HOPKINS CITY COUNCIL
AGENDA
Tuesday, March 14, 2023
6:30 pm

**THIS AGENDA IS SUBJECT TO CHANGE
UNTIL THE START OF THE CITY COUNCIL MEETING**

I. CALL TO ORDER

II. ADOPT AGENDA

III. PRESENTATIONS

1. Depot Update; Lenz
2. West Metro Collaborative Update; Westmoreland/LaTondresse
3. Sanneh Foundation Update; Ballard
4. Short-Term Rental Update; Howard
5. Affordable Housing Update; Youngquist

IV. CONSENT AGENDA

V. PUBLIC HEARINGS

VI. OLD BUSINESS

VII. NEW BUSINESS

VIII. PUBLIC COMMENT

IX. ANNOUNCEMENTS

- Next City Council Regular Meeting: Tuesday, March 21 at 6:30 p.m.

X. ADJOURN

CITY OF HOPKINS

Administration

Memorandum

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Ari Lenz, Assistant City Manager

Date: March 14, 2023

Subject: Depot Update

PURPOSE

To provide Council and the Community an update on the changes at the Depot and to summarize the next steps.

INFORMATION

In 2022, the Depot Coffee House ended the year with a deficit of approximately $81,000, making the fund balance at a total deficit of negative $216,000. The current agreements in place for the Depot have no plan for how to address a deficit budget or balance. As the fiscal authority for the Depot, the City of Hopkins has been carrying that negative balance.

Due to the on-going deficit challenge, the City has had multiple conversations with the partners over the past years and there has been minor contribution adjustments but no commitment to additional funding to meet the Depot's deficit need. In January, the partners agreed to a revise hours at the Depot to reduce coffee operation hours during the winter months and adjust to longer hours in the summer months.

However, in February, the Depot Program Manager submitted their resignation. The partners agreed with the deficit existing and no plans to resolve the outstanding balance or sufficient revenue to continue current operations, it was not fiscally responsible to move forward with rehiring at this time. Instead the partners agreed to taking this opportunity to suspend coffee operations, but continue to support youth programming and re-evaluate the program, goals and the financial situation. Coffee operations are suspended at the Depot Coffee House effective April 2, 2023.

At its heart, the Depot's primary mission has always been to provide a safe, chemical-free environment for students and youth in the community. It has been a space for youth focused programming and leadership development. The City and our partners have committed to continue funding the Depot Youth Board activities while we spend the coming months working together to find the best way to maintain youth programming and leadership development and opportunities to continue serving the Depot's mission.

<u>Background</u>

The Depot has been in existence since 1997. Its Mission is “To provide a place of community and learning in which student involvement and youth development are encouraged in a chemically-free environment.” The Depot’s partners are Three Rivers Park District, Hopkins School District, City of Minnetonka and City of Hopkins.

The Depot had a positive fund balance of $8,495 at the end of 2012. The fund balance remained relatively stable through 2017, ending the year with a deficit of $31,288. The Depot struggled financially in 2018 and eliminated a full-time coffee operations manager position as of 1/1/2019. All duties were combined with the Program Manager. The Depot’s Partner contributions were also increased in 2019 to provide additional support.

2019 began an arduous period for the Depot’s operations. In July, Metro Transit took over the Depot’s parking lot for construction of the Green Line Extension light rail project. A temporary parking lot was created, but it remains difficult to access the Depot. Excelsior Boulevard has been closed numerous times due to construction. Bike trail users are frequent customers at the Depot, but related trail closures have kept them away. Despite, all these challenges the Depot increased its fund balance by $1,957 in 2019.

In 2020, the Depot experienced negative impacts from the COVID-19 Pandemic. The coffee operation were temporarily closed due to State orders. When reopened it was at limited capacity. The facility chose to operate a take-out only model. (The age of the building and physical location have always prevented a drive through). The depot decreased its fund balance by $28,099 in 2020.

Issues stemming from both the Green Line Extension and the COVID-19 Pandemic continued in 2021. City Council approved a 2021 Budget with a $15,000 decrease in fund balance. Actual results decreased fund balance by $44,234.

The following chart shows 10 years of operating data:

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Revenues	280,360	340,161	360,305	376,538	386,073	336,467	335,257	308,019	203,963	183,488
Total Expenditures	286,178	358,750	374,632	362,829	383,657	359,459	368,507	306,062	232,062	227,722
Increase (Decrease)	(5,818)	(18,589)	(14,327)	13,709	2,416	(22,992)	(33,250)	1,957	(28,099)	(44,234)
Ending Fund Balance	8,495	(10,094)	(24,421)	(10,712)	(8,296)	(31,288)	(64,538)	(62,581)	(90,680)	(134,914)

Again, the Depot had an operating deficit of approximately $81,000 in 2022. The ending fund balance is negative $216,000 (unaudited).

In 2023 the following contributions were committed by the partners, they have reaffirmed their commitment for this year during this transition period. The City also set aside $35,000 in ARPA funds for the deficit and was hoping for a match before committing those funds. No match has been made to date.

Hopkins School District - $50,000
City of Minnetonka - $28,000

City of Hopkins - $28,000 (additionally is responsible currently for administration costs and financials including the deficit balance).
Three Rivers Park District - $19,500 (additionally responsible for capital costs associated with the building, building is owned by Hennepin Rail Authority and leased through Three Rivers)

2023 Total Contributions: $125,500

FUTURE ACTION

Staff will be combining some of our planned efforts related to the Youth Workforce program with the Depot program this Spring/Summer as we work on meeting with partners or potential partners, gathering information and making a recommendation that is both fiscally responsible and meets the goals to support youth leadership development and programming. Three Rivers has agreed to allow us to continue to use the building as the City of Hopkins sees fit. The City will be at least temporarily maintaining the building until we determine next steps. The Youth Board will be included in this process. We currently are accepting public feedback online via a survey form, the feedback will help shape the future program.

https://www.hopkinsmn.com/FormCenter/The-DepotFreight-Room-25/Depot-Feedback-Form-234.

CITY OF HOPKINS

Administration

Memorandum

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Ari Lenz, Assistant City Manager

Date: March 14, 2023

Subject: West Metro Collaborative Update

PURPOSE

Jen Westmoreland, Hopkins School Board Chair and Chris LaTondresse, Hennepin County Commissioner will be present to give an update on the West Metro Collaborative.

INFORMATION

Council allocated up to $20,000 of ARPA funds to the West Metro Youth Collaborative in 2022 and 2023. The funds were matched by Hennepin County and Hopkins Public Schools did the administrative work for the program.

The goal of the program is to support the need to establish a multijurisdictional collaborative led by and with youth to build positive mentorship and social opportunities for youth in the West Metro. This collaborative will invite nonprofit organizations, government agencies, schools, and youth leaders to an advisory council in order to share knowledge, eliminate service silos, and identify gaps in youth programming.

The proposal was for two phases, each phase had an allocation of $10,000.

In phase one, the first portion of the funds ($10,000 for the City) was to do a research related to community needs and to hire eight consultants ages 15-21 to interview and survey community members, organize an informational event. The Generation Enhanced Network (GEN) grew out of some of the early exploratory work jointly funded and coordinated by the county, city and school district to generate insights and recommendations to inform the creation of the Collaborative. GEN has now continued as a promising example of the kind of youth-led initiative that could be further developed and scaled through the work of the Collaborative once chartered.

Chair Westmoreland is currently working with Hennepin County Commissioner Chris LaTondresse to create the organizational structure for the collaborative.

The second phase (an additional $10,000), is to use the research and discussions to establish and launch the West Metro Youth Collaborative.

FUTURE ACTION

The group will continue working in 2023 on establishing the West Metro Collaborative.

Attachments:

West Metro Collaborative Summary
Generation Enhanced Network Update

Office of Hennepin County
Commissioner Chris LaTondresse

West Metro Youth Collaborative

Updated: March 6, 2023

OVERVIEW

Hennepin County seeks local government partners (cities and school districts across the West Metro) to help launch and lead the **West Metro Youth Collaborative**, a new organization formed via joint-powers agreement to strengthen youth voice, opportunity, and social connection.

Modeled on the successful *Brooklyn Bridge Alliance for Youth*, this new organization will pilot and scale initiatives by-and-for youth, enhance the quality of existing programming, attract funding for youth-focused initiatives and increase coordination among its members and with the community.

While the mission, vision, goals, and strategies of the **West Metro Youth Collaborative** will be co-created by its founding members, potential areas of focus for this initiative include: mentoring, career pathways, after-school programming, mental health and wellness, and community safety.

GOALS

1. Strengthen youth voice, opportunity, and social connection in west suburban Hennepin
2. Increase coordination between Hennepin County, cities, and schools to support youth
3. Attract new funding for youth-focused initiatives in west suburban Hennepin
4. Scale promising youth-focused initiatives and launch new evidence-based pilots

BACKGROUND

Suburban Hennepin County is home to many young people (ages 15-24) who face significant challenges accessing resources and opportunities that can help them thrive, especially outside of traditional school hours and during the summer months. The need for expanded coordination, programming, and funding for youth-led and youth-focused initiatives is clear and urgent.

In the spring of 2022, in the aftermath of several high-profile public safety incidents involving youth, Commissioner LaTondresse's office convened listening sessions and one-on-one meetings to explore this topic with students, mayors and school board members, city and school district staff, police chiefs, community organizations, and other leaders. The goal of these conversations was to better understand the challenges facing youth and to identify forward-looking solutions.

In the summer of 2022, Hennepin County partnered with Hopkins Public Schools and the City of Hopkins, tapping a group of 8 young leaders (ages 15-22) as consultants to engage their peers and the community, gather insights that could help inform this work moving forward and offer potential solutions. The insights yielded from their field-research inform the goals found in this memo, including the recommendation to establish the **West Metro Youth Collaborative** formally.

Their activities also led to the creation of *Generation Enhanced Network (GEN)*. This youth-led initiative is already serving youth in the Hopkins School District and represents a promising early example of the type of programming that could be scaled regionally with greater coordination and resources.

On December 15, 2022, the Hennepin County Board approved a budget amendment authored by Commissioner LaTondresse, establishing a contingency fund of $57,500 for this work. This amount represents Hennepin County's annual commitment to this organization, contingent on execution of a Joint Powers Agreement between the County and other member jurisdictions.

MODEL

We will model this new **West Metro Youth Collaborative** on the *Brooklyn Bridge Alliance for Youth (The Alliance)*, whose work "assures the success of all youth by challenging the conditions that diminish their hope, by assuring that all youth are connected to a trusting adult who is vested in their healthy development as measured by educational success and mastery of life skills."[1]

While the founding mission statement, vision, goals and strategies of the **West Metro Youth Collaborative** will be co-created by its charter members, there are several features of The Alliance model that we recommend adopting and incorporating into our charter, including:

Potential features of *The Alliance* model to adopt and incorporate:

Legal Structure: Chartered and governed via a Joint Powers Governance Agreement between Hennepin County and all member cities, school districts, and community colleges.

Governance: The Board of Directors is composed of appointees from each member jurisdiction. The *Alliance* defines 'Members' as those who have signed the Joint Powers Agreement that formed the *Alliance*, contribute to the general fund of the *Alliance* budget, and have staff actively participating on the task force teams that advance the mission and work of the organization.

[1] Vision Statement, Brooklyn Bridge Alliance for Youth, https://www.brooklynsallianceforyouth.org/who-we-are

Funding: *The Alliance* is jointly funded through approximately $212,000 in annual contributions from its Members, including Hennepin County ($57,500), the cities of Brooklyn Park ($57,500) and Brooklyn Center ($57,500), and schools: Osseo Area Schools ($11,500), Anoka-Hennepin School District ($5,750), Brooklyn Center Schools ($5,750), Robbinsdale Area Schools ($5,750), Hennepin Technical College ($5,750) and North Hennepin Community College ($5,750).

These funds are leveraged to unlock $250,000 - $350,000 in additional outside revenues annually via federal, state, and local grants, and private, philanthropic, and corporate donations.

Youth Voice: The Board of Directors includes four directors ages 18-24 who are drawn from across member jurisdictions and serve as a voice for middle and high school youth. Additionally, a separate, larger Youth Council further centers youth voice and leadership in all other aspects of *The Alliance's* governance, planning, programming, and coordination with the community.

TIMELINE

Here's a timeline with a few key milestones – past, present, and future:

- **Summer 2022:** Hennepin County partners with Hopkins Public Schools, the City of Hopkins, and young leaders to gather insights and co-create potential solutions, including the recommendation to pursue the creation of a **West Metro Youth Collaborative.**
- **December 2022:** Hennepin County Board approves a 2023 budget amendment to establish a $57,500 contingency fund and creates a draft Joint Powers Agreement.
- **January-April 2023:** Hennepin County leading discussions with select West Metro cities and school districts to present the concept, and gauge potential membership interest.
- **Summer 2023:** Hennepin County will host a convening among interested cities and school districts to engage in preliminary visioning, planning, co-creation, and commitments. This convening will include youth voices from participating jurisdictions.
- **Fall 2023:** Participating jurisdictions secure funding during their annual budget process.
- **Winter 2023:** Joint Powers Governance Agreement finalized and executed. Member jurisdictions appoint board members and identify staff leads for the initiative.
- **January 2024:** **West Metro Youth Collaborative Launches!**

Generation Enhanced Network (GEN) 2022-2023 Overview

Prepared by Jen Westmoreland, Hopkins School Board Chair
Dominique Pierre-Toussaint, ICA Director of Community Relations

Background
In the summer of 2022, Hennepin County and the City of Hopkins partnered with Hopkins Public Schools to hire a group of 8 young leaders (ages 15-22) as consultants to engage their peers and the community to gather information about what youth in our community need to thrive. Hopkins School Board Chair Jen Westmoreland and Dominique Pierre-Toussaint served as the adult consultants to this group. Ellie Maag served as a Youth Participatory Action Research (YPAR) consultant to help ensure that the group's process aligned with YPAR best practices. This initial work took place between June and August 2022.

In addition to conducting research that led to a recommendation to establish the **West Metro Youth Collaborative** formally, the youth consultants created **Generation Enhanced Network (GEN).** This youth-led initiative serves young people in the Hopkins Schools community and represents an example of innovative programming that could be scaled regionally to serve more youth with greater coordination and resources.

Generation Enhanced Network (GEN) prioritizes "next generation" voices and is shaped by their/your vision. It's an organization for schools, government organizations, non-profits, businesses, and community organizations to innovate and collaborate to best serve the needs of the next generation in our communities.

Why do we need GEN?
Our youth and young adults deserve the very best. We are a community with many resources. Change within the community comes from each generation moving forward. The best way to accomplish this change is by working alongside the next generation to ensure they have the resources they need to be successful.

The GEN Team
Our group represents the diversity of youth and young people in our community in terms of race, ethnicity, gender and sexual identity, socio-economic position, career interests, and individual strengths. The original GEN consultants were Harper Best, Abhinav Kumar, Antonio Perez, Kennedy Pierre-Toussaint, Alex Quintero, Zachary Stanton, Katy Young, and Simon White. Since August 2022 our group has grown to include more young people in the Hopkins Schools community.

Our Process
Between the months of June and August 2022, we met weekly as a group to work on collecting information from the community on needs and solutions, ideating on and creating the GEN identity, and spreading awareness of the network.

As we engaged in this work, we learned that members of our consultant group were experiencing the impacts of systemic injustices and were in need of support. As a group, we practiced the foundational concept of GEN by speaking our truths, connecting each other to resources, identifying possibilities for systemic change, and supporting each other through individual and collective challenges that arose during our time working together.

> **GEN Identity**
> The consultants worked on creating the name Generation Enhanced Network, writing the description for the network, and creating a visual identity (branding).
>
> **Information Gathering**
> The consultants gathered information through surveys, interviews, and individual conversations with community members. These general questions informed the survey, interview, and individual conversations.
>
>> *If you are a young member of our community, we want to know what your needs and goals are. Is there a challenge you or your family are facing right now (food or housing insecurity, mental or physical health, etc.)? What do you need to pursue your passion (ex. arts, sports, business, academics, etc.)? What do you need to achieve your goals now and into the future (mentorship, internship, community support, etc.)?*
>>
>> *If you are a community member with resources to share, we want to know what resources you can bring to the table, what ideas you have for this emerging organization, and how we might collaborate to serve the next generation?*

The consultants received 31 survey responses from a cross-section of community members, interviewed 5 community leaders, and engaged in 32 individual conversations with young people in our community. They conducted a qualitative open coding process on the survey, interview, and conversation responses. The results are as follows.

Top needs/gaps identified:

- Food insecurity
- Housing insecurity
- Mental health resources
- Financial and mentorship support for interests/passions
- Social and moral support

Top solutions/possibilities identified:

- Compensating young people to be in decision-making spaces across our community (government, nonprofit, business)
- More robust partnerships with resource providers like ICA, ResourceWest, Relate Counseling
- Partnerships with businesses and individuals who can provide mentorship and professional opportunities for young people
- A young adult (21+) to young person (12-18) mentoring program

Awareness Building

Depot Coffee House Event

The consultants planned a GEN awareness-building and information-gathering event at the Depot Coffee House on August 6th, 2022. Each consultant invited at least 10 people and shared the event on social media. Approximately 40 community members attended, including youth, parents/caregivers, elected officials, nonprofit leaders, business owners, and community leaders. GEN consultant and Hopkins Student Senate President Abhinav Kumar, Hennepin County Commissioner LaTondresse, and Hopkins Mayor Hanlon spoke about the importance of GEN. The GEN team gathered information through conversations with event guests, and all attendees were encouraged to fill out the survey. The GEN visual identity/branding was unveiled at the event, and consultants took photos and videos of the event to use in future GEN communications.

Presentation
The consultants created a multimedia presentation that reflects our work on GEN thus far. This presentation can be shared with potential partners as we continue to build the Generation Enhanced Network.

Social Media Platforms
The consultants created GEN social media channels and took photos and videos for use on these platforms.

GEN Activities Since August 2022

While the group's formal information-gathering phase ended in August 2022, GEN has continued to build momentum as we move toward a more expansive West Metro Youth Collaborative structure. Here are some of the activities GEN members have been engaged in:

- GEN team members were invited as guest speakers and answered questions during the Ukraine Youth Group visit to the City of Hopkins in August 2022.
- GEN team members attended the ICA Great Taste Fundraiser in October 2022 to make additional connections in the community and share the work of GEN.
- GEN team members expressed an interest in learning about the behind-the-scenes work of a community podcast. The PARLE podcast launched in December 2022. A professional podcast producer is mentoring GEN members in sound production, photography, videography, etc. Recording of the podcast episodes has been open to the public (registration through Hopkins Community Education).
- GEN team members planned and provided support (music, volunteering, community connections) for the ResourceWest spring fundraiser in March 2023.
- GEN team members will participate in the Harvard Human Flourishing Program's Leadership Summit in April 2023.
- GEN team members will be collaborating in August/September 2023 on a youth/young adult art exhibition with the Trilogy Real Estate Group building and the Hallon apartments project on Blake and Excelsior Blvd.
- GEN team took part in providing music for the State of the City of Hopkins event.
- GEN team adult consultants continue to connect GEN team members and other youth in our community to mentors, job opportunities, mental health support, and other resources.

CITY OF HOPKINS

Administration

Memorandum

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Ari Lenz, Assistant City Manager

Date: March 14, 2023

Subject: Sanneh Foundation Update

PURPOSE

Crystal Ballard, Hopkins High School Principal will be present to give an updated on the Sanneh Foundation's work.

INFORMATION

Council allocated up to $40,000 of ARPA funds to the Sanneh Foundation. The program is aimed to support embedded tutor-mentors at HHS for the 2022-2023 school year via the Sanneh Foundation's Dreamline program - an academic intervention program serving low-income, under-performing students in public middle schools and high schools.

The communities hit hardest by the pandemic right now are overwhelmingly low-income, highly-mobile, and food-insecure. Dreamline will embed three tutor-mentors (i.e. Coaches) at HHS to provide services on-site to students identified as most in need of intervention, whose teachers and administrators have identified as failing or near failing, and whose academic futures are in the greatest jeopardy.

The majority of these students come from communities of color and speak numerous languages, including but not limited to: English, Hmong, Spanish, and Somali. Dreamline coaches provide enhanced academic intervention, culturally specific social-emotional support, and academic assistance. The goal is to increase these students' academic performance, to improve school connectedness, and to develop leadership and relationship skills, so that they are empowered to positively contribute to their school and the Hopkins community.

FUTURE ACTION

Sanneh Foundation will finish out the 2022-23 school year.

CITY OF HOPKINS

Planning and Economic Development Department

Memorandum

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Kurt Howard, Planner

Date: March 14, 2023

Subject: Short-Term Rental Update

PURPOSE

Staff will present an overview of short-term rentals (STRs) in Hopkins. The presentation will briefly ground the Council in definitions and the history of STR regulations in Hopkins, review current regulations that apply, revisit questions raised during the first STR application review processed by the City, explore potential policy objectives and recommend adjustments to the City's regulatory approach to STRs in Hopkins.

Staff will be looking for input and direction from the Council on various policy objectives and regulatory elements that could be incorporated into a potential update to the City's regulations for STRs in Hopkins.

INFORMATION

The growth in the popularity of STRs enabled by online platforms including Airbnb, Vrbo, and many others has, expanded the reach of the STR market such that its impacts are felt in a wide variety of communities. Some of these impacts are arguably positive, such the availability of flexible hospitality options that did not exist before and economic development benefits. However, STRs can also bring with them negative impacts, including threats to neighborhood character and nuisances that create tension between landlords and neighbors. The mix of impacts that STRs will have in Hopkins is as unique as the community itself, so an effective approach to regulating STRs should be informed by the community's goals and vision regarding the role of this land use in Hopkins.

Short-Term Rentals Defined

Short-term rentals are considered by the zoning code to be a form of lodging. Lodging is described as "establishments that provide temporary lodging for less than 30 days to transient guests who maintain a permanent place of residence elsewhere". Short-Term Rentals are defined as "all or a portion of a residential dwelling unit offered for rent to overnight guests for fewer than 30 consecutive days".

History of Short-Term Rental Regulations in Hopkins

Prior to the Zoning Code Update completed in the summer of 2022, STRs were not specifically acknowledged or regulated in the City Code. In 2018, staff adopted an internal zoning policy of treating short-term rentals the same as bed and breakfasts, since code language was readily available and bed and breakfasts have similar impacts to STRs. During the Zoning Code Update process, the topic of STRs was studied and considered more closely. It was ultimately decided to specifically acknowledge and regulate STRs as follows.

Current Regulations

Short-term rentals in Hopkins are currently regulated through three primary means: zoning, licensing, and general nuisance standards.

In terms of zoning, STR as a land use is permitted in non-industrial mixed-use zones, conditional in neighborhood zones, and prohibited in all other zones. All permitted STRs in the City are subject to the Supplemental Use Regulations established by the code, which are:

1. Short-term rentals must comply with all applicable licensing and permit requirements of the city and Hennepin County.

2. No more than 6 adults and their dependent children may occupy rooms within a short-term rental.

3. Short-term rentals are not permitted on lots occupied by accessory dwelling units.

4. External structural alterations or site improvements that change the residential character of the lot upon which a short-term rental is located are prohibited. Examples of such prohibited alterations include the construction of a parking lot, the addition of commercial-like exterior lighting, and signage.

5. A register of short-term rental guests must be maintained and made available to the city upon request.

6. Short-term rentals may not be used for special events to be attended by individuals who are not registered guests of the short-term rental unit.

The City Code’s rental licensing requirements apply to STRs in the same manner as any other rental dwelling unit. Many of these provisions area a natural fit for STRs, but some rental licensing requirements translate poorly to STRs. Most notably, all rental licensees are required to conduct criminal background checks on all prospective tenants.

The City’s general nuisance ordinances related to things like noise, trash, and parking all apply to properties used for STR the same way they do for all other properties in the City. These ordinances reinforce the expectation to be a good neighbor and grant the City authority to step in if nuisances persist.

Questions Raised

The first application for a Conditional Use Permit (CUP) to use a property as a STR was considered by the Planning and Zoning Commission at its meeting on October 25, 2022 and by the City Council on November 1, 2022. Processing this permit application offered an opportunity to evaluate the City’s new regulations in practice. Questions, comments, and concerns raised during the application review process touched on the following topics:

- The impacts of STRs on neighborhood character and how to manage them
- The impact of STRs on affordability and availability of housing
- The ability for the City to effectively monitor and address nuisances should they arise after an STR has been permitted
- Rates of compliance with STR regulations and how to address existing unpermitted STRs
- Ensuring a fair and consistent process for reviewing and deciding on STR permit applications

In light of the insights gained by the first CUP application review, staff received direction from the City Council to study the City's regulatory approach to STRs.

Policy Objectives
In order to identify opportunities to improve the City's approach to regulating STRs, it is helpful to reflect on what outcomes the City hopes to achieve with its regulatory approach. Developing a clear set of policy objectives helps ensure that the regulatory approach taken is informed by Hopkins' unique situation in the STR market, the community's priorities, and the City's capacity to effectively enforce its policies in a practical and cost-effective manner.

Examples of potential policy objectives that have been articulated by the City Council, Planning and Zoning Commission, community, and staff thus far include:

- Protecting life safety
- Minimizing nuisances
- Accurately tracking the number and location of STRs operating in the City
- Preserving neighborhood character
- Protecting affordability and availability of housing
- Improving rates of compliance
- Enabling reasonable use of private property
- Offering options for hospitality

Regulatory Elements
A variety of tools and mechanisms are available to help the City achieve its policy objectives regarding STRs.

<u>Registration</u>: A requirement for STR operators to register with the City could provide the City with an effective means of tracking the number and location of STR operators in the City. This approach could have the effect of creating an approachable means for STR operators to formalize their operation in the City while providing the City with a more reliable account of the number and location of STRs. The collection and availability of this information would help the City track and evaluate the impact of STRs on an ongoing basis as dynamic trends in the STR market continue to develop.

<u>Licensing</u>: A requirement for STRs to obtain and maintain a special Short-Term Rental License could allow the City to specify the terms that all STRs must adhere to in order

to operate legitimately in Hopkins, identify a timeframe for license renewal, and establish grounds for license revocation.

An effective STR licensing program would likely retain some elements of the current licensing requirements, while omitting elements that are poorly suited or impractical for STRs. One notable element of the current rental licensing requirements that is poorly suited for STRs is the requirement for hosts to run criminal background checks on prospective guests. The terms of the license could also cross-reference the City's general nuisance standards related to noise, trash, and parking, and include inspection requirements if desired.

Inspections: Inspections could offer the City an opportunity to verify that basic life safety protections are in place for STRs that are permitted to operate in Hopkins. These protections could include the installation of smoke detectors, carbon monoxide detectors, and proper egress for sleeping areas. Inspections could be required either as a one-time requirement prior to finalizing approval of an STR or on a recurring schedule.

Zoning: The City's current zoning of STRs identifies the use as permitted, conditional, or prohibited depending on the zone. For zones in which the use is identified as permitted, properties are allowed to use their property for STR subject to the supplemental use regulations and rental licensing requirements. For zones in which STRs are a conditional use, STR operators are required to apply for a CUP which requires an $800 non-refundable application fee and a public hearing at the Planning and Zoning Commission before a final decision is made by the City Council.

Analysis

A fine-tuned and coordinated mix of these regulatory elements may be better suited to meet the community's policy objectives than the CUP application process. The CUP application review process and public hearing do create an opportunity for the community to review the proposed use and develop conditions as needed to maintain public welfare.

However, the scope of the CUP application review process is limited to the particular merits of an individual application rather than the impact of STRs in the City overall. Additionally, CUP approval runs with the land and grants CUP holders permission to use the property for STR so long as the approved conditions are being met, limiting the ability to revise operating conditions over time according to feedback and changing trends. Finally, the cost, timeline, and uncertainty associated with the CUP application process could increase the temptation for STR operators to circumvent the proper approval process altogether. Given the high proportion of properties in the City where STR is a conditional use, this would significantly harm rates of compliance and deprive the City of valuable information needed to effectively monitor STRs and their impacts.

Recommendation

In light of these considerations, staff recommends that the following potential amendments to the City's regulation of STRs be considered:

- Require STR operators to obtain a license with a two-year renewal period
- Require initial inspection to verify adequate life safety protections are in place

- Revise zoning to make STRs a permitted use in zones where it isn't currently prohibited
- Establish appeal process for administrative decisions and license revocation

FUTURE ACTION

Based on input and direction from the City Council, staff will determine precisely which ordinance revisions would be needed to implement any desired changes to the City's STR regulations and return to the Council with draft revisions.

CITY OF HOPKINS

Planning and Economic Development Department

Memorandum

To: Honorable Mayor and Council Members
Mike Mornson, City Manager

From: Jan Youngquist, AICP, Community Development Coordinator
Kersten Elverum, Director of Planning and Development

Date: March 14, 2023

Subject: Affordable Housing Update

PURPOSE

Staff will provide an affordable housing update based on the direction provided by the Council at its September 13, 2022 meeting. Council members indicated an interest in more information on inclusionary housing, 4d programs as a tool for the preservation of naturally occurring affordable housing, and affordable housing trust funds.

Staff will be looking for direction from the Council on its continued interest in developing an inclusionary housing policy, exploring a 4d program, and developing an affordable housing trust fund.

INFORMATION

Inclusionary Housing

What is inclusionary housing?

Inclusionary housing is a tool used by local jurisdictions to increase their amount of new affordable housing. Inclusionary housing policies create a framework within which developers of new market rate housing are required to develop a certain number or percentage of housing units that are affordable to households that otherwise would not be able to afford to live in the housing being developed. This brief video includes a basic overview of inclusionary housing: Inclusionary Housing Explained.

How do inclusionary housing policies provide affordable housing?

Typically inclusionary policy requirements are triggered by new market rate developments of a specific size that require a land use decision such as a rezoning or planned unit development (PUD) or that include a request for city financial assistance. These policies often require a certain number or percentage of units to be affordable for households at various levels of area median income (AMI). Attachment A includes information on the AMI and affordable rents for the Twin Cities.

For example, a policy may require that a project with 20 units or more that is seeking a planned unit development include 15% of the units to be affordable at 50% AMI, based on the unit size and rents shown in the above table. In this scenario, the development would need to include at least 3 affordable units. If these were all 2 bedroom units, the rent would be $1,320 (or less) per month in 2022 and adjusted each year as HUD determines annual AMI for the region. Inclusionary housing policies require annual monitoring and oversight to ensure compliance. Some local communities have dedicated staff for this work, while others hire an outside third party.

Which local communities have inclusionary housing policies?
Thirteen communities in the seven-county metro area have adopted inclusionary housing policies, nine of which are communities in Hennepin County: Bloomington, Brooklyn Park, Eden Prairie, Edina, Golden Valley, Minneapolis, Minnetonka, Richfield, and St. Louis Park. The other communities in the metro area with inclusionary housing policies are Chaska, Mounds View, North St. Paul and Shoreview.

There is not a one size fits all when it comes to inclusionary housing policies. These policies vary by community in response to local market conditions. Hopkins staff prepared a summary of the inclusionary housing policies for the eight suburban Hennepin County communities as those policies relate to the development of multi-unit rental housing (Attachment B). These policies all include alternatives to the policy requirements in acknowledgement that it might not be feasible to provide affordable units in every new development.

How do inclusionary housing policies affect a development project's feasibility?
Feasibility of development is based on calculations of whether a project has sufficient income to cover its construction and operating costs and provide financial returns for the effort and risk undertaken by the developer and its sources of funding. Feasibility calculations have two major components:

- Sources and uses of funds to build and finance a project
- Comparison of ongoing operating costs compared to rental revenues

(Refer to Attachment C for more information)

Inclusionary housing policies affect the economic value of a development by driving part of its use to a below-market purpose: the provision of units affordable to households that otherwise would not be able to afford the market rate rent at the property. This has the effect of lowering net operating income.

When faced with this situation, developers typically have three options:

- Decline to proceed with the proposed market-rate development project.
- Persuade the owner of the development site to sell it for a below-market price, which most private landowners are unwilling to do.

- Accept a lower return on the proposed market-rate project, which most developers have limited (if any) ability to do, as equity investors expect a certain rate of return on their financial investment in the project.

However, development can move forward under inclusionary housing policies without experiencing these outcomes, under the following scenarios:

- The rents for the market-rate units are high enough to "cross subsidize" the lost value associated with rents for the below-market units. Increases in land prices, construction costs and interest rates over the past few years have made this scenario difficult to achieve.
- A subsidy is provided to sufficiently mitigate the impact of the below-market units on overall development feasibility. These incentives can come in the form of subsidies such as Tax Increment Financing (TIF) or tax abatement and may also include other incentives such as density bonuses or parking reductions.

This report provides a deeper dive into this topic: Economics-of-Inclusionary-Zoning.pdf (uli.org)

Potential Costs of an Inclusionary Housing Policy
Recent affordable housing development in Hopkins has been structured with 100% of the units being affordable, including Oxford Village, the Burnes Building, Vista 44 and Building A at 325 Blake Road. Inclusionary housing provides mixed income opportunities, where the development provides affordable and market rate units in the same building.

Developments with 100% affordable units qualify for funding such as Low Income Housing Tax Credits (LIHTC) as well as other state and federal subsidy programs. LIHTC is a very competitive program and mixed income buildings are not able to score enough points in the application process to qualify. Often, mixed income buildings rely on local subsidies to offset the financial gap.

At the Council's work session on September 13, 2022, staff from Ehlers, the City's financial consultant, presented information on the potential costs associated with providing financial assistance for affordable housing through an inclusionary housing policy. Various scenarios of affordability requirements were run based on the financial information associated with the Ovation project, which has 150 units of multi-family housing. Assuming an inclusionary policy that requires 25 years of affordability and 10% of the units to be affordable, the present value affordability cost estimate is:

Affordability Level	Total Cost	Per Unit Cost
10% of units at 30% AMI (15 units)	$3,433,214	$228,881
10% of units at 50% AMI (15 units)	$2,200,792	$146,719
10% of units at 60% AMI (15 units)	$1,583,942	$105,596

The tools for subsidizing these costs are Tax Increment Financing (TIF)—either a Housing or a Redevelopment TIF District, tax abatement, or tax levy.

For housing TIF districts, state statute requires 20% of the units to be affordable at 50% AMI or 40% of the units to be affordable at 60% AMI. Redevelopment TIF districts do not have housing affordability threshold requirements, but not all sites qualify as a Redevelopment District.

As an example, the following table shows the present value affordability cost estimate for a recent development using the affordability requirements of a Housing TIF District.

Housing TIF District Scenario		
Affordability Level	**Total Cost**	**Per Unit Cost**
20% of units at 50% AMI (30 units)	$4,820,852	$160,695
40% of units at 60% AMI (60 units)	$7,056,340	$119,599

Additional scenarios provided by Ehlers are included in Attachment D.

Previous Direction from the Council on Inclusionary Housing
Staff presented an overview of inclusionary housing at the Council's September 13, 2022 work session. The Council was generally interested in further exploring an inclusionary policy, but wanted to take a flexible approach. Concerns about the resulting cost of an inclusionary policy were also voiced by some Council members.

Staff Recommendations on Inclusionary Housing
If the Council is interested in developing an inclusionary housing policy, staff recommends the following parameters:

Applies to:	Multi-family rental development projects with 10 or more units that receive financial assistance or discretionary land use approvals from the City
Requirements:	10% of units at ____ AMI, with a mix of unit types distributed throughout the building
Term:	25 years
Alternatives:	Exemptions subject to approval by the City Council.
Monitoring:	Annual compliance monitoring and oversight to be done by a third party, paid for by the developer

Questions for the Council:

- Are you interested in developing an inclusionary housing policy?
- How should the AMI level(s) be determined?
  - Staff recommendation
  - Market study to determine the needs specific to Hopkins
  - Council decision
- If you develop an inclusionary housing policy, would you want to include a payment in lieu option?

4d Program

What is 4d?

The State of Minnesota has several different tax classification types for rental property. Class 4d is defined as "low-income rental property" under [MN Statutes Section 273.13, Subd. 25](). Class 4d property is taxed at a rate of 0.75% for the first tier of valuation and at 0.25% for the second tier of valuation. In comparison, typical market-rate rental units are considered class 4a or 4b and are taxed at a rate of 1.25%.

Properties qualify for 4d classification if the units are subject to rent and income restrictions under the terms of financial assistance provided to the rental property by a local, state, or federal government, and at least 20 percent of the units are occupied by residents whose household income at the time of initial occupancy does not exceed 60% AMI. Only the affordable units in the building qualify for 4d classification. Owners of legally binding subsidized affordable housing work directly with the Minnesota Housing Finance Agency for certification of the units for 4d tax classification.

How have 4d programs been used for the preservation of affordable housing?
Some communities in the metro area have established 4d Programs, with the goal to preserve naturally occurring affordable housing by providing reduced property taxes for rental property owners who commit to the affordability requirements required by statute. The following local cities have 4d Programs: Edina, Golden Valley, Minneapolis, St. Louis Park and St. Paul.

Since the 4d classification requires governmental financial assistance, cities with 4d programs provide grants to property owners to help offset the costs of administrative and reporting requirements associated with the program. Property owners are required to submit annual reports to the cities as well as annual applications to the Minnesota Housing Finance Agency to renew the 4d tax status.

Some cities also provide direct grants for energy efficiency improvements. Others provide referrals to programs offered by Xcel Energy, CenterPoint Energy, or the Center for Energy and the Environment.

The 4d Programs in Minneapolis and St. Paul are robust and have each had more than 2,000 individual housing units enrolled. These cities have dedicated staff to promote the programs and assist property owners in navigating the process. To date, the suburban communities of Edina, Golden Valley and St. Louis Park have not had large enrollment in their programs. Hopkins staff prepared a summary of these local 4d Program requirements (Attachment E).

How does the 4d tax classification reduce property taxes?
As mentioned earlier, a market rate apartment building is taxed at a rate of 1.25%. Units that qualify as 4d are taxed at 0.75% for the first tier of value, which is currently $100,000 (as defined in statute) and the second tier is taxed at 0.25%.

The following table shows the potential tax savings for a property owner through a 4d Program for both a 23 unit apartment building and a 187 unit apartment building:

23 unit apartment building in Hopkins			
2021 Market Value	**Per Unit Value**	**Tax Capacity**	**2022 Taxes**
$2,312,000	$ 100,522	$ 28,900	$ 44,101

Scenario	Tax Capacity	Total Taxes	Potential Tax Savings
20% 4d affordable (5 units)	$26,374	$40,527	**$3,574**
100% 4d affordable units (23 units)	$17,280	$27,672	**$16,429**

187 unit apartment building in Hopkins			
2021 Market Value	**Per Unit Value**	**Tax Capacity**	**2022 Taxes**
$23,721,000	$ 126,850	$ 296,513	$ 452,476

Scenario	Tax Capacity	Total Taxes	Potential Tax Savings
20% 4d affordable (38 units)	$236,259	$411,163	**$41,314**
100% 4d affordable units (187 units)	$152,803	$249,290	**$16,429**

The legislature is currently considering bills that would eliminate the two tiers and modify the 4d tax classification rate to 0.25% for the entire valuation, which would significantly reduce the property taxes.

Questions for the Council:

- Are you interested in pursuing a 4d policy?
- What are the appropriate levels of incentives?
- What additional information would help inform your decision?

Affordable Housing Trust Funds

Affordable Housing Trust Funds are funds that are set up by local government by dedicating local revenues for affordable housing. Affordable Housing Trust Funds are defined in MN Statute 462C.16.

Sources of funds include:

- HRA or general levy
- Bond proceeds
- Payment in lieu from an inclusionary housing program
- Matching funds from a federal or state housing trust fund
- Cash donations from individuals or corporations.
- Grants and loans from state, federal or private source
- Investment earnings on the funds

Uses of funds include:

- Grants and loans for development, rehabilitation or financing of housing
- Matches to other funds for housing projects
- Down payment assistance, rental assistance, and home buyer counseling services
- Administrative expenses (up to 10% of the fund balance)

Questions for the Council:

- Are you interested in establishing an Affordable Housing Trust Fund?
- If so, how would you like to fund it?

FUTURE ACTION

If the Council chooses to move forward with an inclusionary policy, 4d Program and/or an Affordable Housing Trust Fund, staff will work with our attorneys and financial advisor and return to the Council with draft policies and programs. If an inclusionary policy is pursued, the City would also need to amend our TIF policy.

Attachments:

A. Affordable Housing Overview
B. Summary of Suburban Hennepin County Inclusionary Housing Programs
C. Understanding the Economics of Development
D. Scenarios of Financial Assistance for an Inclusionary Policy
E. Summary of Local 4d Programs

ATTACHMENT A

Affordable Housing Overview

The federal government defines housing as affordable when it consumes no more than 30% of a household's income, so people can pay for other necessities such as food, clothing and transportation. Housing affordability is often measured against the Area Median Income (AMI). Income thresholds relative to AMI identify households that are eligible to live in income-restricted housing. Each year, the U.S. Department of Housing and Urban Development (HUD) defines and calculates levels of AMI by household size for every region in the country.

HUD's AMI for a family of four in the Twin Cities region in 2022 is $118,200. The 2023 AMI data is anticipated to be released by HUD in May. Households earning less than 80 percent of the AMI are considered low income by HUD. Those earning less than 50 percent of the AMI are considered very low income, and those making less than 30 percent of the AMI is considered extremely low income by HUD.

2022 Level of AMI for the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area (family of 4)	
Area Median Income (AMI)	**$118,200**
80% of AMI	$89,400
60% of AMI	$70,380
50% of AMI	$58,650
30% of AMI	$35,200

Affordable rents are calculated based on the number of bedrooms in a housing unit. The following table shows affordable rents for different income levels for our region in 2022.

2022 Affordable Rents for the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area				
No. of Bedrooms	**30% AMI**	**50% AMI**	**60% AMI**	**80% AMI**
Studio	$616	$1,027	$1,232	$1,643
1 Bedroom	$660	$1,100	$1,320	$1,760
2 Bedrooms	$792	$1,320	$1,584	$2,112
3 Bedrooms	$915	$1,525	$1,830	$2,440

ATTACHMENT B

SUMMARY OF SUBURBAN HENNEPIN COUNTY COMMUNITIES INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT					
Community	**Trigger**	**Requirements**	**Term**	**Incentives**	**Alternatives**
Bloomington Opportunity Housing Requirement—adopted by ordinance amending the City Code	20+ units	– 9% of units at or below 60% AMI (Percentage was determined through an Affordable Housing Nexus Study and Feasibility Analysis)	20 years	– Density bonus – Floor area ratio bonus – Height bonus – Parking reduction – Enclosed parking space conversion – Minimum unit size reductions – Alternative exterior materials – Storage space reduction – Landscape fee in lieu reduction – Development fee deferment or waivers – Expedited review of plans – Land write down for development on City owned land – Tax Increment Financing (TIF) – Project based housing choice vouchers	– Construction of required units on another site. 9 % of units must be a mix of extremely low, very low and up to 60% AMI. – Payment in lieu ($9.60 per square foot of leasable space) to the City's affordable housing trust fund – Dedication of land lieu – Purchase and rehabilitation of naturally occurring affordable housing units – Acquisition and rehabilitation of existing market rate units to convert to affordable units – Partnership with an affordable housing developer
Brooklyn Park Mixed Income Housing Policy	– 10+ units <u>AND</u> – Comp Plan Amendment, or – Zoning Code or Map Amendment, or – Planned Unit Development (PUD), or – City financial assistance – All residential or mixed use projects located in a Transit Oriented Development area	– 15% of units at 60% AMI, or – 10% of units at 50% AMI, or – 5% of units at 30% AMI	20 years	– Minimum of 10% density bonus	Alternatives that provides or enables the provision of affordable housing units in the city, subject to City Council approval.

SUMMARY OF SUBURBAN HENNEPIN COUNTY COMMUNITIES INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT					
Community	**Trigger**	**Requirements**	**Term**	**Incentives**	**Alternatives**
Eden Prairie Inclusionary Housing Policy	– 15+ units AND – Rezoning, or – Comp Plan Amendment, or – PUD, or – Site plan review, or – City financial assistance	– 15% of units at or below 60% AMI, or – 10% of units at or below 50% AMI, or – 5% of units at or below 30% AMI	Perpetuity	None specified	Exemptions are at the sole discretion of the City Council.
Edina New Multi-Family Affordable Housing Policy	– 20 + units AND – Rezoning, or – Comp Plan Amendment, or – City financial assistance, or – Development on land purchased from the City	– 20% of units at 60% affordable rental rates, OR – 10% of units at 50% affordable rental rates	20 years	– Density bonus – Parking reduction – Tax increment financing (TIF) – Deferred low-interest loans from HRA – Tax abatement	– Dedication of existing units within the city (110% of units) – Construction of required units on another site – Payment in lieu ($125,000 per unit) into City's Affordable Housing Trust Fund
Golden Valley Mixed-Income Housing Policy	– 10+ units AND – Conditional Use Permit, or – Zoning Map Amendment, or – Comp Plan Amendment, or – PUD, or – City financial assistance	– 15% of units at 60% AMI, or – 10% of units at 50% AMI,	20 years	– Minimum of 33% reduction in required parking – Minimum of 10% density bonus	– Dedication of existing units within the city – Alternative that provides or enables the provision of affordable units, as approved by the City Council
Minnetonka Affordable Housing Policy	– 10+ units	– 5% of units at 50% AMI – Zone change or Comp Plan Amendment without City financial assistance: 10% at 60%, with at least 5% at 50% AMI – If project receives City financial assistance: 20% of units at 50% AMI OR 40% of units at 60% AMI	30 years	None specified	City may waive the requirement based on a case by case basis review.

SUMMARY OF SUBURBAN HENNEPIN COUNTY COMMUNITIES INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT					
Community	**Trigger**	**Requirements**	**Term**	**Incentives**	**Alternatives**
Richfield Inclusionary Affordable Housing Policy	– 5+ units AND – City financial assistance	– 20% of units at 60% AMI, or – 15% of units at 50% AMI, or – 10% of units at 30% AMI	15 years or term of subsidy (whichever is greater)	– Building permit fee reduction – 4d property tax reduction – Code flexibility in PUDs – Density bonus of 5-15%	– Exceptions for projects between 5 and 19 units may be granted by the Community Development Director – If developer identifies alternative means of addressing the intent of the policy, the City Council, HRA Board, or Economic Development Authority Board may vary the application of the policy
St. Louis Park Inclusionary Housing Policy	– 10+ units AND – Comp Plan Amendment, or – PUD, or – City financial assistance (also applies to renovation of an existing building that includes 10+ units)	– 20% of units at 60% AMI, or – 10% of units at 50% AMI, or – 5% of units at 30% AMI Developments with 50+ units must include a minimum number of 3 or 4 bedroom units	25 years	None specified.	Subject to approval by the City Council. – Dedication of existing units within the city – Off-site construction of affordable units – Partner with affordable housing developer in construction of units on another site – Alternative that provides or enables the provision of affordable units in the city

NOTE: This is a summary level review of these policies as they relate to new multi-unit rental development. Each policy is unique and may include additional requirements that are not depicted in this table.

ATTACHMENT C

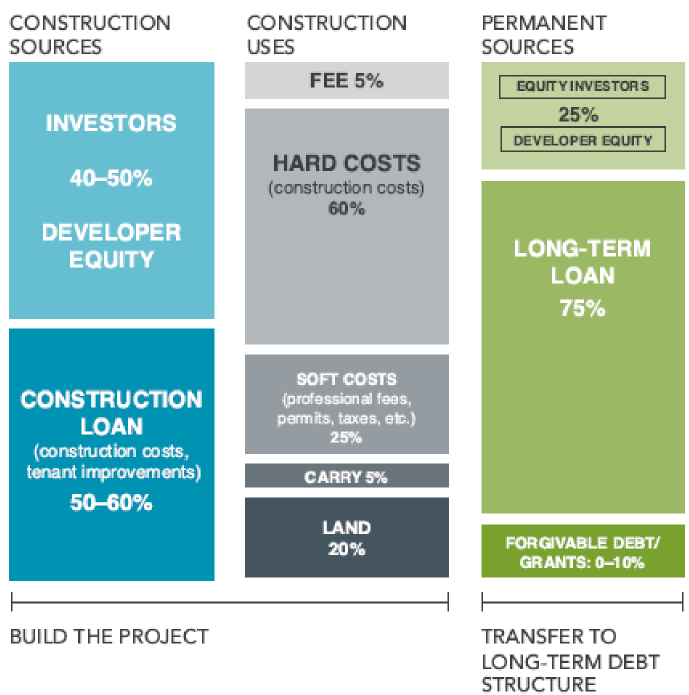
Developers Fund Construction Costs Using a Variety of Sources

Feasibility is based on a set of calculations that assess whether the project (a) has sufficient demand (measured in market rents or sales) to cover its construction and operating costs and (b) can provide financial returns for the effort and risk undertaken by the developer and its sources of funding. Public policies affect feasibility in various ways throughout the development process. Some may increase upfront costs (e.g., requiring higher-quality design), while others may reduce ongoing operating costs (e.g., tax abatements).

Feasibility calculations have two major components. The first is **sources and uses**, which reflects the costs of building and financing a development project. Uses reflect the costs of creating a development project. Sources describe the various sources of capital available. For a project to be built, the sources must meet or exceed the uses. The following percentages are broadly illustrative of the breakdown of sources and uses for a multifamily development project.

The **construction sources** provide funding to build the project. The developer and outside investors typically provide equity. Most projects also have a construction loan that accounts for at least half the sources. Some projects have mezzanine debt (a hybrid of equity and debt).

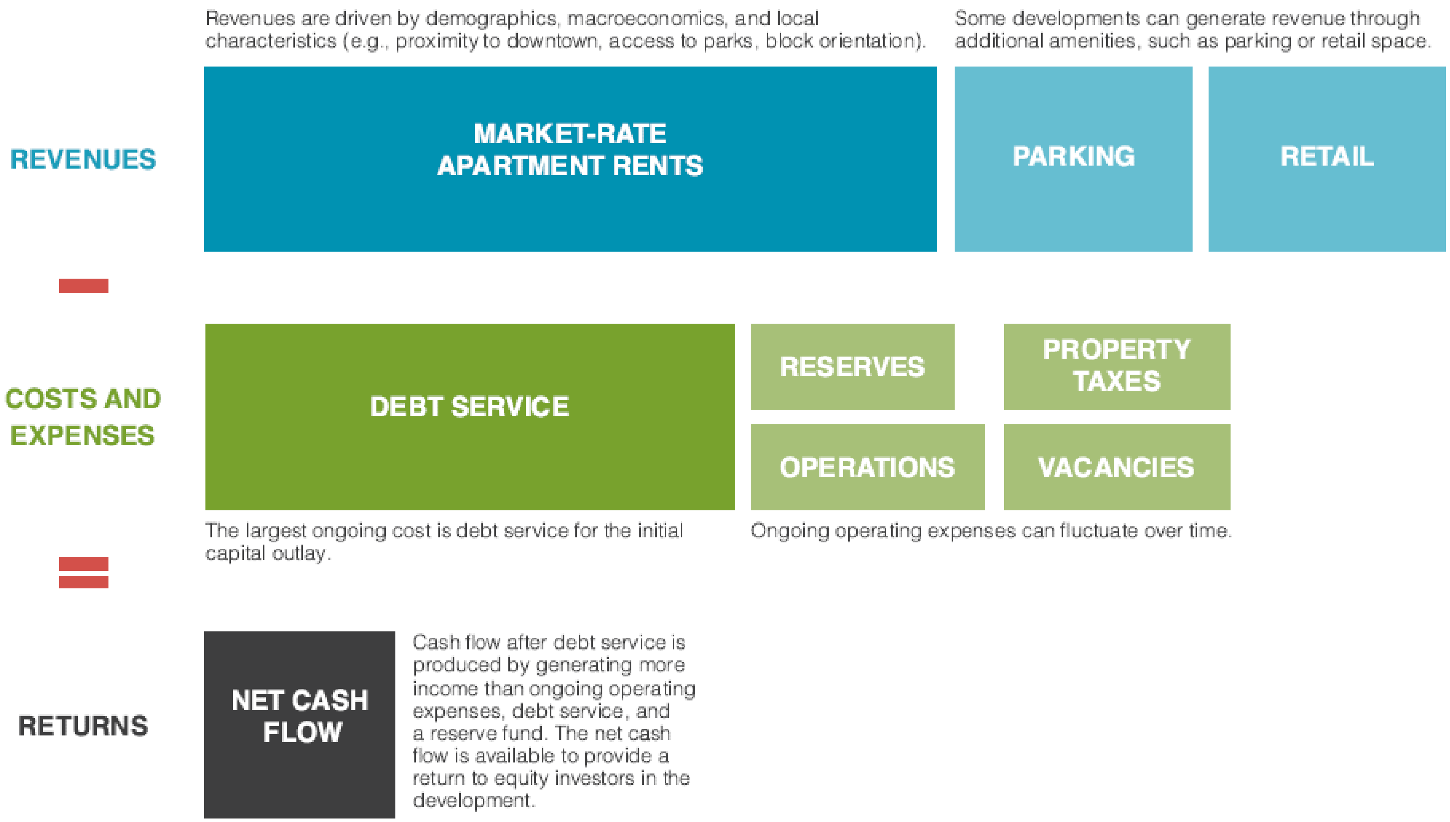
The **uses** are the costs of the project, including the costs to acquire the site, construct the project, pay for architectural, engineering, and other services, and pay interest on financing the construction loan (carry). In addition, developers must cover overhead costs for staff and other expenses and often choose a fee for their time and expenses.



The **permanent sources** pay off the construction loan when the project is operational. Some construction loans are "convertible" into permanent loans while other developers arrange for separate long-term financing that repays the construction lender once construction is complete.

Project Operating Revenues Must Exceed Costs to Generate Investment Returns

The second major component of development feasibility is **costs and revenues**, which are reflected in a development pro forma or a cash flow statement. A pro forma compares a set of ongoing operating costs to a set of ongoing operating revenues derived from rents. Revenues minus costs equal net operating income (NOI). Out of NOI, property owners pay debt service and set aside capital reserves. Investors and lenders must be confident that the resulting net cash flow (after debt service and reserves) is sufficient to cover all operating costs and compensate them for their capital commitments. The graphic below shows broad illustrative cost and revenue categories for a typical multifamily project.



ATTACHMENT D

150 Unit Market Rate Rental Project
13-Sep-22

		Total Present Value Affordability Cost Estimate					
		15 Years		25 Years		30 Years	
Affordability Requirement	Aff. Units	Total	Per Unit	Total	Per Unit	Total	Per Unit
5% of units @ 30% AMI	8	1,296,497	172,866	1,805,628	240,750	1,990,931	265,457
5% of units @ 50% AMI	8	827,094	110,279	1,151,891	153,586	1,270,104	169,347
5% of units @ 60% AMI	8	592,130	78,951	824,658	109,954	909,288	121,238
5% of units @ 80% AMI	8	122,464	16,329	170,556	22,741	188,059	25,075
10% of units @ 30% AMI	15	2,465,155	164,344	3,433,214	228,881	3,785,548	252,370
10% of units @ 50% AMI	15	1,580,237	105,349	2,200,792	146,719	2,426,649	161,777
10% of units @ 60% AMI	15	1,137,320	75,821	1,583,942	105,596	1,746,494	116,433
10% of units @ 80% AMI	15	251,878	16,792	350,790	23,386	386,790	25,786
20% of units @ 50% AMI	30	3,461,522	115,384	4,820,852	160,695	5,315,593	177,186
40% of units @ 60% AMI	59	5,066,672	85,876	7,056,340	119,599	7,780,497	131,873

Hsg TIF

Assumptions: Annualized rental income loss per applicable affordability requirement is discounted to present value based on affordability duration
Affordable rental rates account for utility allowance
Annual rental income reduction discounted at 4.25% for present value
Actual gap for proposed projects will vary depending on specifics
Shaded areas indicate TIF and Tax Credit Eligibility thresholds

- **Tools**

  TIF District (housing or redevelopment)

  Tax Abatement

  Tax Levy

Attachment E: Summary of Local 4d Programs

City	Existing Enrollment	Term Length	Property Eligibility and Affordability	Income Qualification	Grant from City/HRA	Energy Efficiency (optional)	Other requirements
Edina	1 single family rental and one 23-unit apartment building	5 years. 10 years if they choose the energy efficiency grants.	At least 20% of units at ≤60% AMI. 1-4 unit buildings, 50% must be affordable.	Income qualification determined with initial occupancy. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements. Existing tenants in units that have program compliant rents do not need to be income qualified.	**$100** per unit, capped at **$5,000** per building City pays application fee to MN Housing the first year. (**$10** per unit)	Grant: from the City's Affordable Housing Trust Fund providing 90% of the costs to improve energy efficiency, after rebates, up to $50,000. Property owner would work with the Center for Energy and the Environment to identify energy efficiency opportunities and rebates.	Rent increases limited to **6%** or less annually unless the unit is turning over to a new tenant or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases. Must commit to accept tenant based assistance. Involuntary displacement of residents prohibited.
Golden Valley	0 units	10 years	10+ units At least 20% of units at ≤60% AMI.	Rental property owners do not need to verify incomes of existing tenants. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements. If units turn over and new tenants move in, owners must verify tenant incomes and report them to the City of Golden Valley on an annual basis.	**$100** per unit, capped at **$1,000** per building. City pays application fee to MN Housing the first year only. (**$10** per unit, capped at **$100** per property.) Payment of the recording fee for the declaration against the property.	Referral: Property owners may be eligible for the Multifamily Building Efficiency Program through Xcel Energy and/or CenterPoint Energy.	Rent increases limited to **5%** or less annually unless the unit is turning over to a new tenant before the next allowed annual increase or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases. Must commit to accept tenant based assistance. Involuntary displacement of residents prohibited.
Minneapolis	2,044 units	10 years	At least 20% of units at ≤60% AMI.	Existing tenants do not need to be income qualified Income qualification of future tenants is determined upon initial occupancy only. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements.	**$100** per unit, capped at **$1,000** per building City pays MN Housing application fee for the first year. (**$10** per unit.)	Referral: Free energy efficiency and healthy homes assessments available to buildings with 5 or more units. Free or low cost energy assessments are available to 2-4 unit properties. Grants: Existing buildings are eligible for City Green Cost Share funding up to a 90% cost share match and a maximum **$50,000** project cost. Solar Energy incentives. For qualified properties, the City will provide an incentive of $0.35-.40 per estimated annual kwh production for the 1st year of production, up to **$50,000**. Can discuss financial assistance for lead window remediation with City staff.	Rent increase limited to **6%** or less annually, unless the unit is turning over to a new tenant or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases.
St. Louis Park	17 units (one 22-unit apartment building)	5 years	2+ units. At least 20% of units at ≤60% AMI.	Existing tenants in units that have program-compliant rents do not need to be income qualified. Income qualification for tenants is determined upon initial occupancy. Increased income of tenants in affordable units will not violate program requirements.	**$200** per unit, capped at **$6,000** per property. City pays MN Housing application fee for the first year. (**$10** per unit.)	Referral: Owners of 5+ unit buildings can sign up for the Multifamily Building Efficiency Program through Xcel Energy and CenterPoint Energy, and complete a free energy assessment by Energy Insight Inc., to receive an energy report of recommended improvements. 3-4 unit buildings can get a free or low-cost energy assessment from the Home Energy Squad.	Rent increases limited to **5%** or less annually unless the unit is turning over to a new tenant before the next allowed annual increase or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases.

Attachment E: Summary of Local 4d Programs

City	Existing Enrollment	Term Length	Property Eligibility and Affordability	Income Qualification	Grant from City/HRA	Energy Efficiency (optional)	Other requirements
St. Paul	2,200+ units	10 years	1 unit—must be affordable at 50% AMI. 2 units-at least 1 unit at 50% AMI. Option to commit 2nd unit at 50-60% AMI. 3+ units—20% of units at 50% AMI OR 50% of units at 60% AMI.	Tenants with existing leases at time of the property's 4d certification are exempt from income verification; and, thereafter, new tenants' household incomes are verified at initial occupancy only.	**$200** per unit that's affordable up to 50% AMI **$75** per unit that's affordable up to 60% AMI Capped at **$1,200** per property. City HRA pays: • Title and property search for verification of owners' eligibility (**$25** per property); • Recording of the Declaration of Restrictive Covenants (**$46** per property); and • Application submittal to Minnesota Housing (**$10** per 4d unit; capped at **$150** per property).	N/A	Must advertise vacancies on HousingLink. Non-discrimination based on tenant based assistance. For buildings with 50+ units, affordable units must be distributed across unit types.

NOTE: This is a summary level review of these policies. Each policy is unique and may include additional requirements that are not depicted in this table.