

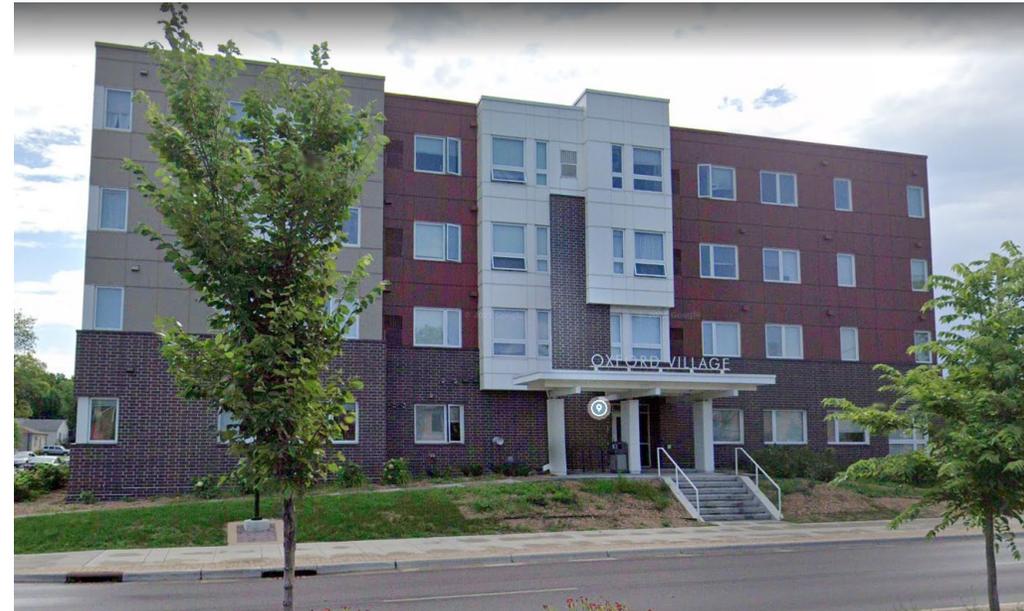
Affordable Housing Discussion City Council

September 13, 2022

Jan Youngquist, AICP

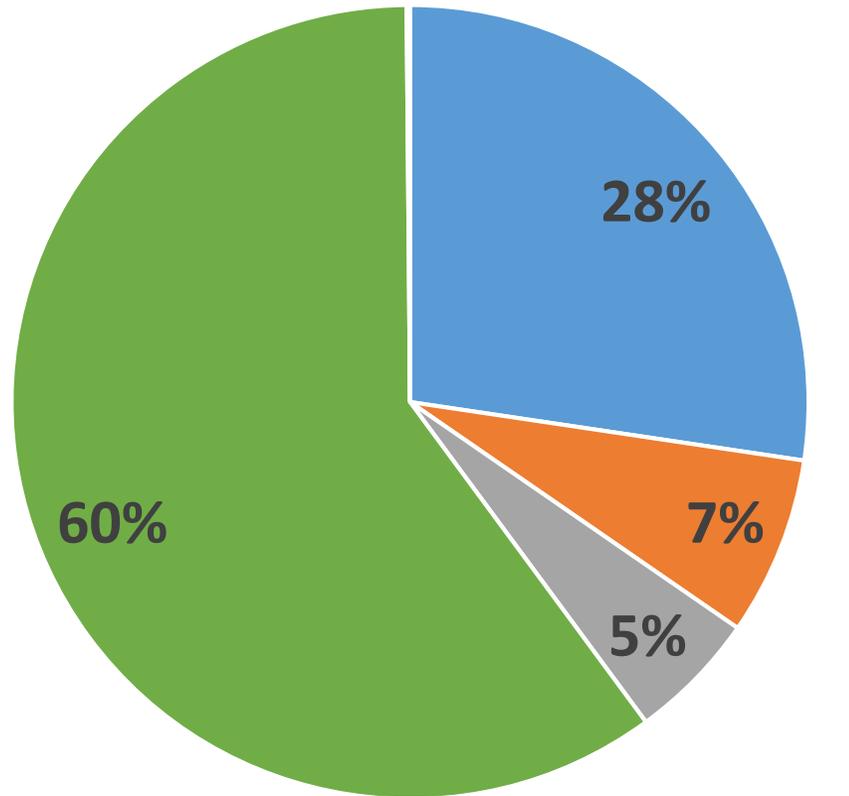
Affordable Housing Discussion

- Housing in Hopkins
- What is considered affordable housing?
- Types of affordable housing
- Existing affordable housing in Hopkins
- Affordable housing need
- Affordable housing production
- Inclusionary housing discussion
- Affordable housing preservation and renter protections



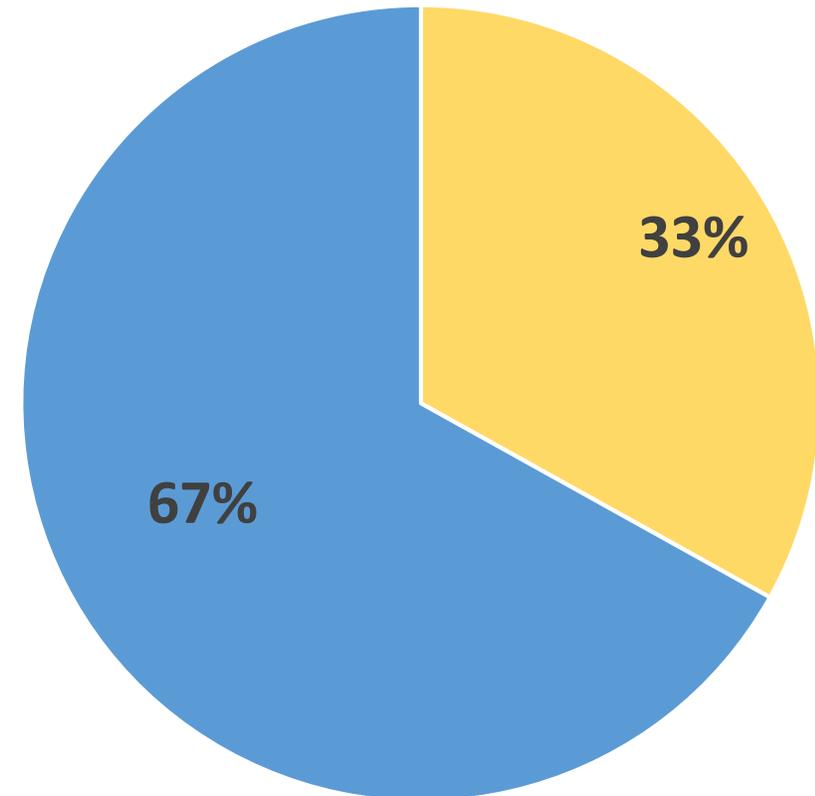
Housing In Hopkins

2021 Housing Stock Estimates



- Single-Family Detached
- Townhomes (single-family attached)
- Duplex, triplex and quad
- Multifamily (5 units or more)

2020 American Community Survey



- Owner Occupied
- Rental

Affordable Housing

Housing is considered affordable when a household spends no more than **30%** of its income on housing costs.

-US Department of Housing and Urban Development (HUD)



Affordable Housing

- Measured against the Area Median Income (AMI)
- Income thresholds of AMI determine who is eligible to live in income restricted housing

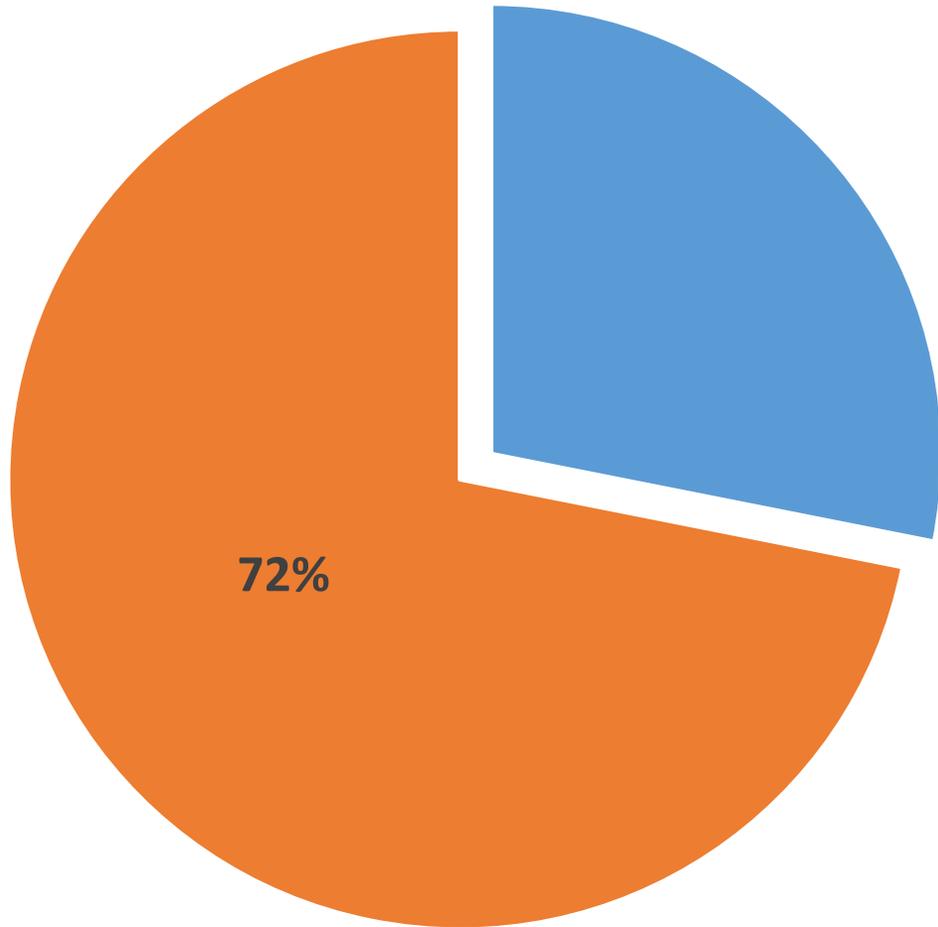
2022 Level of AMI for the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area (family of 4)	
Area Median Income (AMI)	\$118,200
80% of AMI	\$89,400
60% of AMI	\$70,380
50% of AMI	\$58,650
30% of AMI	\$35,200

2022 Affordable Rents – Twin Cities

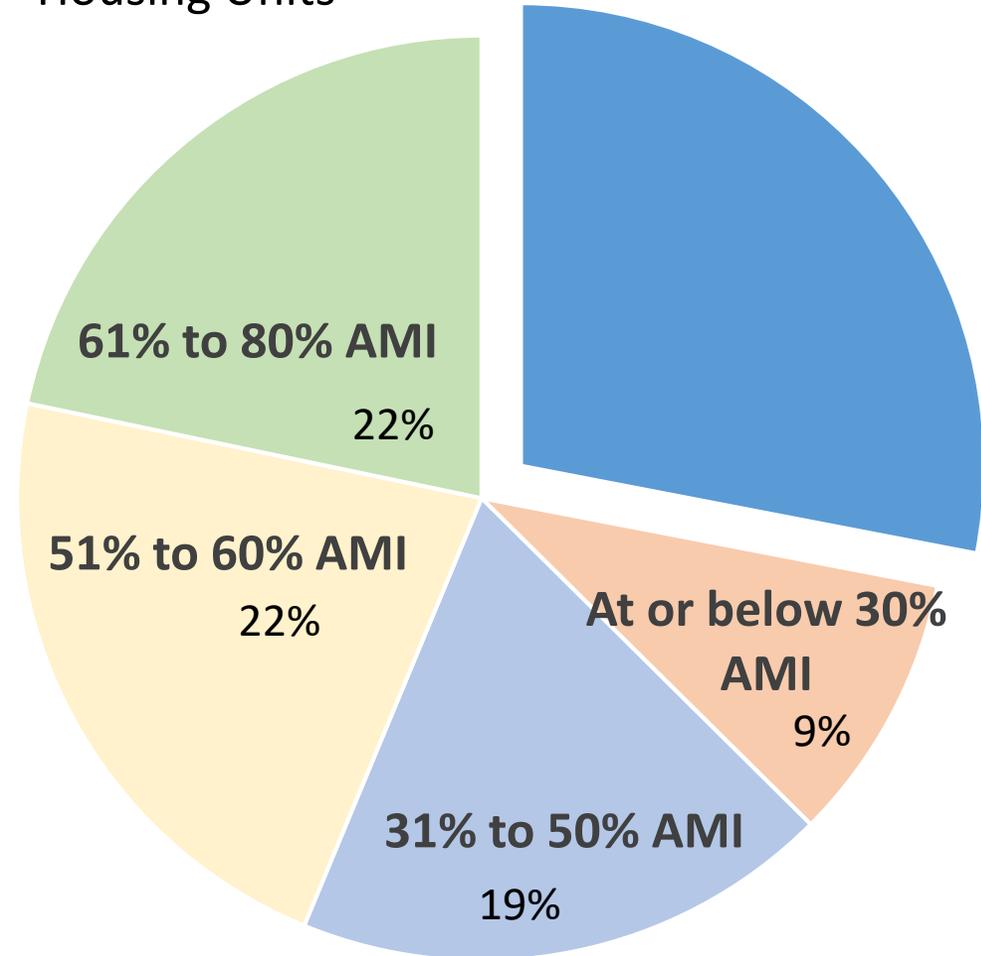
No. of Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI
Studio	\$616	\$1,027	\$1,232	\$1,643
1 Bedroom	\$660	\$1,100	\$1,320	\$1,760
2 Bedrooms	\$792	\$1,320	\$1,584	\$2,112
3 Bedrooms	\$915	\$1,525	\$1,830	\$2,440

Existing Affordable Housing In Hopkins

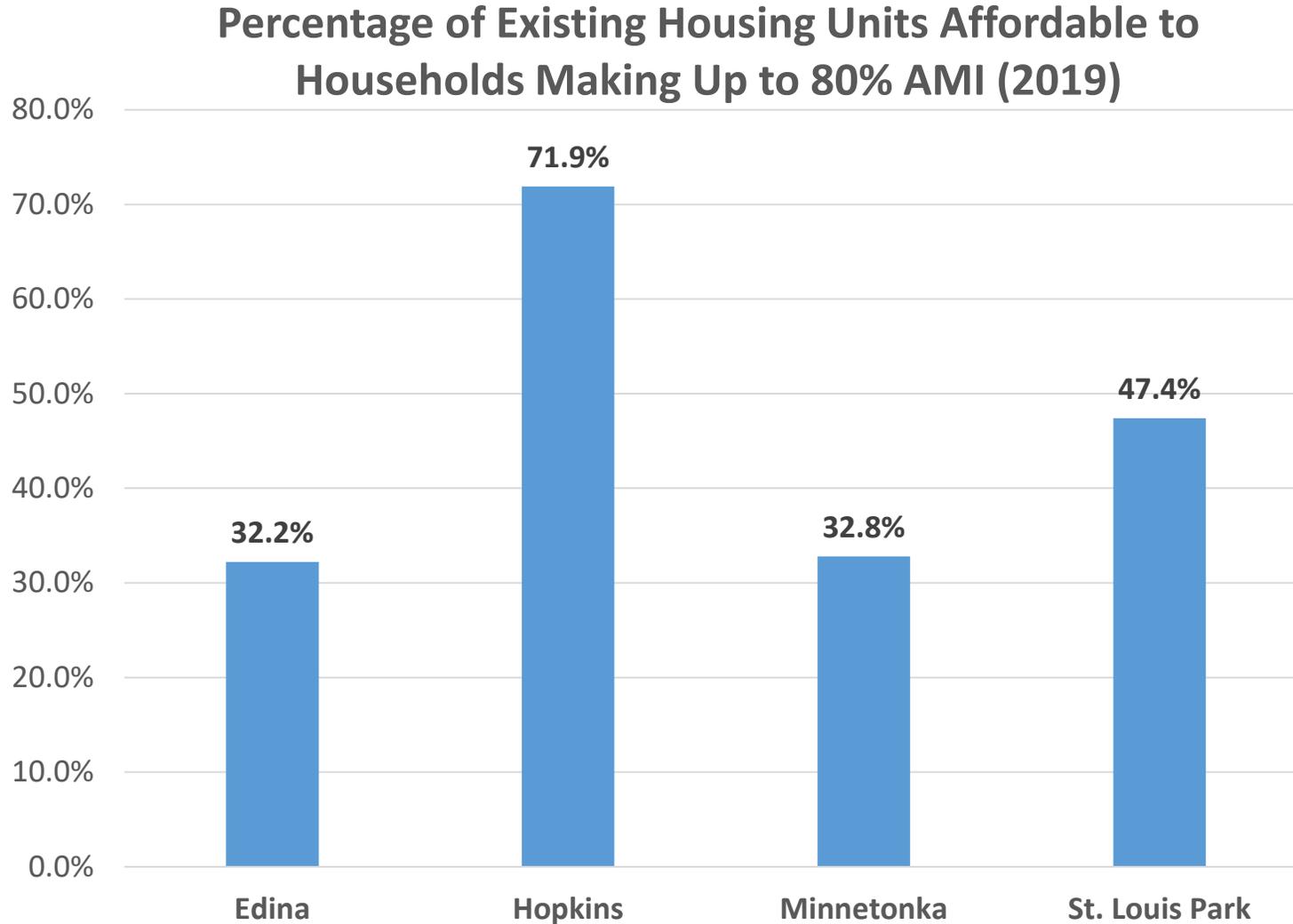
Percentage of Existing Housing Units Affordable to Households Making Up to 80% of AMI



Breakdown of Affordability Level of Existing Affordable Housing Units



Existing Affordable Housing



Types of Affordable Housing

- **Legally Binding (Subsidized) Housing**

471 total units--7% of existing affordable housing

- Burnes Building—43 units
- Dow Towers—76 units
- Fraser Hopkins Court—15 units
- Hopkins Village (senior)—161 units
- Oxford Village—51 units
- Raspberry Ridge—101 units
- Sonoma—24 units

- **Naturally Occurring Affordable Housing (NOAH)**

93% of existing affordable housing

Subject to market conditions



Legally Binding (Subsidized) Housing

The Burnes Building—43 units

Dow Towers—76 units

Fraser —15 units

Hopkins Village Apartments (senior)—161 units

Oxford Village—51 units

Raspberry Ridge—101 units

Sonoma—24 units



Oxford Village

Fraser

Burnes Building

Raspberry Ridge

Dow Tower

Hopkins Village

Sonoma

Excelsior Blvd

Excelsior Blvd

Blake Rd

169

Housing Vouchers (HUD)

- Federally funded, in Hopkins is administered by Metro HRA
- Families spend 30% of income on housing, voucher pays the difference

Housing Choice Vouchers

- Also known as Section 8
- Household receives a housing voucher, chooses housing where owner agrees to rent under the program
- Allows families to move without losing housing assistance
- Approximately **± 300 housing choice voucher holders** living in Hopkins

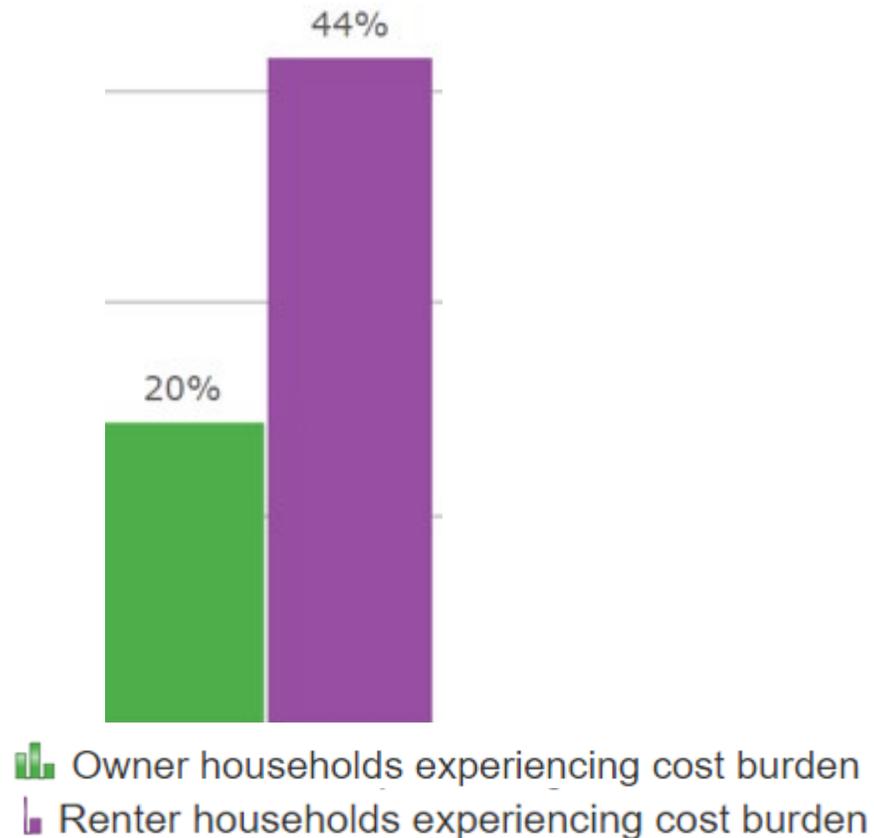
Project Based Vouchers

- Subsidy is attached to a specific housing unit
- **50 project based vouchers** awarded to Vista 44 by Metro HRA

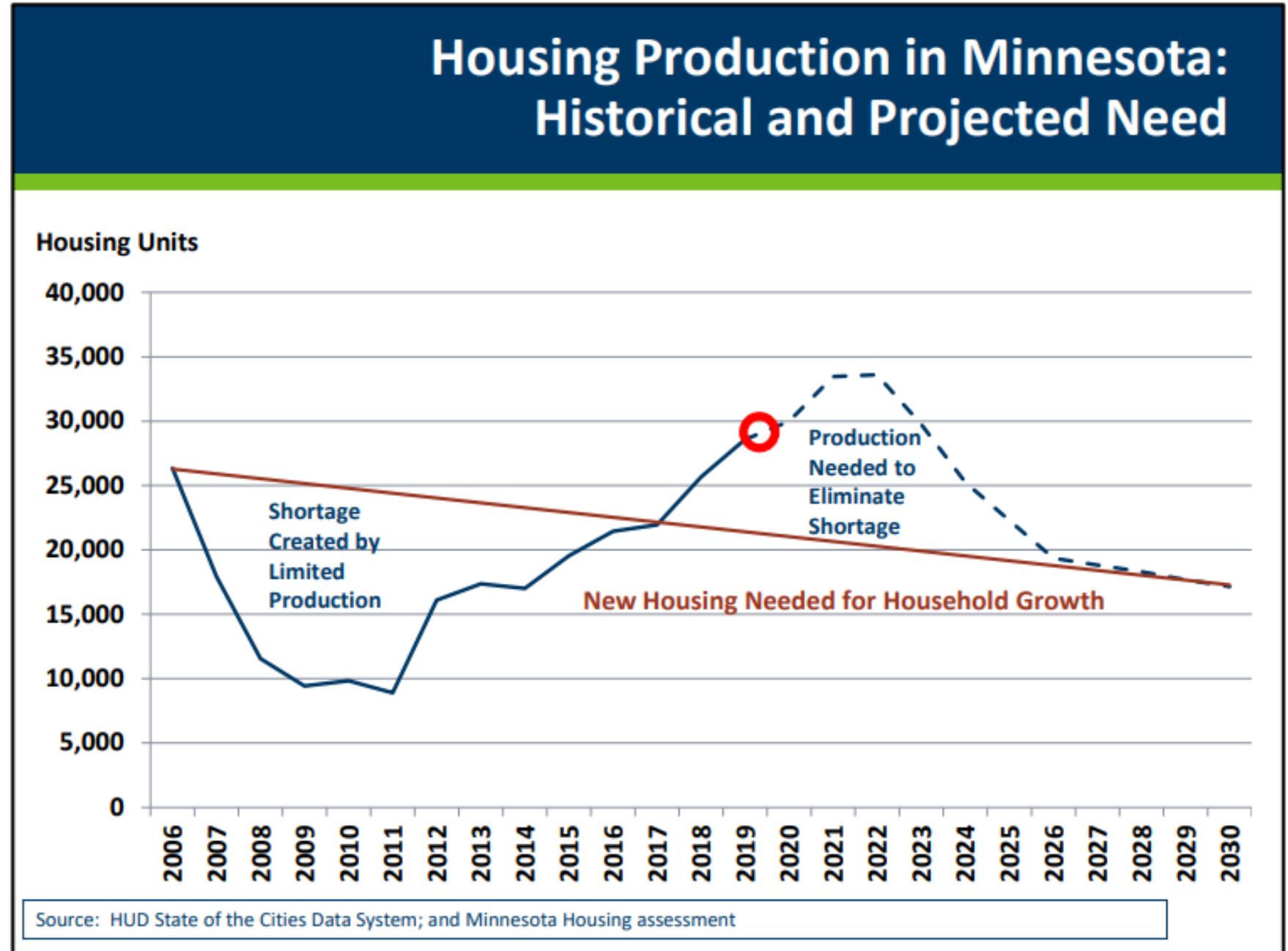


Cost Burdened Households

- Household is considered to be housing cost burdened if housing takes up **more than 30%** of its income



- Under production of housing of all types and price points during the Great Recession has caused a supply issue



Affordable Housing Need

The Metropolitan Council determines the **regional need** for affordable housing:

37,900 new
affordable units
between 2021-2030

Then determines each **community's share of the regional need**:

Based on:

Overall forecasted
growth for the
community

With adjustments for:

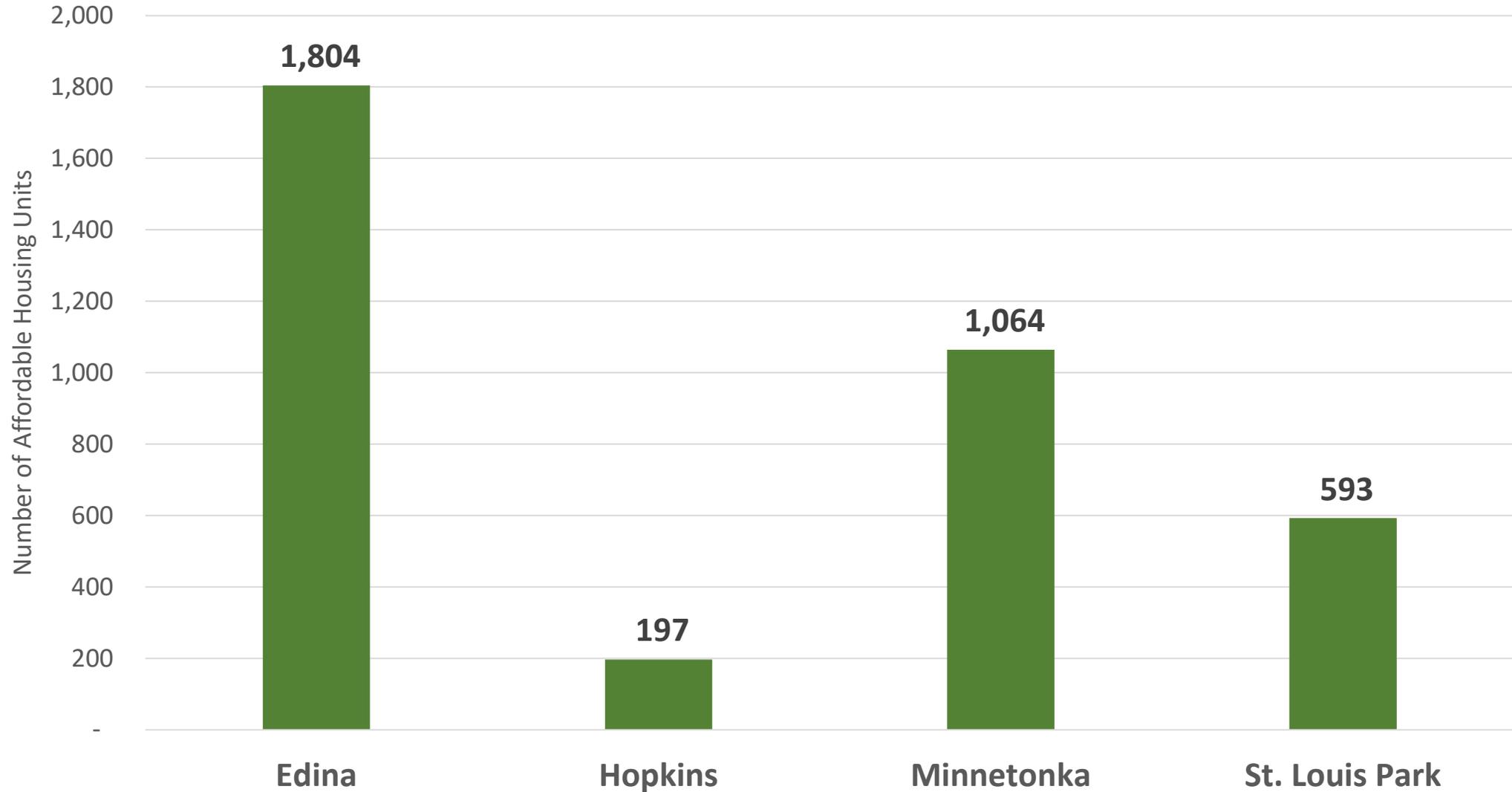
Ratio of low wage jobs
to low wage workers
in the community

Community's existing
amount of affordable
housing

Hopkins Affordable Housing Need 2021-2030

Affordability Level	Affordable Housing Need
At or below 30% AMI	90
31-50% AMI	51
51-80% AMI	56
TOTAL	197 units

Community's Share of the Regional Affordable Housing Need 2021-2030 (in new housing units)

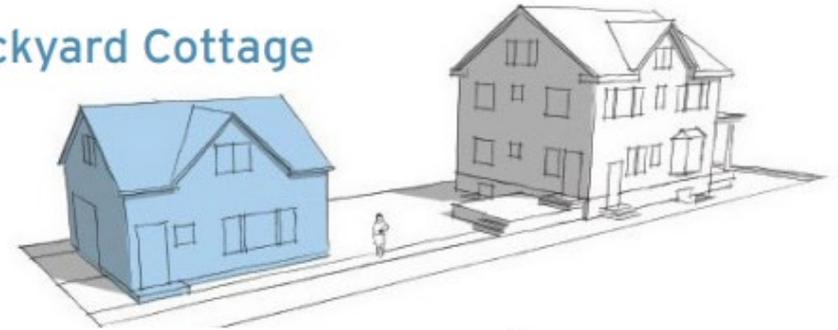


Affordable Housing Production

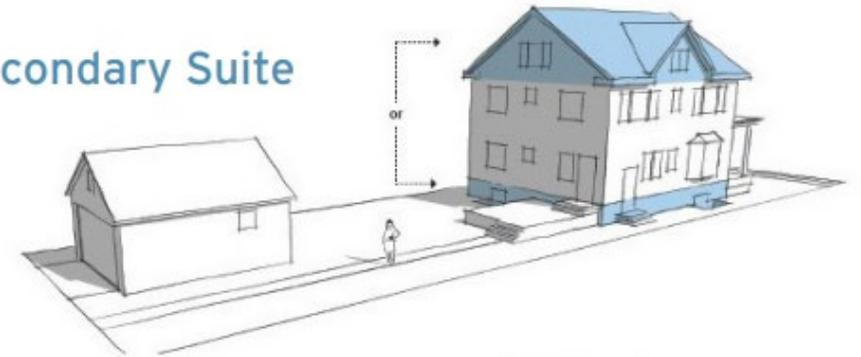
Accessory Dwelling Units

- Creates new housing choices
- Secondary housing unit on a residential lot
- Backyard cottages or secondary suites
- Allowed uses in all N (neighborhood) zones through new zoning code

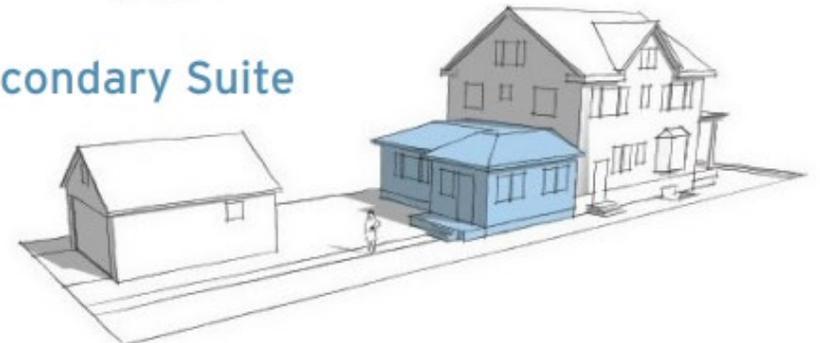
Backyard Cottage



Secondary Suite



Secondary Suite



Affordable Housing Production

Development of 100% affordable buildings

- Low Income Housing Tax Credits (LIHTC) primary funding assistance
- Often rely on other forms of state, regional, county and local financial assistance
- Can be built by mission-based nonprofit developers
 - Project for Pride in Living—Oxford Village
 - Trellis—Burnes Building
 - Beacon Interfaith—Vista 44
 - Affordability typically held in perpetuity
- Private for profit developers
 - 325 Blake Building A—116 unit affordable
 - TIF assistance
 - Affordability term of 30 years



Affordable Housing Production

Vista 44—50 units at 30% AMI

Funding sources:

- MN Housing - Housing Infrastructure Bonds
- MN Housing - Flexible Financing Capt. Costs
- Hennepin County - 2021 Supportive Housing RFP
- Hennepin County - 2020 TOD
- Hennepin County - 2021 TOD
- Hennepin County – 2020 ERF
- Hennepin County – 2022 ERF
- Hennepin County – 2022 Accelerator
- Metropolitan Council – 2020 LCDA*
- Metropolitan Council – 2020 TBRA*
- Federal Home Loan Bank
- Beacon Interfaith Housing Collaborative/Private Donors
- Sales Tax Rebate
- Energy Rebates
- Deferred Developer Fee

Metro HRA—50 project based Housing Choice Vouchers



* The City secured almost **\$1.7 million** in grants from Met Council for environmental cleanup, land acquisition and development for the project

Affordable Housing Production

Development of mixed-income housing

Affordable units provided in a market rate development

- 325 Blake Road Buildings B and D
 - 76 affordable units in Building D
 - 12 affordable senior coops in Building B
 - TIF financial assistance for Building D



Hopkins Affordable Housing Need 2021-2030

Affordability Level	Affordable Housing Need	How are we doing?
At or below 30% AMI	90	53 units pending construction: 50 units—Vista 44 3 units—325 Blake Building A
31-50% AMI	51	43 units built: Burnes Building 107 units pending construction: 325 Blake Building A
51-80% AMI	56	6 units pending construction: 325 Blake Building A 76 units approved: 325 Blake Building D 12 units approved: 325 Blake Building B
TOTAL	197 units	297 units

Recent Approved Developments

Development	Number of Units	Legally Binding Affordable Units
325 Blake Building A	116	116
325 Blake Building B	112	12
325 Blake Building C	389	0
325 Blake Building D	187	76
Blake Road Station Phase A	220	0
Blake Road Station Phase B	250	0
Burnes Building	43	43
Ovation Apartments (theater site)	150	0
Vista 44	50	50
TOTAL	1,517	297

The City has secured **\$4.6 million** in grants to support 325 Blake, Blake Road Station and Vista 44.

Overall Percentage of Affordability: 20%

Affordable Housing Production

Other Tools: Affordable Housing Land Trusts

West Hennepin Affordable Housing Land Trust (Homes within Reach)

Nonprofit organization that creates and preserves affordable homeownership options

Land Trust buys, rehabs, and sells housing

Homebuyer purchases the house, pays nominal ground lease on land

City participation:

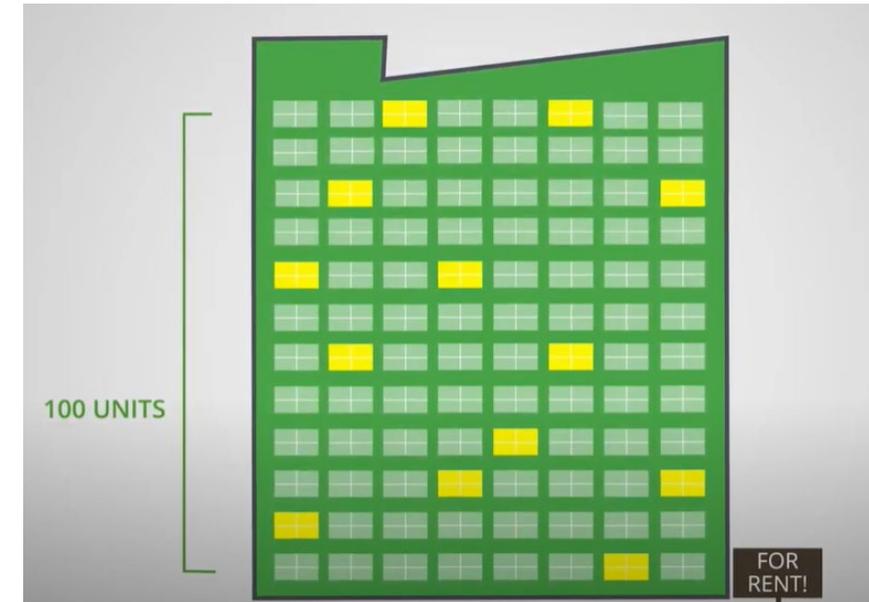
- Includes an investment up front
- Donate land
- Financial assistance for capital and operating costs



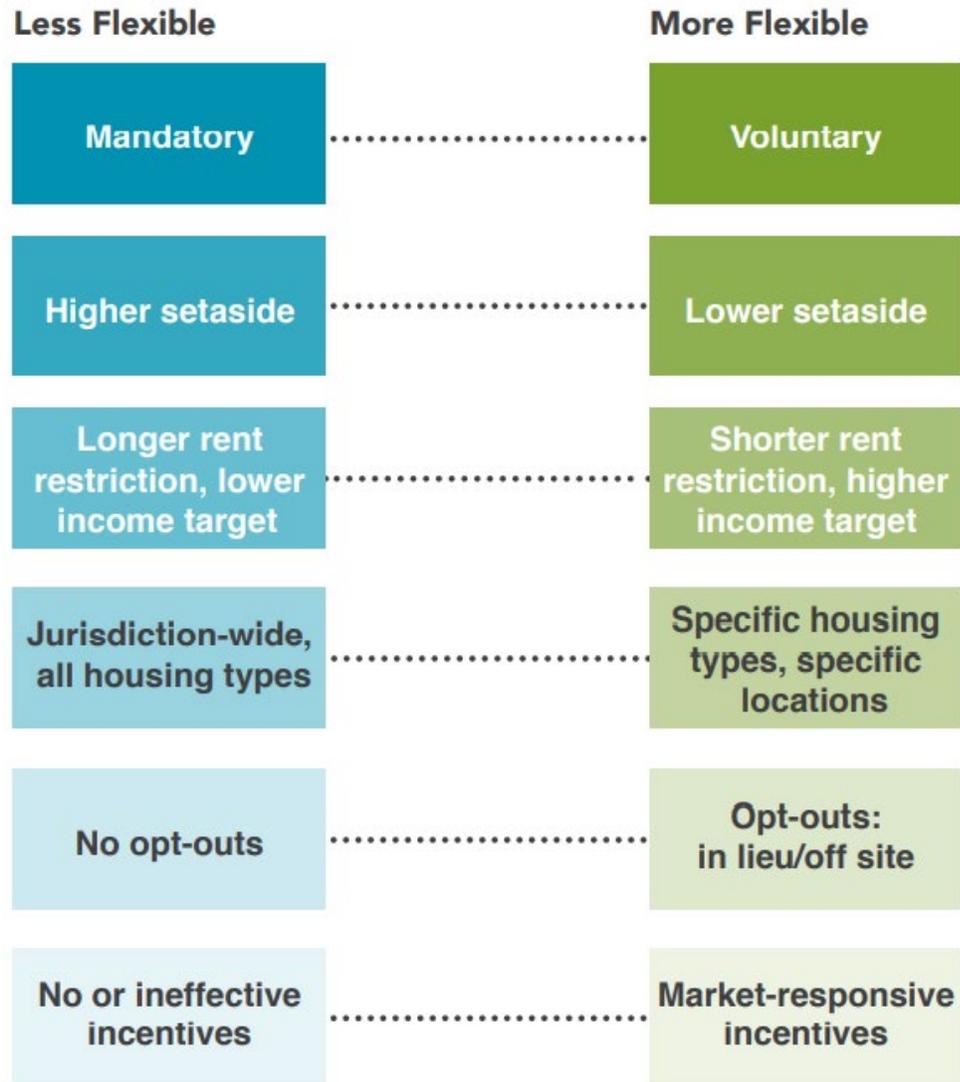
Affordable Housing Production

Other Policies: Inclusionary Housing

- Requires or encourages developers to build a certain amount of affordable housing units in a market rate development
- Promotes economically diverse housing options
- Used to set expectations with developers for production of affordable housing
- Requires compliance monitoring—some cities have dedicated staff, others use a third-party



Inclusionary Policies Vary from City to City



- Some mandatory policies are tied to land use decisions
- Many set-asides are between 9-20% of units
- Can vary in length of affordability or level of AMI
- Can be tied to a certain number of units, ownership or rental
- Some policies allow a fee in lieu, developing affordable units off-site, etc..
- Incentives could be TIF, density bonuses, parking reductions, etc..

Cost of Affordable Housing and Financial Incentives

150 Unit Market Rate Rental Project (Enclave)
13-Sep-22

Affordability Requirement		Total Present Value Affordability Cost Estimate					
		15 Years		25 Years		30 Years	
		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

- **Tools**
 - TIF District (housing or redevelopment)
 - Tax Abatement
 - Tax Levy

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

St. Louis Park Affordable Housing Investment Since 2017

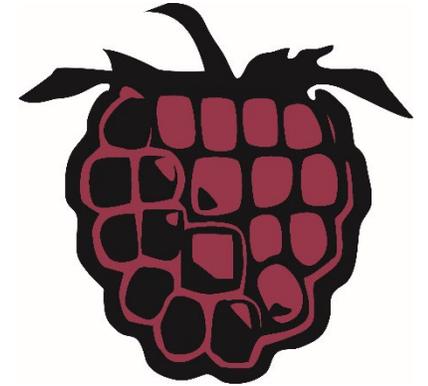
- **\$51.5M** investment
 - \$46.8M TIF
 - \$4.7M Housing Trust Fund
- **2,664** total units
- **29%** of units are affordable (**770**)
 - 10 - 30% AMI (1%)
 - 203 - 50% AMI (27%)
 - 433 - 60% AMI (56%)
 - 119 - 80% AMI (15%)

All Affordable Units		% of Total Units
\$	51,548,561 Total Investment	100%
	770 # of Units	
\$	66,946 Per Aff. Unit	

Tax Credit Units		% of Total Units
\$	5,690,000 Total Investment	49%
	11% % of Overall Investment	
	376 # of Units	
\$	15,133 Per Aff. Unit	

Aff. In Mixed Income		% of Total Units
\$	45,858,561 Total Investment	51%
	89% % of Overall Investment	
	394 # of Units	
\$	116,392 Per Aff. Unit	

Discussion



- Do you support evaluating an Inclusionary Housing Policy?

If so:

- How do you want to determine the specific requirements and incentives? (Triggers, AMI targets, percentage of affordable units, financial assistance)
 - Hire someone to do a market analysis
 - Ask staff to make recommendations based on internal analysis and conversations with other local communities with Including Housing policies
 - Consensus of the Council

Affordable Housing Preservation

Hopkins Rental Registration and Inspections Program

- Rental housing has annual license requirement
- Rental properties are subject to an inspection at least every 3 years
- Ensures that people living in safe housing

Hopkins Housing Rehab Deferred Loan Program

Provides funding assistance to low and moderate income homeowners to make improvements to their homes, such as:

- Roofs
 - Electrical
 - Plumbing
 - Insulation
 - Furnaces
 - Structural repair
- Popular program, 14 households on waiting list
 - Funded with Community Development Block Grant funds



Affordable Housing Preservation

Other Tools

- 4d Property Tax Classification
 - Gives apartment building owners property tax reductions if they keep **20% or more** of their units affordable to households **at or below 60% AMI**
 - Units must receive financial assistance through federal, state, or local units of government
 - Some communities have local 4d programs and provide grants for safety or energy efficiency
- Working with a preservation buyer when NOAH is sold
- Tenant opportunity to purchase policy (Minneapolis drafted, not adopted)

Affordable Housing Trust Funds

- Funds established by local government by dedicating local funds for affordable housing
- Potential funding sources:
 - HRA or general tax levy
 - Payment in lieu from inclusionary housing programs
 - Matching funds from a federal or state housing trust fund
 - Cash donations from individuals and corporations



Tenant Protection

Hopkins Fair Housing Policy

Fair Housing Act: unlawful to discriminate in the sale, rental, and financing of housing because of protected class status:

Race

Religion

Sex

Familial status

National origin

Disability

Creed

Marital status

Public assistance status

Sexual orientation

External : Provide information on resources and referrals for Fair Housing complaints

Internal: Review codes and projects for potential for disparate treatment based on protected class status



Tenant Protection

Hopkins Tenant Protection Ordinance—Sale of Affordable Housing Building
New owners of NOAH building required to pay relocation benefits if within the first 90 days they:

- Increase rent
- Rescreen tenants
- Implement nonrenewal of leases without cause

And the tenant chooses to move due to these actions.

\$50,000 to ICA Food Shelf for rental assistance for Hopkins residents during COVID

- Funded with CARES Act

Tenant Protection

Other Tools:

- Advance notification of sale
- Pre-eviction filing notice
- Just cause non-renewals
- Non-discrimination of Section 8 Housing Choice vouchers (Minneapolis court case)



Discussion

- Would you like us to come back at a future work session to talk about affordable housing preservation tools and tenant protections?
- If so, are there specific tools you would like us to explore in more depth?