jobs in the metro area pay less than what is needed to afford the average 2-bedroom apartment renting for $1,083/month. Having housing affordable to a variety of income levels, including housing affordable to the vast number of low income working families, is necessary for a balanced, economically resilient, community.

The Council has also estimated that more than 5,000 new affordable units need to be produced annually during this decade just to meet the housing needs of new lower income households, but through 2013, fewer than 1,000 affordable units have been produced annually, only 9% of the total new units. It is possible to improve this performance significantly by working together and applying the most effective regulatory and financial tools and strategies. Over the last 20 years, most cities in the metro area have fallen well short of producing the new affordable housing needed to keep up with a growing regional demand. But a few have done very well. The few that performed well did so by using many of the tools described below to invest local resources and adopt policies and regulatory flexibility to reduce the cost of affordable units produced in their jurisdictions. By doing so, they met their own need to provide a full range of housing choices and at the same time significantly expanded the total resources available to produce affordable housing in the region. If the best practices described below were widely adopted, the region could much more closely meet the need for new affordable housing.

The importance of local regulatory flexibility and investment of local resources.

The Medina Woods townhouse development described in a case study in Appendix 3 provides an illustration of the magnitude of the cost savings associated with several of the best practices

5 But some may well be sufficient individually to make 10%-20% of the units in an otherwise market rate development affordable as part of a city’s inclusionary housing (IH) program. See discussion on inclusionary housing, below.


7 With incomes no greater than 60% of the region’s median income (currently $68,772), adjusted for household size.
discussed below. The zoning for the project permitted 7 du/acres or 26 units. The developer initially sought approval for a planned unit development (PUD) for a 32 unit project (8.6 du/acre). In response to resident opposition, City Council support evaporated, the developer withdrew its request and the project was developed with 26 units under the existing zoning and without the promised fee waiver. The submission by the developer of detailed project cost estimates before and after City support collapsed permitted MHFA to compare costs/unit with and without the PUD and fee waivers (see MHFA report in Appendix 3). An excerpt below illustrates several important points:

<table>
<thead>
<tr>
<th>Units</th>
<th>cost/unit</th>
<th>Cost</th>
<th>cost/unit</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>architect</td>
<td>5,706</td>
<td>182,592</td>
<td>9,556</td>
<td>248,456</td>
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<tr>
<td>SAC/WAC</td>
<td>2,435</td>
<td>77,920</td>
<td>11,085</td>
<td>288,210</td>
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<tr>
<td>Site Construction</td>
<td>29,813</td>
<td>954,016</td>
<td>36,692</td>
<td>953,992</td>
</tr>
<tr>
<td>acquisition</td>
<td>15,625</td>
<td>500,000</td>
<td>19,231</td>
<td>500,006</td>
</tr>
</tbody>
</table>

These numbers can be used to compare a hypothetical 26 unit project without city fee waivers or investments with a 32 unit project supported by the city with fee waivers and investment of city resources such as pay-as-you-go tax increment assistance. Many project costs were essentially fixed costs, and independent of the number of units built, so increasing density decreases the cost of these per unit:

- Architect. The example below uses the cost for the 32 unit building for developing both the 26- and 32-units projects. The later increase for the smaller project was due to required re-drafting. Had the original drafting been done for a 26 unit project, it certainly wouldn’t have cost any more, and probably wouldn’t have cost significantly less.
- SAC/WAC fees. Service and water access charges were to be largely waived in the original project; the city reversed itself on this. We assume waiver of the full fee in the 32 unit project.
- The construction costs related to site improvements (roads, curbs, play equipment, landscaping) are largely unaffected by the size of the project.
- In the Medina case, the cost of site acquisition was unaffected by the number of units developed. The price was probably based on the permitted zoning, or about $19,000/du.
- Other fixed costs: legal, survey, environmental, appraisal, marketing, audit will not change with project size. Based on other project financial statements, we assume, probably conservatively, at least $100,000 per project.

The table below compares a 26 unit project with no fee waiver to a 32 unit project, permitted by a PUD with 23% density increase.
The combination of increased density and fee waiver results in cost reductions amounting to $23,575/unit. The City also committed $189,736 in CDBG funds to the project. This amounts to about $6,000/unit for the 32 unit project, bringing total benefits from potential city investment and regulatory flexibility to about $30,000/unit. In the discussion of tax increment financing below, we calculate that pay-as-you-go TIF assistance, should be worth between $6,000 and $13,000 per unit (the larger number in Hennepin County where Medina is located), so up to about $7,000/unit more than the CDBG funds in the Medina project.

**The potential effect of local policies on metro-wide affordable housing production.**

The Metropolitan Council recently concluded that it took about $180,000 in tax credit equity and additional subsidy funds to produce a typical tax credit unit. So using the above hypothetical, a combination of regulatory flexibility saving $24,000/unit in development costs and $6,000 in TIF or other local funds invested in 6 units saves enough tax credit equity and other available subsidy sources to develop another whole unit elsewhere in the metro area. This effect can potentially be much greater:

- The density increase involved in the Medina project was only 23%. If the issue had been whether to permit a 3-story or a 4-story building, as was the case with the Creekside Commons project in Minneapolis (see case study in Appendix 3) the density increase would have been 33% and the cost savings correspondingly greater. The difference in cost in the Creekside Commons case amounted to $43,400/du.
- If the project were also located near a transit station with underground parking, a reduction in required parking from 1.5:1 to 1:1 would save an additional $5,000/unit (construction costs of $15,000/stall-probably a low estimate- reduced by 33%).
- TIF could add an additional $13,000/du.
- **This level of local investment and regulatory flexibility would permit one additional affordable unit to be produced in the region for every three local units produced.** (180,000/60,400 = 3). Note that much of this local “contribution” in this case is in the form of regulatory flexibility rather than local financial investment.
DISCUSSION OF BEST PRACTICES

PROJECT DENSITY AND SCALE

A number of interviewees cited density as the area with the potential for the largest impact on housing costs. It is probably the single most important issue for cities to get right. Yet it is almost the rule, rather than the exception, that when any multifamily residential developments are proposed, the combination of neighborhood opposition and concerns of elected officials result in projects which, if they do get approved, end up smaller, shorter, with fewer units, and less density. The result of such changes is significantly increased costs per unit and therefore increased need for subsidies to keep the rents affordable.

While many high density zones don’t have an upper limit, a need for a conditional use permit or site plan approval or financial assistance often provides the city leverage to get reduced density anyway. In addition many sites ideal for multifamily affordable housing are in a “moderate” or “medium” density zone with a density limit that is far too low. In the recent Medina townhouse case (see Case studies Appendix 3) the maximum permitted density in the medium density zone was only 7 du/acre whereas architects typically think of townhouse densities as 12-20 du/acre. See the sections on administrative delays and resident opposition for more discussion of this issue.

Relevance to the Cost of Affordable Housing

There are several reasons for the importance of project density and scale:

**Construction cost savings.** First, generally speaking and until building heights are reached that do not permit wood frame construction, the greater the density, the lower the cost per unit. Construction of townhouses is less expensive per unit than construction of single family homes and duplexes. Less expensive interior walls replace exterior walls. Construction of 3- or 4-story wood frame buildings, in turn, are significantly less expensive per unit than townhouses. There is less expensive roof construction and exterior wall construction per unit and plumbing can be stacked. For the same reason, the cost per unit of a four story building is generally less than for a three story building with the same footprint. These higher density developments also permit economies of scale for all of the construction trades.

**Spreading fixed costs over more units.** Second, the larger a project with a given footprint, the more units over which fixed costs are spread. Design, site construction, legal, environmental, and audit costs are very significant and don’t vary substantially with project size. Once land is purchased, it is of course a fixed cost, and a very substantial one, and variations in permitted height and density can spread this cost over more, or fewer, units.

**Building height, construction costs, and project density are closely interrelated.** Building codes limit wood frame construction to five stories. It is possible to achieve six stories by building five stories of wood frame construction above a first story built with more expensive techniques. Depending on the magnitude of fixed costs, it may be more cost effective to get the extra story even though the ground floor requires more expensive construction.\(^8\)

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\(^8\) There are additional complications. Wood frame buildings above three stories require more expensive wood and may be subject to additional energy code requirements. Also, wood shrinks and bricks do not, so taller wood frame
As one illustration of the order of magnitude of these cost differences, HUD produces Total Development Cost (TDC) limits setting the maximum federal funds that can be used to develop public housing. HUD averages the construction cost for each metro area by bedroom (BR) size and structure type for construction of “average” quality from R.S. Means cost index and for construction of “good” quality from the Marshal & Swift index. HUD then estimates additional development costs based on these construction numbers. For 2014 for this metro area, the TDC limits are as follows for 2 BR units:

<table>
<thead>
<tr>
<th>Detached, semi-detached</th>
<th>262,240</th>
</tr>
</thead>
<tbody>
<tr>
<td>Row House</td>
<td>249,213</td>
</tr>
<tr>
<td>Walk-up</td>
<td>230,471</td>
</tr>
<tr>
<td>Elevator</td>
<td>251,615</td>
</tr>
</tbody>
</table>

Using HUD’s methodology, modest cost townhouse units cost about $13,000 less per unit to develop than single family or semi-detached units and 3-or 4-story buildings about $32,000 less. Note the substantial increase from 4 story “walk-up” buildings to taller “elevator” buildings where more costly construction methods are required.

**Project scale.** Developer Ron Clark has worked on suburban low income housing tax credit projects that are significantly larger than usual for such projects (60-70 units). He makes two additional points about project scale. First, these projects are of sufficient size to allow on-site staff and make management more economically efficient. Second, the cost savings can make feasible design features which increase project quality and attractiveness, elements that are important in achieving community acceptance – particularly in cities with little or no experience with income- and rent-limited housing.

Permitting densities sufficient for 4- to 5-story buildings with wood frame construction allows the most cost efficient construction. The average density for affordable housing projects built in the metro area between 2003 and 2013 was 40 du/acre. While the Council’s housing policy requires sufficient land developable at a minimum density of either 8 du/acre to meet all affordable needs or 12 du/acre to meet the need for units affordable at 50% AMI or below, 91% of the affordable projects were at densities greater than 8 du/acre and 81% at densities greater than 12 du/acre. Many well designed projects are at or even above 60 du/acre. Some good metro area examples are:

buildings will not have brick facades, often desired by cities, at least not on the upper floors. Minneapolis planners indicate that recent development activity suggests that, at least in the area around the University of Minnesota in Minneapolis, the most cost effective building type is five stories of wood frame above a concrete ground floor, as that is how virtually all of the many market rate developments in the area are designed. A recent Seattle Study claims the most cost effective construction there is five wood frame stories over two of concrete and suggested adjusting height limits to allow more of this construction. Seattle Housing Affordability and Livability Agenda, [http://murray.seattle.gov/wp-content/uploads/2015/07/HALA_Report_2015.pdf](http://murray.seattle.gov/wp-content/uploads/2015/07/HALA_Report_2015.pdf), at page 23.

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10 These HUD costs are presented to provide a sense of the relative magnitude of the cost differences of these construction types. They are probably not a particularly useful guide to likely development costs of any particular project.
11 The “elevator” category refers to taller buildings rather than any building with an elevator; walkup buildings will typically have elevators.
12 Or, 4 wood frame stories above a ground floor with more expensive construction.
13 Metropolitan Council data.
Gallery Flats, Hopkins, 83 units/acre (20% affordable): and the Excelsior and Grand
development in St. Louis Park, 75 units/acre.

Townhouse densities are typically characterized as about 12-20 du/acre. While less cost efficient
than 4 story buildings, they are probably a better design for families with children. There are local
examples of mixing the two, with 2-story townhouse units on the ground floor with an additional
floor of traditional double-loaded corridor units.

Density at this scale permits the most cost efficient building techniques and substantially reduces
fixed costs per unit. It is critical that public officials permit densities allowing cost efficient
construction in appropriate locations in the comprehensive plan and zoning policies. Density, per se,
should not be used as an excuse to reject or demand substantial downsizing of projects. Rather it is
important to develop policies to encourage good design in such projects and to learn to effectively
address the public concerns that are often expressed about project density. The City of Carver’s
recent experience in approving a larger-than-average tax credit project in the face of strong NIMBY
opposition provides a good example of effective local government response to this issue.

Regional Policy Recommendations

The Land Use Planning Act requires that metro cities’ comprehensive plans include “use of official
controls and land use planning to promote the availability of land for the development of low
and moderate income housing.”14 The Metropolitan Council’s new Housing Policy Plan would
require cities to set aside land at minimum densities necessary to accommodate the need for
affordable housing assigned by the Council. The minimum is either 8 du/acre or 12 du/acre for the
need at 50% or less of Area Median Income (AMI) and 6 du/acre for the need for units affordable
between 50% and 80% of AMI.15

The same section of the Plan notes that the average affordable project developed over the previous
decade was at 40 du/acre. Many city’s comprehensive plans and zoning ordinances do not permit
densities at this scale or severely limit areas where these densities are permitted. It is important that
the Council recognize the serious limitations of the Housing Policy Plan’s minimum densities in the
Local Planning Handbook that is being developed to guide comprehensive plan updates due in 2018
and to recommend much higher minimum densities that can actually accommodate the production
of cost efficient affordable units.

Municipal Practices

In addition to zoning at appropriate densities, cities need to permit development allowable by
zoning district. Costs can quickly escalate when cities use land use leverage like site plan or
conditional use permit approvals to force owners to downscale their projects below maximum
density permitted by the comprehensive plan or zoning. Land prices are often based on the
maximum permitted use, and downsizing forces the developer to spread the land cost, and other
fixed costs, over fewer units, increasing the cost of such units. In addition, such forced revisions
can cause additional costs due to delays and to the cost of redesigning the project. In the case of

14 Minn. Stat. Section 473.859 Subd.2(c).
15 Note that it is neither likely nor desirable that all of the higher density acreage would actually be occupied by
affordable housing, and these densities do not permit the most cost-efficient housing, so the minimums are
inevitably too low.
Dominium’s proposed Medina Woods Townhomes, per unit project costs escalated substantially due to increased construction pricing due to the delay, costs of redesign, and increased fixed costs per unit when NIMBY reaction by residents caused the developer to withdraw an application for a PUD which would have allowed 32 units and instead rely on compliance with the zoning maximum which allowed only 26.\(^{16}\)

As was the case with the Creekside Commons project in Minneapolis, profiled in Appendix 3, resident concerns often also directly address a project’s height rather than density. Requiring the developer to change from 4 stories to 3 of course dramatically lowered project density and increased fixed costs, including land cost, substantially.

Residents’ stated opposition based on a project’s scale, density, or height may be used as a proxy for opposition to lower income residents. But that certainly is not always the case. Recently residents opposed a proposed 6 story market rate development near Ridgedale in Minnetonka. One opponent was quoted:

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I like the idea that they want to revitalize the area. But what I don’t want to see is hundreds and thousands of people in an urban setting, because this is the suburbs. If I wanted to live next to high-rises, I would have moved to Minneapolis.
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Ultimately the Ridgedale project was approved by the city with only minor changes. Research by Smart Growth America indicates that there are good economic reasons why city officials should favor higher densities: the public costs per person of infrastructure, school transportation, fire protection, and solid waste collection are less the more dense the housing units.\(^{18}\)

Resident opposition generally is addressed below, but interviews with city officials indicated that good design, acceptable to the community, is critical in getting official approval of high density projects. Resident opposition to an apartment building in the Savage Village Commons project was substantially reduced by building a buffer of townhouses between the apartment and adjacent single family homes.

Part of the challenge for cities is to educate their local citizenry on the advantages of more complex, intense development in areas where that’s appropriate. One interesting such strategy has surfaced in Minneapolis. The established neighborhood association in the St. Anthony area of Northeast Minneapolis has become a strong advocate for seeking more dense development, in one case even rejecting an apartment tower as being insufficiently dense. The local city councilmember has attributed the strong stance taken by this group in part to his own efforts to recruit citizens into the leadership of the organization who believe in the advantages of this kind of development. This suggests that efforts to more proactively recruit and involve citizens who believe in this kind of development may be a highly useful strategy.

**Support Density bonuses**

Density bonuses are an effective policy tool that cities can use to reduce the per unit cost of affordable projects. The bonus for the Village Commons project in Savage was from 14 du/acre (a

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16 See, MHFA Board Report in Appendix 3.
17 *StarTribune*, October 8, 2014.
townhouse density) to 20 du/acre (a 43% bonus) permitting a 3 story building. Such a bonus can provide for more cost-efficient construction and spread fixed project costs over more units. The Forest Lake ordinance permitting a 15% density bonus (as well as reduced site and parking requirements and fee reductions or reimbursements) for the inclusion of affordable units is included in Appendix 4.

Additionally, these bonuses can provide an incentive for market rate projects to include an affordable component. There were particularly interesting, and similar, outcomes of density bonus policies in Woodbury and Maple Grove. Maple Grove provided a 40 unit density bonus to Rottlund Homes for a 400 unit ownership development in exchange for 10% affordable units. Rottlund conveyed 3.5 acres to Duffy development to do a 40 unit affordable project, and Rottlund then realized the benefits of the density bonus by building the original 400 units on the remaining, smaller, acreage, and spreading fixed costs over more units. Similarly, a large developer in Woodbury took advantage of a density bonus\(^\text{19}\) by conveying a parcel on the site to the City. After an RFP the City conveyed the site to CommonBond for the 45 unit City Walk project. Although the master developer in the City Walk case did convey the land for $1.00 and cover park dedication fees and other charges, low income housing tax credits were still necessary to make the affordable units feasible. The primary role of the density bonus was to induce inclusion of affordable units into a large market rate development.

Finally, density bonuses can at least partially offset costs to developers of providing affordable units in response to an inclusionary housing requirement. If bonus densities are permitted, then land costs (which may run from $20,000 to $30,000 per unit) and other fixed costs are spread over more units, lowering the development cost per unit. Or, viewed another way, the bonus units are, in effect, free from land and other fixed costs.

Effective density bonuses are also limited, of course, to situations where the developer seeks to build at densities greater than what is available as of right. If density is increased as of right, the price of land will also tend to increase to reflect the more intensive permitted use so direct land cost savings are unlikely. And, of course, since developers have a right to the higher density, no bonus is possible. For cities that are considering up-zoning, it is critical that the potential for inclusionary housing policies be explored \textit{before} the up-zoning occurs. This is an immediate concern for the Southwest Corridor cities, all of which are currently doing station area planning, generally with a focus on creating more intensive uses.

\(^{19}\) See Woodbury density bonus policy Appendix 4.
LOCAL FINANCIAL RESOURCES

The main effect of providing local financial resources to a project that provides affordability is not to reduce development cost but to partially replace subsidy from the standard sources that are available on a metro-wide basis. The result of use of local financial resources is to permit more affordable units to be developed throughout the region. See the discussion on pages 3-4 above. They can also contribute to a project scoring well in the annual competition for low income housing tax credits. In addition, developers look to willingness to make local resources available as a signal that a city will be responsive to development proposals. Several of the developers and a financial expert interviewed indicated that, next to increasing permitted densities, putting local resources into affordable projects was the most important step cities could take.

Perhaps most importantly, contribution of local funds means more affordable housing produced in the metro area. Unfortunately, only a relatively small number of metro area affordable projects receive city and county funds. A 2013 Housing Link database of all of the publicly assisted affordable rental units in the metro area shows 61,726 affordable units in 1,521 projects, but only 9,506 units (only 13% of the total) in 197 projects with city or county funds invested; 8,217 units in 172 projects had city funds. An analysis by Metro Council staff of projects funded in response to MHFA’s 2013 and 2014 RFPs indicated that a much higher percentage of these projects had local funds—68% had city funds and 86% had city or county funds. But with this improvement there was a substantial difference between the central cities and rest of the region. City and county funds amounted to 8% of total development costs in central city projects and only 4% in suburban projects. For the central cities, 86% of the projects had city funding, for the rest of the region, only 40%.

Summarized below are several particularly important points to make about the various financial resources which cities have available to help finance affordable housing:

- Developers and other experts interviewed indicated that the local financial resources discussed in this section are underutilized and could be employed much more effectively to assist in the production of affordable housing, thereby expanding the amount of affordable housing produced annually in the region.
- Provision of local resources will help local projects score well in the annual competition for 9% low income housing tax credit funds.
- In a survey of 10 affordable projects produced with local financial assistance, we found that only six had taken advantage of Section 4d, which allows affordable housing to be taxed at 60% of the rate paid by other multifamily housing. This could typically allow rents $40-$50/month lower.
- Many financial tools may come with relatively modest income or rent limits. Cities should negotiate for rent as well as income limits, and impose longer, and/or more stringent income and rent limits than those imposed as statutory minimums on projects to which they provide assistance. Relatively short terms for these limits inevitably result in a crisis when the terms expire, and the affordable resources disappear. Minnesota law generally permits terms of up to 30 years.  

20 Minn. Stat. Section 500.20. This limit would not apply to projects subject to a long term land lease, in which the income and rent limits could have the same term as the lease. There are many local examples of such leases for 50 years or more.
- TIF pooling is the use of TIF outside of the TIF district. TIF pooling, especially using housing TIF districts, provides a source of affordable housing funding available city-wide.

- Some cities invest substantial amount of tax increment and other city resources into exclusively upper income housing. 21 Brooklyn Park, which appears not to have had a new income- and rent-limited multifamily unit added since 1992,22 is now considering providing TIF assistance worth $7 million into a new luxury building, including $3 million of pooled TIF. This use of resources indicates the potential availability of untapped affordable resources. It also indicates that cities may unnecessarily forgo the opportunity to encourage market rate developers to include affordable units (See Inclusionary Housing below). In contrast, Minnetonka and St. Louis Park impose affordability requirements on TIF projects. See Appendix 4 for the St. Louis Park policy.

**Tax Levy Authority.** Minnesota Statutes Section 469.033 allows housing and redevelopment authorities (HRAs) to levy up to .0185 against the property in the area in which they are authorized to operate. Cities may also levy up to .01813 on behalf of their EDAs and Port Authorities. The levy funds are very flexible and may be used for any HRA purpose permitted by the statute. For instance, the Dakota County Community Development Agency was created with all of the powers of an HRA and makes use of its levy authority, in part to fund a Housing Trust Fund. Minnetonka uses the levy to provide home owner rehabilitation assistance. The levy authority is the most useful financial tool for cities to use to assist affordable housing next to tax increment, but many HRAs or cities do not take full advantage of this authority, or use it at all.

**Tax Increment Financing (TIF).** TIF financing is authorized by Minnesota Statutes Sections 469.174-469.1794. TIF funds are generated by the real estate taxes on the excess of market value within an area designated as a TIF district over the market value prior to establishment of the district. The rules for use of TIF established by the statute are quite complex and what follows is a very general summary of provisions related to housing. The statute permits a city to capture tax increment and use it for specified purposes for a period which varies with the type of district. It may be used for up to 25 years for a housing district.23 In a housing district, the increment must be used for housing that meets income limits – for rental housing, these are the federal low income housing tax credit limits – 20% of the units affordable at 50% AMI or 40% affordable at 60% AMI. The income limits last, at a minimum, for the term of the district.

Tax increment may be used to repay a bond issue that is used to cover project development costs. More commonly, however, cities use “pay as you go” increment, which refunds to the developer the taxes collected in excess of those based on the value of the property prior to designation of the district. This provides a stream of revenue which the developer can use in financing the project, without relying on tenant rents. This allows higher debt at the same rent levels, and therefore less front-end subsidy is needed. The effect is to increase net operating income, available for debt service, without any increase in rents. The TIF doesn’t lower project development costs, but it lowers the public funds necessary to cover those costs.

To estimate the amount of the subsidy reduction that might be permitted by pay-as-you-go TIF, we looked at two tax credit projects, a 40 unit project in Maple Grove and a 45 unit project in

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21 While Housing TIF districts require an affordable component, other TIF districts allow use exclusively for other eligible uses like infrastructure, site remediation, or acquisition of blighted buildings.

22 Analysis of data from Streams

23 Minn. Stat. 469.176 subds. 1-1e.
Woodbury as examples of pay-as-you-go tax increment that might be generated by such projects. For our purposes, the only information needed is the amount of taxes generated by the project and a way of estimating how much is increment. The current taxes per unit are $1,316 for the Maple Grove property and $622 for the Woodbury property. The Hennepin County tax records are readily available on line and specified the land value for the Maple Grove project as 14% of the total. If the project was built on vacant land, the tax increment would then be at least 86% of the total tax. In calculating the reduction in subsidy needed do to the TIF, we assumed: the same 86% of tax as increment for Woodbury; that the project’s debt financing required 120% debt service coverage (so that the amount of extra income available for debt service is the tax rebate divided by 1.2); and 6%, 30 year financing. The extra debt permitted, and thus the needed subsidy reduction, was about $13,000/unit for the Maple Grove Property and about $6,000/unit for the Woodbury property.

The statute permits “pooling” of a limited portion of TIF (typically 20%), for use outside the district in which it’s generated. These pooling rules are structured particularly to assist in the production of affordable housing. The pooling percent in non-Housing districts may be increased by ten percentage points if the increment is used to assist tax credit-eligible housing. Housing districts do not have a limit on pooling. Increment generated from a housing district may be used to assist qualifying housing projects anywhere. Chaska set up a housing TIF district to assist homebuyers in the initial phase of the Clover Field project. The district continues to generate increment which the City uses to fund its housing trust fund, which assists low income housing production in a variety of ways. Similarly, a city such as Minneapolis or St. Louis Park, with a current hot market for market rate rental projects, could include market rate projects in a housing district with at least one affordable project. The increment generated by the market rate projects could be used for the next 25 years throughout the city.

Over the last two years, Maplewood, Richfield, and Golden Valley have contributed a total of $3.9 million of TIF assistance to four tax credit projects. Forest Lake, Eden Prairie, and Minnetonka, as well as the central cities, have also used TIF to assist development of affordable housing.

**Tax abatements.** Cities may authorize real estate tax abatements to assist affordable housing developments. The abatements reduce the cost of operating the project and the benefit may then be passed on to residents in the form of lower rents. While its effects are similar to pay-as-you-go TIF, one difference is that other taxing entities besides the city are not involuntarily included, (and if they don’t the abatement will be significantly lower) although they can volunteer. The abatement may be for a term of 15 years, or if political subdivisions in addition to the city decline to participate, for 20 years. Maple Grove has used an abatement to assist affordable housing.

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24 If built on vacant land, the base assessed value from which the increment is calculated would be based on the market value of the land at the time the district was established. If the land value had increased since then, the additional taxes generated from the increased land value would also be part of the increment.
25 ($1,316 x .86)/1.2=$78.60. This pays for about $13,000 in debt at 6% amortized over 30 years.
26 Minn. Stat. 469.1763 Subd. 2.
27 Minn. Stat. 469.1763 Subd. 2(d).
28 Minn. Stat. 469.1763 Subd. 2(b).
30 The abatement isn’t legally required to pass on savings to residents, but presumably that is the only reason one would be authorized.
Section 4d. Minnesota Statutes Section 273.128 provides that rental units can get a 40% property tax break if at least 20% of the units have income limits of 60% AMI and rents are limited to 30% of 60% of AMI. Tax credit projects routinely take advantage of section 4d but it is also available if the limitations are imposed as part of local government financial assistance. Our preliminary survey described above suggests that large numbers of locally subsidized units are not taking advantage of 4d or were not structured so that the project could take advantage of 4d and are thus missing the opportunity to permit substantially lower rents as a result of their affordable housing investments. Use of 4d would not make sense in a project with a TIF supported bond sale. Use of 4d and pay-as-you-go TIF both effectively result in a reduction in property taxes due. It probably wouldn’t make sense to use both, as one or the other would be most advantageous in any given case.

Housing Revenue bonds. Cities may issue tax exempt (and also taxable) bonds to finance affordable housing developments. The tax exemption resulted in a lower than market interest rate before the crash, although with the current very low interest rates, there is little, if any difference. In the case of revenue bonds, the bondholders must rely solely on the project, in much the same way that typical lenders do, to assure repayment, so these bonds do not impose a risk to the City. To qualify for the tax exemption, there is a requirement that 20% of the housing units be affordable at 50% of AMI or 40% at 60% AMI for at least 15 years. While imposing identical income restrictions, the federal law does not impose any rent limits and state law imposes rent limits that are generally significantly less restrictive than the tax credit statute. Cities should, nevertheless, impose at least the same rent restrictions as for low income tax credit units.

The federal Low Income Housing Tax Credit (LIHTC) program more or less automatically permits “4%” tax credits along with the revenue bonds, without going through the usual time consuming and highly competitive process for “9%” credits. The 4% credits are applied only to the affordable units, and, depending on project size, may not always generate sufficient equity investment to offset the additional costs involved in obtaining equity investors in a project with only 20% affordable units. The combination might well be useful, however, in financing 100% affordable projects, like senior housing, that may not score well in MHFA’s competition for 9% credits. The value of the 4% credits can be maximized by using the maximum permissible developer fee, which in turn maximizes the basis against which the credit percentage is applied. To be useful in actually reducing required subsidy, of course, part of the developer fee needs to be contributed back to the project.

The lower interest rate might make this a useful tool in producing mixed income housing, with at least 20% of the units affordable. Additional City financial assistance or regulatory flexibility might be necessary to make the 20% affordability work.

General Obligation bonds. Cities may issue bonds for certain purposes backed by the full faith and credit of the city. That means that the cities pledge to use their own revenues to make up any shortfalls to bond holders. Cities or counties with good credit ratings can use a general

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31 It’s also possible for the developer to pledge revenue from other projects, to add to the security of the debt.
32 Minn. Stat. Section 474A.047 requires that rents on 20% of the units not exceed the HUD fair market rents; these are generally higher than the rent limits for tax credits which are based on 50% or 60% of area median income. For a 2-BR unit, the 2015 metro area FMR is $996, while the highest permissible tax credit rent (for 60% AMI) is $871.
33 The actual credit percentage floats with a federal index; current percentages are somewhat less than 4% and 9%.
34 Own-revenues can include, if necessary, additional tax revenues.
obligation pledge to substantially reduce interest rates for housing loans. Glendale Place, a senior housing project in Savage was developed and is owned by the Scott County CDA. Savage and the County both made general obligation pledges to secure a favorable interest rate on the financing. The Dakota County CDA has also developed projects it owns using general obligation bonds.

**Local Rent Subsidies.** Producing housing affordable to households at or below 30% of area median income almost necessarily involves rent subsidies as well as capital subsidies. While project-basing housing choice vouchers may allow some level of production of such units, to do so on the needed scale will likely require state and local government to develop alternative sources of such subsidy that can be project-based.

**Development and ownership by public agencies.** The Dakota, Scott, and Carver CDAs, and Washington County HRA have developed and own a number of affordable projects. These are not public housing and are financed in the usual ways. But the public ownership permits payments in lieu of real estate taxes at a much lower rate than even Minnesota’s 4d rate, enabling lower rents for residents. The projects are also eligible for tax exemption on building materials, resulting in significant reductions in construction costs.

**Often overlooked state resources.** Brownfields development resources from the State Department of Employment and Economic Development (DEED) that can be used to assist in housing development. See the DEED resource handbook at: http://mn.gov/deed/images/Brownfields_Resource_Guide.pdf.

**Fee Waivers** are also a form of local financial assistance and are discussed below.
SITE SELECTION AND ACQUISITION

Many developers spend much time searching for sites, often accompanied by expensive preliminary analyses and design studies. Potential sites that are not zoned properly are difficult to identify and present difficult development challenges. Cities can take positive actions to reduce these challenges and costs: properly zoning, identifying, and assisting developers in finding appropriate sites, acquiring and in some cases temporarily holding the sites for affordable developers, making city owned land available to affordable developers, and most usefully, providing such sites to affordable developers at no or reduced cost. When cities start playing an active role, they necessarily must think through a variety of issues prior before developers show interest – making them far more prepared when that interest develops.

Woodbury’s 2008 Comprehensive Plan Housing Implementation Chapter, and the city’s actions pursuant to that chapter, could serve as a model. The Plan provides: “The City has taken a proactive approach in identifying sites for affordable housing and using funds to secure and purchase these sites.” One example was the large City Walk development where the City purchased a 2.2 acre parcel to set aside for affordable housing. The city ultimately selected Commonbond to do an affordable rental project, Views at City Walk, on the site. The City’s Housing and Economic Development coordinator pointed out multiple substantial advantages to city site acquisition. First, it can send a clear message to the community that affordable housing is coming and allow community input. This, in turn, can be very useful in avoiding NIMBY objections. Second, it allows the city to shape the project with a Request for Proposals in order to address comprehensive plan and zoning issues and neighborhood concerns. In addition, the ability of the city to pay cash without waiting for funding approvals, as is often the case with non-profits, gives the city an acquisition and price advantage. Finally, holding costs are dramatically reduced.

The City of Minneapolis recently issued an RFP for a City-owned site near downtown and the Mississippi River. The RFP calls for a mixed income project with at least 20% of the units affordable. St. Louis Park is acquiring the McGarvey Coffee site, located near a proposed transit station, for conveyance to a nonprofit developer for affordable housing. Prior to the city’s decision another developer had proposed to acquire the site primarily for market rate housing. The city has done other acquisitions and land write-downs. Woodbury acquired the site for the City Walk tax credit project.

The Dakota County Community Development Agency routinely acquires land for its own development program. The CDA noted that many Twin Cities suburbs have obsolete commercial projects that are ideal sites for acquisition for affordable housing. Its Dakota Heights project in South St. Paul, with 56 senior units, is built on a formerly commercial site. The CDA provided $250,000 in 2011 to assist in relocation of tenants from the Valley Ridge shopping center in Burnsville, redeveloped with 140 affordable units.

A good suggestion from our interviews was that public acquisition for park and ride sites could be combined with housing development, with the city acquiring the land anyway, and paying for infrastructure. In addition, there is an obvious potential for reduced parking requirements for the

35 Appendix 4.
Publicly owned land that is no longer needed for its original use also provides potential sites for affordable housing. King County Washington has a “first look” policy in which county agencies are to regularly check whether real property is still needed. If not, the first priority for disposing of such sites is for affordable housing. 36 See provision in Appendix 4. Between 1997 and 2007, the policy generated 400 new affordable housing units. The Metropolitan Council has analyzed an inventory of Council-owned land in transit corridors and focused on eight sites for further exploration of development opportunities. The large Metropolitan Transit Commission site adjacent to I-94 at Snelling in St. Paul is at a Green Line stop and is an obvious site for mixed income development.

The recently adopted “Seattle Housing Affordability and Livability Agenda” suggests two very relevant policies: cooperate with other public bodies to create an inventory of all publicly owned properties and evaluate their affordable housing potential; and create a mandate for the co-development of affordable housing in conjunction with new public buildings.37

Finding properly zoned sites suitable for affordable housing development is difficult and several developers indicated that city identification of developable sites with zoning which permitted multifamily development at sufficiently high density was very important. Rezoning requests add time and expense, present an opportunity for NIMBY opposition, and provide city officials with leverage to reduce project size or impose costly conditions. One developer indicated the need to seek rezoning for about half of his affordable projects.

The Metropolitan area Land Use Planning Act requires that cities’ comprehensive plans include: “official controls and land use planning to promote the availability of land for the development of low and moderate income housing.”38 The Metropolitan Council has responded by requiring cities to “guide” sufficient land to minimally accommodate the affordable housing need assigned to each city. But that has merely resulted in broad land use density designations which have been shown to ultimately have little to do with actual production of affordable housing. 39 Wayzata provides a recent example. At a 2014 meeting, the City expounded on the development of a large, high density luxury development, at the same meeting pleading no available land as an excuse for non-production of affordable housing. The council’s comprehensive plan guidebook should suggest that cities identify higher density sites that are likely candidates for development, and therefore for affordable housing development.

California has a statute similar to Minnesota’s Land Use Planning Act, but with far more detailed requirements, including that cities’ comprehensive plans designate specific sites appropriate for affordable housing development. The Metropolitan Council considered, but ultimately declined to include similar guidance in its new Housing Policy Plan, relying instead on its past practice of requiring a minimum amount of land to be designated for residential use at relatively minimal

38 Minn.Stat Section 473.859 Subd. 2(c).
39 “The Minnesota Land Use Planning Act and the Promotion of Low-andModerate-Income Housing in Suburbia,” 22 Law and Inequity, 31, 63, Goetz, Chapple, Lukerman, 2004. The study found that for every 100 acres designated as “high density” in initial comprehensive plans, only five had actually provided affordable housing sites after 20 years.
densities. The Council should provide guidance regarding identification of specific sites appropriate for affordable or mixed income housing in the Local Planning Handbook being produced in the fall of 2015 to guide cities in developing comprehensive plan amendments in 2018.

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6-12 du/acre.
REDUCED PARKING REQUIREMENTS.

Parking requirements add significant cost, particularly in the case of structured or underground parking. These requirements are typically imposed by cities, but lenders and investors may also independently require specific parking ratios. Several national studies and some anecdotal evidence locally, suggest that in many places more parking has been built than turned out to be necessary.\(^4^1\) In addition, there is evidence of reduced reliance on cars in many dense urban environments with transit access. These factors have generated considerable interest in revisiting parking requirements for potential cost savings. The more that development experience in the region demonstrates the feasibility of reduced parking ratios in specific circumstances, the more likely that cities, lenders, and investors will relax their standards.

Underground parking is very expensive. Developers have estimated construction costs around $15,000 - $20,000 per space, or up to $30,000/unit or higher, depending on the required parking ratio. Additional development costs add to these construction numbers. Surface parking costs far less to construct, but may require additional land acquisition. So reductions in parking requirements can be effective in reducing costs. Typical multifamily parking requirements run fairly high,\(^4^2\) so there should be ways to reduce requirements somewhat. Metro area cities are pursuing a number of strategies to do so.

A number of cities have reduced parking requirements near transit stops. Minneapolis recently took action to reduce minimum residential parking requirements for locations near frequent transit, where no minimum parking will be required for buildings of 50 units or less, and .5 spaces/unit will be required for buildings of 50 units or more. Hopkins reduced the parking requirement for the Gallery Flats development, which is located near a planned station area on the S.W. Corridor, from 2:1 to 1:1. Because the S.W. transit line is still in planning, the city permitted “spillover” parking from the project on a city-owned site a short distance away, until the S.W. line is in operation. The Metropolitan Council’s 2014 LCA funding awards for transit oriented developments went to 7 projects with an average of .68 parking stalls per unit. That this level of reductions is appropriate is demonstrated by the example of Riverside Plaza, near both Blue and Green Line stations in Minneapolis, whose owner says that 700 parking spaces provided for 1300 units “seems just right.” Saint Paul has entirely eliminated minimum parking requirements for housing built within a quarter mile of University Avenue, along the Green Line. See Appendix 4. The City is leaving it entirely up to developers and the entities providing their financing to decide how much parking is necessary in close proximity to transit stops. Beacon is currently constructing a 44 unit development near a Green Line station with only 14 surface

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\(^4^1\) The “Right Size Parking Project” by King County, Washington, Metro Transit found an average of .4 excess parking stalls per dwelling unit in the Seattle metro area. See Appendix 1. See also, “Minimum Efforts,” International Parking Institute, November 2013, p. 34.; “Parking Requirements Guide for Affordable Housing Developers,” Southern California Association of Non-Profit Housing, 2-17-04.

\(^4^2\) The Forest Lake standard for townhouses is 4 spaces/unit 2 of which must be enclosed and for apartments it’s 2 per unit, one of which must be enclosed. In both cases, there is an additional space required for every 5 units. See Appendix 4 for its parking provisions, which also include reductions for senior housing, “flexibility” for affordable housing, and a provision for meeting up to 25% of requirements through “proof of parking.”
parking spaces.

Minneapolis has no minimum parking requirements for residential developments in its downtown area, relying instead on the large amount of public parking available in downtown. A new 293 unit project at 10th and Marquette proposes only 12 parking spots, and the same developer owns another 254 unit downtown property with no parking of its own. 43

In some cases, parking requirements are also relaxed for senior developments. Lakeville permits this, and the Forest Lake code reduces the senior requirement from 2:1 to 1.25:1 and also provides for “flexibility” in meeting its stringent requirements for affordable units.

Residential neighborhoods sometimes oppose reduced parking minimums for fear increased pressure on on street parking spaces will spill over into their neighborhoods. Cities may couple reduced parking minimums for new developments with increased management of on-street parking, in order to address neighborhood “spill-over concerns.”

In the Prospect Park neighborhood of Minneapolis, the neighborhood organization is planning extensive mixed use development, including an “adaptable” parking structure, portions of which could be transformed into residential or retail space if it turns at some point out to not be needed for parking.44

Both Chaska and Roseville permitted Aeon projects to count on-street parking toward meeting required parking ratios.

Several suburban cities point out that for developments not close to transit, parking ratios on the order of 2:1 really are necessary. Savage’s Planning Manager cites an example of the importance of getting the parking requirement right. The city permitted reductions for a high density condominium project, resulting in people parking in driveways that were short enough that second cars often stuck out onto the street.

An innovative strategy which several cities, including Woodbury, Forest Lake, Carver, Savage, and Minnetonka, have employed in these situations allows reduction of parking requirements where a “proof of parking” agreement commits project open space for additional parking if the reduced parking proves to be insufficient in the future. See, for instance, the Forest Lake parking ordinance in Appendix 4.

Getting parking right remains an inexact science. An architect who worked on two recently completed Minneapolis multifamily buildings commented that in one case the owners concluded they had overbuilt parking, and in another that they had not provided enough. There are some interesting efforts underway elsewhere around the country to develop tools to make projected parking needs more accurate. King County (Seattle) has created a “Right Size Parking Calculator” which lets users estimate parking use in the context of a specific site, based on a model using current local data of actual parking use correlated with factors related to the building, its occupants, and its surroundings—particularly transit, population and job concentrations. The calculator can help analysts, planners, developers and community members weigh factors that will affect parking use at multifamily sites, with a goal of getting “just enough.” See Appendix 1.

43 StarTribune 2/20/15.
FEE REDUCTIONS AND WAIVERS

Cities charge a variety of fees for new residential developments. These fees are intended to cover city costs related to processing the development, land use, or city financing applications, to access city sewer and water (Service and Water Availability Charges - SAC\textsuperscript{45} and WAC, connection fees, fees for accessing main city lines-“trunk fees”), or as is the case with park or similar dedication fees, to offset burdens placed on city services and infrastructure as a result of the development. City fees can easily amount to $20,000-$30,000 per unit. These fees vary greatly from city to city and project to project. Fees related to new city sewer and water service are more likely in developing suburbs. In the case of the Medina townhouse project described in Appendix 3, the project paid $11,085 per unit in SAC/WAC fees alone. Waiver or reduction of fees, amounting to a city financial contribution to the project, can therefore be very helpful. The cities we interviewed differed dramatically in their practice of fee waiver or reduction, with several (e.g., Chaska, Forest Lake, Maple Grove, Woodbury, Minneapolis) making waivers available for affordable projects,\textsuperscript{46} sometimes on a case by case basis with City Council approval, and others very opposed to ever granting these waivers (e.g. Hopkins, Lakeville, Minnetonka and St. Louis Park).

Much of the opposition to fee waivers seems to be based on avoidance of inter-departmental strife, with departments that collect the fees opposing waivers. One developer reported that fee reductions seemed more palatable to cities if characterized as a deferral. A $150,000 park dedication fee, for instance was deferred for 20 years, with the developer making a present value payment of $68,000.

The very effective Austin SMART program relies on expedited processing and fee reductions to provide incentives for inclusion of affordable housing.\textsuperscript{47} The program’s effectiveness was attributed to clear direction from the city council to the staff. Widespread adoption of city council-mandated fee waiver policies could make a significant contribution to reduce the cost of affordable housing. Waiver or reduction of fees not only directly helps the development’s bottom line, but developers perceive a willingness to reduce fees as a sign the city is committed to supporting the project.

The Metropolitan Council is considering SAC fee reductions under certain circumstances. Such a policy would be useful in its own right, but could potentially incent more widespread use of waivers by other city fees.

\textsuperscript{45} SAC fees are charged by the Metropolitan Council and cities can add their own additional SAC charges. If a City waives the Metropolitan Council SAC for a development, the city will still have to pay the fee to the Council.

\textsuperscript{46} See Forest Lake ordinance in Appendix 4.

\textsuperscript{47} See Appendix 1.
ADMINISTRATIVE PROCESSES AND DELAYS

Administrative processes, also known as entitlement processes, are intended to assure that development projects meet local health, safety, environmental and aesthetic standards. Interestingly, nearly every developer mentioned delays in these processes as major and widespread problems while virtually every city viewed their processes as efficient and effective. While we certainly don’t assume that developers are always correct in their view of public policies, the consistency with which these opposing views were expressed and the anecdotal detail provided by developers suggests that there is considerable room for improvement in the processing of development proposals and that these would particularly benefit affordable housing developers.

Relevance to Cost of Affordable Housing

Delays can be extremely costly, increasing holding costs - increases in construction interest, taxes, and insurance and sometimes resulting in construction cost inflation. Delays can force a project into more expensive winter construction and can disrupt the state’s once-a-year cycle for review of tax credit and some other affordable housing developments. Moreover, cities sometimes require expensive reworking of project plans. Inspection processes also can result in delays once construction has begun. The Medina case study in Appendix 3 shows how city approval processes resulted in substantially increased costs per unit as a result of citizen opposition and the resulting delays, redesign, cost inflation, and loss of previously promised city assistance. All too common resident opposition to project density or NIMBY resistance to affordable units add to the frequency of administrative delays and intensity of the problems caused.

Legal Context

Requirements for city approval of development plans provide an opportunity for residents and city officials to demand plan changes, which can be costly and time consuming. In general, the more discretion city officials have in approving or denying an application, the more room there is to insist on significant plan changes. Virtually every development project of any size will require at least a site plan approval, often with an attendant public hearing. Many will require a rezoning or conditional use permit (CUP) to take advantage of zoning flexibility, also requiring a public hearing. Sometimes there will need to be a comprehensive plan amendment or a variance. There will also be applications for building and occupancy permits. In general, comprehensive plan amendments and zoning code amendments are considered “quasi-legislative” actions in which city officials have a great deal of discretion to act in what they believe to be the public interest. Any request for public financing assistance or fee waivers will also require public approval and often be subject to a hearing and city officials will, depending on what, if any, criteria they have adopted, typically have a great deal of discretion. Discretion may be somewhat more constrained in responding to applications for a CUP, site plan approval, or variance. These are “quasi-judicial” actions in which officials evaluate the facts involved in a specific proposal against written criteria. There still may be a lot of discretion involved as the criteria may be open to a lot of interpretation. See more discussion in the next section dealing with community opposition. Issuance of permits is supposed to be “ministerial” – if clear standards are met, the permits must be issued.

48 Not all delays are caused by city actions or inactions; delays can be caused by the developer or by third parties, especially financing sources, as well.
Once an application for a required approval is submitted, Minnesota law\(^{49}\) requires approval or disapproval by the city within 60 days. The city may extend the time for an additional 60 days, giving reasons for the delay, or for additional time with the approval of the applicant. It may be adherence to this law that leads cities to believe their entitlement processes are efficient, when in fact, the developer’s time line, and opportunities for administrative delays, begins well before an application is submitted and extends well past the issuance of building permits.

**Municipal Practices**

Developers cited problems at three different phases of project approvals: 1) the initial phase where developers are exploring the feasibility of a project or where discussions with city staff or elected officials may help shape a planned project, and where questions of what permits are needed and what standards are to be met are sorted out; 2) the period after submission of the application when staff and then public official consideration of the application takes place and where any citizen opposition is typically focused; and 3) with inspections subsequent to issuance of building permits.

Two types of problems were brought up as arising during the first phase, often running into the second. In a surprising number of cases, developers were asked by staff to initiate a project or had a proposed project embraced by staff, or even public officials, only to have city officials ultimately reject it. Substantial time and money was invested in developing a proposal only to have it rejected by city officials, either informally prior to submitting an application or during the approval process. The scenario is apparently common enough that one developer expressed appreciation, rather than dismay, that a city’s staff simply told him immediately that the city council wouldn’t approve an affordable housing proposal.

The second type of problem described by developers was a lack of coordination among the multiple city departments involved in reviewing applications. The result is the need to frequently rethink and redesign aspects of the projects as new problems are raised by new staff or new departments. This problem could surface either before or after submission of the proposal.

In the second phase, after the application is submitted, the major additional problem that typically surfaces is resident opposition to project density, design, and/or projected low income occupancy. Sometimes residents first learn of the project during the approval process and if they perceive grounds for opposition, the fact of this late notice will often intensify their opposition. Sometimes the opposition is justified and sometimes it is not. Often much of it could be avoided or neutralized had affected residents been involved in early discussions shaping the project. Such discussions may add time to a project, or may not if they avoid contentious lengthy discussions later on. But submitting an application without such vetting of the project and counting on the 60 day rule may be a losing strategy.

Particularly if there is a clearly discretionary approval requested, the 60 day rule doesn’t really limit delays. The city is in a position to say “we can’t approve your proposal as submitted – give us more time or you risk a no vote.”

Resident complaints may really be about project height or density, or traffic, (market rate projects get these complaints as well as affordable projects) or the objection may really be about the low income occupancy. A related problem is residents who don’t oppose the project but make (or request the city

\(^{49}\) Minn. Stat. Section 15.99.
to make) additional demands. A common one is to include commercial space, when there is no viable market for it and the housing developer is not experienced in designing commercial space. This demand can easily lead to project financial failure.

In the third phase, several developers complained that subsequent to issuance of building permits, city inspectors made demands that were beyond the scope of the plans already approved and permitted. These cause expensive delays in the construction process or redoing already completed work. One developer cited an instance that would have added about $100,000 to construction costs had he not won an appeal.

**Recommendations**

Developers, and some city staff, suggested policies which minimize these issues to some extent:

- Each city should have a clear commitment by public officials to expedite affordable housing development. This is one important lesson from the Austin SMART program, and would go a long way toward permitting developers to proceed with some certainty and confidence. Such commitment to streamlined processing offers a no cost, sensible step toward compliance with the clear requirements of the Land Use Planning statute that each city’s comprehensive plan list policies, plans, programs and actions to be taken that “will” produce the city’s share of the region’s needed affordable housing.50

- A number of developers stressed the importance of staff who were advocates for the project, supporting affordable projects at resident meetings and with funding agencies.

- Cities should have a clear and unambiguous description of the city processes and standards.

- Developers appreciate cities51 which required an initial meeting with developers and which must be attended by staff representatives from all city departments with any approval authority. Woodbury’s Housing and Economic Development coordinator also recommended this process as enabling all key staff to quickly spot potential issues. Developers noted that in some of the cities which have this policy, some key staff may miss this meeting and that often produces confusion and delay later on. Roseville’s Development Review Committee takes up this idea at the next step, establishing a committee with representatives of all relevant city departments to review all development applications.52

- While some developers argued for minimizing mandatory contact with residents, many agreed that early meetings with residents, with the developer prepared to address issues and a supportive city presence, were very helpful in minimizing resident resistance to projects. The Austin SMART experience was that a requirement for early dialogue with neighbors virtually eliminated what had been a major barrier to affordable developments. See report in Appendix I.

- Ron Clark’s projects in Savage and Carver both encountered very well organized NIMBY resistance. The two cities’ responses, coordinated with Clark, provide very useful examples of

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50 Minnesota Statutes Section 473.859 subd. 4(3).
51 Minneapolis and St. Paul were cited.
how to effectively address this problem, and are described in a case study in Appendix 3. Also see the next section on addressing resident opposition.

- Especially for site plan reviews, there should be clear ground rules regarding the limited scope of resident and public official concern and comments (e.g., comment on exterior materials is appropriate; on the type of kitchen cabinets is not).

- Building inspectors should be well trained and supervised and refrain from altering or interfering with prior approvals as long as the project meets relevant code standards. A quick and efficient appeal mechanism is important.

**Expedited processing**

The above discussion was about streamlining development processes generally. If cities are looking for incentives for affordable housing or mixed income housing, prioritizing affordable projects over others can be effective. This would apply to cities with a level of development activity such that multiple proposals are under consideration at the same time. Nationally, a number of cities have adopted such expedited processing procedures for affordable housing proposals. Austin and San Diego have policies committed to processing affordable housing proposals in about half the average time. Making this work requires a staff advocate who is the single point of contact for each project and is charged with proactive problem solving. It also required strict time limits for each stage of the approval process, with both city staff and developers expected to meet their deadlines. At least initially, the Austin SMART program processed affordable proposals in an average of about half the time of conventional proposals. See Report in Appendix 1. This expedited processing, along with modest fee waivers constituted a very successful incentive for production of modestly affordable (80% AMI) housing units. One lesson from the Austin experience is that there must be a strong, sustained, commitment from the top of city government to keep this system working as intended. When attention from the top waned, processing times slipped.

Austin has a population of 885,000. The process of allocating a staff advocate to each affordable housing project could probably work in Minneapolis and St. Paul, and the CPED structure, with a lot of the relevant departments under one roof, should facilitate it. But it’s unlikely to work in smaller cities with much smaller staffs. The idea that support from the highest levels of government for proactive problem solving, however, is an idea that could and should be implemented everywhere.
MATERIALS AND SITE REQUIREMENTS.

Materials

There is no question that requirements regarding building materials imposed by codes and local policies can significantly increase development costs. But there was general agreement from both cities and developers that making affordable housing attractive and imposing requirements no different from those on market rate projects was important to encourage community acceptance. Likewise, there was agreement that durable or energy efficient construction materials and methods might increase development costs but make up for that with reduced operating costs over an extended project life. That is not to say that there are not controversies over some requirements and that some requirements probably increase development costs more than necessary. But most of the developers we interviewed did not raise issues with city requirements for specific construction materials as a problem for them. For that reason, and because any detailed analysis of very complex development requirements vs energy and other operating costs saved are quite technical and time consuming, we have not explored these issues.

Site Requirements

The earliest Metropolitan Council guidance on comprehensive plans, in 1973, noted that lot size, street width, set backs and similar zoning requirements can make housing unaffordable. The main recommendation at that time was adoption of Planned Unit Developments (PUDs) to allow more flexibility and reduced development costs. Many studies before and since that time have indicated that site requirements like these can unnecessarily add significant costs. Fortunately, the Council’s 1973 recommendation has been widely adopted. Many cities and developers we surveyed commented that the wide spread use of PUDs provides the flexibility needed to address these requirements, although many added that there are often trade-offs resulting in better project design, but not necessarily significant cost savings. Because PUD ordinances are so widespread and offer so many potential trade-offs, and because of the widespread understanding that this flexibility can and should be used to reduce development costs, we have not pursued further the specific costs associated with lot size, set back, and similar requirements.

Smaller Units

Modest reductions in unit size have only a minimal effect on development cost because they don’t involve the most costly construction items. While overall construction costs for a unit might average $125/sq.ft., a reduction in size from 800 to 750 sq.ft. would only save about $50/sq.ft. or $2,500/unit.

In the metro area and nationally, developers are exploring more dramatic size reductions to “micro units.” In 2013, Minneapolis adopted a zoning change designed to allow smaller units. By eliminating a minimum lot area per unit in most zoning districts, the new standard allows the market to play a greater role in determining the number and size of units within new buildings. Designers are considering units in the 250-400/square foot range. In April 2015, a developer proposed a new downtown highrise with 22% of the units as micro apartments, measuring 350-425

53 CPED Memo from Jason Wittenberg (7-29-13) describing ordinance to amend residential zoning standards.
square feet. Such units save development costs not only by reducing unit size, but also by permitting significantly higher densities within a building footprint, thus reducing fixed costs per unit. Generally micro-units are targeted at young urban professionals, who may be content with a very small unit if they have appealing common areas they can use as their ‘living rooms.’ These units often have luxury features, and murphy beds and special cabinetry may be necessary. One developer was skeptical, citing development of 300-450 SF units in the 1960s-70s, which proved to be hard to market in soft rental markets. While this model could certainly be adaptable for low income households without children, it’s not at all clear that a 2-or 3-BR micro unit with dramatically reduced square footage would be appropriate for low income families with children.
MANUFACTURED AND MODULAR HOUSING

The idea we encountered in our research, providing opportunity for the most dramatic development cost savings, comes from Northcountry Cooperative Foundation (NCF), a small Minneapolis-based non-profit specializing in converting manufactured home parks to cooperatives. Homes, averaging 1,350 sq. ft., produced by existing companies in Minnesota, can be manufactured, transported, and installed for about $100,000/unit. A site can be developed at about 7 du/acre with additional development costs of about $50,000/unit for acquisition, site improvements and soft costs. The cost of factory-producing the housing is eligible for low income housing tax credits. With total per unit development costs on the order of $75,000-$100,000 less than the current average cost of new affordable housing and the ability to claim tax credits for the construction costs, this idea could permit dramatic reduction in the amount of subsidy required to make the housing affordable. NCF is currently working on proposals for a couple of sites for such developments.

While this housing is, strictly speaking, single family rather than multi-family housing, it can be developed at a density similar to that of many metro area townhouse developments. Further, the Revenue Code encourages resident ownership of the homes after the initial 15-year tax credit compliance period. In this way, conversion to resident (cooperative) ownership after the tax-credit compliance period under NCF’s program could help ensure perpetual affordability without additional subsidy.

Another potential approach to providing affordable homeownership is being researched by NCF – that of developing new resident owned manufactured home communities using the New Markets Tax Credit program. One of the organizations in Minnesota with allocations of New Markets Tax Credits (Mid-Minnesota Community Development Corporation) is interested in financing new manufactured home communities. A unique characteristic of Mid MN CDC’s financing is the provision of a seven-year, interest only loan, of which, 20% of the original loan amount is gifted or “left on the table” as equity upon refinancing in Year 7. This approach could also lead to long-term affordability by minimizing the financing that the cooperative share owners would need to carry over the long term.

A related possibility is the use of manufactured homes to fill the roughly 1,700 vacant pads in existing metro area manufactured home parks.

Elsewhere in the country, much more dense, traditional multi-family housing is being assembled on site from factory-built modular components, with substantial cost savings, although apparently not as dramatic as those involved in the Northcountry idea. See article in Appendix 1.

The Clover Field development in Chaska made extensive use of modular multifamily housing, which reduced project costs, early in the last decade. There have been no similar developments in the region since then. Chaska’s Community Development Director describes a circular problem: using this model at scale requires relatively close manufacturing facilities; the manufacturers require a market; developing the market requires manufacturing capacity. Adding to the complexity is that architects still need to design the housing and architects aren’t likely to develop familiarity with the unique issues involved until modular construction is in greater demand.

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54 IRS Code Section 42(i)(7).
PREFERENCE FOR MIXED-INCOME DEVELOPMENTS

While there was some preference for such projects among a number of cities, Eden Prairie was the only city we encountered where it was a requirement, which had resulted in the rejection of 100% affordable proposals. We have two very strong recommendations.

First, 100% affordable projects are welcomed by many cities in the region and there are dozens of examples of such projects of which city officials, staff, and residents are justifiably proud. This widespread metro experience, especially in higher income communities, demonstrates that there is simply no good reason to insist on affordable housing only in mixed income environments.

Second, the most practical way to produce mixed income projects is through inclusionary housing requirements, which put the market to work producing them, and which thereby avoid many of the extra costs that go with production of standard affordable housing. In contrast, imposing market rate requirements on standard affordable housing developments almost inevitably imposes a variety of problems which make production of these units very complex and expensive. Developers and financial sources for market rate housing are unfamiliar with financing for, and wary of inclusion of, affordable units. Developers and financial sources for affordable units are equally wary of the risks associated with market rate units. Blending the two in one building, if it happens at all, often involves complex condominium arrangements.
INCLUSIONARY HOUSING POLICIES

Inclusionary housing policies are typically adopted to achieve one or both of the following objectives. First, they provide a mechanism to enlist market forces and market rate developers in the production of at least some affordable housing by including affordable units in market rate developments. Second, these policies are aimed at providing mixed income opportunities or opportunities for lower income households to take advantage of locational opportunities otherwise out of reach. They are the best way to promote mixed income developments.

These policies have been utilized by cities and counties throughout the country since the early 1970s. They range from incentive programs, like providing density bonuses, fee waivers, financial assistance or expedited processing in exchange for 10%-20% affordable units to mandatory programs affecting any development over a certain size. Many mandatory policies simply make some level of affordability a requirement of all new housing. Others are triggered by developer requests for land use changes or city assistance. Some policies do not require the city to provide any form of assistance in return for the affordability; others provide for one or more of the various forms of financial assistance or regulatory flexibility discussed above. These policies typically do not provide housing affordable to extremely low income households, but rather those with incomes starting at 50% of area median income (AMI) or higher. There currently are nearly 500 voluntary and mandatory inclusionary policies in active use.55

Interest in the Region in these policies is growing both because many cities are looking for ways to develop more mixed income housing, and because the strengthening housing market and increased development activity makes these strategies more feasible.

There are some metro area cities using or in the process of adopting formal inclusionary policies, and others which have informal inclusionary practices. We’ll describe some of these and make a few recommendations for expansion. Because inclusionary housing policies are relatively new to the metro area and because adoption of such a policy requires consideration of a number of factors, we have included a guide to inclusionary housing as Appendix 5.

A few metro cities take advantage of leverage they have with developers seeking land use changes or financial assistance to require affordable housing. Edina adopted a policy effective in November 2015 requiring an affordable component to any new development of at least 20 units which requires a zoning change. The city believes this will apply to most new developments. New rental projects must have 10% of the units affordable at 50% of AMI or 20% affordable at 60% AMI. New multifamily sales units must have 10% of the units below prices set out in the policy (e.g., $350,000 for 3 or more bedrooms). The city will consider incentives such as density bonuses, parking reductions or TIF, but these are not required. Rental affordability is required for at least 15 years, memorialized in a restrictive land use covenant.

Minnetonka generally imposes a 10%-20% affordability requirement for projects seeking land use approvals, although this policy is somewhat flexible. Minnetonka also requires 20% of the

units affordable at 50% AMI for any projects using TIF. The City’s policy has resulted in 188 affordable units in 11 projects with 897 total units (21% affordable).

Maple Grove requires all developers to seek PUD approval and has a point system emphasizing a variety of city concerns, including affordability. Although Maple Grove’s is not, such a system could be weighted so as to make affordability mandatory, or nearly so. Maple Grove also has a practice of asking developers to include affordable housing, but without specifying details. Most recently, the developers of Skye at Arbor Lakes have agreed to approximately 10% affordable units affordable at 80% AMI, although there is no minimum term for this requirement and it is not secured by real covenants.

Some cities tie affordability requirements to use of local financial resources which don’t otherwise have such ties as a matter of state law. Minneapolis, for instance generally requires any housing project with at least 10 units receiving tax increment financing or other funds to provide 20% of the units affordable at or below 50% AMI. Minneapolis also recently issued an RFP for a City-owned site near downtown calling for a mixed income project with at least 20% of the units affordable. St. Louis Park has adopted a policy for developers seeking TIF assistance, requiring 10% affordable at 60% AMI or 8% at 50% AMI (for rental) or 80% AMI for ownership. See Appendix 4.

Some cities provide incentives in return for affordability. The Chaska Comprehensive Plan calls for 30% of units affordable at 80% AMI in exchange for regulatory flexibility (e.g., density bonuses reduced setbacks or other requirements, fee waivers, expedited processing) in several neighborhoods with significant development opportunities. In practice, the City negotiates affordability levels and tailors assistance packages to those levels. Woodbury’s density bonus policy offers bonuses in return for at least 20% of the units affordable at 80% of AMI. The policy was effective in providing affordable housing in several market rate homeownership projects in the last decade, and in one case resulted in inclusion of a low income tax credit project within the project site. Forest Lake policy provides for a 15% density bonus, partial fee waivers and flexible parking requirement in return for developers providing affordable units.

These policies are not always focused on affordable housing or designed as effectively as they could be. For instance, Minneapolis offers a density bonus in exchange for affordable units, but it is almost never used because developers can also obtain the bonus for structured parking – something they nearly always would be doing anyway. Many of these metro area policies are generally very informal and flexible. Proponents of this approach argue that flexibility is necessary. The Chaska approach is a flexible one that appears to have been quite productive. But too often these informal policies do not spell out even basic objectives such as desired income levels or expected term of affordability, and may not even include any enforceable agreements assuring compliance with affordability commitments. In practice, such vagueness leaves it up to developers to decide what public objectives are to be implemented in their projects and don’t provide staff with the kind of leverage they need to negotiate.

We didn’t see references in the national literature to requiring acceptance of Section 8 housing choice vouchers in inclusionary affordable units, but that would seem to be an important policy.

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Both the Metropolitan Council’s new Housing Policy Plan and the S.W. Corridor draft Housing Strategy recommend exploration of inclusionary housing policies. The Livable Communities Act statute includes provision for an “Inclusionary Housing Account”\(^{57}\) which would provide assistance to mixed income developments located in cities that offer incentives for such housing. This account has not been funded by the Legislature in recent years but has received renewed attention in the Council’s new Housing Policy Plan.

Researchers are generally agreed that mandatory inclusionary policies are far more effective in producing affordable housing than those that simply provide incentives. Some portions of the metro area are currently experiencing a very hot market for upscale rental housing. National experience indicates the feasibility and effectiveness in such markets of well-designed inclusionary policies that clearly require 10%-20% of units in these projects, or at least those benefitting from city investments or land use decisions, be affordable for the long term, with agreements that bind the initial and future owners.\(^{58}\)

This seems to be the best tool available for achieving mixed income developments that are desired by many cities. As explained in the Section on Preferences for Mixed Income Projects above, efforts to develop mixed income projects using standard tools are difficult and expensive.

Inclusionary housing policies have consistently withstood challenges under the U.S. Constitution, including a June 15, 2015 decision by the California Supreme Court.\(^{59}\) In Minnesota, inclusionary housing policies are specifically permitted by Minnesota Statutes Section 462.358 subdivision 11 which authorizes inclusionary zoning policies in the context of city land use approvals.\(^{60}\)

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\(^{57}\) Minn. Stat. Section 473.255
\(^{60}\) See a more detailed discussion in Appendix 5.
AVOIDING AND ADDRESSING COMMUNITY OPPOSITION

Strategies for minimizing resident opposition to affordable housing generally, as well as to project density, are very relevant to the issue of reducing the cost of affordable units for three primary reasons. First, resident opposition can kill affordable projects, and a history of successful opposition can prevent them from ever being proposed. Second, resident opposition often leads to delays and as the section above details, delays can be costly. Third, resident opposition is often about, or at least focuses on, project density or height or city financial assistance. That opposition in turn leads to council demands that the project scale or height be reduced or assistance eliminated. As described in the first section, that in turn can lead to substantial increases in development costs per unit.

Community practices

Kevin Ringwald, Community Development Director for Chaska cites several key factors that help explain general community acceptance of affordable projects in Chaska.

- First, the City meets with residents to explain the city’s objectives for potential development sites and to promote resident understanding and acceptance of those objectives - well before there are any actual development proposals.
- Second, those discussions include information about the jobs of the people who will live in the housing and why they need affordable units. In 2014, a typical metro-area 2-BR apartment rented for $1,083, requiring an annual salary of $43,300 to afford at 30% of income. More than half of metro-area jobs pay less.61 Elise Durbin, Minnetonka’s Community Development Supervisor also emphasizes the utility of this sort of information in deescalating opposition.
- Third, instead of abstract discussions of proposed density, they use photos of actual, attractive, projects built at those densities.
- Fourth, Ringwald stresses the importance of getting the first project right.62 Chaska’s first modern affordable project, a townhouse development from the late 1990s that actually included public housing units, is so attractive that affluent residents still enquire about possible openings. The city has subsequently produced a number of successful projects with affordable units and at relatively high densities. The quality and community acceptance of those projects has built up a level of trust among residents as has a policy focus on balance of housing types and costs.
- Finally, city policy, which focuses on balancing housing types and costs, is well understood by residents and developers alike. Developers are expected to accept and work with city objectives for development sites and city staff are advocates for projects that promote those objectives. Nonetheless, voices of opposition to affordable, or relatively dense, projects do continue to emerge. But the city can count on resident supporters, and on the support of public officials, based on Chaska’s history of good projects and on the early acceptance of development objectives.

Maple Grove resisted affordable housing well into the 1990s (See case study in Appendix 3). Since then it has employed many “best practices” to develop a number of affordable projects. Dick

62 The Carver case study In Appendix 3 and comments from Maple Grove staff reinforce this point.
Edwards, the Development Director makes a number of points similar to Ringwald’s. He says that the first affordable project, which was quite divisive, was so attractive, and blended so well into adjacent high end apartments, that it tended to allay community concerns about subsequent projects, which have maintained that sort of quality. Staff consistently focuses on, at every opportunity, who is actually going to live in the housing. Edwards finds a particularly persuasive argument is to ask people how much their children are paying for rent, emphasizing that affordable housing is just normal housing for people in lower paying careers. Maple Grove also takes every opportunity to provide residents with statistical evidence that affordable housing is not associated with crime or reductions in property values. Edwards emphasized that the process of greater community acceptance of affordable projects has been a gradual one.

Most developers concur with the views of Ringwald and Edwards. They indicated the importance of early meetings with residents to address potential concerns, before there is a specific application requiring city approval. Such applications are likely to generate opposition if they have not been preceded by careful steps to try to address potential concerns. Early community meetings, especially with city staff support, offer an often effective means of heading off or minimizing opposition and generating countervailing support from community members. For example, Ron Clark’s development in Savage faced initial neighborhood opposition which was effectively addressed with a detailed discussion of management steps to assure residents will be good neighbors. Minnetonka’s Durbin indicated one additional policy that can help alleviate neighbors’ concerns – a clause requiring sound management principles in the project development agreement.

In response to very negative comments made at public meetings about affordable housing and its residents, former Minnetonka Mayor Karen Anderson recruited pastors, priests, and rabbis from the neighborhood of the proposed development to speak at public meetings and talk about the development in their places of worship. She reported that this completely changed the atmosphere of public meetings, making them far less volatile. Anderson also stressed the importance of recruiting residents to speak up in favor the projects, especially residents in the wards of doubtful Council members. Like Ringwald and Edwards, Anderson noted the benefit of providing information on the people who actually needed and were going to live in the housing.

Finally, positive post-occupancy testimony from neighbors or public officials about similar projects can be very helpful in allaying neighbors’ concerns.

An easily accessible database providing information supporting all of these strategies would be very useful for affordable housing developers and advocates.

But resident opposition cannot always be headed off. Clark’s subsequent project in Carver, in spite of early efforts to address concerns, led to a very intense and focused opposition campaign described in the case study in Appendix 3. City staff cooperated with the developer to address this opposition in an exhaustive way. They initially addressed concerns about property values with a 2014 metro area statistical study showing no effect of affordable housing. When opponents twisted findings in that report, the City hired the consultant to do a supplemental report refuting the neighbors’ arguments. The developer addressed crime by describing strong management practices and with positive references from the Savage Crime Prevention manager. City staff met with the organized opposition to address their questions and helped the developer organize a bus tour of their Savage project for councilmembers and any citizens, to which opponents were specifically invited. Staff
prepared a Citizens Guide to the project, attempting to dispel myths, and mailed it out to citizens. The city posted on its website virtually every document submitted by the developer, prepared by the city, or presented by the public. None of this satisfied opponents, but the City Council resisted the NIMBY pressure and approved the project.

**Some relevant legal principles**

Some legal principles that were involved in the Carver process and in the Council vote are important in considering project design and potential responses to resident opposition. The only city approval required was for approval of project design in the context of a Planned Residential District. The decision is a “quasi-judicial” one, meaning that the Council had to apply the design guidelines set out in the design district to the specific project. In doing so, decision makers are required to remain impartial and decide based only on the principles in the design guidelines and the facts of the proposal. That meant that the staff, rather than any supportive Council members, had to advocate for the project. It also meant that the Council’s discretion was limited. Most of the opposition arguments were not even relevant to the design guidelines and Council members could not deny the project simply because of intense opposition. Some of the Council members relied on that in explaining their votes for the project. These two principles to some extent insulate Council members from community pressure leading up to a vote. The requirement to rule only on written policy and facts of the proposal should dictate Council member decisions, and it also provides them with political cover for votes in favor of a controversial project.

This requirement to rule only on written policy and facts of the proposal applies to design reviews, variances, and conditional use permits. Among these three types of administrative decisions, city councils may have some more discretion in evaluating conditional use permits, where the ordinance language may leave room for interpretation, than in design approvals or variances, where the guidelines are typically more specific. The requirement does not apply to re-zoning or to comprehensive plan amendments, where council members have a great deal of discretion to act in the public interest as a legislative body.

The importance of avoiding the occasion for a legally effective resident opposition should be emphasized. Developable parcels appropriate for higher density affordable housing should be zoned to permit such development, without the need for rezoning.

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63 Included in Appendix 4.

64 Note that the extent of city discretion in reviewing conditional use permits is somewhat controversial. The state Supreme Court has ruled that conflict with a comprehensive plan is grounds for a city to reject a proposed conditional use permit. Hubbard Broadcasting, Inc. v. Afton, 323 N.W.2d 757 (Minn. 1982). In the recent RDNT case, the city argued for rejecting a CUP based on conflict with the comprehensive plan. In a 3/18/15 decision, the Supreme Court upheld the rejection on other grounds, without addressing the comprehensive plan issue. But in a long concurring opinion, Justice Anderson expresses concern about employing comprehensive plans in that way. He points out the comprehensive plans often use vague language, and contain different provisions that could be used to support opposite positions on a CUP. In the RDNT case, for instance, the city rejected the CUP relying on provisions about increased traffic but Anderson pointed out that they could just as well have supported the CUP based on provisions supporting the type of housing that was proposed. His conclusion was that relying on comprehensive plans to reject CUP’s, rather than sticking to specific criteria in the CUP ordinance, gives the city far too much discretion. See, **RDNT, LLC v. City of Bloomington**. So it’s really not clear whether cities can rely on vague comprehensive plan language to expand their discretion in dealing with CUP applications. A similar issue may arise in site plan approvals where the law is also murky. Even though site plan approvals affect most development proposals, they are not even mentioned in Minnesota statutes and there is little case law involving them.
The Medina case described in Appendix 3 describes a strategy for addressing community opposition by proposing a project that requires only city approvals in which Council discretion is very limited. The Council was initially supportive of a project with a planned unit development allowing the developer to build a townhouse development with 32 units in a zoning district where only 26 would be permitted without the PUD. Intense community opposition led the developer to drop the PUD application and to redesign the project with only the 26 units permitted by the zoning. With a PUD no longer necessary, the only City approval required was site plan approval, with the Council limited to determining whether specific site requirements had been met. The project is now proceeding.65

The Forest Lake case, also described in Appendix 3, illustrates a final legal principle important in addressing resident opposition to affordable housing. Opposition to a townhouse project proposed in 2004 was spearheaded by a Planning Commission member who published a purported Commission public hearing notice that contained every negative stereotype of low income residents imaginable. The following statements are examples: “The new tenants will be imported from Minneapolis, St. Paul, and surrounding cities to solve their low-income problems at our expense.” “There are no chronic homeless in Forest Lake so they will be imported from the Twin Cities.” “These types of buildings tend to turn into a hotbed of crime, drug-dealing, drug-abuse, alcohol abuse, spousal abuse, and child abuse.” These statements also reflected the opinions of city council leaders who took multiple steps to block the proposed development. A lawsuit followed, based in part on illegal procedure used by the city and in part by State Human Rights Act violations. A settlement permitted the project to proceed and also required establishment of a citizen task force to address the underlying issues raised by the city’s actions. The Taskforce was so effective that it convinced the city to adopt a comprehensive plan in 2008 that was characterized by a later study as the best in the metro area and a model for other cities.66

Litigation is expensive and developers are typically reluctant to pursue it. But as described above, there are significant legal limitations on city’s abilities to reject, or force the redesign of projects. And the Forest Lake example demonstrates that litigation can result in a very dramatic reversal of a city’s position on affordable housing in a very short time.

65 The downside of this approach is dramatically increased per unit costs – see introduction and Appendix 3.
OVERCOMING BARRIERS TO AFFORDABLE HOUSING AND TO BEST PRACTICES

Our interviews revealed a number of barriers, directly to adoption and implementation of best practices for producing affordable housing, or to affordable housing itself and thus indirectly to best practices. These barriers may reinforce each other and will play out in a variety of ways in different cities. But we also found cities that had adopted policies and strategies to overcome these barriers.

- **Adopt a proactive, clearly articulated approach to support a full range of housing choice.** Many public officials have a passive approach toward affordable housing, viewing their community as having already “done their share,” or see it as a lesser priority. While public officials are typically not overtly hostile to affordable housing, many do not view it as a priority, and thus are unlikely to proactively pursue policies aimed at attracting affordable housing such as density bonuses or site identification. There may be little citizen support for affordable housing, competing priorities (like attracting any development at all, or keeping taxes down), or the sense that there is already too much rental and/or affordable housing.

- **Understand the need and data related to Metropolitan Housing goals.** Among the cities we interviewed, there was widespread belief, even among cities very proactive in seeking affordable housing, that the Metropolitan Council’s affordable housing needs assignments were unrealistic. The Council’s method of negotiating of Livable Community Act goals recognizes that resources do not exist to fully address all of the region’s housing needs. Cities with a positive, proactive, approach are likely to make the most progress toward meeting their community’s, and the region’s, housing needs.

- **Become a partner in supporting a full range of housing choices.** Many cities view production of affordable housing primarily as the task of developers and other parties, such as the Minnesota Housing Finance agency or the Family Housing Fund. Apple Valley and Lakeville, for instance, rely almost exclusively on the Dakota County CDA to produce affordable housing. Public officials there may not be actively hostile, and may be willing to facilitate siting of CDA housing with rezoning or PUDs, but getting sufficient subsidies from the state and other funders to make housing affordable, which is very expensive to develop, is the CDA’s job. Related to this, Cities too often simply don’t think about the cost of their actions, or view the costs as justified by other city priorities, because addressing affordable housing costs is someone else’s responsibility; the process is so complex and involves so many agencies and partners that cities view themselves as a minor player. For example, virtually every city interviewed saw no problems with its administrative processes whereas virtually every developer cited administrative delays as a major issue. Cities that did the best job of meeting their community’s affordable housing needs adopted a full range of policies to facilitate production of affordable housing. See, for example, Woodbury’s implementation plan in Appendix 4.

- **Seek technical assistance or build staff capacity to negotiate with developers.** As cities try to promote mixed income housing, many are intimidated by developers and development financing, because they lack confidence in understanding what is financially feasible in their housing markets. In some cases, they are so anxious to attract development of any kind that affordability is an afterthought or viewed as too risky to impose. Thus, for example, St. Paul lost the opportunity to use density bonuses when in rezoned its transit areas. A similar dynamic is playing out in Southwest Corridor cities, some of which are considering rezoning, to grant higher densities as a development right. In some cases, cities also may not realize the value of the benefits they provide to developers through public actions. A number of cities routinely provide TIF funding to housing developers without considering the potential for those developers to
include affordable units. A boom in luxury rental housing has gone on in parts of the metro area for several years with limited attention given to the possibility of attaching inclusionary housing requirements to the land use approvals and financial assistance provided to the developers, with the recent exception of St. Louis Park’s new policy.

- **Seek technical assistance or build staff capacity to plan for affordable housing development.** In a number of cities, especially those on the periphery of the metro area, there is very little experience with dealing with development, let alone affordable development and therefore little exploration of relatively sophisticated tools like density bonuses or TIF. On the other hand, Chaska has been a metro leader in affordable housing, and Carver, with the help of hired technical assistance, recently approved its first major affordable project.

- **Proactively address potential resident opposition.** Many of these problems are exacerbated by resident opposition to high density projects, even market rate ones, and to any kind of affordable developments. Developer requests for increased density through rezoning or CUPs or for city financial assistance require public hearings and public approvals. These requirements, in turn, provide a forum for large, sometimes hostile turnouts at public hearings and demands for rejection of developer requests. The discussion on pages 33-36 addresses a variety of strategies successfully employed to address resident opposition to affordable projects.

- **Support 100% affordable projects.** There are some indications that concerns about areas of concentrated poverty may have led some suburban communities to draw the wrong lesson—that any 100% affordable development, no matter the residents’ actual incomes and rent levels nor how affluent the surrounding community, creates concentrated poverty, and thus should be avoided. Cities such as Chaska, Woodbury, and Maple Grove are proud of a number of 100% affordable projects which they’ve assisted in developing.

- **Consistently inform and educate policy leaders.** Public official turnover is another barrier mentioned by several developers, who had formerly approved projects rejected or faced with demands for costly changes after an election. Staff have to keep Council members constantly informed, and new members educated regarding the need for and benefits of supporting a full range of housing choices.

- **Impose inter-departmental cooperation.** A source of resistance to fee waivers is that the city departments charged with assisting housing development aren’t in a position to impose revenue reductions on other city departments.

As described in the interviews and in the case studies set out in Appendix 3, cities that have taken proactive steps to attract affordable housing seem to have followed similar paths—once the first project is initiated. They begin by focusing on a successful first project (as most new affordable projects are, even those opposed by residents). Resident concerns subside. The first success leads to additional efforts, and with experience cities gain the sophistication necessary to take on increasingly complex challenges and adopt more tools. They learn and develop strategies to address resident concerns and opposition.

But these cities came to take their first steps in a variety of ways—successful fair housing litigation (Forest Lake), Metropolitan Council pressure over infrastructure funding (Maple Grove), political leaders who realized that their communities needed affordable housing (Minnetonka, Carver), grassroots organizing and business community support, shifting the conversation to the economic imperative of supporting a full range of housing choices (Woodbury). These were highly individualized pathways, dependent on local circumstances, and aren’t readily replicable. If metro area cities are going to come close to addressing its regional affordable housing needs, a more systemic approach is needed.
Strategies for Overcoming Barriers

We see two primary strategies for overcoming the barriers on a wider scale: 1) Met Council and federal policy, and 2) The provision of technical assistance to communities.

Metropolitan Council Policy

The Minnesota Legislature enacted a systemic approach with the Land Use Planning section of the Metropolitan Government Act. Minnesota Statutes, Section 473.859 requires each metro area community to have a comprehensive plan, updated every decade:

“containing standards, plans and programs for providing adequate housing opportunities to meet existing and projected local and regional housing needs, including but not limited to the use of official controls and land use planning to promote the availability of land for the development of low and moderate income housing.”67

Each plan must include an implementation program setting out “public programs, fiscal devices and other specific actions to be undertaken in stated sequence” to implement the comprehensive plan. This must include a housing implementation program which “will provide sufficient existing and new housing to meet the local unit's share of the metropolitan area need for low and moderate income housing.” (emphasis added.) The “will” makes an effective implementation plan mandatory and provides a standard against which these plans can be evaluated.

The most important steps that can be taken to address barriers to best practices in producing affordable housing and reducing costs are those related to measures the Metropolitan Council will take between now and 2018. Every metro area city is required to update its Comprehensive Plan by 2018. Since the 1980s, Council review of these plans has focused on whether the plans repeat the low income housing need number assigned to the community by the Council and whether the city has “guided” sufficient relatively high density land to address that need. Because the low income need numbers are far higher than most cities expect can actually be achieved, cities have tended to pay little attention to the need assignment and to view the “guiding” of land as not a very meaningful exercise. Fortunately, the Council’s new Housing Policy Plan has renewed a focus instead on the implementation program--on concrete specific steps that cities should take to address their share of the region’s need for affordable housing. The Council’s Community Development Committee recently adopted the following language to be inserted into the Housing Policy Plan:

Communities have a variety of additional tools at their discretion to encourage, incent, and even directly create affordable housing opportunities; guiding land at higher densities alone is insufficient to meet the existing or projected needs for affordable housing. Complete housing elements must identify a community’s “programs, fiscal devices and other specific actions to be taken in stated sequence” (Minn. Stat. 473.859, subd. 4) to meet housing needs as stated in statute, clearly and directly link which tools will be used, and in what circumstances, to explicitly address the needs previously identified.

67 Minnesota Statutes, Section 473.859 subd. 2(c).
The Council will provide local planners a list of recognized tools and resources that support affordable housing development through the Local Planning Handbook… By providing a list of tools that many communities successfully use, the Council hopes that local comprehensive plans will be clear, transparent policy documents that provide road maps to address housing needs for planners, local leaders, developers, and citizens alike. In addition to meeting the statutory requirements of the Metropolitan Land Planning Act, these comprehensive plans will signal to developers of where communities are likely to support affordable housing and thereby make affordable housing development a less risky proposition.

This new policy language sets the stage for much more detailed guidance by the Council on regulatory policies that facilitate the production of affordable housing and for more critical review by the Council of cities’ implementation programs. The Council will be issuing a Local Planning Handbook to assist cities in the process in the fall of 2015, and cities are likely to begin their planning processes in 2016.

Very importantly, in terms of providing incentives to cities, the new Housing Policy Plan has increased the prominence of city’s housing performance scores in decisions for both Livable Communities Act and transportation funding. It has also shifted the scoring system toward greater recognition of actual production of affordable housing and actual use of local policies that are effective in catalyzing the production of affordable housing (as opposed to planned policies).

This guidance and critical review of proposed implementation plans, coupled with more effective housing performance scoring, provides the best opportunity since the early days of the Council in the 1970s to ensure wide scale adoption of best practices by metro area cities. The development of comprehensive plans will require a once in a decade focus by city officials and city staff on housing policies. For the first time in decades there will be specific Council recommendations for regulatory reform and commitment of local resources coupled with heightened incentives for cities to take these recommendations seriously. The comprehensive plan process also represents an ideal vehicle for citizens and organizations concerned about affordable housing to play a direct role in policy development. Council staff have agreed to work with the Minnesota Challenge project on developing policy recommendations.

A 2009 report on metro cities’ 2008 comprehensive plans found “no correlation” between the implementation steps set out in cities’ comprehensive plans and what those cities’ staff said in interviews about future steps. The obvious concern raised is that even well drafted comprehensive plans can contain mostly empty promises. That concern may be offset somewhat to the extent that the Metropolitan Council in reviewing comprehensive plans insists on a description of “specific actions to be undertaken in stated sequence”as required by the statute. Similarly the shift in housing performance scoring toward more weight on policies and programs that are actually utilized provides an incentive to implement comprehensive plans.

68 “A Vision for the Next Decade - Planning for Affordable Housing in the Twin Cities Metro,” produced by Humphrey School students supervised by Ed Goetz.
69 Minn.Stat. Section 473.859 Subd. 4.
Federal New Starts

A second major impetus for improved planning for affordable housing production is the federal New Starts program, which for the first time provides a significant competitive advantage in federal transit funding for effective, proactive planning for affordable housing in conjunction with new transit. In the immediate future that could play an important role in development of affordable housing strategies by the cities along the proposed SouthWest and Bottineau lines. The Minnesota Challenge project will be making specific recommendations for the S.W. Corridor cities in the next phase. The Metropolitan Council’s new comprehensive plan and housing performance score policies and the New Starts scoring provide a substantial impetus to overcome the first two barriers to more effective housing policies listed above, and to adoption of best practices.

Technical Assistance

There is another critical piece, however, that is currently receiving too little attention: the need for much more comprehensive and sustained technical assistance to cities. Smaller cities on the metro periphery with little development experience face overwhelming challenges with inadequate staffing. There is also little experience in the metro area with inclusionary housing policies and cities facing an unprecedented market for high-end rental housing are unprepared to take advantage of this activity. This should be a particular priority for Southwest Corridor cities, given the New Starts scoring criteria.

A major barrier to the take up of best practices is that cities don’t have a way to judge the value of doing so, whether in financial terms or in housing outcomes. Cities feel vulnerable when it comes to development in their cities—they don’t want to impede development (including imposing affordable housing requirements) and they often feel at the mercy of developers when it comes to what pencils out and what doesn’t. In short, they don’t know what’s financially feasible. We found that it is not uncommon for cities to provide subsidies to developers (e.g., relaxed parking, TIF, CUPs) without asking for anything in return.

Cornerstone Partnership has developed a tool, available on line, that is very useful for developing a feel for how different inclusionary housing requirements and incentives might impact the economic viability of hypothetical development projects. Although it is not a replacement for professional real estate analysis, the tool can help policy-makers and advocates understand the economics of inclusionary requirements from the perspective of a market-rate developer, and start to ask the right questions about proposed developments. Minnesota Challenge, in conjunction with Cornerstone, held workshops with a number of local development officials to test this tool. The workshop evaluations found that: twelve of thirteen respondents said the workshop was “very” or “exceptionally” helpful in understanding housing markets and financial incentives; eleven of twelve respondents thought the financial tool was ‘very” or “exceptionally” helpful in thinking through the level and types of subsidies cities might provide to developers; ten of thirteen respondents (and all city staff) said they would definitely use the tool if it were made available.

Cornerstone is also proposing to carry out a detailed financial analysis of market rate housing development in the metro area and in specific metro area cities. This analysis would give cities an

70 http://www.affordableownership.org/event/webinar-inclusionary-housing-calculator-training/
idea of how elastic or inflexible their housing market is, which variables their local market is especially sensitive to, and a sense of the financial value of the tools they can put to use. It would allow cities to carefully target and calibrate inclusionary housing policies and tools and would provide the basis for a major step forward in implementing inclusionary policies and in evaluating developer’s requests for financial assistance.

A second major barrier is that a number of cities have large affordable housing needs and little or no experience in producing affordable housing. Assistance in developing affordable housing implementation plans and strategies is badly needed. Further, the need to revise comprehensive plans over the next few years offers an opportunity for that assistance to be really effective. The upcoming requirement for comprehensive plan revisions presents the opportunity for these cities to focus on development of effective affordable housing implementation plans and programs. ULI Minnesota’s Opportunity Cities Program\textsuperscript{71} might provide a model for provision of technical assistance to cities in this regard. The Program provided ULI Minnesota staff and a panel of metro area planning/housing experts to work with local residents and city staff to develop a housing audit, site analyses, and recommendations for local policy makers for 9 metro cities. We’d suggest something similar, perhaps with a focus on affordable housing in the context of cities’ comprehensive planning efforts devoted to housing. For ULI to play this role would require funding for an increase in capacity.

Funding the two types of technical assistance described above, for the period during which cities are developing their comprehensive plans, could be a very cost-effective way to boost the production of affordable housing in the metro area for the next decade.

\textsuperscript{71} http://minnesota.uli.org/initiatives/housing/opportunity-city-program/
APPENDIX 1
National Material

1. Accelerated Processing of Affordable Housing Applications – Austin and San Diego, HJC, March 2015.

2. Reduced Parking Requirements
   b. King County Multi-Family Residential Parking Calculatory materials (see, www.rightsizeparking.org)


4. List of National Best Practices

5. Also worth noting:

   HUD’s Regulatory Barriers Clearinghouse website: http://www.huduser.org/portal/rbc/home.html
Accelerated Processing of Affordable Housing Applications

The most commonly cited example of accelerated processing is the Austin TX SMART Program. San Diego is also frequently cited.

Austin SMART Program

Originally adopted in 2000, the goal was to encourage affordable housing development through incentives rather than regulation. The heart of it combined accelerated processing of affordable housing applications with fee waivers—the more affordable units (80% AMI), the larger the fee waivers (pursuant to a schedule). The affordability restrictions are only five years. On multifamily projects, fee waivers can be up to $1250/unit. In the first year, officials described the response as “staggering;” they were expecting 600 applications and received 6000 (both multifamily and single family).

The fast track review focuses on speeding up the city staff part of the process but they encourage applicants to recognize their role in keeping things moving. They encourage developers to avoid bringing in applications that require a rezoning or variances, which cause big delays. The applicant submits an application for the SMART program and if found eligible, is certified for fee waivers and expedited review. Then projects enter the development review and inspection process (subdivision, site plan, building plan, zoning and variances as necessary). At the beginning of these processes city reviewers meet with the developer to establish a tight timeline for both sides. The city also provides an advocate/single point of contact to help the applicant get over any hurdles. If rezoning is required, there’s a process of consulting with the neighborhood, and if the proposal is inconsistent with the neighborhood plan, the plan needs to be amended (“This may delay your project!”). Following that building permits are issued and construction can begin.

According to a 2005 report, SMART Housing was a big success, having incented 4900 SF and MF housing units, of which 80% met the affordability standard of 80% AMI. “SMART Housing: A Strategy for Producing Affordable Housing at the Local Level,” ICMA Best Practices, 2005. Success in the fast track review process was attributed to support at the highest levels of city government, to ensure it remained a priority for city staff and that all departments worked effectively together. Proactive problem solving by staff was also key. The average completion time for SMART subdivision and site plan reviews had been reduced to approximately half the time of conventional reviews. For subdivision applications/site plans, processing was reduced from 60 days to 30 days, for building plans from 28 days to 14 days, and for residential building permits, from 7 days to 2 days. The city holds not only their own staff accountable for meeting these deadlines, but the developer too. The report also noted that prior to SMART, petitions filed by neighborhood residents successfully thwarted many affordable developments, but after SMART and the requirement of an early dialogue with neighbors, nearly all SMART zoning cases have been successful.

A 2011 report by the University of Texas painted a little different story, describing their subject as “Austin’s waning SMART Housing Initiative.” “SMART Housing: A Review and Recommendations,” the University of Texas at Austin School of Architecture, and Center for Sustainable Development, 2011. As of this time, program activity had dramatically slowed. In addition to the recession, there was apparently not the same push from the top of city government to keep the pressure on for fast track
review. Developers characterized the fee waivers as a modest incentive at best, and more of an indication of city support. The expedited review in theory made a big difference for developers but it was their perception it was no longer as accelerated as it once was. (Some of the evidence was to the contrary; from 2000 to 2010, SMART projects took an average of 166 days to move through the system, whereas other MF projects took 277 days.)

The report urged a renewed commitment to fast track. The City should dedicate staff to work only on SMART review. There was also evidence that when city staff were worried about layoffs they would tend to maintain a backlog of work to make themselves look more essential rather than moving projects quickly, which the city needed to address. Also, housing advocates were no longer keeping the heat on in ways they had been.

As of Fall 2014, the city’s website indicates it was looking at revisions to the SMART program, apparently to resolve some tensions between affordable housing and transit goals.

San Diego
San Diego adopted its Expedite Program in 2003, along with an IZ ordinance. Projects eligible for Expedite must commit to 10% of rental units at 65% AMI, and for ownership, 10% of units at 100% AMI, and pay a $500/unit fee. The goal was to process affordable housing applications twice as fast as current system allowed. The Program included specialized city staff, shorter staff review times, mandatory initial review meetings, first priority on hearing dockets, concurrent processing agreements, and other things. The average project under the program took 44 city staff business days and the applicant time 142 business days. The time savings, according to the City, translated into direct savings for the developer through reduced holding costs and interest payments. Results: The city processed over 300 projects and 2800 affordable units, with average processing time more than twice as fast as standard process. “Beyond the Density Bonus,” Cornerstone Partnership, 2014.

Compiled by HPP 3-31-15
How a city successfully addressed minimum parking requirements for multifamily properties.

By Daniel Rowe

Multifamily residential buildings often provide too much parking, which can be an impediment to achieving a wide range of community goals. King County Metro Transit (Metro), Seattle, Wash., recently embarked on a project to rewrite the rules for multifamily parking.

Through its Right Size Parking Project, Metro developed data-driven tools to estimate parking use based on context-sensitive land use, transit, and building characteristics. It engaged planners and decision makers to assess existing zoning code and incorporate market-based mechanisms and parking management strategies. It also joined with financiers, developers, and property managers to understand how pricing and transportation demand management (TDM) techniques can support smart growth development and more affordable housing. Together, this multidisciplinary approach is providing the tools needed to balance parking supply with competing interests while achieving economic development and community goals alike.

A grant from the Federal Highway Administration’s Value Pricing Pilot Program provided Metro with the opportunity to show the rest of the country how multifamily parking reform can become a reality.

The Cost of Oversupply

Based on data collected from this project, parking in multifamily buildings in King County is oversupplied by an average of 0.4 stalls per dwelling unit. This accounts for approximately $400,000 in unused parking costs for an average development.

As we know, an oversupply of parking can have deleterious effects on economic development, consumers, and the community. The high cost of parking construction and maintenance drives construction costs up and reduces the supply of affordable housing. Unless parking costs are unbundled, or separated from the cost of housing, households are forced to pay for parking whether they need it or not.

Even when parking costs are unbundled, developers can almost never charge the full cost-recovery price for parking due to concerns about sticker shock from their customers. Parking makes up 10-20 percent of the cost to construct multifamily buildings in King County, but only 6 percent is recovered through parking charges. This cross-subsidization causes a distorted market for parking and reduces the ability of pricing to be used as a tool to manage parking demand. Lower-income households are especially burdened by this distortion, as they typically have lower rates of auto ownership and spend a larger percentage of their income on housing.
Another issue. Excess parking leads to increased land consumption and sprawl, lower-density development, and greater distances between buildings, which can deter walking, transit use, and efficient transit service operations. On the other hand, providing too little parking can also be a significant risk in terms of real estate marketability and effects on on-street parking in nearby communities.

These problems suggest that the provision of parking should be right-sized and strike a delicate balance between supply and demand by providing parking that will ensure real estate marketability and minimize effects on on-street parking, without presenting a barrier to meeting community goals.

Existing parking data resources and tools tend to be inappropriate for growing suburban and urban communities, especially when they don't account for differences in transit access, land use, demographics, and building types. To provide better quantitative tools to predict parking use at multifamily sites, especially in complex, growing suburban settings, Metro completed an extensive data collection and modeling effort.

The process started by collecting data from more than 200 properties in King County, representing a variety of location and housing types. Utilization field data was collected using Institute of Transportation Engineers (ITE) standards; parking counts were completed during peak parking hours for multifamily properties during non-holiday weekdays.

The results were consistent with many empirical studies from around the county: parking was oversupplied in all place type designations (see Figure 1). Using regression analysis, Metro then found the seven most influential variables in predicting parking use—five pertaining to the property or development characteristics, and two focused on the built environment, specifically access. A statistical model was constructed with an R-square value of 81.0 percent, meaning that 81 percent of the variation of multifamily parking use could be explained through the seven variables.

With help from the Center for Neighborhood Technology, the King County Multifamily Residential Parking Calculator (rightsizeparking.org) was created to provide web-based access to the research (see Figure 2). The website tool condenses complex research findings into a simple map-based format that's accessible to a wide variety of stakeholders. Using the statistical model to estimate parking use, the site illustrates outputs for most developable parcels in King County. Users have the ability to select a parcel, input details specific to a proposed development, adjust factors of the built environment, and see the new estimated parking use as an expression of vehicles per dwelling unit.

The ability to alter these characteristics and compare the effects of alternative scenarios enables stakeholders making economic, regulatory, and community decisions about development to weigh factors that will affect parking use at multifamily housing sites.

Goals and Results
Parking regulations that allow parking supply to be balanced with actual demand can help promote community goals and create a rational market for priced parking. Parking codes may not be up to date in many King County municipalities, with changes in land use, demographics, and consumer preferences that have already reduced—and could potentially further reduce—the demand for parking. In some municipalities, parking minimums do not take into account that demand varies based on unit type, occupant income, proximity to transit, or other contextual factors.

To support cities that were looking to update parking codes, Metro developed model code language using best practices from around the county and results from the project's research phase. The end result is a tiered recommendation: In the best case, cities would adopt a market-based approach where parking requirements are removed and the amount of parking supplied in multifamily projects is determined by the developer's determination of customer/tenant needs. This market-based approach is recommended to most efficiently achieve community goals, as it can help avoid overbuilt parking caused by minimums that are set higher than demand. It is important to note that a market-based strategy is most effectively used with on-street parking management to mitigate potential parking spillover to on-street spaces.
Minimum requirements for off-street parking are often deeply entrenched in most land use codes, and completely removing them is likely to be challenging, both procedurally and politically. For these reasons, the second option—a context-based approach—is also outlined as a flexible way to regulate parking. Well-executed, this approach sets minimums at a sweet spot that doesn’t cause overbuilding, reduces parking spillover risk to the surrounding community, and reduces the need for on-street parking management.

Most municipalities already have code that incorporates some features of a context-based approach, but Metro’s model code work provides a menu of options that allows planners to pick and choose the options that fit best with their unique built environment and political climate.

Building from the model code developed by Metro, a series of policy change pilot projects will be launched in 2024 to adjust parking minimums, manage on-street parking, incorporate shared parking programs, and assess residential permit programs.Jurisdictions in King County will apply the findings from the Right Size Parking Project and lead by example.

Looking Ahead
In King County, anywhere between 25 and 100 percent of the cost to build parking is absorbed into the cost of housing. As stated earlier, this cross-subsidization can decrease housing affordability, distort the market for parking, and present serious negative effects to lower-income housing dwellers. Metro is working with developers, financiers, and property managers to explore how pricing and TDM techniques can help reduce the cross-subsidization of parking and facilitate a larger market sector of residents with lower automobile ownership.

At a minimum, unbundling or separating the costs of parking from housing is an approach to reduce cross-subsidization and supply parking more efficiently. This reduces incidents of individuals paying for unneeded or unused parking as part of their housing costs.

Metro’s research found that urban market-rate projects include a parking price elasticity calculated at -0.47, which indicates that if parking price was increased by 10 percent, parking use would decrease by almost 5 percent. This relationship suggests that developers or property managers looking to lower parking use can combine pricing and TDM in urban areas where viable alternatives to owning a car exist. Similar to Metro’s aforementioned policy change pilots, the agency will look for multifamily developers and managers to partner in demonstrating how parking pricing can be combined with TDM to reduce parking needs, reduce household expenditures, and support increased transit, bike, and walk trips.

This project has enabled Metro to develop new tools to support both public and private sector parking reform. These tools can be used by local stakeholders to help shape development in a way that optimizes parking supply and supports transit use. While the tools are intended to help support and guide parking supply and management decisions, they should not be viewed as a definitive answer. Rather, they should be seen as a resource to inform discussions, weigh the factors affecting parking demand, help consider the proper provision of parking, and provide a template and process to be used in similar analyses and applied projects in other regions. By following the guidance of locally credible and context-sensitive data on parking demand, we have the opportunity to support economic development, reduce housing costs, improve the pedestrian environment, increase transportation choices, and encourage public use of transit, rideshare, biking, and walking through parking supplies that are right-sized in new multifamily developments.

In King County, Metro will partner with local jurisdictions and developers to put the research into practice and demonstrate the benefits of parking strategies outlined in our project. It is our hope that cities around the country will expand on our work and continue to support parking reform with the goal of creating more sustainable, transit-friendly communities of the future.

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county.parking.org/plp

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About the King County Multi-Family Residential Parking Calculator

King County Multi-Family Residential Parking Calculator
TOOLS TO BALANCE SUPPLY

About the Calculator

What does it do?

The King County Right Size Parking Calculator lets users estimate parking use in the context of a specific site, based on a model using current local data of actual parking use correlated with factors related to the building, its occupants, and its surroundings—particularly transit, population, and job concentrations. The calculator helps analysts, planners, developers, and community members weigh factors that will affect parking use at multi-family housing sites. It will help them consider how much parking is "just enough" when making economic, regulatory, and community decisions about development.

The calculator's estimates are based on a model developed from field work on data collected mostly in the winter and spring of 2012 on over 200 developments in urban and suburban localities in King County, Washington (Seattle and its suburbs). The calculator estimates a parking/unit ratio for an average residential building based on the characteristics of each location. A user can create scenarios for a parcel based on seven variables (see Background for more detail).

Why parking matters

The supply and use of parking are influenced by—and have influences on—development practices, local policies, economic impacts on builders and households, and community goals. The supply and price of parking also have direct relationships with travel behavior. Too much parking at residential properties correlates with more automobile ownership, more vehicle miles traveled, more congestion, and higher housing costs. In addition, excess parking presents barriers to smart growth and efficient transit service.

Parking supply and pricing often have a direct impact on the ability to create compact, healthy communities. King County Metro Transit has an interest in encouraging land uses, policies, and development that lead to communities that can be served efficiently and effectively by transit. Locally credible and context-sensitive data on parking use allows jurisdictions in King County to:

- Support economic development by reducing barriers to building multi-family residential developments in urban centers near quality transit infrastructure.
- Reduce housing costs as well as household monthly expenditures, allowing a larger demographic to participate in the urban, infill housing market.
- Encourage transit use, ridesharing, biking, and walking.
- Reduce traffic congestion, vehicle miles traveled, and the amount of greenhouse gasses produced.

Who's Involved?

This calculator was developed as a part of King County Metro Transit's Right Size Parking Project, which is funded with a grant from the Federal Highway Administration's Value Pricing Program. Partners include the Center for Neighborhood Technology, who constructed the statistical model and developed the website tool, and the Urban Land Institute, Northwest Chapter, who provided community engagement and outreach support throughout the project. For more information on the project, see the King County Right Size Parking website.

FHWA Value Pricing Program
Urban Land Institute

CNT
King County METRO

A project in collaboration with King County and the Center for Neighborhood Technology. Contact Us.
Background

With a grant from the Federal Highway Administration's Value Pricing Program, King County Metro Transit assembled information about multi-family residential parking use at more than 200 developments in King County over the winter and spring of 2012. Parking utilization was recorded on Tuesdays, Wednesdays, and Thursdays between midnight and 6 a.m. in all residential spaces identified by property managers in each multi-family development studied. Most of those spaces were on-site, although some property managers identified additional off-site parking areas provided for residents.

The Model

Metro then developed a statistical model to estimate parking use based on building and environmental characteristics. The model was built using regression analysis. The dependent variable was observed vehicles per occupied residential unit (or parking/unit ratio) gathered from the field data. Independent variables include:

- Average Rent
- Units per Residential square foot
- Percent of Units Designated Affordable
- Average Occupied Bedroom Count
- Parking Price as a fraction of Rent
- Gravity measure of Transit Service
- Gravity measure of Intensity

Taken together, these variables form a strong model for predicting the parking/unit. A resulting R-square value of 0.81 indicates that 81 percent of the variation observed in parking use can be explained through these seven variables.

For more information on the data collection and modeling, see Technical Memo.
Multifamily Embraces Modular Construction

Bendix Anderson (author/bendix-anderson)  Apr 13, 2015

It only took 47 days to construct 65 apartments at Hilltop House, a new modular multifamily development in Winston-Salem, N.C. That includes 36 days for Champion Home Builders Inc., to create 52 modules in one of its factories and just 11 days to set the modules in place on a tiny site in Winston-Salem’s historic downtown. Six months later, in early 2014, the community, which includes both conventional and modular construction, was open for occupancy.

With so much new apartment construction planned for downtown areas across the country, modular construction may give developments like Hilltop House, developed by HTBT Properties, an advantage in the race to open their new apartments ahead of the competition. More than 1,000 apartments are planned for downtown Winston-Salem in the next few years, according to local news reports.

“The multifamily housing market is poised for strong growth in the upcoming year,” says Tom Hardiman, executive director of the Modular Building Institute (MBI). “Modular construction is ideal for this market as it shortens the overall construction schedule allowing for earlier occupancy and quicker return on investment.”

Modular construction, in which buildings are created in a factory, transported on the back of a truck to the site and assembled like giant Lego blocks, has become an increasingly common construction method for apartment developers. Proponents say it saves developers money and time. The quality of construction can also benefit from the quality controls that come with construction in the controlled environment of a factory.

Modular construction can reduce the high cost of labor. The most desirable development sites are now in the middle of cities, where young people want to live, but where labor is often relatively expensive. Building with modules allows developers to construct large pieces of projects in factories far from these high-cost areas, in places like Idaho or Pennsylvania.

Modular construction cut 20 percent from the cost to construct 28 apartments at The Stack, a new development in the Inwood neighborhood on the northern tip of Manhattan, according to a report from MBI. As construction heats up across the country, many apartment developers face a shortage
of labor. The shortage is worse because many construction companies closed down during the recession forcing construction workers to find other work. Many immigrant laborers who were in the framing and drywall trades left the U.S. to return to their home countries when their jobs disappeared.

Modular construction can also save developers a great deal of time. Equity Residential trimmed four months from the time it took to build 444 new apartments its Domain Apartments in San Jose, Calif., thanks to modular construction. The quality of construction is also very strong for the modules, which were inspected in their factory in Boise, Idaho, and kept out of the rain and weather. The “punch list” of items to fix in the final phase of construction was very short. “The initial punch was better than I’ve ever seen,” says Peter Solar, who worked on the development for Equity Residential and is now managing director of investments for Northern California for Alliance Residential.

Modular construction does have some drawbacks. It can be important to have a staging ground near the site to place modules—or a relatively traffic-free route to bring modules into the site. Otherwise, a $5,000-a-day crane operator may have to wait around the construction site while the next 10-ton module fights its way through morning traffic on the back of a semi-truck. Bad weather and road conditions between the factory and the construction site can also create delays, says Solar.

Modular design can also present a novel challenge for architects. Although the modules can be created in practically any shape that will fit on the back of a tractor-trailer, some designers may require some prodding to resist the temptation to create relatively plain, boxy buildings out of the stacked modules, without much movement in the facades, according to Solar.

One major modular project has been delayed by legal squabbles. Disagreements between developer Forest City Ratner and construction firm Skanska has left a 32-story apartment high-rise building about one-third-finished in Brooklyn, N.Y., as the first residential phase of Forest City Ratner’s multibillion-dollar Atlantic Yards project.

However, says Solar, most developers who have tried modular would be open to using it in future projects. “We would definitely consider it,” says Solar.
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<th>Company Development &amp; Expansion Strategies</th>
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<tr>
<td><strong>Objective:</strong> Identify and develop new opportunities for growth and expansion.</td>
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<td><strong>Strategy:</strong> Conduct market research to identify new markets and customer segments.</td>
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<td><strong>Action:</strong> Engage with potential partners to explore collaboration opportunities.</td>
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<td><strong>Timeline:</strong> Q1-Q2 2023</td>
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<td><strong>Objective:</strong> Enhance current product offerings to meet emerging market needs.</td>
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<td><strong>Strategy:</strong> Update product development plan to integrate feedback from customer surveys.</td>
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<td><strong>Action:</strong> Introduce new product features in Q3 2023.</td>
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<td><strong>Timeline:</strong> Q3-Q4 2023</td>
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<td><strong>Objective:</strong> Improve business operations through process optimization.</td>
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<td><strong>Strategy:</strong> Conduct a thorough review of current business processes.</td>
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<td><strong>Action:</strong> Implement process improvements in Q4 2023.</td>
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<td><strong>Timeline:</strong> Q4 2023</td>
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<td><strong>Objective:</strong> Strengthen brand presence through social media marketing.</td>
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<td><strong>Strategy:</strong> Expand social media platforms and increase engagement.</td>
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<td><strong>Action:</strong> Launch new social media campaigns in Q1 2024.</td>
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<td><strong>Timeline:</strong> Q1 2024</td>
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<td><strong>Objective:</strong> Expand the customer base through targeted marketing initiatives.</td>
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<td><strong>Strategy:</strong> Develop a customer analysis to identify high-value prospects.</td>
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<td><strong>Action:</strong> Implement targeted marketing strategies in Q2 2024.</td>
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<td><strong>Timeline:</strong> Q2 2024</td>
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*Note: Timelines are approximate and subject to change based on project progress.*
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APPENDIX 2

Research for this paper

We assembled data on all metro cities related to their production of affordable housing under the Livable Communities Act (LCA) program, and their projected Land Use Planning Act (LUPA) and LCA housing goals, and Housing Performance Scores. We compiled, for detailed study, a list of Twin Cities communities that have done well in the past in terms of producing affordable housing, communities which are forecast for high rates of growth in the near future but the whose affordable housing performance to date has fallen short, and suburbs with S.W. Corridor station areas. We included Dakota County CDA because of the reliance of Dakota County cities on the CDA for affordable housing policy and because of the innovative policies of the CDA. We had initially included Medina, but staff declined to be interviewed. We have nevertheless included a case study of Medina’s response to an affordable housing proposal in the Appendix 3 case studies.

For each city, we examined their comprehensive plans, and zoning and subdivision regulations to collect information on a) the types and variety of programs utilized to build affordable housing, b) regulations related to single family and multi-family zoning, c) administrative fees for residential land development, and d) sewer, water and park dedication fees. We also collected the Metropolitan Council’s tabulation of these communities responses to surveys on policies and practices related to production of affordable housing. In addition we conducted interviews with planning or development staff in each of these communities to get further information on their practices and on their experiences in guiding affordable housing development: Bruce Nordquist, Apple Valley; Cindy Nash, Carver; Kevin Ringwald, Chaska; Matt Gindele, Dayton; Kari Gill and Mark Ulfers, Dakota County CDA; Molly Koivumaki and Julie Kilma, Eden Prairie; Bob Kirmis, Elko-New Market; Donovan Hart, Forest Lake; Kersten Elverum, Hopkins; Nick Johnson; Lake Elmo, Daryl Morey, Lakeville; Dick Edwards, Maple Grove; Elise Durbin, Minnetonka; Bryan Tucker, Savage; Michele Schnitker, St. Louis Park; Laurie Hokkanen, Victoria; and Karl Batalden, Oodbury.

In addition, we have interviewed a number of housing developers who are active in the suburbs of the Twin Cities region building affordable housing developments as well as other housing professionals. Our list includes developers John Duffy of Duffy Development, Colleen Carey of the Cornerstone Group, Gina Ciganik of Aeon, Ron Clark and Mike Waldo of Ron Clark Construction, Jeff Huggett of Dominium, Steve Wellington of Wellington Management, Barb McCormick and Chris Wilson of Project for Pride in Living, Amanda Novak of Common Bond, Jamie Thelen of Sand Companies, Caleb Keenan of Lecesse Development, Peter Worthington and Chris Stokka from MWF properties, and Kirk Moorhead and Matt Crellin from Beacon. We also interviewed Development consultant Gretchen Camp; former Minnetonka mayor Karen Anderson, land use attorney Bill Griffith; architect Kim Bretheim of LHB’ Jason Aarsvold from Ehlers, which provides public finance advice to many metro communities; and James Vagle, from the Builders Association of the
Twin Cities. We also had extensive discussions regarding inclusionary housing with Sasha Hauswald of Cornerstone Partnership and Robert Hickey of the Center for Housing Policy. These interviews give us a different perspective on the practices of local governments and serve to balance and supplement the information we received from communities.

An advisory group with the following members provided feedback and advice: John Duffy, private developer; Kevin Ringwald, City Planner Chanhassen; Shalaunda Holmes, City of Minneapolis; Karl Bataldan, City Planner Woodbury; Andrew Michaelson, Common Bond; Rose Teng, Consortium of Community Developers; Libby Starling, Metropolitan Council; Charlie Vander Aarde from Metro Cities, Elise Durban from the City of Minnetonka, and Chris Wilson from PPL.

Also commenting on the final draft were architects Todd Rhodes and Michele Baltus Pribyl.

Interviews were carried out by CURA students Drew Ingvaldson, John Pierce, and Michael Healy; by Jack Cann and Tim Thompson of HJC; and by Stacy Becker of Becker Consulting.
APPENDIX 3

Attached are the following short case studies:

Metropolitan Council pressure turns around Maple Grove’s 1990s affordable housing opposition.

Litigation turns Forest Lake opposition into affordable housing support.

Community opposition requires reduction in scale of Creekside Commons project, adding $43,400/unit to the cost.

Medina community opposition to 32 unit project results in City Council reversals of support and adds nearly $86,000/unit to the cost.

City of Carver resists intense and well organized community opposition to approve affordable housing.
MAPLE GROVE CASE STUDY

Minnesota Challenge has found that over the last 15 years, Maple Grove has adopted a number of affordable housing “best practices” and produced a significant number of affordable projects. This is a dramatic reversal of the City’s position during the 1990s. Attached is an excerpt from the 2003 book, Clearing the Way, Deconcentrating the Poor in Urban America. The description describes intense official resistance to affordable housing through the decade until the City needed $43 million from the Metropolitan Council for sewer expansion. The council extracted agreement in return to increase affordable housing production. The interviews with the City’s Community Development Director, attached in Appendix V, describe the city’s subsequent efforts to produce affordable housing and to reduce official and community opposition.

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1 Edward Goetz, Urban Institute Press
Maple Grove, a developing suburb north-west of Minneapolis, is an affluent community. In the early 1990s, Maple Grove gained a national name for its virulent opposition to affordable-housing efforts. In 1993, the Maple Grove City Council rejected an affordable-housing project after an angry group of residents protested its construction. Though the housing would have rented for $550 month (in 1993), residents perceived it as a low-income project that would attract "undesirable elements."

Maple Grove residents also objected to a proposed Habitat for Humanity project. Usually, Habitat for Humanity is able to capitalize on its very positive image and gain a foothold, even where other affordable-housing proposals fail. Its projects are typically small in scale and, therefore, non-threatening. In addition, Habitat projects involve volunteer work (often from local organizations and congregations) and contributions from the families that ultimately will inhabit them. Furthermore, Habitat typically builds or rehabs single-family homes for owner-occupants. For all those reasons, Habitat is a "feel-good" version of assisted housing. Yet even Habitat was run out of Maple Grove, told to "get the hell out of our neighborhood" by Maple Grove residents in 1997. Habitat's original proposal for 16 to 20 homes was rejected. Instead, the organization ended up constructing four single-family homes on city-owned land behind a fire station in 1999.

Soon after the Maple Grove city manager tried to initiate modest efforts to introduce affordable housing, he was relieved of his duties by the coun-

cil. "In his place was put a recalcitrant local official who confidently told the Maple Grove City Council that it 'is doubtful that affordable housing will ever happen in Maple Grove'" (Orfield 1997, quoting from a Maple Grove City Council transcript, October 21, 1996). Maple Grove became the region's symbol of suburban opposition to low-cost housing. The city's name was even used disparagingly in other cases in the area; for example, proposed projects were described as being "Maple Graved." In 1997, ABC-TV's Nightline featured Maple Grove as an example of the growing social, economic, and political distance between central cities and their developing suburbs.

In the midst of all this, Maple Grove requested a 1,800-acre extension of its metropolitan growth boundary and a $43 million sewer extension to facilitate more development. In the past, the Metropolitan Council would have exercised its leverage over development policy in this type of situation. Met Council policies clearly state that, when making regional infrastructure decisions, it should take into account a community's record of providing low- and moderate-income housing. Despite Maple Grove's clear resistance to affordable housing, despite Met Council staff's own judgment that nothing in the city's comprehensive plan "would seem to encourage construction of moderate cost housing;" and despite the Met Council's encouragement to the city on two previous occasions to promote more affordable housing, the council granted the sewer extension.

Even though permitting the extension directly contradicted stated policy, the council did extract Maple Grove's agreement to take steps toward improving its housing record. The city pledged to increase the share of new rental housing built to 25 percent of all new housing construction, to make at least 35 percent of the additional rental housing affordable (which, at that time, meant rents of $638 or less per month), to convene a review group of builders, citizens, and city staff to examine land use controls and their impact on housing costs, and to increase overall density in its single-family development.

Though Maple Grove residents still offer considerable resistance to low-cost housing, the city has begun to approve affordable projects in mixed-income developments. A mixed-income senior development, for example, was built in 1997; 48 units of affordable townhomes were completed in 1998; and another 19-unit townhome development was approved that year, though not without strong community opposition. A mixed-income development went up in 2000, and the city has agreed to allow 20 units of
Hollman replacement housing to be acquired on a scattered-site basis throughout the city (see chapter 7).
FOREST RIDGE DEVELOPMENT IN FOREST LAKE

In 2004, John Duffy contacted City staff to discuss a proposed 48 unit affordable housing development on a 9 acres site for which he had a purchase agreement. The Mayor and a council member opposed the development. A complaint ultimately filed by Duffy alleged that at a meeting with Duffy, the Mayor indicated "I do not care what the zoning ordinances or comprehensive plans say; we do not need affordable housing." The Mayor and Council member spoke out against the proposal at neighborhood meetings.

Only July 15, 2005, Duffy applied for a conditional use permit (CUP) for the project. Before the scheduled Planning Commission hearing, Planning Commissioner Clyde McKackey distributed the flyer, attached as Exhibit 1, drafted so as to appear to be a Planning Commission public hearing notice. The flyer set out vicious stereotypes of affordable housing residents.

The Planning Commission, and subsequently the City Council, against the advice of the City attorney, denied the CUP application, even though acknowledging that the proposal met requirements of the ordinance. Duffy sued, alleging violation of the Minnesota Human Rights Act, arbitrary and capricious conduct, and violation of the statute requiring cities to respond to an application within 60 days.

The City settled the lawsuit, agreeing to reimburse Duffy, let the project proceed and to waive city fees. In addition, Duffy insisted, and the City agreed, to a settlement requirement that the City establish a citizen panel to examine, and potentially revise, Forest Lake’s affordable housing policies “in order to affirmatively encourage the development of affordable housing.” The City also agreed to City staff, Planning Commission, and City Council members receiving training in affordable housing by HUD staff.

As a result of intense community organizing efforts by affordable housing advocates, the citizen panel recommended and lobbied for substantial changes in the City’s affordable housing policies. The result was 2008 Comprehensive Plan language which a CURA study ranked the best by far of any in the metropolitan area.1

1 “A Vision for the Next Decade, Planning for Affordable Housing In the Twin Cities Metro” by CURA students supervised by Ed Goetz, pgs. 62, 67.
NOTICE OF PUBLIC HEARING

On Wednesday, August 10, 2005 at 7:00 p.m. the Planning Commission of the City of Forest Lake will hold a Public Hearing at the City Hall, 220 North Lake Street, Forest Lake. The hearing will be to consider the request of applicants Duffy Development, John Duffy and owner(s) Memorial Hospital District for a Minor Subdivision to subdivide 14 acres, also known as the former Memorial Hospital site, to create a 5 acre lot and a 9 acre lot, and a Conditional Use Permit to allow the construction of a 3-story (48 unit) apartment building on a 9 acre lot. Location being: 246 11th Ave. SE; Legal being: Lot 1 Block 1 and Lot 1 & 2 Block 1 of Forest Lake City, GEO: 17.032.21.11.0013

Doug Borglund
Community Development Director
Planning Commission

Published in the Forest Lake Times, on July 28, 2005

This building is a low-income, rent subsidized building that will be built in the open-space next to the old District Memorial Hospital building. You will be told this project will be for current residents but a survey of some of the Apartment Owners has indicated there are 15 vacant Apartments in the Forest Park I & II buildings (Both Low-income buildings) and in excess of a 10% vacancy in all the Apartments in Forest Lake. This project does not meet the standards of the Comprehensive Plan for Forest Lake. The new tenants will be imported from Minneapolis, St Paul and surrounding cities to solve their low-income problems at our expense. This developer has received a Grant from the Metropolitan Council in the amount of $225,000 to build housing for Chronic Homeless. There are no Chronic Homeless in Forest Lake so they will also be imported from the Twin Cities.

This building will have space for 96 cars which will be directed to 4th St SE because the County will not allow a curb cut on 11th Ave SE. The average number of trips per car will be 5, meaning the intersection of 4th St SE and 11th Ave SE will need to handle 480 additional cars per day. This amount of traffic on 4th St SE will place the Senior drivers and the handicapped at Kilkenny Court and Jorgens Estates at serious risk because they must egress on this street. This volume of cars is in addition to the expanded traffic that will happen as the International School expands to 300 students.

In addition to 100-150 adults, this building will house 100 children. Remember, these are not current residents so District 831 will be raising your taxes 1 Million dollars ($10,000 per student is now being spent).

These types of buildings tend to turn into a hotbed of crime, drug dealing, drug abuse, alcohol abuse, spousal abuse and child abuse. The current low-income housing in Forest Lake consumes 60% of the Police Calls and the current Police Budget is around 4.5 Million Dollars. We can expect our taxes to increase by $250,000-500,000 if this project proceeds. In addition, your County taxes will increase because of the Welfare cost that will transfer from Ramsey and Hennepin Counties with the new residents. You only need to consult the police column in the local papers to see the effect of low-income housing.

This Developer does not live here so his life will not be affected by this project, but your property values, tranquility and life will be affected in a negative way if this project goes forward. You need to attend this meeting to express your opinion at this Public Hearing or we will all suffer the consequences of this project.

So attend even if you don't intend to express your opinion; Numbers count!!!
Creekside Commons: An Affordable Housing Case Study
By: Michael Healy

Background

Mayflower Church is located at 106 East Diamond Lake Road in south Minneapolis. The church has a long history of providing housing supports to those in need. In 1997, the church began allowing refugee families to live rent-free in a small duplex located at the edge of their property. The duplex was very old and rundown and many church members began pressing for a more creative and beneficial use for the property. In 2005, Mayflower developed a workforce housing committee made up of six congregants- including two high-school students- and held informational meetings for the community regarding affordable workforce housing, green building technology, and urban planning concepts. They partnered with the Plymouth Church Neighborhood Foundation, a religiously affiliated nonprofit housing developer, to come up with a plan for an affordable housing development that could replace the duplex and support more families. The Plymouth Church Neighborhood Foundation was created in 1999 by members of Minneapolis’s Plymouth Church. In their seven years of existence, they had completed three developments themselves and facilitated the development of a fourth, creating a total of 122 affordable housing units.

The Proposal

On May 20 of 2007, Lee Blons, Executive Director of the Plymouth Church Neighborhood Foundation (PCNF), presented their development plan to the Tangletown Neighborhood Association. The proposal was for a 40-unit apartment complex that the team had named Creekside Commons which would go onto the site of the duplex. The development would contain 20 two bedroom units, 15 two and three bedroom units, and 5 one bedroom apartments to facilitate the creation of an intergenerational mix with diverse residents. Thirty-one of the units would be affordable workforce housing, eight units would be rent-subsidized by the Minneapolis Public Housing Authority, and one unit would be reserved for a transitional refugee family.

The entire project was proposed to be built with a “green” standard. This was to be achieved through features like pedestrian friendly design, underground parking, sustainable building materials, and energy efficient lighting. Parking need would be reduced by the fact that neighboring Mayflower Church has extremely ample parking that is only really fully utilized during Sunday services. The building would also feature community amenities such as a playground, a community room, and a computer resources room.

Ms. Blons took great care to emphasize that her organization has done this kind of work before in several neighborhoods and that they have never witnessed any negative effect on neighborhood property values or increase in crime. She cited as an example a 40 unit development that they had previously built in Steven’s Square, Lydia Apartments. Neighbors had been vocal about property value and crime issues but the project ultimately had been completed. In the three and a half years since that project’s completion, hundreds of condo units have been developed in nearby blocks and many have sold for upwards of $300,000. PCNF hires on-site management to enforce strict
rules in their properties and tenants are asked to leave if they cannot abide by such regulations. Crime has not been an issue at any of their other properties.

**Neighborhood Reaction**

The neighborhood reaction was mixed and while some residents were supportive of the project there almost immediately materialized a very vocal and well-organized opposition group. Much of the opposition was ostensibly about density and not the fact that the housing was affordable. One of the articles that the Southwest Journal wrote on the subject includes a statement from a resident who was a former housing advocate for the City of Minneapolis who claimed to be very supportive of affordable housing but felt that the Creekside Commons project was just too big for the neighborhood and would cause traffic problems. At the next neighborhood meeting following the proposal, on June 18, 2007, Minneapolis Mayor R.T. Rybak addressed the crowd in an attempt to allay fears about the project. He made an effort to demystify workforce housing and differentiate it from low income public housing, specifically pointing out that this project will not look anything like a concrete public housing tower. Mayor Rybak strongly defended PNFC as an organization. Rybak and Blons fielded many questions about the nature of funding these deals and were asked many policy questions regarding subsidized housing in general. Residents were concerned that this large project would be out of place in a majority home-owning community and there was a lot of concern about density with one resident telling the mayor that it felt like the IDS Center was being placed in their neighborhood. In response to claims that opposing voices were being ignored and suppressed, it was decided that neighborhood opposition groups would be given a separate meeting where they could present their concerns.

On July 16th, a group calling itself “Tangletown Residents for Smart Density” presented to the Neighborhood Association. Their stated goals were to secure a “developer they can trust,” to build housing that “improves the safety, livability, and character of Tangletown,” and to get the Tangletown Neighborhood Association to formally oppose the project in its current form. They presented as evidence several quotes from residents in other areas where PNFC had completed projects. Some of these individuals accused PNFC staff of being sneaky and arrogant. Furthermore, they presented the results of an informal poll which they claimed showed that Tangletown residents were, in general, opposed to the project. They also talked to a local property manager who said that some of her low-rent buildings had vacancies, something they believed proved that there was not a need for more of this kind of housing in the area. Tangletown Residents for Smart Density also shared that they took issue with the very idea of affordable rental housing being a good option for working families. They insisted that homeownership was a much better way to help these individuals build wealth and talked about Habitat for Humanity and other similar programs as being a better solution than rental. They also disputed the studies that said there would be no negative impact on home values, saying that other studies directly conflicted with such findings. Finally, the group insisted that the traffic impact was understated, that parking would be an issue during Mayflower’s church services, and that a reliable traffic study could not be completed until the completion of work on nearby Interstate 35.
Developer Response

In August of 2007, PNFC officially reduced the project height from 4- to 3-stories and size to 30 units and received permission from Minnesota Housing to adjust the number in their tax credit application. Matt Crellin, the Director of Housing Development for PNFC at the time, states that they felt this was necessary in order to secure the necessary rezoning for the site from the city. The project site was zoned for R-1 Single family homes and PNFC needed it rezoned to R-5 Multi-family homes. R-5 would allow for either the 30 unit project or the 40 unit project but because of the ferocity of resident opposition the project team thought it would be extremely difficult to get City support for the larger project. At some point, Minneapolis Residents for Smart Density (the group changed their name slightly after their first presentation) clarified their stance and insisted that a project of 20 units or less would be acceptable to them. Many residents put up lawn signs opposing the project. PNFC was attempting a compromise with 30 units and sent the 30 unit project was sent to the Planning Commission for review.

Neighborhood Responds to Project Size Reduction

On August 20 of 2007, the Tanglewood Neighborhood Association Board, in a motion that passed 4 votes to 3, voted to send a letter to the Planning Commission saying that they supported the project generally but felt that 30 units was still too large. The letter further stated that the Board supported the rezoning and all of the requested variances except for the requested parking variance (which depended on the shared use of the church parking lot). The Minneapolis Residents for Smart Density group continued to insist that 20 units was the largest acceptable project that the neighborhood could support.

Planning Commission and City Council Decision and Results

On November 13, 2007, the Planning Commission approved the recommendation of the 30-unit project along with the requested rezoning and variances. Minneapolis Residents for Smart Density issued an angry statement insisting that politicians had their hands tied and were forced to be supportive of affordable housing regardless of its appropriateness for specific neighborhoods. The group hired an attorney and appealed the Planning Commission's decisions. Their appeal contained several new claims which they articulated with the help of their lawyer. They claimed that the project was inappropriate for the neighborhood because it was 3.1 times the size of any nearby property. They further claimed that there was no precedent for a project of this size outside a community corridor or transit station area. They complained that the project's main entrance would be an alley that could not fit two cars attempting to pass each other and that the project did not demonstrate the "hardship" that is usually required for a parking variance. They also claimed that the project would break up the "street wall" formed by the homes on Steven's Avenue. The City Council did not sympathize with the appellants and granted approval of the project under the recommendations of the
Planning Commission. Creekside Commons has since been constructed and is now a functioning affordable housing development.

**What Sacrifices were made with the Project Size Reduction?**

Matt Crellin, Director of Housing Development during the Creekside project, reports that the downsizing of the project had a very real financial impact on the development. In the tax credit application for the 40 unit project, PNFC estimated a development cost of $244,085 per unit. Their revised application for the 30 unit project predicted a cost of $291,447 per unit. Costs ended up being slightly lower than anticipated and the ultimate per unit price was $287,501. The price increase for each unit was roughly $43,400.

In addition to the financial sacrifices, reducing the project size also meant that Mayflower Church and PNFC had to compromise somewhat on their mission of providing housing to families in need of support. The revised project was only allotted 6 rental assistance vouchers instead of the 8 that had been planned for the original project. PNFC was coordinating with Mayflower Church’s housing task force in determining direction for the project. While the task force did ultimately vote to accept the reduced project size, the vote was not unanimous and some members felt that the project was really being crippled by the compromise. Taking ten units with ten families and multiplying that by the 50 year estimated life of the project would mean that hundreds of families would ultimately be missing out on housing and a supportive environment.

**Could the City have Done Anything Differently?**

Matt Crellin reports that the rezoning process, by its very nature, almost always results in a compromise if a compromise is possible. Elected officials almost always support such compromises in an attempt to be conciliatory and keep the community happy. With Creekside, PNCF was encouraged to compromise with the neighborhood and did so because they felt that this would help save the project and allow it to go forward. At the time that Creekside was being developed, Minneapolis had a policy of requiring all multi-family projects over 5 units to secure a conditional use permit. This opened up another round of compromising during any multi-family project’s development process. Minneapolis has since eliminated this requirement which has provided at least some relief from downsizing for multi-family projects.

**Sources**

O’Regan, Mary. “Planning Commission Approves Creekside Commons Project.” *Southwest Journal 3 December 2007*: Online.

O'Regan, Mary. "Tangletown Torn over Creekside Commons." *Southwest Journal* 8 October 2007: Online.

Personal Communication with Matt Crellin on 3/23/15.


MEDINA WOODS TOWNHOMES CASE STUDY

On February 19, 2013, Dominium appeared at the Medina City Council to request that the City provide supporting letters for the company's efforts to get funding support for a 32-unit tax credit project in the city. The Mayor, Tom Crosby, stated that affordable housing was a goal of the Council and that Medina needed affordable housing. The Council passed unanimous resolutions to send letters to funders supporting the project and to apply to the County for Community Development Block Grant (CDBG) funds for the project. As a result of the Mayor's support, Dominium approached the City about fee waivers and at the June 4, 2013 City Council meeting, the Council unanimously passed a resolution for a waiver of $300,000 of sewer and water connection fees.

During this time, it was understood that the site's zoning only permitted 26 units and Dominium would eventually need to submit an application for a re-zoning to permit a Planned Unit Development (PUD), which would allow the higher density. The zoning permitted 26 units at 7 du/acre and the proposed density was 8.6 du/acre.

With the City support, Dominium submitted a Low Income Housing Tax Credit (LIHTC) proposal to the MHFA for the 2013 round of funding. In the fall of 2013, the MHFA awarded the project tax credits and preliminarily approved it for a mortgage loan under the agency's Low and Moderate Income Rental Program.

In February 2014, Dominium began a PUD Concept Plan Review process with the Planning Commission and City Council. In the Interim, Mayor Crosby had died. At the February 18, 2014 Council meeting the new Mayor and other council members were supportive of the project and the PUD. On April 8, 2014 the Planning Commission unanimously approved a motion approving the application for a PUD and preliminary plat approval. At a special Council meeting on April 15 the new Mayor and one Council member spoke in favor of the project and the fee waiver. But a council member who had supported the project in February announced that he did not support the fee waiver and another who had supported it in February announced that "he was struggling to get a yes vote and had serious reservations about the project."

By the May 6, 2014 Council meeting it was obvious that resident opposition was behind the shifting support. The Mayor reported "an amazing amount of email" about the project. The Mayor announced town hall meetings to discuss the project on May 28 and 29. At the town hall meetings some residents spoke in support of the project and need for affordable housing. But most raised issues of crime and loss of property values, argued that the site was not the best for children, and complained about use of city subsidies for affordable housing.

On June 3, Dominium withdrew the PUD application, perceiving a loss of necessary support. The Mayor was later quoted as attributing the withdrawal to "huge resistance from the community."

Dominium then reduced the project to 26 units, which no longer required re-zoning approval by the Council. At its February 19, 2015, board meeting, the MHFA Board voted to provide the requested mortgage financing to the 26 unit project. The Board Report, a copy of which is attached, included an
analysis of the per unit cost increases necessitated by the change in project scale, by the required re-
drafting of city plans, and by construction cost inflation, concluding that costs had increased by $85,919
per unit.
ITEM: Medina Woods Townhomes, Medina (D7653)

CONTACT: Caryn Polito, 651-297-3123
          Caryn.Polito@state.mn.us

REQUEST:
☑ Approval  □ Discussion  □ Information

TYPE(S):
☑ Administrative □ Commitment(s) □ Modification/Change  □ Policy □ Selection(s) □ Waiver(s)
□ Other: _______________________________

ACTION:
☑ Motion  □ Resolution  □ No Action Required

SUMMARY REQUEST:
Agency staff has completed the underwriting and technical review of the proposed development and
recommends the adoption of a resolution authorizing the issuance of a Low and Moderate Income Rental
(LMIR) program commitment in the amount of $769,000, subject to the terms and conditions of the
Agency mortgage loan commitment.

FISCAL IMPACT:
In the 2014 amended Affordable Housing Plan (AHP), the Board allocated $51 million in new activity for
the LMIR program which includes $21 million from the Housing Investment Fund (Pool 2) and $30 million
for LMIR and LMIR Bridge Loan activity through tax-exempt bonding. Funding for this loan falls within the
approved budget and the loan will be made at an interest rate and terms consistent with the AHP.
Additionally, this loan should generate $74,034 in fee income (origination fee and construction oversight
fee) as well as interest earnings which will help offset Agency operating costs.

MEETING AGENCY PRIORITIES:
□ Promote and support successful homeownership  □ Preserve federally-subsidized rental housing
☑ Address specific and critical needs in rental housing markets  □ Prevent and end homelessness
□ Prevent foreclosures and support community recovery  □ Strengthening Organizational Capacity

ATTACHMENT(S):
• Background
• Development Summary
• Resolution
The Minnesota Housing Finance Agency (Agency) Board, at its November 7, 2013, meeting, approved this development for processing under the Low and Moderate Income Rental (LMIR) program. The following summarizes the changes in the composition of the proposal since that time:

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>SELECTION</th>
<th>COMMITMENT</th>
<th>VARIANCE</th>
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<tr>
<td>Total Development Cost</td>
<td>$6,913,390</td>
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<td>Gross Construction Cost</td>
<td>$4,669,638</td>
<td>$5,148,544</td>
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**Agency Sources:**

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<th></th>
<th>Selection</th>
<th>Commitment</th>
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<tr>
<td>LMIR</td>
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<td>$769,000</td>
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<td>Total Agency Sources</td>
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<td>$769,000</td>
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**Other Non-Agency Sources:**

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<th>Variance</th>
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<tr>
<td>Housing Tax Credit Equity</td>
<td>$5,173,786</td>
<td>$6,071,149</td>
<td>$897,363</td>
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<td>Hennepin County HOME</td>
<td>$450,000</td>
<td>$450,000</td>
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<tr>
<td>City of Medina CDBG</td>
<td>$189,736</td>
<td>$189,736</td>
<td>0</td>
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<tr>
<td>Deferred Developer Fee</td>
<td>$139,868</td>
<td>$371,117</td>
<td>$231,249</td>
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**Gross Rents:**

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<th>Unit Type</th>
<th># of DU</th>
<th>Rent</th>
<th># of DU</th>
<th>Rent</th>
<th># of DU</th>
<th>Rent</th>
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<td>$530</td>
<td>4</td>
<td>$535</td>
<td>-1</td>
<td>$5</td>
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<tr>
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<td>$612</td>
<td>4</td>
<td>$616</td>
<td>0</td>
<td>$4</td>
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<tr>
<td>3 BR @ 50% AMI</td>
<td>11</td>
<td>$1020</td>
<td>9</td>
<td>$1028</td>
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<td>$8</td>
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<td>3 BR @ 60% AMI</td>
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<td>$1224</td>
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<td>4 BR @ 60% AMI</td>
<td>7</td>
<td>$1367</td>
<td>6</td>
<td>$1378</td>
<td>-1</td>
<td>$11</td>
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</table>

**Total Number of Units**

| 32 | 26 | -6 |

**Factors Contributing to Variances:**

1. Increased construction costs
   Increased construction costs resulted in a funding gap. The development team was able to value engineer the project to remove a portion of that additional cost. Further discussion of the factors contributing to the increased costs is provided under Other Significant events since Board Selection on the following page.

   The funding gap was filled with a combination of additional tax credits in the amount of $31,578, and the developer negotiated an increase in tax credit pricing from $.88/credit to $.98/credit. The investor, Wells Fargo, is accepting an operations guaranty in lieu of any capitalized reserves, which also decreases project costs. Deferred developer fee has increased since selection from $139,868 to $371,117.

2. Issues with city approval
   The project had strong support from the City of Medina initially. A council resolution from June 2013 indicated that the City would waive up to $300,000 in Sewer and Water Access Charges (SAC/WAC), and the project was awarded $189,736 in Community Development Block Grant (CDBG) funds through the City. After the development encountered serious issues with NIMBYism
within the community, the developer withdrew its rezoning application, and the City Council was no longer willing to waive the SAC/WAC fees, increasing project costs.

The developer originally planned to seek rezoning as a Planned Unit Development (PUD) and build 32 units. No longer having support of the City Council for rezoning, the developer's legal counsel advised that the project could proceed if it adhered to the existing site zoning and did not request variances to setbacks. This required the team to modify architectural plans, increasing setbacks and reducing building footprints, eliminating six units from the final site plan. Under the existing site zoning, the 26-unit project is at the maximum allowable density of 7.0 units per acre.

Staff has reviewed these changes to ensure that the project was still eligible to retain its original tax credit award. Because the project kept the same number of long term homeless (LTH) units (four) and the same rent restrictions and unit types, it was still eligible for the tax credits despite reducing the overall unit count.

In December 2014, the City of Medina approved the modified site plan for the project.

Other significant events since Board Selection:
As a result of increased costs, the developer advised Agency staff that it would be unable to meet the cost containment threshold for which the project had received points when it was scored. Staff re-evaluated the project and determined that the development would still have been awarded tax credits even without the cost containment points.

Additionally, the total development cost (TDC) per unit is no longer within the acceptable range of the Agency's Predictive Cost Model. TDC of $301,962 is 148% of the model estimate of $204,236 per unit (projects within 125% of the predictive cost are considered in the normal range).

Factors contributing to increased TDC since selection include:

1. Increased construction costs due to market conditions
2. The City of Medina no longer waiving SAC/WAC fees (Per unit cost without SAC/WAC fees would have been $290,877)
3. Diminished economies of scale/higher costs per unit with decreased unit count
4. Increased architectural fees due to redesign

Project Costs Per Unit

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>SELECTION (32 units)</th>
<th>COMMITMENT (26 units)</th>
<th>VARIANCE</th>
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<tr>
<td>Architectural fees</td>
<td>$5,706</td>
<td>$9,556</td>
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<td>SAC/WAC fees</td>
<td>$2,435</td>
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<td>Other soft costs</td>
<td>$46,351</td>
<td>$64,069</td>
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<td>Construction costs, excluding site work</td>
<td>$116,113</td>
<td>$161,329</td>
<td>$45,216</td>
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<tr>
<td>Site work: roads, curbs, earthwork, play equipment, landscaping</td>
<td>$29,813</td>
<td>$36,692</td>
<td>$6,879</td>
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<td>Acquisition</td>
<td>$15,625</td>
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<tr>
<td>Total</td>
<td>$216,043</td>
<td>$301,962</td>
<td>$85,919</td>
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DEVELOPMENT SUMMARY

DEVELOPMENT: D7653
Name: Medina Woods Townhomes
Address: 510 Clydesdale Trail
City: Medina
County: Hennepin
Region: MHIG

App#: M16599

MORTGAGOR:
Ownership Entity: Medina Leased Housing Associates I, LP
General Partner/Principals: Medina Leased Housing Associates I, LLC
Guarantors: Dominium Holdings I, LLC; Dominium Holding II, LLC; Paul Sween; Armand Brachman; Mark Moorhouse

DEVELOPMENT TEAM:
General Contractor: Lumber One, Avon, Inc., Avon
Architect: BKV Group (Boarman Kroos Vogel Group Inc), Minneapolis
Attorney: Winthrop & Weinstine, PA, Minneapolis
Management Company: Dominium Management Services LLC, Plymouth
Service Provider: Interfaith Outreach and Community Partners, (IOCP) Plymouth

CURRENT FUNDING REQUEST/ PROGRAM and TERMS:

$ 769,000 LMR First Mortgage

Funding Source: Hsg Investment Fund(Pool 2)
Interest Rate: 5.25%
MIP Rate: 0.25%
Term (Years): 30
Amortization (Years): 30

RENT GRID:

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<th>NUMBER</th>
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<th>AGENCY LIMIT</th>
<th>INCOME AFFORDABILITY*</th>
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<tr>
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<tr>
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Purpose:
The Medina Woods Townhomes project is the acquisition of land and new construction of a 26 unit development in Medina. The property will consist of nine townhome buildings with a mix of two-, three- and four-bedroom units. The development furthers Minnesota Housing's economic integration priority and includes a partnership with IOCP to provide rent assistance and services for the four units reserved for households who have experienced long-term homelessness (LTH).
Target Population:
The proposal targets primarily families with children. The residents are expected to include immigrants and single heads of households with children. The development will also reserve four units for family households who have experienced long-term homelessness. Eight of the 26 units will have rents affordable to households with incomes at 30% of the area median income (AMI), nine units will have rents affordable to households with incomes at 50% of AMI and the remaining nine units will have rents affordable to households with incomes at 60% of AMI.

Project Feasibility:
The project is feasible as proposed. Wells Fargo will be the limited partner contributing $6,071,149 in tax credit equity based on $0.98/credit, which has increased since selection from $0.88/credit. Hennepin County has committed $450,000 in HOME funds and the City of Medina has committed $1,189,736 in CDBG funds. The proposed rents are at least 5% less than the applicable tax credit rent limit, which provides a reasonable cushion for maintaining occupancy and increasing rents if needed. The first mortgage amount is supported by Minnesota Housing underwriting standards. Dominium has committed $371,117 in deferred developer fee.

The project has excellent linkages to supporting services and public facilities as it is located within walking distance to retail, a hospital, Wayzata High School and transit stops. The primary market area is a Minnesota Housing workforce priority area and a top growth community for jobs and household growth. It is projected that the development will maintain a stabilized physical vacancy rate of 4% or less and that the property will be fully occupied within two months of completion.

The TDC per unit of $301,962 is above the Agency’s predictive cost threshold by 23%. The predictive model cost is $204,236 per unit. This project’s TDC is 148% of the predictive cost, (projects within 125% of the predictive cost are considered in the normal range).

Development Team Capacity:
Dominium was established in 1972 and has successfully developed 72 multifamily properties with a total of 7,852 units. Sixty-two of the 72 developments have been financed with tax credits. The Agency’s management evaluation is satisfactory. The average occupancy rate of Dominium’s Agency-financed developments has been 99%. Asset management staff has no issues with the company and reports that the properties are well maintained and have high rates of resident satisfaction.

Physical and Technical Review:
The site overlooks a golf course and many of the newly-constructed developments nearby are high income, market rate single family homes and a few multifamily buildings. The site plan includes a community room for after-school programming and events, an office, and a playground. Unit plans include dedicated dining space and attached two-car garages.

Market Feasibility:
The site is located in the west-metro suburb of Medina, which is a top growth community for households. There is more than sufficient affordable rental demand in the market area to support the newly constructed rental units. Minnesota Housing financed comparable developments have very low vacancy rates. The market study notes a 1% average vacancy rate for comparable affordable properties in the primary market area. According to Minnesota Housing’s community profile for the development, 70% of lower income renters are cost burdened. Most of the comparable affordable developments maintain waiting lists. Hennepin County staff confirms the large need for LTH units in this area and supports the development team and the project.
Supportive Housing
Interfaith Outreach and Community Partners (IOCP) will provide the supportive services to the four LTH households. Through its rental assistance commitment of up to $200,000 over a ten year period, rents will be affordable to the LTH households. IOCP and Dominium have experience partnering together to provide community services, and Medina will be their first collaborative venture to provide housing opportunities for the LTH population.

DEVELOPMENT COST SUMMARY (estimated):

<table>
<thead>
<tr>
<th>Item</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Development Cost</td>
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<td>Acquisition or Refinance Cost</td>
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<td>Gross Construction Cost</td>
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<td>Non-Mortgageable Costs (excluding Reserves)</td>
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<td>Reserves</td>
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<td>Total Loan-to-Cost Ratio</td>
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<td>Syndication Proceeds (Wells Fargo)</td>
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<td>HOME Funds - Hennepin County</td>
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<td>City of Medina CDBG Funds</td>
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Carver Crossing / City of Carver—effectively addressing NIMBY and density

On March 2, 2015 the Carver City Council unanimously approved a 68 unit tax credit development proposed by Ron Clark Construction. This was notable because the Council approved the development in the face of fierce and well funded neighborhood opposition. Also notable, despite repeated arguments from the public that the project was too big, the Council rejected the idea of reducing the project size. What was also remarkable was that this came in a small exurban community with virtually no affordable housing, or even any rental housing, or prior experience in considering affordable rental.

In this case, city staff took a number of actions that proved effective. The 2008 Comp Plan and LCA Housing Action Plan acknowledged the lack of diversity in housing stock (1.8% rental) and the lack of affordable options and committed to pursuing affordable housing. When the Carver County CDA developed a plan for a parcel which included single family housing, a park and ride, and multifamily housing, the City zoned the SF and MF parcels at appropriate densities. When Ron Clark presented his proposal the City applied and obtained a LCA grant from the Met Council to help cover project costs, with the proximity of the transit option being a key feature.

Because the zoning was appropriate, there was no need here for a rezoning, which in theory would have allowed a less supportive Council more leeway to reject the project. In this case, a Planned Residential development (PRD) had been previously approved by the City Council but the Council had provided that any specific project within the scope of the PRD would still have to come back to the Council, primarily to address design type issues. What was actually before the Council to decide were two narrow issues—approving a plat separating out lots, and amending the PRD.

A large and hostile crowd appeared at the Planning Commission, with speaker after speaker arguing the project should be rejected because property values would be affected, and crime would become an issue. City staff had anticipated much of this, and presented available studies on both the property values and crime issues, including Maxfield studies done for the Family Housing Fund in 2000 and 2014, finding no evidence of adverse impact on property values. The fear about crime was addressed by making the argument that the best protection there was strong project management, citing a glowing recommendation for the Savage project manager (a Ron Clark project) from the local crime prevention specialist. The City attorney made a speech about fair housing obligations, cautioning all not to make statements that could be deemed discriminatory. The Planning Commission recommended approval of the project on a 3-2 vote.

In preparation for the City Council hearing, the staff met with the organized opposition to try to address their questions. They helped the developer organize a bus tour of a similar tax credit project the developer had built in nearby Savage, for councilmembers and any citizens. The staff prepared a Citizens Guide to the project, attempting to dispel myths, and mailed it out to citizens. When the opposition tried to twist the conclusions from the Maxfield 2014 report, the City hired Maxfield to do a supplemental report refuting the neighbors’ arguments. The city posted on its website virtually every document submitted by the developer, prepared by the city, or presented by the public.

At the City Council meeting, there was a two hour presentation by city staff, the CDA and the developer before even getting to the public hearing. There was clearly a major effort to gather as much relevant
information and look into all the citizen objections as thoroughly as possible. By this time the opposition had evolved its position, now arguing mainly that the project was “Too Much, Too Soon,” that the project was too big for this little town and that the town did not yet have enough growth to need this many units. In response, staff noted that it had handled much larger single family developments without difficulty, the implication being that the concern was really about rental housing, not the size of the development. The staff also presented a list of affordable developments in the Southwest Metro, a number of which were significantly larger than Carver Crossing. Property values were still raised but there was much less overt focus on crime. A petition with over 1000 signatures was presented to the mayor, along with an implicit threat that he could be voted out of office if he did not vote as his community wanted.

In response to public calls to go back to the drawing board, staff pointed out that to do this, would mean two options. If the city rejected the project as too big, then in order to fit into the CDA parcel’s maximum and minimum densities for the site, the additional density would have to be squeezed into the remaining part of the land, which would be very challenging. The only alternative would be to rezone and seek a comp plan amendment, which allowing for Met Council approval, would take 6-9 months.

Following the close of the public hearing, the council members asked a number of detail questions, and then began announcing their positions. (The mayor was careful to point out that this was not a formal public hearing, since the actual decisions before the Council did not require a public hearing. At one point when people got rowdy he noted he could cancel this hearing at any time.) It was pretty evident that the council members had been biting their tongues for some time. Because they were being scrupulous to not appear to have prejudged the matter before hearing out the public, all were careful to not disclose any leaning prior to the hearing. The Mayor went first, stressing that although all of this was very difficult, he strongly supported the project, and did not understand all the fears. He stressed Carver really needed to diversify its housing stock. The other CMs all voiced their support, with two of them stressing the value of the project and the need for affordable housing for workers in Carver, with two others stressing that the decision before the Council was a narrow one, leaving them little leeway. (This raises the question of whether they would have voted differently if it had been a matter of rezoning or something where the Council had more discretion.) The Mayor then called for a roll call vote, apparently to make the record absolutely clear. At that point, angry calls for “recall” sounded from the back of the room as people began leaving.

The question of the project size did come up at one point during the question session. One CM asked the developer if it would have been feasible to build the project with fewer units. He responded that he had discussed this with the CDA staff who noted that with smaller projects, the CDA tended to heavily subsidize those projects to make them work. The other argument for allowing this size project is that it permitted a project budget which included topflight management and an onsite manager at all times—the best response to the crime concern.

The unanimous approval of this project, without any attempt to reduce the project scale, was remarkable in light of the very strong and well organized NIMBY opposition, and in light of the fact that this was Carver’s first experience with new affordable housing. What explains this outcome? The city staff went to considerable lengths to gather all available evidence to address every citizen concern that was raised. The developer suggested that this unusual degree of due diligence may have been due in
part to a desire to “set the bar high’ for the community’s first affordable development, because of the precedent setting nature of that decision process. The size of Carver Crossing (68 units) did come up repeatedly in discussions with city staff, but in the end the staff and CMs appeared persuaded that the larger project allowed a budget which could include high quality materials and full time on-site management. The fact that the Council voted unanimously to approve the development may have just been due to the good fortune of affordable housing supporters having been elected, but there are probably other factors at work as well. The architect who worked on the project noted that the councilmembers had all attended regional housing events and all had a good understanding of affordable housing issues. Also of significance—if the Council had turned down the development the city would have likely lost the Met Council’s LCA grant covering infrastructure costs in the area.

The project did take a while to go through the process, with costs increasing as a result by 9%, or over a million dollars. It is striking, though, that the costs per unit still came in at $219,000/unit, compared to the MHFA’s calculation of median TDC/unit cost of $258,000.

Compiled by HPP

3-31-15
APPENDIX 4
SOME EXAMPLE POLICY DOCUMENTS

Included are the following:

Woodbury density bonus policy
Forest Lake density bonus and other incentives for affordable housing
Woodbury comprehensive plan excerpt, affordable housing implementation
King County, Washington, ordinance – surplus land for affordable housing
St. Paul parking policy – 100% reduction in requirements for projects near University Avenue transit corridor.
Forest Lake parking policy
St. Louis Park Inclusionary Housing policy
Carver Crossing Residents Guide
PURPOSE

Density increases consistent with the density bonus provisions of the 2030 Comprehensive Plan may be allowed at the sole discretion of the City Council. The City Council may grant a density bonus only through the planned unit development process if the proposed project incorporates at least one of the four public policy objectives identified below:

1. Affordable housing and/or assisted living units
2. Greenway dedication
3. Sustainable design
4. Redevelopment of exception parcels

This policy also defines how the City will calculate density for assisted living residences designed with private bedrooms/bathrooms opening to central shared kitchen, dining and living areas.

DEFINITIONS

Affordable housing means housing that serves households earning no more than 80% of the area median income.

Assisted living facility or assisted living residence means a housing with services establishment that is registered with the State of Minnesota and provides sleeping accommodations to more than 12 adult residents, at least 80 percent of which are 55 years of age or older, that at a minimum provides or makes available health-related services under a Class A or Class F home care license issued by the State of Minnesota, whether offered or provided directly by the establishment or by another entity. See Section 24-3 of the Woodbury City Code for full definition of required services.

Exception parcel means a parcel less than 20 acres in size.

Greenway means linear open space at least 100 feet wide with the primary purpose of connecting places or resources of ecological value. Greenway vegetation, either existing or restored, is intended to be maintained primarily in a natural state, although some sections may be landscaped. It may or may not include a trail or pathway.

CD-COMDEV-3.23 Density Policy
Sustainable design means development designed to reduce the overall impact of the built environment on human health and the natural environment by efficiently using energy, water and other resources; protecting occupant health; and reducing waste, pollution and environmental degradation.

**POLICY**

**Section 1: Housing**

To implement the housing goals of the City’s 2030 Comprehensive Plan, a density bonus may be awarded for new affordable and/or assisted living housing as defined herein. At the sole discretion of the City Council density bonuses may be awarded based on the following table. Percentages are calculated based on the total number of units proposed within the project area.

<table>
<thead>
<tr>
<th>Land Use Category</th>
<th>Base Density (units/acre)</th>
<th>Density Bonus (units/acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Minimum 20% Affordable Units</td>
</tr>
<tr>
<td>Low Density</td>
<td>2 to 3.5</td>
<td>N/A</td>
</tr>
<tr>
<td>Medium Density</td>
<td>4.5 to 8</td>
<td>1</td>
</tr>
<tr>
<td>Mixed Use/High Density</td>
<td>10 to 15</td>
<td>1.5</td>
</tr>
</tbody>
</table>

**Section 2: Greenway Corridors**

To implement the City’s greenway corridor goals as enumerated within the Greenway Corridor Policy, a density bonus of 0.5 units per acre may be awarded for greenway dedication that exceeds park dedication requirements by at least fifty percent and is consistent with the 2030 Comprehensive Plan’s provisions for greenway opportunities. A density bonus of 1.0 unit per acre may be awarded for greenway dedication that exceeds park dedication requirements by at least one hundred percent and is consistent with the 2030 Comprehensive Plan’s provisions for greenway opportunities.

**Section 3: Sustainable Design**

To implement the City’s sustainability goals, at the sole discretion of the City Council a density bonus of 0.5 units per acre may be awarded to developments in which a minimum of 80% of the residential units meet or exceed the requirements of LEED or other similar City-approved ratings program. Additionally, the City Council reserves the right to grant said sustainable design density bonus to a development that offers additional sustainable design elements not defined herein. A density bonus shall only be granted to a low density development through an approved planned unit development phasing plan. The phasing plan shall ensure sustainable design requirements are met before final platting of any bonus units.

**Section 4: Exception Parcels**

To encourage redevelopment of exception parcels, the City Council may award a density bonus of 0.5 units per acre for the exception parcel acreage if incorporated into a larger project area for a planned unit
development. Density assigned to exception parcels may be used anywhere within the project area in accordance with the planned unit development approval.

Section 5: Availability of Utilities

A density bonus shall only be granted to developments within the Municipal Urban Service Area (MUSA).

Section 6: Maximum Bonus Available

Consistent with the adopted 2030 Comprehensive Plan, in no case shall the total cumulative bonuses awarded to a development exceed two units per acre in low and medium density areas or three units per acre in mixed use and high density areas.

Section 7: Density Calculation for Assisted Living Projects with Private Bedrooms/Bathrooms and Shared Living Areas

From time to time assisted living residential projects are proposed that incorporate private bedrooms/bathrooms opening to central, shared kitchen, dining and living areas. For the purpose of calculating the density of such a project, each bedroom shall be considered to be equivalent to 0.5 units; however, in no case shall the density exceed two units per acre above the base density in low density areas. In mixed use or high density areas, buildings shall be a minimum of three stories in height to be eligible for this density calculation method. Projects using this method of calculation are not eligible for a density bonus.

Resolution Adopting CD-COMDEV-3.23 Density Policy
Adopted on September 26, 2012 - Resolution No. 12-139
CITY OF FOREST LAKE
ORDINANCE NO. 635

AN ORDINANCE AMENDING SECTION 153.308 OF THE CITY CODE OF THE CITY OF FOREST LAKE AND PERTAINING TO AFFORDABLE HOUSING INCENTIVES.

The City Council of the City of Forest Lake hereby ordains as follows:

Section 153.308 of the City Code of the City of Forest Lake is hereby amended as follows:

§ 153.308 AFFORDABLE HOUSING INCENTIVES.

(A) Purpose. The purpose of this section is to encourage the development of affordable housing within Forest Lake. The Metropolitan Council has identified a need for housing that is affordable for a large number of working households in the region. Forest Lake is responding to this need by offering incentives to encourage a continued availability of a diverse supply of housing opportunities for low to moderate income households.

(B) Applicability.

(1) For all affordable 50-80% of area median income for Washington County adjusted by family size appropriate for the dwelling unit. Housing costs include rent and utilities. Affordable monthly rental shall be considered to be an amount not exceeding 30% of adjusted area median family income.

(C) Definitions.

(1) Affordable rental housing. Where the rent plus utilities for the dwelling unit does not exceed 30% of the allowed individual household income.

(2) Area median income (AMI). The median income of the greater metropolitan area to which Forest Lake belongs, as is established and updated annually by the United States Department of Housing and Urban Development.

(3) Density bonus. Those additional units that will be allowed to be built if the density bonus is granted.

(4) Rental dwelling. Any dwelling unit intended to be leased.

(D) Incentives.
(1) Developers providing affordable housing units may qualify for the following incentives and zoning code modifications listed below. Approval of requested incentives and modifications shall be made by the City Council. The city, in determining the reasonableness of the incentives and modifications to be considered, shall recognize that it may be benefited not only on the inclusion of affordable housing but overall quality of design, increase in efficiency in public facilities, location and amount of proposed common space and location, design and type of dwelling units.

(a) **Density bonus.** A developer may qualify for up to 15% increase in the otherwise allowable density for a property as determined by the comprehensive plan designation of the property may be allowed. The density bonus must be calculated by determining the largest number of units that may be built on the property, then multiplying the result by 1.15 and rounding up any fractions.

(b) Eligible projects may qualify for reduced setbacks, reduced lot width, reduced lot size requirements and reduced parking requirements from the underlying zone requirements throughout the development.

(c) The city may consider reduced street width requirements throughout the development provided health and safety provisions are met.

(d) At the request of the developer, the city may issue a reimbursement for fees and/or charges related to the development and construction of the affordable housing units, including but not limited to the following:

1. **Planning and zoning fees.** The city may issue a reimbursement to the developer for up to 20% of the zoning and subdivision fees for any affordable housing development.

2. **Building permit fees.** The city may issue a reduction or reimbursement to the builder for up to 20% of the building permit fee for any structure meeting the definition of an affordable housing unit. For multi-family housing developments, the building permit reimbursement may be available for any individual structure meeting the definition of an affordable housing unit.

3. **Sewer and water availability charges.** The city may issue a reimbursement to the builder for up to the amount of 20% of the sewer core charge and water availability charge (WAC) for any structure meeting the definition of an affordable housing unit.

4. **Parkland dedication fees.** The city may issue a reimbursement to the developer for up to 20% of a cash payment in lieu of park and open space dedication, if any, for each affordable housing unit constructed within an affordable housing development. A reimbursement will not be provided for land dedication.

(2) Other incentives may be negotiated or offered by the City Council through the affordable housing plan review process.
Passed and adopted by the City Council of the City of Forest Lake this 24th day of March, 2014.

Chris Johnson, Mayor

ATTEST:

Aaron Parish,
City Clerk, Administrator
7. The City will explore ways to protect neighborhoods from the negative impacts of foreclosure, including the creation and maintenance of a foreclosure list, maintaining contact with owners, mortgage companies, builders or other responsible parties about security and maintenance issues and monitoring of the properties.

8. The City will explore ways to monitor and track homeowner’s associations.

## Implementation

### Recent Trends

Woodbury’s past efforts have produced excellent results. Woodbury’s affordable housing goal for the period 1996 to 2010 was 1,784 units (1,584 ownership and 200 rental units). A total of 2,174 affordable housing units (1,947 ownership and 229 rental) were built in Woodbury between 1996 and 2008. Almost one of every five housing units (19.4%) built during this period was affordable. Table 5-2 shows annual growth in affordable housing.

### Effective Strategies

Woodbury achieved these results by using a variety of strategies. The City will continue to use these strategies to provide affordable housing and to meet future affordable housing goals.

#### Density Bonuses

The City has been a leader in recognizing that increasing density (allowing for more units per acre) helps to reduce fixed costs such as land price per unit. Projects at lower densities require much more substantial subsidies. Through the planned unit development process, the City has been able to encourage developers to set aside a portion of their property for higher density and more affordable housing.

Through the use of density bonuses the City has supported affordable housing development. Examples of projects that used density bonuses include Bailey’s Arbor, which includes 30 Habitat for Humanity homes, Settlers Ridge, which includes eight affordable homes, and Kingsfield which includes 18 affordable homes. Another example of density bonuses include City Walk where the City purchased land for a future affordable component that may ultimately contain 25-40 long term affordable units.

The Land Use Chapter of this Comprehensive Plan proposes to increase the density bonus available in areas planned for low-density residential development from 1 to 2 units per acre, resulting in an allowed net density up to 5.5 units per acre. The City’s net density definition differs from the Metropolitan Council’s methodology as to the streets, wetlands and open space, eligible for deduction from the gross project area. The City’s definition tends to understated net density when compared to the Metropolitan Council’s goals. Therefore, the City believes the density bonus would provide ample areas with sufficient allowable density as calculated by the Metropolitan Council to enhance opportunities for affordable housing. The density bonus approach has the added benefits of providing flexibility to both the City and developers as to the design and location of affordable housing and encouraging the integration of affordable housing into a larger neighborhood.

### Table 5-2: Affordable Housing Units 1996-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Affordable Ownership</th>
<th>Affordable Rental</th>
<th>Total Affordable Units</th>
<th>Total Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>378</td>
<td>36</td>
<td>414</td>
<td>595</td>
</tr>
<tr>
<td>1997</td>
<td>331</td>
<td>0</td>
<td>331</td>
<td>1,273</td>
</tr>
<tr>
<td>1998</td>
<td>566</td>
<td>0</td>
<td>566</td>
<td>1,648</td>
</tr>
<tr>
<td>1999</td>
<td>342</td>
<td>32</td>
<td>374</td>
<td>1,636</td>
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<tr>
<td>2000</td>
<td>36</td>
<td>28</td>
<td>64</td>
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<td>2001</td>
<td>0</td>
<td>17</td>
<td>17</td>
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<tr>
<td>2002</td>
<td>8</td>
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<td>43</td>
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<tr>
<td>2003</td>
<td>44</td>
<td>10</td>
<td>54</td>
<td>491</td>
</tr>
<tr>
<td>2004</td>
<td>57</td>
<td>0</td>
<td>57</td>
<td>1,287</td>
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<tr>
<td>2005</td>
<td>33</td>
<td>0</td>
<td>33</td>
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<td>713</td>
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<tr>
<td>2007</td>
<td>70</td>
<td>41</td>
<td>111</td>
<td>432</td>
</tr>
<tr>
<td>2008</td>
<td>48</td>
<td>28</td>
<td>76</td>
<td>342</td>
</tr>
<tr>
<td>Total</td>
<td>1,947</td>
<td>227</td>
<td>2,174</td>
<td>11,215</td>
</tr>
</tbody>
</table>

1996-2010 Goal: 1,584 units, 200 units, and 1,784 units
Developer Negotiations

One of the advantages of the land use management approaches used by the City is the ability to craft development projects to meet community objectives. One outcome of this approach has been the construction of affordable units or the dedication of land for affordable housing sites by using density bonuses or financial incentives.

Partnerships

Woodbury actively seeks partnerships with other stakeholders in affordable housing. The City of Woodbury has a unique partnership with Twin Cities Habitat for Humanity. Woodbury is Habitat’s largest municipal partner outside of Minneapolis and St. Paul. They have built and sold 48 homes in Woodbury with plans for more units in the future. Woodbury also has a strong working relationship with the Washington County Housing and Redevelopment Authority. Lastly, the Two Rivers Community Land Trust has renovated its first home in Woodbury and hopes to expand its presence in Woodbury in the future.

Site Identification and Acquisition

The City has taken a proactive approach in identifying sites for affordable housing and using funds to purchase and secure these sites. This strategy may include using funds to write down the cost of land if a developer approaches the City with a proposal for affordable housing. Examples of this strategy include City Walk (city purchased land for future affordable housing). The City also considers affordable housing in evaluating the disposal of excess property. An example of this practice is the Habitat for Humanity development on Courty Road.

Rental Neighborhoods

The City of Woodbury is committed to proactively monitoring the quality and health of its residential neighborhoods. Preventing problems is always more effective than trying to cure them after they occur. The Safer Tenant and Rental (STAR) program was developed to focus on reducing crime in rental developments by utilizing a number of strategies including tenant background screening and eviction criteria, physical security conditions of the facilities themselves and crime prevention through environmental design—or CPTRD. Woodbury has had much success with the STAR Program in reducing the number of police calls per unit for those developments that participate in the program. In addition to the STAR Program, the City also licenses rental units and conducts property maintenance inspections. These programs allow the city to monitor the health of its rental neighborhoods and identify issues before they become serious problems, thereby maintaining the quality of the neighborhoods.

Tax Exempt Bonds

The City has used tax exempt bonds to encourage affordable housing as well, in both new construction and rehabilitation. Examples include the Senior Care Communities and Stonecrest developments. The City allows a reduced administrative fee for tax exempt bonds for affordable housing projects.

Tax Increment Financing

The HRA has the authority, with City support, to provide tax increment financing (TIF) assistance to achieve its housing and redevelopment objectives. TIF uses the increase in property taxes resulting from new development to finance qualified public improvement costs related to that development. It is this increase or difference between the current property tax on a parcel of land and the estimated property tax after development that is the tax increment. When TIF is used for a housing project, state law requires that a certain percentage of the units be made affordable for the life of the TIF district (typically 20-25 years). The HRA will consider the support and use of TIF for projects that meet the objectives of the Housing Action Plan and are consistent with the City’s TIF policies. However, each project will be reviewed individually and on its ability to meet the statutory requirements. Stonecrest is an example of an elder housing project that received TIF assistance.

Waiving City Fees

The City has waived City fees (primarily building permit fees) to help reduce the development and construction costs of affordable housing on a case by case basis.
HRA Levy

The City has established an HRA as a tool for addressing community housing needs. The Woodbury HRA was created on December 13, 2006. The HRA is a separate legal authority under Minnesota Statutes Section 469.001 to 469.047. The members of the City Council serve as the board of commissioners of the HRA.

State Law allows the HRA to levy a property tax, with City Council approval, to fund its operations and programs. The levy may not exceed 0.0144% of the total market value of property in Woodbury. The City has approved a housing levy since 2001 under the EDA. The HRA has recently assumed the responsibility for this levy, with an average annual levy of $350,000, significantly below the maximum amount allowed by the state. Revenues from the HRA levy will be used as a local housing dedication fund to acquire sites for affordable housing or to offset infrastructure and construction costs for affordable housing development. Monies are also used for four HRA loan programs as well as providing staff to further the strategies of the Housing Action Plan.

HRA Loan Programs

The City of Woodbury HRA has created four loan programs to assist with the financing of new and existing affordable housing in the City of Woodbury. The programs include:

- Woodbury First-Time Homeownership
- Woodbury Foreclosure Purchase Program
- Woodbury Home Improvement Program
- Woodbury Goes Green (an energy-efficiency upgrade program)

The loans can be used at properties where the sales price or assessed value of the home does not exceed 110 percent of the Metropolitan Council's purchase price ceiling for an owner-occupied home based upon what a family of four with an income at or below 80 percent of area median income can afford at prevailing interest rates, rounded to the nearest five hundred dollars. In 2010, this amount is $256,500. These loans are designed both to encourage new affordable housing as well as to preserve the existing stock of affordable housing in Woodbury.

As such, the Woodbury First-Time Homeownership Program and the Woodbury Home Improvement Program have household income ceilings of 80% of the area median income. The Woodbury Foreclosure Purchase Program and Woodbury Goes Green have household income ceilings of 115% of the area median income capped at $90,000.

The loans are meant to supplement the financial options available via the private market rather than compete with the private sector. Woodbury Goes Green is a pilot program with loans of up to $5,000 available to Woodbury residents. The other programs have a maximum loan amount of $25,000. All of the programs are low interest loans, although the Woodbury First-Time Homeownership Program and the Woodbury Foreclosure Purchase Program are designed as deferred second mortgages in which the principal will be deferred until the maturation of the first mortgage, the sale of the home, the transfer of title or the property is no longer owner-occupied.

Federal Housing and Urban Development (HUD) Funding

Beginning in 2010, the City of Woodbury will secure its own direct allocation of Community Development Block Grant (CDBG) and HOM Investment Partnerships Program (HOMB) funding from the United States Department of Housing and Urban Development (HUD). The City expects to leverage these resources to finance an array of community development initiatives with a focus on affordable workforce housing.

Future Need

The Metropolitan Council projects that Woodbury will add 7,494 households between 2011 and 2020. Also, the Metropolitan Council has forecast affordable housing needs for all cities and townships within the region. The housing plan element of local comprehensive plans is required to reflect the allocated portion of the forecast demand for affordable housing. The Metropolitan Council’s needs allocation formula determines that 2,057 units, or 27% of total projected household growth should be affordable.

Woodbury’s 2011 - 2020 allocation of affordable housing need comes from the January 2006 report “Determining Affordable Housing Need in the Twin Cities 2011 -
4.56.050 Responsibilities and powers. The managers of the fleet administration and facilities management divisions shall have the responsibilities and powers assigned to their respective divisions in K.C.C. chapter 4.56, as amended. (Ord. 14199 § 82, 2001; Ord. 12045 § 2, 1995).

4.56.080 Real property - Responsibilities.
A. Except as otherwise provided in this chapter, the facilities management division, acting under the supervision of the county administrative officer, shall be the sole organization responsible for the administrative processes of acquiring, disposing, inventorying, leasing and managing real property, the legal title of which rests in the name of the county, or which the county manages in a trust capacity.
B. Open space, trail, park, agriculture and other natural resource real properties shall be acquired by the department of natural resources and parks, unless the executive directs the facilities management division to make such acquisitions.
C. Real property and interests in real property necessary for the metropolitan public transportation and metropolitan water pollution abatement functions shall be acquired and managed by the departments of transportation and natural resources and parks, respectively, as set forth in this chapter, unless the executive directs the facilities management division to make such acquisitions and manage such properties.
D. County departments shall be responsible for maintaining all real property for which they are the custodian. (Ord. 14199 § 83, 2001; Ord. 12394 § 1, 1995; Ord. 12045 § 4, 1995).

4.56.070 Facilities management division, county departments - responsibilities and powers in declaring county real property surplus.
A. The facilities management division shall, no later than the end of the first quarter of the calendar year, maintain and update a current inventory of all county titled real property with detailed information as to current departmental custodianship and as to the characteristics that determine its economic value and potential uses. However, all county roads shall be excluded from this section.
B. No later than April 1 of each calendar year, each department shall submit a report to the facilities management division on the status of all real property for which the department is the custodian and include in the report any change in use or status since the previous year's report.
C. County departments shall be required to report no later than April 1 of every year to justify departmental retention of all real property for which the department is the custodian to the facilities management division.

1. If in the judgment of the facilities management division a county department cannot justify the retention of real property for which it is the custodian or if a department determines that real property is surplus to its needs, the facilities management division shall determine whether any other county department has a need for the property that is related to the provision of essential government services, including, but not limited to, services for the public health, public safety or services related to transportation, water quality, surface water or other utilities. If the property is not needed for the provision of essential government services, the facilities management division shall then determine if the parcel is suitable for affordable housing. If it is deemed suitable for housing the county shall first attempt to make it available or use it for affordable housing in accordance with K.C.C. 4.56.085 or 4.56.100. Suitable for affordable housing for the purpose of this section means the parcel is located within the Urban Growth Area, zoned residential and the housing development is compatible with the neighborhood. If the property is not deemed suitable for the purposes described in this subsection C.1., then it shall be determined whether any other department has a need for the parcel.

2. If another department can demonstrate a need for the real property, custodianship of the real property shall be transferred to that department without any financial transaction between present and future custodial organizations, except as required by RCW 43.08.210, as amended, or under grants.
3. If another department cannot demonstrate a need for the real property, the real property shall be declared surplus to the future foreseeable needs of the county and may be disposed of as set forth in this chapter.

D. The facilities management division shall review and make recommendations to the executive for uses other than the sale of surplus real property before a decision by the executive to dispose of such
Sec. 63.207. - Parking requirements by use.

(a) Off-street parking minimum. The minimum number of off-street parking spaces by type of use shall be determined in accordance with table 63.207, minimum required off-street parking by use.

(b) Off-street parking reductions. The minimum number of off-street parking spaces as determined in Section 63.207(a) shall be reduced by one hundred (100) percent in traditional neighborhood districts when more than fifty (50) percent of both the building and the parcel are within one-quarter (¼) mile of University Avenue, and may also be reduced for:

1. Shared parking, as described in section 63.206(d);

<table>
<thead>
<tr>
<th>General Land Use Classification</th>
<th>Weekdays</th>
<th>Weekends</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 am - 7 am</td>
<td>7 am - 6 pm</td>
</tr>
<tr>
<td>Office</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>Retail sales and services</td>
<td>0%</td>
<td>90%</td>
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<tr>
<td>Restaurant/bar</td>
<td>10%</td>
<td>70%</td>
</tr>
<tr>
<td>Residential</td>
<td>100%</td>
<td>60%</td>
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<tr>
<td>Theater</td>
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<td>40%</td>
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<td>Hotel</td>
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<td></td>
</tr>
<tr>
<td>Guest rooms</td>
<td>100%</td>
<td>55%</td>
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<tr>
<td>Restaurant/lounge</td>
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<td>60%</td>
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<td>Conference rooms</td>
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<td>100%</td>
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<td>Religious institution</td>
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<td>25%</td>
</tr>
<tr>
<td>Reception or meeting hall</td>
<td>0%</td>
<td>70%</td>
</tr>
<tr>
<td>Museum</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>School, grades K-12</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>
§ 153.129 PARKING PROVISIONS IN RESIDENTIAL DISTRICTS.
The following provisions shall apply to parking in all residential districts unless otherwise stated.

(A) Location of parking spaces and driveway aisles.

(1) Same lot as principal building. Required off-street parking space in all residential districts shall be on the same lot as the principal building, and multiple-family dwellings shall have their required parking within 200 feet of the main entrance to the principal building being served.

(2) Parking setbacks.

(a) Front yard. Off-street parking shall not be located in required front yards unless located on a designated driveway leading directly into a garage or 1 surfaced space located on the side of a driveway adjacent to the dwelling meeting the required driveway setback. The extra space shall be surfaced as required in § 153.128(D).

(b) Corner lots. Off-street parking shall not be located in required side yards abutting a street on a corner lot.

(c) Side or rear yards. Off-street parking and driveways shall not be located within 5 feet of any side or rear lot line and cannot impede drainage. Off-street parking and driveways, if placed in an easement, must be approved in writing by the holder of the easement.

(B) Use of parking facilities. Off-street parking shall be used solely for the parking of vehicles not to exceed 1 ton carrying capacity. (See § 153.260 for additional requirements.)

(C) Screening of parking facilities.

(1) All parking and driveways to parking areas for multiple-family dwellings shall be screened, as required in §§ 153.146 et seq., from all adjacent property.

(2) All parking and driveways to parking areas for non-residential uses in residential districts shall be screened, as required in § 153.146, from all adjacent property.

(D) Parking related to affordable housing. The city shall allow through the development process flexibility to all its parking standards for residential developments that meet the goals and policies of the Comprehensive Plan to achieve affordable housing.

(Ord. 537, passed 11-8-2004; Am. Ord. 596, passed 2-8-2010)

§ 153.133 REQUIRED OFF-STREET PARKING SPACES AND GARAGES.

(6) Proof of parking.

(a) The city may permit parking banking of up to 25% of the required parking spaces through the site plan review process.

(b) Sufficient evidence shall be provided by the applicant that supports the reduced parking needs.

(c) The area proposed for banking of parking spaces shall be an area suitable for parking at a future time.
Inclusionary Housing Policy

This Policy promotes high quality housing located in the community for households with a variety of income levels, ages and sizes in order to meet the City’s goal of preserving and promoting economically diverse housing options in our community.

The City recognizes the need to provide affordable housing to households of a broad range of income levels in order to maintain a diverse population and to provide housing for those who live or work in the City. Without intervention, the trend toward rising housing prices in new developments will continue to increase. As a result, this Policy is being adopted to ensure that a reasonable proportion of each new development receiving City financial assistance include units affordable to low and moderate income households and working families.

The requirements set forth in this Policy further the City’s Housing Goals and the City’s Comprehensive Plan to create and preserve affordable housing opportunities. These requirements are intended to provide a structure for participation by both the public and private sectors in the production of affordable housing.

I. Applicability and Minimum Project Size

Market Rate Multi-Unit Development Receiving City Financial Assistance
This Policy applies to market rate multi-unit residential developments that receive financial assistance from the City and includes:

(1) new developments that create at least 10 multi-family dwelling units; or

(2) any mixed use building that creates at least 10 multi-family dwelling units; or

(3) renovation or reconstruction of an existing building that contains multi-family dwelling units that includes at least 10 dwelling; or

(4) any change in use of all or part of an existing building from a non-residential use to a residential use that includes at least 10 dwelling units.

II. Affordable Dwelling Units

General requirement
A development that is subject to this Policy shall provide a number of affordable dwelling units equal to at least eight (8%) to ten percent (10%) of the total number of dwelling units in the development. The units designated as affordable will be subject to the requirements listed below.
Calculation of units required.

(1) For development of multi-family dwelling units:
   A. The required number of Affordable Dwelling Units is based on the total number of dwelling units that are approved by the City.
   B. To calculate the number of Affordable Dwelling Units required in a development the total number of approved Dwelling Units shall be multiplied by eight percent (8%) or ten percent (10%) depending on the affordability standard. If the final calculation includes a fraction, the fraction of a unit shall be rounded to the nearest whole number.
   C. If an occupied property with existing dwelling units is remodeled and/or expanded, the number of affordable Dwelling Units shall be based on the total number of units following completion of renovation/expansion. At least eight percent (8%) or ten percent (10%) shall be affordable, depending on the affordability standard.

Affordability Level
The required affordable dwelling units within a residential project subject to this policy shall meet an income eligibility and rent affordability standard for the term of the restriction as follows:

(1) Rental Projects:
   A. At least ten percent (10%) of the units shall be affordable for households at sixty percent (60%) Area Median Income (AMI), or
   B. At least eight percent (8%) of the units shall be at available affordable for households at fifty percent (50%) Area Median Income.

(2) For-Sale Projects:
   A. At least ten percent of the units shall be affordable for households at eighty percent (80%) Area Median Income (AMI).

Rent and Sale Price Level
Rental Unit: The monthly rental price for affordable dwelling units shall include rent and utility costs and shall be based on fifty percent (50%) and/or sixty percent (60%) for the metropolitan area that includes St. Louis Park adjusted for bedroom size and calculated annually by Minnesota Housing for establishing rent limits for the Housing Tax Credit Program.

For-Sale Projects: The qualifying sale price for an owner-occupied affordable dwelling unit shall include property taxes, homeowner’s insurance, principal payment and interest, private mortgage insurance, monthly ground lease, and shall be based on eighty percent (80%) AMI for the metropolitan area that includes St. Louis Park adjusted for bedroom size and calculated annually by the Department of Housing and Urban Development.

Period of Affordability
In developments subject to this Policy, the period of affordability for the affordable dwelling units shall be at least twenty-five (25) years.
Location of Affordable Dwelling Units
Except as otherwise specifically authorized by this Policy, the Affordable Dwelling Units shall be located within the development.

III. Standards for Inclusionary Rental Units

Size and Design of Affordable Units
The size and design of the affordable dwelling units should be consistent and comparable with the market rate units in the rest of the project and is subject to the approval of the City. The interior of affordable dwelling units do not need to be identical to the market rate units but if units are smaller than the other units with the same number of bedrooms in the development, City approval must be obtained.

Exterior/Interior appearance.
The exterior materials and design of the affordable dwelling units in any development subject to these regulations shall be indistinguishable in style and quality with the market rate units in the development. The interior finish and quality of construction of the affordable dwelling units shall at a minimum be comparable to entry level rental or ownership housing in the City. Construction of the affordable dwelling units shall be concurrent with construction of market-rate dwelling units.

IV. Integration of Affordable Dwelling Units

Distribution of affordable housing units.
The affordable dwelling units shall be incorporated into the overall project unless expressly allowed to be located in a separate building or a different location approved by the City Council. Affordable dwelling units shall be distributed throughout the building.

Number of bedrooms in the affordable units.
The affordable dwelling units shall have a number of bedrooms in the approximate proportion as the market rate units. The mix of unit types, both bedroom and accessible units, of the affordable dwelling units shall be approved by the City.

Tenants
Rental affordable dwelling units shall be rented only to income eligible families during the period of affordability. An income eligible family may remain in the affordable dwelling unit for additional rental periods as long as the income of the family does not exceed one-hundred twenty percent (120%) of the applicable AMI.

V. Alternatives to On-Site Development of Affordable Dwelling Units

This section provides alternatives to the construction of affordable dwelling units onsite as a way to comply with this Policy. The alternatives are listed in subsection (3), below.

(1) The alternatives must be:

A. Approved by the City Council, and
B. Agreed to by the applicant in an Affordable Housing Performance Agreement.

C. Applicant must show evidence acceptable to the City that a formal commitment to the proposed alternative is in place.

(2) This Section does not apply unless the applicant demonstrates:

A. The alternative provides an equivalent or greater amount of Affordable Dwelling Units in a way that the City determines better achieves the goals, objectives and policies of the city’s Housing Goals and Comprehensive Plan than providing them on-site; and

B. Will not cause the City to incur any net cost as a result of the alternative compliance mechanism.

(3) If the conditions in (2) are met, the City may approve one or more of the following options to providing Affordable Dwelling Units that are required by this Policy.

A. **Dedication of Existing Units**: Restricting existing dwelling units which are approved by the City as suitable affordable housing dwelling units through covenants, contractual arrangements, or resale restrictions. The City shall determine whether the form and content of the restrictions comply with this Policy. Off-site units shall be located within the City of St. Louis Park. The restriction of such existing units must result in the creation of units that are of equivalent quality, and size of the permanently Affordable Dwelling Units which would have been constructed on-site if this alternative had not been utilized.

B. **Offsite construction** of affordable dwelling units within the City. Offsite construction of units should be located in proximity to public transit service at a site approved by the City.

C. Participation in the construction of affordable dwelling units by another developer on a different site within the City.

D. **An alternative** proposed by the applicant that directly provides or enables the provision of affordable housing units within the City. The alternative must be approved by the City and made a condition of approval of the Affordable Housing Performance Agreement.
VI. Affordable Housing Plan

(1) Applicability

Developments that are subject to this Policy shall include an Affordable Housing Plan as described below. An Affordable Housing Plan describes how the developer complies with each of the applicable requirements of this Policy.

(2) Approval

A. The Affordable Housing Plan shall be approved by the City.

B. Minor modifications to the plan are subject to approval by the City Manager. Major modifications are subject to approval by the City Council. Items that are considered major and minor will be designated in the Affordable Housing Plan.

(3) Contents.

The Affordable Housing Plan shall include at least the following:

A. General information about the nature and scope of the development subject to these regulations.

B. For requests to an alternative to on-site provision of affordable housing, evidence that the proposed alternative will further affordable housing opportunities in the City to an equivalent or greater extent than compliance with the otherwise applicable on-site requirements of this Policy.

C. The total number of market rate units and affordable dwelling units in the development.

D. The floor plans for the affordable dwelling units showing the number of bedrooms and bathrooms in each Unit.

E. The approximate square footage of each affordable dwelling unit and average square foot of market rate unit by types.

F. Building floor plans and site plans showing the location of each affordable dwelling unit.

G. The pricing for each affordable ownership dwelling unit. The pricing of each unit shall be determined at time of approval. At time of sale this price may be adjusted if there has been a change in the median income or a change in the formulas used in this ordinance.
H. The order of completion of market rate and affordable dwelling units.

I. Documentation and specifications regarding the exterior appearance, materials and finishes of the development for each of the affordable dwelling units illustrating that the appearance of affordable units are comparable to the appearance of the market-rate units.

J. An Affordable Dwelling Unit Management Plan documenting policies and procedures for administering the affordable dwelling units in accordance with the Affordable Housing Performance Agreement.

K. Any and all other information that the City Manager may require that is needed to achieve the Council's affordable housing goals.

VII. Recorded Agreements, Conditions and Restrictions

(1) An Affordable Housing Performance Agreement shall be executed between the City and a Developer, in a form approved by the City Attorney, based on the Affordable Housing Plan described in Section VII, which formally sets forth development approval and requirements to achieve Affordable Housing in accordance with this policy and location criteria. The Agreement shall identify:
   a. the location, number, type, and size of affordable housing units to be constructed;
   b. sales and/or rental terms; occupancy requirements;
   c. a timetable for completion of the units; and
   d. restrictions to be placed on the units to ensure their affordability and any terms contained in the approval resolution by the City as applicable.

(2) The applicant or owner shall execute any and all documents deemed necessary by the City Manager, including, without limitation, restrictive covenants and other related instruments, to ensure the affordability of the affordable housing units in accordance with this Policy.

(3) The applicant or owner must prepare and record all documents, restrictions, easements, covenants, and/or agreements that are specified by the City as conditions of approval of the application prior to issuance of a Zoning Compliance Permit for any development subject to this Policy.

(4) Documents described above shall be recorded in the Hennepin County Registry of Deeds as appropriate.
Definitions

1. Affordable Dwelling Unit: The required affordable dwelling units within a residential project subject to this policy shall meet an income eligibility and rent affordability standard for the term of the restriction as follows:

(1) Rental Projects:
   A. At least ten percent (10%) of the units shall be affordable for households at sixty percent (60%) Area Median Income (AMI), or
   B. At least eight percent (8%) of the units shall be at available affordable for households at fifty percent (50%) Area Median Income.

(2) For-Sale Projects:
   A. At least ten percent of the units shall be affordable for households at eighty percent (80%) Area Median Income (AMI).

2. Financial Assistance: The Inclusionary Affordable Housing Policy applies to all new and renovated multifamily residential buildings receiving City financial assistance.

Financial Assistance is defined as funds derived from the City and includes but is not limited to the following:

   A. City of St. Louis Park
   B. Community Development Block Grant (CDBG)
   C. Housing Rehabilitation Fund
   D. Reinvestment Assistance Program
   E. Revenue Bonds (private activity bonds are negotiable)
   F. Tax Increment Financing (TIF) & Tax Abatement
   G. Housing Authority (HA) Funds
   H. Land Writedowns

3. Affordable Housing Plan: A plan that documents policies and procedures for administering the affordable dwelling units in accordance with the Affordable Housing Performance Agreement.

4. Affordable Housing Performance Agreement: Agreement between the City and the developer which formally sets forth development approval and requirements to achieve Affordable Housing in accordance with this policy.
PROPERTY HISTORY

The property is located in the southwest quadrant of Jonathan Carver Parkway and Ironwood Drive.

2010: The Carver County Community Development Agency (CDA) purchased a 36 acre property that was in foreclosure at the intersection of Jonathan Carver Parkway and Ironwood Drive.

2010: The CDA proposed the development of a joint CDA and Carver City Hall administration building. The concept (pictured at right) included 60 multi-family housing units, a new City Hall, and CDA offices. The project did not move forward based on the turn in the economy and a lack of local support.

2012: The CDA submits a concept plan for multi-family housing, single-family housing, and a park and ride facility.

2012: The CDA begins discussion with the City of Carver on the sale of a portion of the property for a future park and ride (Carver Station).

2013: The CDA applies for a Planned Residential Development consisting of single-family lots and apartments for their property.

2013: The CDA sells the northeast corner of the property to the City of Carver for the development of a future park and ride.

2013: The CDA receives approval for a mixed-residential development (Copper Hills) and sells the single-family lots to Mattamy Homes.

2014: The CDA enters into a purchase agreement with Ron Clark Construction for the sale of 2.1± acres for the development of workforce housing just south of Carver Station.

2015: Ron Clark Construction submits a complete land use application to the City of Carver. The Planning Commission recommended approval of the land use application on a 3-2 vote. The City Council will hear testimony and consider the Carver Crossing application at their March 2nd meeting.
1. The “mission” of the CDA is to provide housing opportunities and foster economic growth in Carver County.

2. The CDA has invested approximately $2,700,000 into the development of this 36 acre parcel.

3. The CDA entered into a purchase agreement with Ron Clark Construction for a multi-family workforce housing apartment complex on the property they own in the City of Carver.

4. As the property owner, the CDA had to provide its consent to Ron Clark Construction and Carver Crossing LP to make a land use application to the City of Carver.

**RON CLARK CONSTRUCTION / CARVER CROSSING LP**

1. Ron Clark has been awarded tax credits from the Minnesota Housing Finance Agency for the development of workforce housing.

2. Ron Clark has submitted a land use application for the development of a 68-unit apartment complex.

3. The estimated construction costs for the proposed project are $8,000,000.

4. The development would pay an estimated $64,900 in city, county, and school district property taxes.

**CITY OF CARVER**

1. The City received a land use application for the preliminary plat (another way of describing a lot split process) and a site plan (to amend the existing planned development to include a specific site plan for apartments) from Ron Clark Construction. *Due to the type of application, members of the City Council cannot voice their support or opposition to the specific project prior to the March 2nd meeting.*

2. Although a need for other types of housing and businesses throughout the community exists, the City is required to review the current application for apartments submitted by Ron Clark Construction.

3. The grant award from the Metropolitan Council can be used for up to three (3) years for the purposes of developing an affordable housing project. The grant award from the Metropolitan Council is not specifically tied to Carver Crossing Limited Partnership. If grant proceeds are not used for an affordable housing development, the proceeds for the Jonathan Carver Parkway pedestrian underpass must be returned.
COMPREHENSIVE PLAN

1. Adopted in 2008, the Comprehensive Plan guides the 36-acre CDA property for predominantly residential uses (both medium- and high-density).

2. The Comprehensive Plan is a guiding planning document that covers topics related to natural environment, community characteristics, future land use, housing, surface water management, transportation, water supply and distribution, sanitary sewer, parks and trails, community facilities and related goals for each of these topic areas. A section of the Comprehensive Plan also attempts to forecast future population and housing starts. The forecasts included as part of the plan, adopted in 2008, fell well below estimates.

LAND USE APPLICATION

1. The application presented before the City Council is for 68 units of multi-family housing.

2. As a part of the land use application process, the developer must submit “concepts” of how the rest of the property could build out. The purpose of this exercise is to review transportation, site layout, and density scenarios. Future housing in this concept area could be market rate, affordable, senior based, or another type of housing and could be constructed as townhomes, apartments, condominiums, or another housing type not shown on the concepts.

3. Development of any “future” phases would require a new and completely separate land use application process.

TENANT INFORMATION

➢ Tenants are subject to typical lease provisions including a credit and criminal background check. Anyone with a felony background is not eligible to be on the lease. A required lease addendum for drug free, criminal-free housing must be signed. Additional tenant documents can be found on the Carver Crossing Project Page at www.cityofcarver.com.

➢ Tenants must be able to verify that no more than 50% of their monthly income is used toward rent. Rent for a one bedroom is $788 per month, 2 bedroom $933 per month, and 3 bedroom $1,078 per month.
Community stakeholders have asked for more information related to the impact that Carver Crossing could have on property values. As a result, the City of Carver engaged Maxfield Research to perform an additional study and analysis on this topic. The summary conclusion from Maxfield’s report, completed in February of 2015, found “…the data shows no evidence that property values of homes located in neighborhoods where there is a tax credit property nearby are negatively impacted by the tax credit property.”

The analysis goes on to report, “what the analysis does reveal is that overall economic factors and the strength of the overall area’s housing market are more likely to exert a greater influence on property values than the tax credit property.”

The complete report from Maxfield Research Inc. can be found on the City’s website at www.cityofcarver.com.
APPENDIX 5

Inclusionary Housing Policy Guide

Introduction

The guide is meant to be an introduction to the topic of inclusionary housing. It outlines the basic considerations that go into developing an inclusionary housing policy, and it also provides a number of tools and additional resources for cities that want to explore further.

I. Overview

What is inclusionary Housing?

Inclusionary housing policies are a means to develop affordable housing through the marketplace, rather than traditional affordable housing financing, such as tax credits or Section 8 funding. As a result the housing that is developed is mixed income, as opposed to mostly or 100% affordable.

First used in the 1970's, over 500 communities have enacted inclusionary housing policies in the United States. Inclusionary housing policies is a good tool for building mixed-income communities, and can be accomplished without relying on scarce financial resources such as low income housing tax credits. Inclusionary housing can help advance any of these goals:

- Economic integration
- Meeting affordable housing meets needs and obligations
- Workforce retention and attraction
- More mixed-income TOD
- Avoiding displacement

The challenge in developing an effective inclusionary housing policy is creating the right combination of affordability restrictions and incentives that allow the developer to still make a reasonable profit. This depends in part on the amount of and level of affordable housing that the city is desires: all else being equal, the greater the affordability, the greater the incentives must be.

What are the key choices a city in Minnesota must make in enacting an inclusionary housing policy?

The city must decide: 1) what it wants in the way of affordable housing; 2) circumstances under which the city will offer cost offsets or financial incentives; 3) whether the policy is voluntary or mandatory; 4) what triggers a mandatory policy; and 4) how the program will be monitored and enforced.

Affordable housing choices:
- Percentage of affordable units required
- Level of affordability (i.e., affordable at what income levels)
- How long the units will remain affordable
- Whether the policy applies to both rental and for sale development
- Whether to allow off-site development of the affordable housing and/or an in lieu fee (or less common alternatives such as land dedication or rehab of existing income-restricted units)

Incentive options:
- Density bonuses
- Parking reductions
- Fee waivers
- Expedited permitting
- Financial assistance

Voluntary or mandatory
- Voluntary policies provide incentives for inclusion of affordable housing.
- Mandatory policies require inclusion under certain circumstances (policy triggers below) and often provide the cost saving devices listed above as incentive options to assure financial feasibility.
- Most researchers have concluded that mandatory policies are more effective.

Policy triggers:
- Threshold size of development
- The type of assistance requested from a city by a developer that may trigger compliance, such as financial assistance or land use changes.
- Whether the policy is city-wide or limited to certain geographic areas
- Whether there should be an exception for economic hardship exception in cases where the developer can demonstrate that inclusionary housing is not feasible for the development

See also:

“Developing an Inclusionary Housing Program: Part I. Key Considerations for the Policy and Regulations,” National Community Land Trust Network


“Opening the Door to Inclusionary Housing,” Business and Professional People for the Public Interest
II. Inclusionary Housing is Legal in Minnesota.

Inclusionary zoning (IZ) ordinances have been in effect in United States cities since 1971. There are currently approximately 400 cities in 17 states and the District of Columbia with mandatory IZ ordinances.\(^i\) In that time there have been only a relatively few legal challenges. Of these challenges, only a handful were successful, and none of these were on grounds that would apply to properly drafted ordinances in Minnesota. The first IZ ordinance was enacted in Fairfax County, Va in 1971. The state Supreme Court ruled that the state’s zoning laws did not permit IZ.\(^ii\) The state law was subsequently amended in 1989 and Fairfax County has had an IZ ordinance since then. In three states, IZ ordinances as they were applied to rental properties were found by state Appellate courts to be contrary to state laws prohibiting rent control.\(^iii\)

None of these cases apply in Minnesota because Minnesota Statutes Section 462.358 specifically authorizes certain IZ policies. Subdivision 1a of the statute authorizes subdivision regulations to promote the availability of affordable housing and the Attorney General opined in 2001 that the statute authorizes a proposed ordinance St. Cloud ordinance requiring home ownership developments to include affordable units. In 2007 the Attorney General opined that a proposed Forest Lake ordinance that would impose affordability requirements on proposed ownership and rental developments similarly were specifically authorized by Subd. 11 of Section 462.358.

Subd. 11 specifically permits cities to condition discretionary land use approvals upon a developer’s agreement to include affordable units which are subject to city-developer agreements meeting the terms of the statute. Subdivision 11 was enacted after the anti-rent control statute (Section 471.9996). Rules of statutory construction dictate that its terms would prevail over the prohibition in 471.9996 for that reason and because in authorizes agreements for rental limitations in specific limited situations as opposed to the more general provisions of 471.9996. In addition, Subd. 1(2) of 471.9996 specifically permits cities to enter into contracts with property owners to limit rents and Subd. 11 specifically authorizes such contracts.

Subd. 11 applies, and avoids the rent control prohibition, only in circumstances where a developer has requested a discretionary land use approval from the city. So IZ policies will apply to proposals for rental developments only in those circumstances.\(^iv\) That limitation would not apply to ownership developments, under the logic of the 2001 Attorney General opinion.

Commentators opposed to IZ on policy grounds have often asserted that these policies are “takings” under the U.S. Constitution or are at least “exactions” subject to the requirements of Nollan v. California Coastal Commission\(^v\) and Dolan v. City of Tigard\(^vi\) that there be a “nexus” between conditions imposed on a project and the project’s impacts and that there be a “rough proportionality” between the impacts and the conditions. No appellate court has ever supported these assertions. In the few cases that have been brought, state appellate courts\(^vii\) have
uniformly held that challenged IZ policies were, like other zoning policies, authorized as police powers, presumed to be constitutional, and to be upheld if they are reasonably related to the public welfare.

Most recently, in a June 15, 2015 decision, the California Supreme Court upheld a San Jose inclusionary zoning ordinance. viii The Court held that the ordinance did not impose an exaction subject to Nollan and Dolan and was, like other land use regulations, simply a restriction on the way a developer may use property.ix The Court also noted that the U.S. Supreme Court has often upheld price controls as constitutional.x See also, Southern Burlington County NAACP v. Township of Mount Laurel, xi Holmdel Builder’s Ass’n v. township of Holmdel, xii Home Builders Ass’n v. City of Napa, xiii and Cal. Building Industry Ass’n v. City of San Jose.xiv The New Jersey Supreme Court has noted that virtually any kind of zoning has socioeconomic characteristics and requiring affordable units are well within the zoning police power, xv and “bear a real and substantial relationship” to regulation of land.xvi The Court included in lieu fees as zoning devices well within cities’ police power.xvii California’s First District Courts of Appeal rejected a facial challenge to the Napa IZ ordinance, holding that the ordinance substantially advanced “the important governmental interest of providing affordable housing.”xviii The Court in the Napa case relied on California Supreme Court precedents distinguishing ordinances of general applicability like the IZ ordinance from individualized development fee decisions like those at issue in Nollan and Dolan.xix

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iv The question of the applicability of Section 471.9996 was not raised and the Attorney General’s 2007 opinion did not address it.

v 483 U.S. 825 (1987)


vii There have been no federal decisions on this issue.

viii http://www.courts.ca.gov/opinions/documents/S212072.PDF

ix Id., at pages 31-32.

x Id., at page 35.

xi 456 A.2d 390 (N.J. 1983)

xii 583 A.2d 277 (N.J. 1990)

xiii 108 Cal. Rptr.2d 60 (2001)

xiv 157 Cal.Rptr. 3d 813 (2013)

xv Mt. Laurel, 456 A.2d at 448-50

xvi Holmdel, 583 A.2d at 286-97.

xvii Id.

xviii City of Napa, 108 Cal. Rptr at 65.
108 Cal. Rptr. 2d at 65-66. The California Supreme Court in its June 15 decision also noted this distinction but did not rely on it. See fn 11.