



City of Hopkins

# Affordable Housing Update

March 14, 2023

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# Tonight's Discussion

- Follow up from September Work Session
- Overview of Affordable Housing in Hopkins
- Inclusionary Housing
- 4d Program
- Affordable Housing Trust Fund
- Goal:
  - Find consensus or majority opinion
  - Identify next steps



# 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

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

Source: HUD



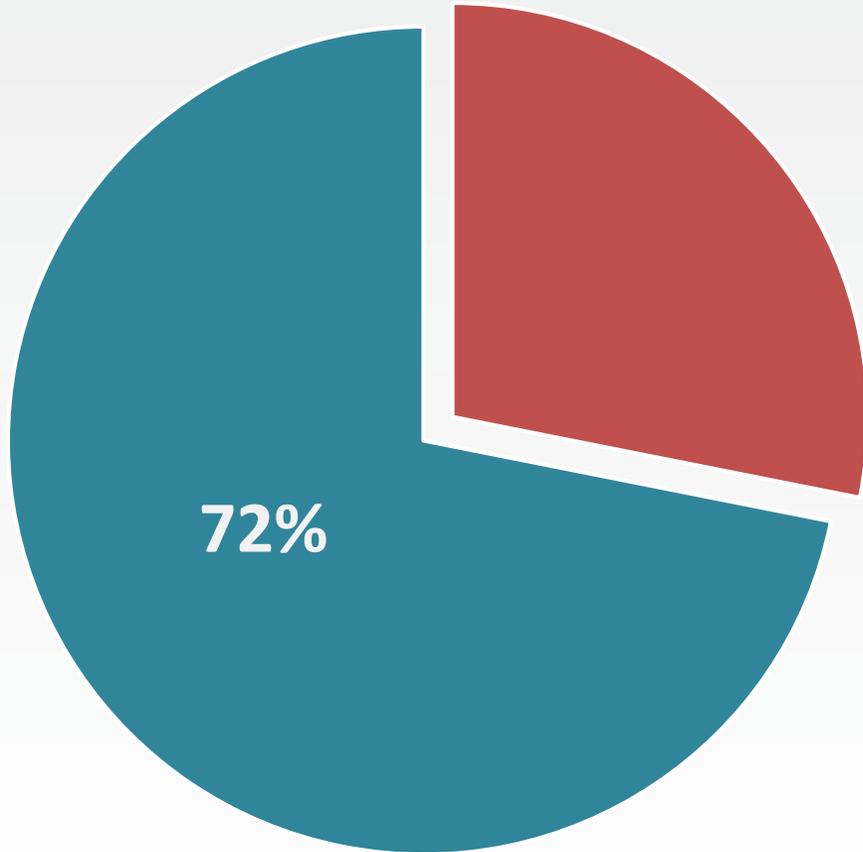
# 2022 Affordable Rents – Twin Cities

2022 Affordable Rents by AMI and Unit Size				
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

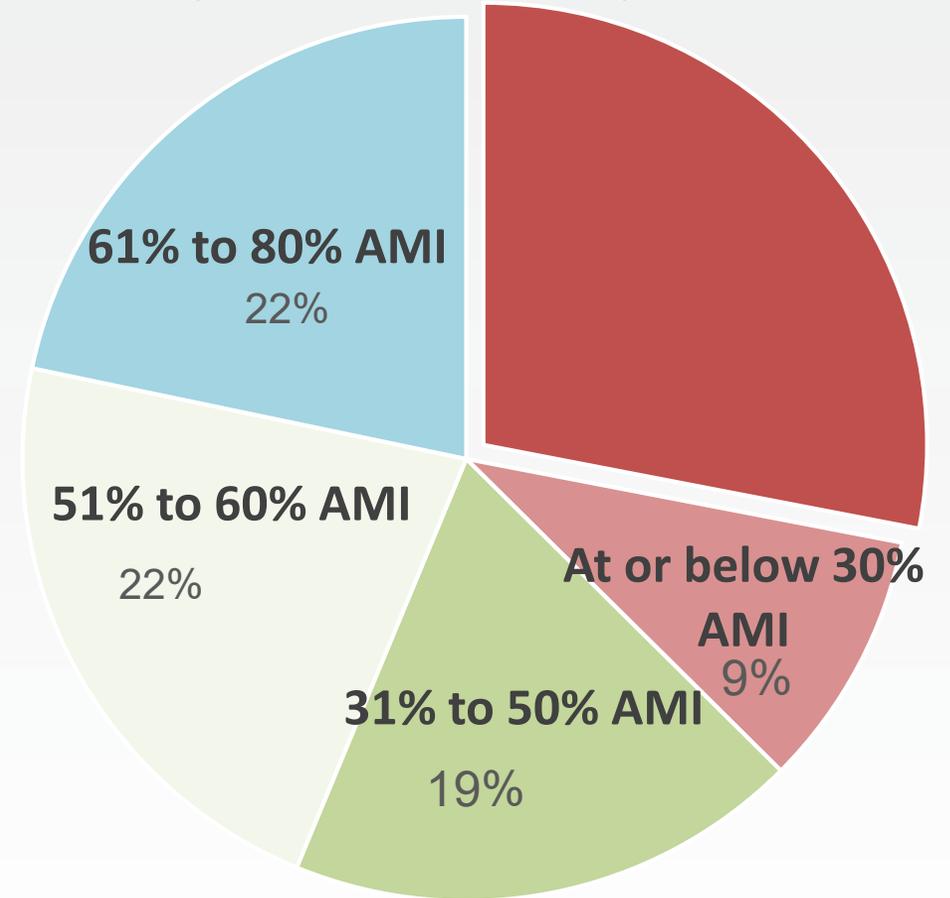


# Existing Affordable Housing In Hopkins

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



Breakdown of Affordability Level of Existing Affordable Housing Units



Source: Metropolitan Council



# Types of Affordable Housing

## Legally Binding (Subsidized) Housing

471 total units--7% of existing affordable housing in Hopkins

- Dow Towers—76 units 30% AMI
- Raspberry Ridge—101 units 30% AMI
- Oxford Village—51 units 30-50% AMI
- Fraser Hopkins Court—15 units 50% AMI
- Sonoma—24 units 50% AMI
- Hopkins Village—161 units 50-60% AMI
- Burnes Building—43 units 50-60% AMI



# Types of Affordable Housing

## Naturally Occurring Affordable Housing (NOAH)

93% of the existing affordable housing in Hopkins

Subject to market conditions



# New Affordable Housing Developments

## 325 Blake Road-Building A

- 116 units: 30-60% AMI
- Under construction



## Vista 44

- 50 units: 30% AMI
- Planned construction start Spring 2023



## 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



# Affordable Housing Discussion

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- Affordable Housing Work Session September 13
- What we heard:
  - Interested in Inclusionary Policy but want to take a flexible approach
  - Some concerns about the resulting cost of an Inclusionary Policy
  - Just as important is the preservation of NOAH properties and the exploration of a 4d Program as a tool for preservation

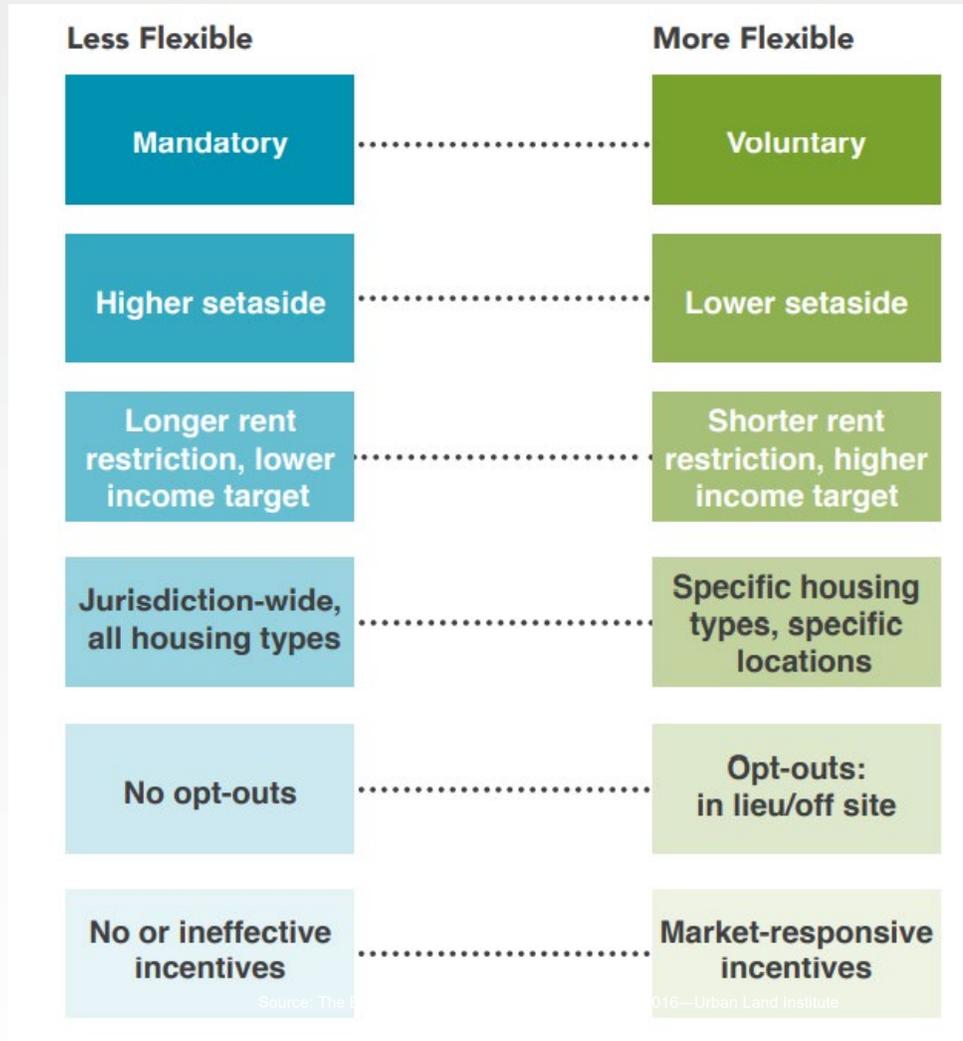


# Inclusionary Housing

- Requires 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 annual compliance monitoring



# Flexibility of Inclusionary Policies



- Most programs are mandatory, but vary on when they're applied.
- 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..



# Potential Costs

Based on financial information from recent 150 unit development  
25 year affordability term

- 10% affordable units (15 units)

- Housing TIF District Scenario

Affordability Level	Total Cost	Per Unit Cost
30% AMI	\$3,433,214	\$228,881
50% AMI	\$2,200,792	\$146,719
60% AMI	\$1,583,942	\$105,596

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

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



# Staff Recommendations

## Inclusionary Housing Policy

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Applies to:	Multi-family rentals with 10+ units that receive financial assistance or discretionary land use approvals
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 3 <sup>rd</sup> party, paid for by the developer

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# Discussion

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- Are you interested in developing an Inclusionary Housing Policy?
- If so, 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 Property Tax Classification

- 4d defined as “low income rental property”
  - Taxed at 0.75% for first tier of valuation (\$100,000)
  - Second tier taxed at 0.25%
  - Market rate units (4a or 4b) taxed at 1.25%
- At least 20% of the units are occupied by, and are affordable to, households whose income is at or below 60% AMI.
- Property receives financial assistance (Federal, State or local)



# 4d Programs

- **Cities have established 4d Programs to preserve NOAH units**
  - Edina, Golden Valley, Minneapolis, St. Louis Park and St. Paul
- **One-time grant to the property owner**
  - \$100 per unit, could include cap per property
- **Energy efficiency upgrades**
  - Multi-family Building Efficiency Programs—through Xcel, CenterPoint or the Center for Energy and Environment
  - Some communities offer grants—Affordable Housing Trust Fund or Green Cost Share



# 4d Program Potential Tax Savings

## 23 unit building

- 2021 Market Value: \$2,312,000
- Tax Capacity: \$28,900
- 2022 Taxes: \$44,101

## 187 unit building

- 2021 Market Value: \$23,721,000
- Tax Capacity: \$296,513
- 2022 Taxes: \$452,476

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

4d Program Scenario	Tax Capacity	Total Taxes	Potential Tax Savings
20% affordable (38 units)	\$267,309	\$411,163	\$41,314
100% affordable (187 units)	\$152,803	\$249,290	\$203,186



# 4d Program

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## Pros

- Stable affordable units for renters
- Preservation of NOAH
- Reduced tax rates for property owners
- Potential energy savings

## Cons

- Tax classification is subject to change by the Legislature
- Impact to tax base
- Annual reporting to City and annual recertification to State for property owner
- Staff time to administer



# Discussion

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



# Affordable Housing Trust Funds

- Funds established by local government by dedicating local funds for affordable housing
- Uses of Affordable Housing Trust Fund
  - Grants and loans for development, rehabilitation or financing of housing
  - Match to other funds for housing projects
  - Down payment assistance, rental assistance and home buyer counseling services
  - Administrative expenses (up to 10% of fund balance)



# Affordable Housing Trust Funds

- **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



# Discussion

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

