Agenda

City of Minnetonka

Study Session

Monday, Mar. 16, 2020

6:30 p.m.

Council Chambers

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1. Report from City Manager & Council Members
2. Xcel Energy's Partners in Energy Update
3. Affordable Housing Update
4. Tree Protection Ordinance update
5. Adjournment

The purpose of a study session is to allow the city council to discuss matters informally and in greater detail than permitted at formal council meetings. While all meetings of the council are open to the public, study session discussions are generally limited to the council, staff and consultants.

City Council Study Session Item #2
Meeting of Mar. 16, 2020

Brief Description Xcel Energy's Partners in Energy Update

Background

Partners in Energy (PiE) is a program to help the city establish its energy action plan. The program is sponsored by Xcel Energy and is supported by the meeting leaders from the Center for Energy and the Environment. There is a team of sixteen community members (Energy Action Team) that meets to discuss different aspects of the plan development and help guide the focus of the plan's efforts. There is also a supporting internal technical committee, comprised of various city staff members, which also review information and materials provided to the public committee.

Update

The Energy Action Team has had four total meetings and has had two meetings since the last study session update on Jan. 13, 2020. The last two meetings are briefly described below.

<u>Jan. 15, 2020 Meeting</u>

At the meeting, the PiE team:

- Received education about Xcel Energy and CenterPoint Energy's energy reduction programs, renewable energy programs, and rebate opportunities.
- Confirmed the short-term focus areas for the energy action plan. These focus areas include:
    - Multi-Family Buildings
    - Residential Energy Efficiency
    - Increase Use of Renewables
- Participated in a brainstorming activity where they provided strategies for each of the three focus areas.

<u>Feb. 19, 2020 Meeting</u>

The meeting started with an overview of renewable energy credits and how they work. Later, the team discussed how ambitious each of the City's metric increases should be for the various initiatives proposed for the energy action plan. For example, what should the City's goal be for home energy squad visits over the next 2 years?

- Business as usual?
- 120 percent increase?
- 150 percent increase?
- Other?

The meeting ended with team members voting on the impact and feasibility of each initiative. The top voted tactics were:

- Renewable Energy
  - Create and publicize a one-stop renewable energy resource for Minnetonka residents and businesses.
  - Prepare a review of key barriers (financing issues, including long-term contracts) and the ways that peer communities have developed solutions.
  - Publicize incentives available that reduce the cost of renewable installations.

- Multi-Family Buildings
  - Develop promotional materials that building managers can display on-site and in advertising that communicates that they are members of this initiative (purchasing renewable energy, purchasing energy-efficient equipment, provide EV chargers, etc.).
  - Reach out to the largest multi-family properties to explain available programs.
  - Provide building managers with advice and access to programs supporting replacement or upgrades to existing lighting and HVAC equipment.

- Residential Energy Efficiency
  - Promote Home Energy Squad visits, prioritized for pre-1990 homes – either with additional incentives or by focused marketing, relying on the educational aspect of each visit to identify opportunities in a low-pressure setting.
  - Educate Minnetonka homeowners about the advantages of upgrading to more energy-efficient options and publicize tools that can facilitate moving from awareness to action.
  - Conduct an annual event or coordinate with an existing event that celebrates all of the improvements Minnetonkans have made – and the greenhouse gasses they've saved.

Next Meeting and Beyond

The final PiE team meeting will be on March 24, 2020. This meeting will involve finalizing tactics, assigning tasks for team members, confirming strategy timelines, and addressing any team member concerns.

After this meeting, the meeting leaders from the Center for Energy and the Environment will finalize the City's energy action plan. The PiE team will then have an opportunity to provide comments on the plan in late April/May. As related to the city council last year, the final plan would then be presented to the city council in June. At that time, the council will discuss its desire for further sustainability efforts, such as preparing a climate action plan and other opportunities for public engagement.

How to Stay Informed

Within the City's Sustainable Minnetonka webpage, staff has created a Partners in Energy landing page. This page is regularly updated with the meeting:

- Agendas
- Notes
- Presentation Slides
- Handouts

Through: Geralyn Barone, City Manager
Julie Wischnack, AICP, Community Development Director
Loren Gordon, AICP, City Planner

Originator: Drew Ingvalson, Planner

City Council Study Session Agenda Item #3
Meeting of Mar. 16, 2019

Brief Description: Affordable Housing Update

Overview

On Feb. 4, 2019, the city council discussed affordable housing at the city council study session and directed staff to prepare items related to affordable housing for the Economic Development Advisory Commission (EDAC) to consider. In response, staff drafted an affordable housing work plan reviewed by the EDAC at its March 14, 2019 meeting and city council at its July 8, 2019 meeting. The housing work plan identified priorities related to the production and preservation of affordable housing and tenant protections. This staff report will overview the city's progress in addressing these priorities and highlight the upcoming efforts included in the Housing Work Plan for 2020.

Background

The City of Minnetonka has a long history of promoting diversity in the types and size of housing units available in Minnetonka, including the production of new affordable rental and ownership opportunities and preservation of the existing housing stock. Over the past 20 years, the city has analyzed and implemented dozens of housing centric policies and programs to address the changing needs of the community. A summary of these milestones is included in the staff report from the Feb. 4, 2019 council meeting, and is attached.

City of Minnetonka Official City Council Policies (excerpts of housing-related policies):

The city has roughly a dozen housing-related policies that support the production of housing, housing preservation, and fair housing. Policy direction from the council can take many different forms, including formally adopted ordinances and resolutions, to more informal requests. These policies are intended as a general guide for the city council decision making. Policies are not binding and may be modified when, at the sole discretion of the council, such modification is deemed necessary or appropriate in the interest of the city.

The policies below are regularly updated as new policy directions are established. The complete policy book is updated annually and available on the city's website.

Chapter 2: ***Administration and Finance***

- 2.4 – **Special Assessments with Tax Increment Districts** (adopted in 1981)
    - This policy guides the assessment costs for improvements constructed in tax increment financing districts pursuant to a redevelopment or development district plan.
- 2.5 – **Tax-Exempt Financing for Industrial Development, Health Care Facilities, and Multi-family Housing Projects** (Private Activity Tax-Exempt Financing adopted in 1984)
    - This policy establishes factors that guide the city council in consideration of applications for tax-exempt financing for industrial development, health care facilities, multi-family housing developments, and qualified 501 (C)(3) projects.

- 2.17 - **Deferment of Special Assessments and Storm Sewer Charges** (adopted in 2013)
  - This policy establishes guidelines for the deferment of special assessments and storm sewer charges authorized by City Code §220.010.
- 2.14 - **Tax Increment Financing Pooling Fund** (adopted in 2011)
  - This policy establishes evaluation criteria that guide the city council in consideration of use of tax increment financing pooling funds
- 2.15 - **Housing Improvement Areas** (adopted in 2011)
  - This policy establishes evaluation criteria that guide the city council in consideration of housing improvement areas
- 2.16 - **Post-Issuance Compliance Procedure and Policy For Tax-Exemption Governmental Bonds** (adopted in 2012)
  - This policy ensures that the city complies with its post-issuance compliance obligations under applicable provisions of the code and treasury regulations
- 2.18 - **Tax Increment Financing and Tax Abatement** (adopted in 2014)
  - This policy establishes criteria that guide the Economic Development Authority (EDA) and the city council when considering the use of tax increment financing and tax abatement tools in conjunction with a proposed development.
- 2.19 - **Debt Management** (adopted in 2015)
  - This policy establishes goals, guidelines, and limits on the use of general obligation long-term debt by the city to ensure ongoing financial stability and health and the appropriate use of limited resources in conjunction with meeting and maintaining its capital asset needs.

Chapter 11: ***Streets, Parks, and Other Public Property***

- 11.12 - **Real Estate Property Management** (adopted in 1982)
  - This policy establishes the program to inventory properties owned by the city to ensure maximum utilization.

Chapter 13: ***General Provisions and Policies***

- 13.1 **- Fair Housing** (adopted in 2018)
  - This policy strives to advance its commitment to inclusion and equity of fair housing and to further the goal of creating a vibrant, safe, and healthy community where all residents will thrive.
- 13.2 - **Affordable Housing Policy** (adopted in 2019 – originally by resolution in 2004)
  - This policy establishes general procedures and requirements to govern the city's commitment to affordable housing.

Affordable Housing Production and Strong Housing Market

In 2004, the EDA approved a resolution supporting the inclusion of 10%-20% of the total units in multi-family developments as affordable housing. At the time, the council and EDA asked staff to pursue this goal when meeting with developers proposing new multi-family developments, including townhomes, apartments, and condominiums, as a way to increase affordable housing in the city. This tool was critical to the production of hundreds of units of affordable housing in the city over the past 15 years, as it has provided flexibility through years of market volatility when affordable housing or mixed-income housing is more difficult to finance. As a result of these efforts, currently, Minnetonka has 564 units of contractual affordable multi-family housing and 188 contract based for-sale housing units available. The city's Marquette Advisors housing report estimates that there are approximately 5,000 units (of nearly 24,000 housing units) of naturally occurring affordable rentals in the community.

In 2019, the city council renewed its commitment to the production and preservation of affordable housing through its adoption of the Affordable Housing Policy. The policy establishes the general procedures and requirements to govern the city's commitment to affordable housing and clarifies the applicability requirements.

Minnetonka continues to experience a construction boom in multi-family housing that surpasses the level of development that occurred after the city was fully developed (between 2000-2014). During that timeframe, the city added roughly 1,300 housing units or 5% of the current housing stock. Over the past five years, the city has approved the construction of roughly 2,220 units including, approximately 30% that are affordable.

The city's assessment report presented at the March 2, 2020 council meeting further supports the strong market for multi-family housing, by reporting that there was a historically high new construction value of over $193 million throughout 2019, over double the $93 million in 2018. This increase was due mostly to the fact that 2019's new construction included $119 million in new apartment construction. Strong market growth and new construction have contributed to a 26.8 percent overall increase in value over the past two years and a 65 percent overall increase over the past five years. That strong market make affordable housing commitments even more important in planning for future growth.

Market analysts are predicting that the multi-family housing market in the region will remain strong with the continuation of historically low vacancy rates, empty-nesters moving to rental housing, millennials moving to the metro area for jobs, and the willingness of lenders to provide financing. Staff will continue to encourage the inclusion of affordable housing in accordance with the city's policy.

2020 Housing Work Plan Efforts

Tenant Protections

The Housing Work Plan identifies exploring tenant protections as a priority for 2020. Several cities in the metropolitan area are considering or have adopted ordinances to protect tenants in affordable rental housing who are facing displacement by providing notice to tenants when transitions from current affordable housing uses are planned. In addition, some ordinances allow for providing tenant relocation assistance when affordable housing is converted to market rate, and tenants are required to move without adequate notification or cause. Essentially, these policies are comprised of these basic concepts:

1) New property owners must notify tenants and/or the city within 30 days when a multi-family property is sold.
2) New property owners must not increase rents, require existing tenants to be rescreened, or not renew rental agreements without cause, or impose a material change to the lease.
3) Owners must provide relocation assistance if notice requirements are not met.

In basic form, these types of ordinances protect residents of apartment buildings with three or more units where a minimum number of units (15%-20%) are affordable at 60% to 80% annual median income (AMI) or less. These units are at the greatest risk of transitioning from affordable to market-rate as investors purchase and renovate the buildings to obtain higher rents. There are approximately 40 multi-family apartment buildings that would meet these criteria in Minnetonka. The chart prepared by Marquette Advisors shows the total supply of affordable housing in Minnetonka (which also includes the 564 contractual units of affordable housing). Since 2016, the city approved ten additional multifamily housing projects with approximately 1700 total units and nearly 575 new contract based affordable units.

City of Minnetonka
Affordable Rental Housing Supply by Neighborhood and Pct. of AMI (2016)

Neighborhood	30% of AMI	50% of AMI	60% of AMI	80% of AMI	Totals (<80% of AMI)
Cedar Lake	71	614	701	124	1,509
Glen Lake	316	0	101	3	420
I-394 McGinty	0	0	195	256	452
Minnetonka Blvd CR 101	0	0	0	0	0
Minnetonka Mills	0	0	0	0	0
Ridgedale	0	542	516	248	1,306
Shady Oak Excelsior	0	0	0	0	0
Shady Oak Opus	52	570	164	101	887
TH7 & CR 101	169	288	463	20	940
Williston TH7	0	0	0	0	0
City of Minnetonka	**608**	**2,014**	**2,140**	**752**	**5,514**

Sources: Marquette Advisors; Housing Link

Under a potential tenant ordinance, new owners of affordable housing could be required to pay relocation benefits to tenants if the owner increases rent, re-screens existing residents, or implements non-renewals of leases without cause, within a 90-day period following the ownership transfer and the tenant chooses to move because of these actions. Failure to provide notice or pay relocation benefits results in an administrative fine of $500 per unit plus the relocation amount and revocation of a rental license. The city's main leverage is embedded within rental licensing programs or residents reporting a sale without proper notice. Minnetonka does not have rental licensing.

Below is a summary of cities with adopted ordinances:

City	Date Ordinance Adopted	Applicability	Tenant Protection Period	Relocation Assistance	Enforcement Mechanism and/or penalty	Other
Saint Louis Park	July 1, 2018	Applies to multi-family buildings with 18% of units at or	3 months following notice of sale	$2,600 studio $3,000 1 bed $3,600 2 bed $4,100 3+ bed	Relocation Assistance and Administrative Citation in the	

		below 60% AMI			amount of $500 per unit	
Golden Valley	Oct. 1, 2018	Applies to multi-family buildings with 15% of units at or below 60% AMI	3 months following notice of sale	Moving expense and rent reimbursement at 60% AMI $2,707 studio $3,059 1 bed $3,671 2 bed $4,268 3+ bed These amounts are adjusted annually	Relocation Assistance and Administrative Citation in the amount of $500 per unit	Also requires notice to tenant and city of sale within 30 days
Richfield	Jan. 1, 2019	Applies to multi-family buildings with 20% of units at or below 60% AMI	3 months following notice of sale	Three months of the current monthly contract rent	Relocation Assistance and Administrative Citation of $500 per unit	Requires notice to tenants in multiple languages Must provide a copy of notice to city New owner must provide rent roll to city (upon request)
Brooklyn Park	Oct. 28, 2019	Applies to all multi-family housing buildings with 3 or more units (all rent levels included, ie: affordable and market rate)	3 months following notice of sale	Three months of the current monthly contract rent	Relocation Assistance and Administrative Penalty of $500 per unit The owner must pay the city the relocation assistance	Tenant “Notification” Ordinance Must provide a copy of notice to city Tenants may submit a notice of

					and penalty fee. The city reimburses the tenant.	violation to city. The city is not required to take action.
Brooklyn Center	Dec. 20, 2018	Applies to all multi-family housing buildings with any units at or below 80% AMI	3 months following notice of sale	Three months of the current monthly contract rent	Relocation Assistance and Administrative Penalty of $500 per unit Revocation of rental license	Requires copy of notice and rent roll to city (upon request) Owner shall provide affidavit and evidence that relocation assistance was paid.
Bloomington	Aug. 5, 2019	Applies to multi-family buildings with at least 9% of units at or below 60% AMI	3 months following notice of sale	Three months of the current monthly contract rent	Relocation Assistance and Administrative Penalty	Requires copy of notice to city

Over the next several months, staff will explore tenant protections and present findings at the upcoming EDAC meeting in Sept. Staff will explore the feasibility of enforcing a tenant protection ordinance without an established rental licensing program. Additionally, staff will provide an overview of the pros and cons of the various components of these efforts.

Accessory Apartment (ADU) – In a detached structure

The City of Minnetonka has long recognized the value of providing a variety of housing options to existing and potential residents. This is generally reflected in the housing goals and policies outlined in the comprehensive guide plan and is specifically reflected in the five different residential zoning districts established and regulated by the zoning ordinance.

One such housing option is the accessory dwelling unit (ADU) or accessory apartment. On property that contains a single-family home, an ADU is a smaller, secondary dwelling (within the home) that includes areas for sleeping, cooking, and sanitation independent of the larger home.

In late spring, staff will provide an update to the ordinance allowing Accessory Dwelling Units (ADU's) as permanent standalone or part of a standalone structure on single-family lots. For example, a living unit above a detached garage.

Continued Participation in Regional Affordable Housing Efforts

Minnetonka staff are actively participating in several affordable housing workgroups that are researching, lobbying for, and implementing new approaches to fund affordable housing programs, preserve existing naturally occurring affordable housing (NOAH), and protect tenants. Several cities (including Minnetonka) and counties in Hennepin and Ramsey Counties are also attending the housing workgroup meetings to share their efforts and streamline the legal review of new concepts and programs. The list below highlights the collaboration between various agencies and organizations working toward affordable housing goals in the region. These large scale efforts go beyond the individual ability of the city and will have a greater impact on the production and preservation of affordable housing than what can be accomplished at a local level.

Greater MN Housing Fund: Greater Minnesota Housing Fund (GMHF) is Minnesota's leading nonprofit affordable housing lender. More than just a lender, GMHF is known for its innovation and its creative approaches to Minnesota's affordable housing challenges.

- Naturally Occurring Affordable Housing (NOAH) Fund to provide funding to preserve NOAH properties.

Housing Justice Center: Founded in 1999 as the Housing Preservation Project, Housing Justice Center (HJC) is a nonprofit public interest advocacy and legal organization whose primary mission is to preserve and expand affordable housing for low-income individuals and families. Priorities include:

- Production of affordable housing
- Preservation of NOAH properties
- Tenant Rights and barriers to access

League of Minnesota Cities: The League of Minnesota Cities is a membership organization dedicated to promoting excellence in local government. The League serves its more than 800 member cities through advocacy, education and training, policy development, risk management, and other services.
Link to Legislative Priorities

Minnesota Housing Finance Agency: Minnesota Housing is the state's housing finance agency. For more than 40 years, they've worked to provide access to safe, decent, and affordable housing and to build stronger communities across the state. In 2018, the agency has invested $1.26 billion and assisted more than 66,000 households.

- Requesting an appropriation of $50 million to preserve naturally occurring affordable housing (NOAH): H.F. 3851 House of Representatives
- Request to add rehabilitation of NOAH properties to allowable uses of housing infrastructure bonds: H.F. 3850 House of Representatives
- Request to modify the class 4d rate: S.F 3347 Senate

Minnesota Housing Partnership: Minnesota Housing Partnership (MHP) strengthens development capacity and promotes systems change to expand opportunity, especially for those with the greatest need. They support, lead, and collaborate with a diversity of partners to stimulate innovation and drive a positive impact in affordable housing and community development in Minnesota and beyond.

- Supporting $500 million in bonds for affordable housing, the establishment of the affordable housing tax credit, and support to create a local housing trust fund state-funded at $10 million.
- Link to State Policy Agenda for 2020

Local Initiatives Support Corporation: The Local Initiatives Support Corporation, known as LISC, supports projects and programs to revitalize communities and bring greater economic opportunity to residents. They invest in affordable housing, high-quality schools, safer streets, growing businesses, and programs that connect people with financial opportunities. They provide the capital, strategy, and know-how to local partners.

- Supporting a bill to increase tax increment pooling for certain housing projects to serve individuals whose income is 30 percent or less of the area median income.
- Exploring options for a regional housing trust fund to support the production and preservation of affordable housing to leverage additional private investment to broaden the resources for housing.
- Providing assistance and expertise to preserve NOAH properties.

Metro Cities: Metro Cities (the Association of Metropolitan Municipalities) is a membership organization representing cities in the seven-county metropolitan area at the Legislature, Executive Branch, and Metropolitan Council. It is the only metro-wide entity that monitors regional issues, advocates for cities at the Metropolitan Council, and that represents the interests of metro area cities at the state levels of government.

- Link to Legislative Policies

Discussion Points:

- ***Does the city council have any questions about the housing work plan?***
- ***Does the city council have any additional feedback regarding the housing work plan?***

Summary

Staff continues to progress on the priorities outlined in the Housing Work Plan. As indicated throughout the report, the city has been very successful in the historical, current production and preservation of affordable housing in the community. It will continue to collaborate at a regional level to support affordable housing efforts.

Submitted through:
Geralyn Barone, City Manager

Originated by:
Julie Wischnack, AICP, Community Development Director
Alisha Gray, EDFP, Economic Development and Housing Manager

Attachments:

Housing Work Plan

Feb 4, 2019 – City Council Study Session
- Study Session Minutes

July 8, 2019 – City Council Meeting
- Minutes
- AMI and Affordable Housing
- 2011-2020 Affordable Housing Action Plan
  - Existing Housing Tools and Implementation Efforts
- Affordable Housing Goals
- Housing Strategies and Tools for the City of Minnetonka
- Introduction to Mixed Income Housing

Supplemental Information

2040 Comprehensive Plan Draft Chapters

Jan. 7, 2019 – City Council Final draft of 2040 Comprehensive Plan

Sept. 4, 2018 – Joint Study Session – Comprehensive Plan Discussion

June 11, 2018 – City Council Study Session – Comprehensive Plan Housing Chapter

Updated Housing Work plan – March 16, 2020 (revised from July 8, 2019)

Topic	Type	EDAC	Council
Fair Housing Policy	Policy	Nov. 8, 2018	Nov. 26, 2018 – **City Council Adopted Fair Housing Policy**
Affordable Housing Policy (mixed income)	Policy	May 8, 2019	July 8, 2019 – **City Council Adopted Affordable Housing Policy**
2020-2024 EIP Review Intro Noah Strategies • 4d Program (concept)* • Legacy Education Program Intro (concept)* • Multifamily Rehab Loan Intro (concept)*	Policy/Program	March 14, 2019 – EIP Preview April 24, 2019 (EDAC review of draft EIP)	April 22 (Council review first draft of EIP at work session) June 3 (Final adoption of EIP) - **Conceptual Pages added to 2020-2024 EIP**
Tenant Protection • Notice of Sale • 90 Day Protection • Relocation	Ordinance	Sept 17 – Update	TBD
Accessory Apartment (ADU) – in a detached building.	Ordinance Amendment	Draft Spring 2020	TBD
Other • Senior Affordable Housing Exploration • Affordable Housing for Public Service • Research General Funding for Affordable Housing • Payment-in-lieu of affordability requirements	Continued Research	Ongoing	Ongoing

Affordable Housing Work Plan - July 8, 2019

Topic	**Type**	**EDAC**	**Council**
Intro Mixed income policy	Policy	May 8, 2019	May/June 2019
2020-2024 EIP Review **Intro Noah Strategies** • 4d Program (concept)* • Legacy Education Program Intro (concept)* • Multifamily Rehab Loan Intro (concept)*	Program	March 14 – EIP Preview April 24 (EDAC review of draft EIP)	April 22 (Council review first draft at work session) June 3 (Final adoption of EIP)
Intro Tenant Protection • Notice of Sale • 90 Day Protection • Relocation	Ordinance	June/Aug. 2019	Aug./Sept. 2019
Other • Senior Affordable Housing Exploration • Affordable Housing for Public Service • Research General Funding for Affordable Housing • Accessory Apartment (ordinance amen dment) • Payment-in-lieu of affordability requirements	Research	Oct. 2019	Nov./Dec. 2019

*Further development of conceptual programs would occur in Fall 2019.

City Council Study Session Agenda Item #2
Meeting of Feb. 4, 2019

Brief Description: Affordable Housing

Background

As a follow up to the comprehensive plan discussions and the study session in June of 2018, staff has compiled additional materials for continued conversations about housing. Housing and the availability of affordable housing is directly related to the city's part in accepting and managing regional growth. Housing also has a direct relationship to a city's economic health. The ability for a city to attract talent and provide employment base to companies is a current and future issue for the city's strategic plan.

The city of Minnetonka has a long history of promoting diversity in the types and size of housing units available in Minnetonka, including the production of new affordable rental and ownership opportunities. Over the past 20 years, the city has analyzed and implemented dozens of housing centric policies and programs to address the changing needs of the community. A summary of key milestones is outlined below:

- 1994 Minnetonka was the first city to receive Livable Communities Development Account grant dollars to redevelop West Ridge Market with affordable housing
- 1996-2010 - Livable Communities Act Participant
- 1998 – Draft Policy - City Assistance to Affordable Housing Developments (incorporated into 1999 comprehensive plan)
- 1999 - 2020 Comprehensive Plan – Housing Chapter
- 8/6/2001 – WHAHLT (Homes within Reach) Business Plan/History supported by city council
- 2/3/2004 – Economic Development Authority (EDA) resolution supporting 10% to 20% of units in new housing developments as affordable housing
- 2008 – 2030 Comprehensive Plan – Housing Chapter
- 2009 ULI Minnesota – Opportunity City Pilot Program Summary Report
- Minnetonka Housing Action Plan (2010) – the new livable communities goals for 2011-2020 (attached)
- 2012 – first Economic Improvement Program (EIP)
- 2013 – Southwest LRT Housing Inventory
- 2014 – Southwest LRT Housing Gaps Analysis
- 2016 – Southwest LRT Corridor Housing Strategy
- 2017 – Draft Housing Study (Marquette Advisors)
- 2018/2019 – Draft 2040 Comprehensive Plan (including updated housing plan)

Additionally, Minnetonka staff are actively participating in several affordable housing work groups that are researching, lobbying for, and implementing new approaches to fund affordable housing programs, preserve existing naturally occurring affordable housing (NOAH), and protect tenants. Some of the organizations leading this coordinated effort include: The Housing Justice Center, Urban Land Institute Regional Council of Mayors, Minnesota Housing Finance Agency, the Governor's Task Force on Housing, and the Local Initiatives Support Corporation. Several cities (including Minnetonka) and counties in Hennepin and Ramsey Counties, are also attending the housing workgroup meetings to share their efforts and streamline legal review of new concepts and programs.

Since 2012, staff has annually prepared the five-year EIP, a document that includes a complete summary of the city's economic development activities. A chapter devoted specifically to housing programs and financing outlines the city's commitments. Both the Economic Development Advisory Commission (EDAC) and the city council review and discuss the EIP each year, with final adoption by the council.

In 2018, the council and economic development advisory commissioners participated in several discussions (see meetings referenced at end of report) regarding the draft 2040 Comprehensive Plan to discuss the city's current and future housing needs to define goals and strategies to support the following goals:

- Goal 1 – Preserve the city's existing housing stock
- Goal 2 – Encourage affordable housing production
- Goal 3 – Provide a range of housing choices
- Goal 4 – Increase housing options for seniors

Through these conversations, dozens of strategies were discussed that would further the city's commitment to creating and preserving affordable housing, in addition to the many programs and policies currently in place. As a result, three key themes emerged as the leading efforts to pursue:

1. Renew the EDA's 2004 commitment on the inclusion of 10% to 20% of affordable housing units in multi-family developments
2. Explore opportunities to protect renters from housing displacement
3. Explore opportunities to preserve NOAH (Naturally Occurring Affordable Housing) properties

Affordable Housing Production

In 2004, the EDA approved a resolution supporting the inclusion of 10%-20% of the total units in multi-family developments as affordable housing. At the time, the council and EDA asked staff to pursue this goal when meeting with developers proposing new multi-family developments including townhomes, apartments and condominiums as a way to increase affordable housing in the city. This tool was critical to the production of hundreds of units of affordable housing in the city over the past 15 years, as it has provided flexibility through years of market volatility when affordable housing or mixed income housing is more difficult to finance.

Currently, Minnetonka has 564 units of contract affordable multifamily housing and 188 contract based for-sale housing units available. The city's Marquette Advisors report estimates that there are approximately 5,000 units of naturally occurring affordable rentals in the community. Additionally, of the newly approved projects in Opus, 570 units (54%), of 1,063 are considered affordable at or below 80% Average Median Income (AMI). The city continues to utilize Tax Increment Financing (TIF), TIF Pooling, and Tax Abatement as the main financial tools to bridge the gap of obtaining affordable housing units.

Over the past few years, more metropolitan cities have been exploring or have adopted similar policies or ordinances, sometimes referred to as mixed income policies or inclusionary housing policies that require all new multifamily rental and ownership development to include a certain percentage of units at various levels of affordability. In their simplest form, mixed-income policies and proposed ordinances require developers to sell or rent a percentage of new residential units to lower-income residents. Some polices apply just to one area of the city or specific types of buildings. Some programs partially offset the cost of providing affordable housing through incentives such as TIF financing, parking reductions, fee reductions or allowance of higher density.

More recently, cities such as Edina require developers to "pay in lieu" of providing affordable housing to build housing reserves for other projects. For example, Bloomington is proposing (not adopted at the time of this report) an ordinance that would require developers to pay a fee of $9.60 per square foot of *leasable* space as the amount required to opt-out of providing affordable units. For illustration purposes, the Marsh Run project proposed by Doran has approximately 144,000 net square feet of leasable space. If the payment in lieu as proposed in Bloomington were applied, the developer would be required to pay the city $1,382,400 to opt-out of providing affordable units in the building.

Similarly, Edina's payment in lieu fee policy is based off of the number of units that would be required to be affordable by the city's policy in the proposed buildings. Developers can choose to pay $100,000 per unit that the city would require to be affordable (ranging from 10%-20% of the total units) to the city's housing fund instead of including those units in the project that is being proposed. For illustration purposes, The Marsh run project is 175 units, the payment in lieu would amount to offset 10% of the units as affordable would be roughly $1,800,000. The city of Minnetonka committed $4.8 million in TIF Housing to support affordability of 35 units for a term of 30 years. The city's commitment amounts to $137,142 per unit or $4,571 per unit/per year.

The downside to payment in-lieu is that the city then has to decide which future projects would receive the incentive to include affordability, which could lead to questions about equity in the community, how the dollars are distributed, and where the housing is located. Additionally, the cost to produce affordable housing varies greatly depending on financing sources, and the amount collected as payment in-lieu likely will not cover the full cost of providing the opt-out units in another location or for the full 30-year term which is currently required by the city. Finally, a more philosophical question would be whether or not developers should bear the cost of providing funding for affordable housing, or if it should be the greater community investment as occurs with TIF, TIF pooling, HRA levy, etc. Based on these concerns and the potential for other actions noted below, staff is not supportive of a payment in-lieu policy at this time.

Below is a summary of cities with affordable housing policies or programs:

City	Type of Program	Percentage of Affordable Units	Affordability Level	Additional Information and Enforcement Mechanism
Minnetonka	EDA Resolution supporting 10%-20% affordable housing	10%-20% of units affordable No city assistance for 10%, TIF assistance if 20% or more units affordable at 50% AMI 30-year term of affordability	Project-by-project decision	2004 EDA Resolution
Bloomington	Opportunity Housing Ordinance (proposed)	9% of units affordable at 60% AMI or below; or Build required units off site; or Payment in lieu into housing trust fund, $9.60 per leasable square foot Additional incentives such as density bonus and parking flexibility	All new multifamily with 20+ units require 9% of units at 50% AMI or below All new single-family with 20+ units affordable at 110% AMI or below NOAH properties-20+ unit properties with substantial rehabilitation must preserve 20% of units at 60% AMI and below	Draft Ordinance 1.24.2019 Link to draft ordinance
Golden Valley	Mixed income Policy	At least 15% of total multi-family project units at 60% AMI, or At Least 10% of total multi-family project units at 50% AMI, or 10% of for-sale units at 80% AMI	All market rate and for sale housing with 10 or more units requiring land use approval or requesting city assistance	Mixed Income Policy Link to Policy

Eden Prairie	Policy in draft	Formal goal of 20% of units affordable for assistance	Formal goal of 20% of units affordable for assistance	Draft policy presenting to council on Feb. 19, 2019 (report not available at this time)
Edina	Affordable Housing Policy	All multi-family projects with 20+ units. New rental must provide 10% of rental area at 50% AMI or 20% of rental area at 60% AMI, or $100,000 per unit payment in lieu New for sale must include 10% affordable Affordability Term for Rental- 15 years Ownership – 30 years	50% or 60% AMI for multifamily Homeownership set by MN Housing	Link to Policy
St. Louis Park	Affordable Housing Policy	New multi-family, mixed use, renovation project, or change in use with at least 10 units, or For sale projects, at least 15% of units affordable at 80% AMI 25 year affordability term.	For multi-family Projects 18% affordable at 60% AMI or 10% of units affordable at 50% AMI For sale projects, at least 15 % of units affordable at 80% AMI	Link to Housing Policy
Richfield	Inclusionary Affordable Housing Policy	Housing development that receives city assistance: 20% of units affordable at 60% AMI, or	20% of units affordable at 60% AMI, or 20% of units in ownership project	Link to Policy

		20% of units in ownership project affordable at 115%, or 15% of net present value of tax increment generated pledged to development fund over 10 years Affordability term 10 years	affordable at 115%, or	
Minneapolis	Housing Policy	For residential projects with more than 10 units: 20% of multifamily affordable at 50 % or 60% AMI 10% of ownership products available at 80% AMI 20 – 30 year affordability term.		Link to Housing Policy

Affordable Housing Production Recommendation

The council should consider renewing the 2004 resolution committing to 10%-20% affordable housing in all new projects or direct staff to explore additional options. Minnetonka's current resolution allows for greater flexibility when reviewing development proposals.

Discussion Point:

- ***Does the city council agree with renewing the 2004 EDA resolution regarding affordability in all new housing projects?***

Tenant Protection

Several cities in the metropolitan area are considering or have adopted ordinances to protect tenants in affordable rental housing who are facing displacement by providing notice to tenants when transitions from current affordable housing uses are planned, and providing tenant relocation assistance when affordable housing is converted to market rate and tenants are required to move without adequate notification or cause.

In basic form, these ordinances protect residents of apartment buildings with three or more units where a minimum number of units (15%-20%) are affordable at 60% AMI or less. These units are at the greatest risk of transitioning from affordable to market rate as investors purchase and renovate the buildings to obtain higher rents. The chart prepared by Marquette Advisors shows the total supply of affordable housing in Minnetonka (which also includes the 564 contractual units of affordable housing).

City of Minnetonka
Affordable Rental Housing Supply by Neighborhood and Pct. of AMI (2016)

Neighborhood	30% of AMI	50% of AMI	60% of AMI	80% of AMI	Totals (<80% of AMI)
Cedar Lake	71	614	701	124	1,509
Glen Lake	316	0	101	3	420
I-394 McGinty	0	0	195	256	452
Minnetonka Blvd CR 101	0	0	0	0	0
Minnetonka Mills	0	0	0	0	0
Ridgedale	0	542	516	248	1,306
Shady Oak Excelsior	0	0	0	0	0
Shady Oak Opus	52	570	164	101	887
TH7 & CR 101	169	288	463	20	940
Williston TH7	0	0	0	0	0
City of Minnetonka	**608**	**2,014**	**2,140**	**752**	**5,514**

Sources: Marquette Advisors; Housing Link

Under the ordinances, new owners of affordable housing could be required to pay relocation benefits to tenants if the owner increases rent, re-screens existing residents, or implements non-renewals of leases without cause, within a 90-day period following the ownership transfer and the tenant chooses to move because of these actions. Failure to provide notice or pay relocation benefits results in an administrative fine of $500 plus the relocation amount. The city's main leverage is embedded within rental licensing programs or residents reporting a sale without proper notice. Below is a summary of cities with adopted ordinances:

City	Type of Program	Description	Additional Information and Enforcement Mechanism
Saint Louis Park	Tenant Protection Ordinance	Establishes a tenant protection period following the sale of a multifamily building, for buildings with at least 15% of units at 60% AMI for buildings with more than 3 units. 90 day protection period for tenant in event of rental	Link to Ordinance Penalty of administrative fine plus $500 fee.

		increase or sale of building, rescreens, or non-renewal without cause.	
Golden Valley	Tenant Protection Ordinance	Establishes a tenant protection period following the sale of a multifamily building, for buildings with at least 15% of units at 60% AMI for buildings with more than 3 units 90 day protection period for tenant in event of rental increase or sale of building, rescreens, or non-renewal without cause	Link to Ordinance Penalty of administrative fine plus $500 fee.
Richfield	Tenant Protection Ordinance	Establishes a tenant protection period following the sale of a multifamily building, for buildings with at least 20% of units at 60% AMI for buildings with more than 3 units 90 day protection period for tenant in event of rental increase or sale of building, rescreens, or non-renewal without cause	Link to Ordinance

Tenant Protection Recommendations

The council should consider a draft ordinance that would provide protection to tenants that reside in Naturally Occurring Affordable Housing rental properties. As stated above, a rental licensing program makes the ordinance a more viable way to enforce the regulations.

Discussion Point:

- ***Does the city council wish to consider a draft ordinance related to tenant protections in NOAH rental properties?***

Rental NOAH (Naturally Occurring Affordable Housing) Preservation Opportunities

The multifamily housing market is experiencing significant rental increases due to the perfect storm of factors: a short supply of rental housing, extremely low vacancy rates, and high demand for housing. These factors encourage investors to purchase formerly affordable rental buildings to convert to higher amenity properties as an investment opportunity. This trend has decreased the amount of naturally occurring affordable housing in the region that is available to lower income households. Additionally, the rate at which new affordable housing is being produced cannot keep up with the market demand for these units. Many cities are exploring opportunities to prevent the loss of naturally occurring affordable housing (properties that are not currently under contract to provide affordable housing). There are approximately 5,000 affordable rental NOAH properties in Minnetonka (see chart above).

NOAH Recommendations

The following are new opportunities that have potential to have the greatest impact to preserve NOAH properties in Minnetonka. The council should consider directing staff to explore these NOAH preservation strategies.

- *The 4d Classification program* would allow owners of market rate multi-family rental housing to utilize a state provision called 4d, also known as Low Income Rental Classification (LIRC). LIRC allows eligible properties that receive “financial assistance” from federal, state, or local government (that agree to certain rent and income restrictions) to receive a tax classification rate reduction of .75% (reduced from 1.25%) in return for committing to keep at least 20% of the units in their building affordable at 60% AMI for a minimum of 10 years.
    - Cities are not required to formally create a program, but doing so allows the city to add its own city housing policy goals. The city currently reviews and facilitates requests for this program.

- *A NOAH Legacy Education Program* would encourage multifamily NOAH property owners the ability to connect with socially driven investors with the goal of preserving affordability through the sale of a property. Staff would reach out to owners of Class B and Class C apartments that could potentially qualify as NOAH properties, to link owners with for profit and non-profit affordable housing developers and financial tools. This would help educate property owners about the opportunity to connect with preservation buyers if a sale is planned in the future and provide information regarding available financing tools to keep units affordable.

- *A multifamily rental rehabilitation loan program* would provide moderate rehabilitation assistance to eligible landlords in exchange for the preservation of affordable housing. This program could be developed with future guidance from the council and an identified funding source.

Discussion Point:

- ***Does the city council support consideration of the described new program opportunities to preserve NOAH rental property?***

Single Family Affordable Housing

Of all of the categories to address affordable housing, the single family housing market is the most challenging. To understand the challenges, highlights about the single family housing market are listed:

- Detached single family residences comprise 55.9% of the housing stock in the city.
- Of the 16,000 single family homes in Minnetonka, 8,555 (54%) are valued under $300,000 ($234,000 considered affordable to 80% AMI – income $71,900)
- Approximately 6% of the city's entire single family housing stock turns over in a year.
- Approximately 2/3rds of the homes sold in Minnetonka over the past 5+ years are single family homes.
- There are a large number of senior home owners in Minnetonka, with more than 54% of the city's home owners being age 55+.
- The average single family home price in 2017 was $467,691. This is considerably higher when compared to townhouse sales ($265,649 avg.) and condos ($176,102 avg.).
- Pricing of new homes currently listed for sale ranges from $574,900 to $2,200,000, with an average of just under $985,000.

Number and % of Home Sales by Product Type, 2012 to date
City of Minnetonka

	2012	2013	2014	2015	2016	2017 1st Half
Single Family	549	569	517	614	642	314
Tow nhouse	142	152	166	153	204	89
Condo	118	117	149	121	172	65
Total	809	838	832	888	1,018	468
SF	67.9%	67.9%	62.1%	69.1%	63.1%	67.1%
TH	17.6%	18.1%	20.0%	17.2%	20.0%	19.0%
Condo	14.6%	14.0%	17.9%	13.6%	16.9%	13.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Mpls. Area Association of Realtors-Northstar MLS

Average Sale Price by Product Type, 2012 to date
City of Minnetonka

	2012	2013	2014	2015	2016	2017 1st Half
Single Family	$353,502	$401,291	$410,561	$421,192	$432,980	$467,691
Tow nhouse	$230,165	$254,095	$245,783	$262,017	$281,015	$265,649
Condo	$113,247	$132,251	$143,149	$154,647	$160,760	$176,102
Total	$297,159	$336,704	$328,675	$356,334	$355,574	$386,083

Source: Mpls. Area Association of Realtors-Northstar MLS

Based on the statistics, it is clear that new construction is not a feasible or viable way of providing affordable housing in the single family market. There are a number of existing units, under $300,000, that our city loan programs target for down payment assistance and renovations.

There has been interest expressed about affordable homes for public services workers. While there are questions about Fair Housing compliance, this may be an issue to be considered through jurisdictional personnel policies. Again, a reminder that affordable housing would be considered a salary of approximately $50,000 (80% AMI) for a one person household.

Single Family Affordable Housing Recommendation
Staff believes there are three ways to address ownership product:

- Invest more dollars in Homes within Reach (could be considered during review of EIP)
- Increase loan programs for the under $300,000 valued existing homes
- Encourage construction of other types of affordable ownership product (condos, townhomes, co-ops)

Discussion Point:

- ***Does the city council support further exploration of the single family affordable housing recommendations?***

Other Tools

The city has historically not provided city financial assistance to a project without the provision of affordable housing. Each of the following existing city policies furthers the implementation of affordable housing:

- TIF Policy
- TIF Pooling Policy
- Tax Abatement Policy
- Housing Improvement Area Policy

Staff does not suggest changing any of these policies as they appropriately address the city's goal to support affordable housing.

Discussion Point:

- ***Does the city council concur that existing financial tools should remain in place?***

Summary

At its study session on June 11, 2018, the city council expressed interest in exploring additional strategies for housing preservation, tenant protections, the establishment of a fair housing policy, and revisiting the EDA resolution from 2004 that recommends 10-20% of affordable units in multifamily housing development. Staff suggested prioritizing these efforts to be reviewed by EDAC and council in 2019 as part of a housing implementation strategy. Further, the city council adopted the draft 2040 Comp Plan on Jan. 7 that incorporates many of these strategies.

The council formally established a Fair Housing Policy in November 2018. This policy ensures that fair housing opportunities are available to all persons regardless of race, color, religion, gender, sexual orientation, and marital status, status with regard to public assistances, familial status, national origin, or disability.

Should the council wish to pursue the noted recommendations related to affordable housing production, tenant protections, NOAH, and single family housing affordability, the next step is for further vetting of these options by the Economic Development Advisory Commission.

Submitted through:
Geralyn Barone, City Manager

Originated by:
Julie Wischnack, AICP, Community Development Director
Alisha Gray, EDFP, Economic Development and Housing Manager

Attachments:

AMI and Affordable Housing

2011-2020 Affordable Housing Action Plan

- Existing Housing Tools and Implementation Efforts

Affordable Housing Goals

Housing Strategies and Tools for the City of Minnetonka

Introduction to Mixed Income Housing

Supplemental Information

Jan. 7, 2019 – City Council Final draft of 2040 Comprehensive Plan

Sept. 4, 2018 – Joint Study Session – Comprehensive Plan Discussion

June 11, 2018 – City Council Study Session – Comprehensive Plan Housing Chapter

Aug. 23, 2017 – Comprehensive Guide Plan Steering Committee Meeting

2030 Comprehensive Plan

RESOLUTION 2004-002

RESOLUTION APPROVING THE ECONOMIC DEVELOPMENT AUTHORITY'S RECOMMENDATION ON THE INCLUSION OF 10% TO 20% OF THE TOTAL UNITS IN MULTI-FAMILY DEVELOPMENTS AS AFFORDABLE HOUSING

BE IT RESOLVED by the Economic Development Authority of the City of Minnetonka, Minnesota as follows:

Section 1. Background.

1.01. The City of Minnetonka and Metropolitan Council have worked together to create affordable housing goals for the development of new affordable housing units within the city.

1.02. The Economic Development Authority has been working to accomplish these goals and include affordable housing in new housing developments by recommending that 10% to 20% of the total units in a housing development be made affordable.

Section 2. Economic Development Authority Action.

2.01. The Economic Development Authority of the City of Minnetonka hereby affirms their recommendation that 10% to 20% of the total units in new multi-family housing developments be sold at an affordable price as set forth by the Metropolitan Council.

Adopted by the Economic Development Authority of the City of Minnetonka, Minnesota on February 3, 2004.

Peter St. Peter, President

ATTEST:

Ronald Rankin, Secretary

ACTION ON THIS RESOLUTION:

Motion for adoption: Duffy
Seconded by: Larson
Voted in favor of: Duffy, Larson, Robinson, St. Peter, Thomas, Wagner, Walker
Voted against:
Abstained:
Absent:
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Economic Development Authority of the City of Minnetonka, Minnesota, at a duly authorized meeting held on February 3, 2004, as shown by the minutes of the said meeting in my possession.

Ronald Rankin

Ronald Rankin, Secretary

Mayor Wiersum supported the work and agreed with the other colleagues on the efforts conducted by the Police Department and specifically Officer Marks.

Ms. Barone presented some research on cities that have enacted Human Rights Commissions. Those cities suggested that there be clarity on policies that are enacted, and that there be budgeted amounts for events hosted by those groups. Ms. Barone did not make a recommendation on the creation of a commission.

Councilmember Calvert asked what the reasons were on why the cities disbanded their human rights commissions, Ms. Barone responded that in those communities there was not council alignment with values of the human rights commissions.

4. Affordable Housing

Wischnack and Gray presented information about affordable housing. Three key themes that emerged as leading efforts to pursue, they are:

- Renewing the 2004 resolution requiring affordable housing
- Preserving NOAH properties
- Minimizing displacement

Ms. Gray presented information on what peer cities are doing on this area.

- Bloomington is considering an ordinance that would require 9% of new multifamily construction is affordable or would pay in lieu.
- Eden Prairie would require that 20% of units be affordable if they were to get assistance
- Edina has payment in lieu ordinance in place.

Ms. Wischnack asked the council to discuss their thoughts about future considering a resolution requiring 10% or 20% affordable housing to a project using city assistance.

Councilmember Schack asked which projects were approved that do not have affordable housing. Ms. Wischnack listed off projects that do and do not include affordable housing. Councilmember Schack continued that she is not convinced that the resolution is working as intended and would like to think about a policy that has some teeth to it. Would like to see the city not have such an "easy out" when it comes to affordability. Leverage resources for single family affordability.

Councilmember Calvert believes that the resolution is working and wonders if there is a need to formalize into a policy or ordinance. Ms. Wischnack stated that it may be important to consider this as a policy.

Councilmember Calvert continued that she believes that TIF usage should come under greater consideration and thought. Councilmember Ellingson believes that the city should have a policy rather than a resolution. Wants to see a city where people who work here can afford to live here.

Councilmember Happe stated that he likes the range of affordability option, and does not want to see projects or developers tied down with a force of affordability.

Councilmember Bergstedt believes that the current resolution is working for us. He spoke on projects that would not have been completed had the city required affordability. He continued that he would not support an ordinance, but is open to a resolution or policy.

Mayor Wiersum spoke to clarify the stance of the council on this topic. He continued to ask if there are creative ways to require developers to include affordable housing other than payment in lieu.

Staff summarized the discussion and determined they would work drafting language of the 10-20% requirement, and will review the creation of a policy. Staff will do more research on payment in lieu and bring forward at future time. The council generally supported crafting a policy on the 2004 resolution.

Tenant Protection:
Ms. Gray gave a report on tenant protection ordinances that are in place in peer communities. There are nearly 1500 units of NOAH housing in the city.

There was general support for staff to review a tenant protection ordinance.

The Mayor asked if 90 day protection period is standard or if other cities have looked at longer. The Mayor then asked if staff is supporting implementing rental licensing or requiring self-reporting. Mayor Wiersum suggested that complaint based enforcement works well and that he would consider rental licensing if it becomes an issue.

There was general support for staff to review a tenant protection ordinance.

Preserving NOAH Properties:
Ms. Gray presented a report on programs to preserve naturally occurring affordable housing units in the city. She mentioned the “4d” tax incentive program, Legacy Education Program, and create a rehab loan program for multifamily rental properties in exchange for affordable housing.

Councilmember Bergstedt asked if there would be any staffing changes or increased staff time with the implementation of these programs. Staff responded that a loan rehabilitation program could cause some staff impact.

Mayor Wiersum stated that he supports the 4d classification, but has concerns that the 10 year period is too short and would like find out if it can be longer. He continued that he needs to receive an analysis on the required staff time to implement any of these programs.

Council supported the review of a 4d policy, supporting the legacy education program, and research into a multifamily housing loan rehab program.

Staff Summary
City of Minnetonka
City Council Study Session
Monday, Feb. 4, 2019

Single Family Housing:
Ms. Wischnack gave a report on the current single family housing makeup of the city. She stated that single family homes make up 55% of the cities entire housing stock. Half of homes within Minnetonka valued above $300,000.

Councilmember Happe spoke on Homes Within Reach, and stated that he has two concerns about increasing funding for Homes Within Reach. He is concerned that city dollars are going towards ownership of private property and that the affordability period is for 99 years, which is too long due to market changes. He also reiterated his support for the homestretch workshop.

Councilmember Calvert asked a question on the issue of liability or regulation on condo buildings. Ms. Wischnack stated that there are predatory liability issues towards condo developments that hamper their development. Councilmember Calvert asked about available alternatives to not funding HWR. Councilmember Calvert also spoke on the importance of the Homestretch Workshop.

Councilmember Bergstedt asked how the 99 year affordability was established for Homes Within Reach. Ms. Wischnack stated that it was established because it is a land trust.

Councilmember Schack stated that Homes Within Reach is addressing a different segment of the population than the other two single family programs proposed and that all are important to support.

Mayor Wiersum asked the question on what happens with the properties and the land after the 99 year period is up.

Councilmember Ellingson stated that he is in favor of supporting WHALT funding through city resources.

Councilmember Bergstedt asked for more research into what impacts or options are on the table related to Homes Within Reach at the EIP discussion.

The council showed general interest in supporting an increased loan program for homes under the $300,000 valued existing homes and encouraging construction of other ownership products (condo’s, townhomes, co-ops) as program opportunities. Mayor Wiersum also indicated he would forward some additional ideas to the EDAC for other items, including programs related to senior housing. There was general consensus with having additional discussions and research on city support of Homes within Reach during the EIP discussion.

There was general support for reviewing Homes Within Reach expansion and funding items and the modification of loan programs and that work will occur with the development of the EIP. The encouragement of other types of affordable ownership product may have to be reviewed as a future policy.

Other Ideas

Councilmember Happe reiterated his interest in developing a program for city staff home affordability.

Councilmember Bergstedt requested information on staff concern related to the creation of a payment in lieu option. Wischnack indicated that there have been some discussions of a development that the variety of considerations with payment in lieu, the concept works best to be direct with the project, rather than wait to include with a project that might or might not occur or might have other impacts. Wischnack felt that the current versions do not include all the benefits of what the council desires.

Councilmember Schack supported additional research on the payment in lieu programs to potentially fund Homes Within Reach or other affordable housing programs. Ms. Wischnack stated that she will direct staff to research the topic.

Councilmember Calvert shared her interest in conducing additional interest in programs like accessory apartments, division of large homes without subdivision or tearing down of existing homes.

5. Adjournment

The study session adjourned at 8:44 p.m.

Respectfully submitted,

Perry Vetter
Assistant City Manager

City Council Agenda Item #14
Meeting of July 8, 2019

Brief Description: Draft Affordable Housing Policy

Overview

On Feb. 4, 2019, the city council discussed affordable housing at the city council study session and directed staff to prepare items related to affordable housing for the Economic Development Advisory Commission (EDAC) to consider. In response, staff drafted an affordable housing work plan reviewed by the EDAC at its March 14, 2019, meeting. The housing work plan identified drafting an affordable housing policy as the priority action in 2019. The staff report outlines the background on the inclusion of affordable housing in multifamily and for sale housing and key components of the draft affordable housing policy (attached).

Background

Housing and the availability of affordable housing are directly related to the city's part in accepting and managing regional growth. Housing also has a direct relationship to a city's economic health. The ability of a city to attract talent and provide employment base to companies is a current and future issue for the city's strategic plan.

The City of Minnetonka has a long history of promoting diversity in the types and size of housing units available in Minnetonka, including the production of new affordable rental and ownership opportunities. Over the past 20 years, the city has analyzed and implemented dozens of housing centric policies and programs to address the changing needs of the community. More recently, the draft 2040 comprehensive plan identified the development of an affordable housing policy as a strategy to create a variety of housing products at varying levels of affordability.

The draft affordable housing policy is consistent with the city council's desire to continue to promote the inclusion of affordable housing in all new multifamily development projects and for-sale attached projects. At the Feb. 4, 2019, city council study session, the council directed staff to draft an affordable housing policy for EDAC to review to renew the city's 2004 affordable housing commitment. The EDAC's feedback from May 8, 2019, meeting is included in this staff report.

Affordable Housing Production

In 2004, the city's Economic Development Authority (EDA) approved a resolution supporting the inclusion of 10%-20% of the total units in multi-family developments as affordable housing. At the time, the council and EDA asked staff to pursue this goal when meeting with developers proposing new multi-family developments including townhomes, apartments, and condominiums as a way to increase affordable housing in the city. This tool was critical to the production of hundreds of units of affordable housing in the city over the past 15 years, as it has provided flexibility through years of market volatility when affordable housing or mixed-income housing is more difficult to finance. If adopted, the Affordable Housing Policy would supersede the previous resolution adopted by the EDA on Feb. 3, 2004.

Because of the city's prior efforts, Minnetonka has approximately 7,120 units of multi-family rental housing units (buildings with 6 or more units) that were built or approved for construction between 1969 and 2019. Of these units, 2,131 are naturally occurring affordable housing (NOAH) units and an additional 1,901 received city assistance in exchange for continued affordability. The policy was drafted to encourage the inclusion of a minimum of 5% of new multi-family rental units at 50% of the Area Median Income (AMI), as those units are most difficult to produce. Units at 30% AMI typically require partnerships with non-profit organizations as these units require support services. Therefore, the policy does not contemplate requiring developers to include units at 30% AMI. The chart below depicts the existing number of multi-family rental units and affordability range.

	# of Units	Total Aff. Units	# @ 30%	# @ 50%	# @ 60%	Mixed in Market Rate
# of NOAH Units	**2,131**	**1,028**	**0**	**288**	**740**	**1,103**
% of NOAH Units		**48.24%**	**0.00%**	**13.51%**	**34.73%**	**51.76%**
% of Overall Aff. Units		**46.62%**	**0.00%**	**49.48%**	**55.56%**	**22.44%**
# of City Assistance Units	**1,901**	**1,177**	**291**	**294**	**592**	**724**
% of City Assistance Units		**61.91%**	**15.31%**	**15.47%**	**31.14%**	**38.09%**
% of Overall Aff. Units		**53.38%**	**100.00%**	**50.52%**	**44.44%**	**14.73%**
Total	**4,032**	**2,205**	**291**	**582**	**1,332**	**1,872**

For example, if a developer were to construct a 175-unit multi-family rental project without city assistance or zoning amendment, the city would require a minimum of 5% of the units (9 units) affordable at 50% AMI. The estimated cost to the developer to provide the affordable units would be $1,540,472 over the term of 30 years ($5,363 per unit/per year). As the affordability percentage increases, it becomes more difficult for the developer to include affordable units while maintaining a reasonable return. Many factors impact this assumption, such as soft costs, land costs, development costs, and labor. The attached Mixed-Income Housing Policy Analysis Chart illustrates the "gap" at differing levels of affordability.

Additionally, there are an estimated 188 contract based for-sale affordable housing units. The policy encourages the inclusion of at least 10% of the units affordable to households at or below 80% AMI. This policy would apply to an attached for-sale common interest or attached community developments (condominiums, townhomes, and co-ops).

The attached draft Affordable Housing Policy further defines the applicability and city requirements for new developments with at least 10 dwelling units. The goal of the policy is to encourage the inclusion of affordable housing in all new developments by providing developers with clear and consistent expectations of development in the community.

Key components of the Draft Affordable Housing Policy

Applicability and Minimum Project Size

This policy applies to all new multi-family rental developments with 10 or more dwelling units and all new for-sale common interest or attached community developments, (condominiums townhomes, co-ops) with at least 10 dwelling units. This includes existing properties or mixed-use developments that add 10 or more units. The requirements also have a stepped approach, for developments with no changes to zoning or guiding and no city assistance requested, a smaller percentage of affordable units is required; for developments that request changes to zoning or guiding or city assistance, the percentage of affordable housing increases.

Affordability Requirements for Developers

General Requirements.

For projects not requesting a zoning change and/or comprehensive plan amendment and not receiving City assistance.

- In multi-family rental developments, at least 5% of the units shall be affordable to and occupied by households with an income at or below 50% of the AMI.
- In attached for-sale common interest or attached community developments (condominiums townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects requesting a zoning change or comprehensive plan amendment without City assistance.

- In multi-family rental developments, at least 10% shall be affordable to and occupied by households with incomes at or below 60% AMI, with a minimum of 5% of the units at 50% AMI.
- In attached for-sale common interest or attached community developments (condominiums townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects receiving City assistance.

- For multi-family rental developments, at least 20% of the units shall be affordable to and occupied by households with an income at or below 50% of the AMI; or at least 40% of the units shall be affordable to and occupied by households with an income at or below 60% AMI.
- In attached for-sale common interest or attached community developments (condominiums townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

Period of Affordability

In developments subject to the policy, the period of affordability for the affordable dwelling units shall be thirty (30) years. The city currently encourages 30 years of affordability.

Distribution of Affordable Dwelling Units

The affordable dwelling units shall be consistent with the market rate units in quality of construction of finish and intermixed within the same development.

Recorded Agreements, Conditions and Restrictions

A Declaration of Restrictive Covenants shall be executed between the City/EDA and Developer, in a form approved by the City's EDA attorney, which formally sets forth development approval and requirements to achieve affordable housing in accordance with this policy and other city requirements.

EDAC Feedback – May 8, 2019

At the May 8, 2019, Economic Development Advisory Commission (EDAC) meeting the commissioners reviewed the draft Affordable Housing Policy. Below are the EDAC's comments and findings from its review.

- Commissioners requested clarification on which scenarios may warrant a waiver of the affordable housing requirement.
    - Staff clarified that extraordinary development costs, such as clean up of contamination, high-water table mitigation, methane remediation, etc. could result in extraordinary development costs.
- Commissioners inquired about how the for-sale units would be required to comply with the policy.
    - Staff clarified that a covenant would be recorded with the property (similar to the indexed units in the city).
- Commissioners inquired about the option of payment-in-lieu.
    - Staff confirmed that payment-in-lieu would be researched at a later time.
    - Commissioner Cibulka expressed interest in exploring payment-in-lieu in the future.
    - The city's financing advisor, Stacie Kvilvang, explained that utilizing a payment-in-lieu can be flawed because the fee developer pays does not cover the actual cost of building an affordable unit.
- Commissioners inquired about the tools cities are utilizing to obtain affordable housing.
    - Staff stated that there are several tools, including Tax Increment Financing (TIF), abatement, and land subsidies.

Commissioners Jacobsohn, Johnson, Johnston, and Yunker voted in favor of the policy. Commissioner Cibulka voted no. Commissioners Hromatka and Knickerbocker were not in attendance.

Recommendation

Staff recommends the city council adopt the attached resolution approving Council Policy 13.2 related to affordable housing.

Submitted through:
Geralyn Barone, City Manager
Corrine Heine, City Attorney

Originated by:
Alisha Gray, EDFP, Economic Development and Housing Manager
Julie Wischnack, AICP, Community Development Director

Attachments:

Draft Affordable Housing Policy

Mixed-Income Housing Policy Analysis

Affordable Housing Work Plan

Feb. 4, 2019: Staff Summary of City Council Study Session

2004 resolution recommending affordable housing

Supplemental Information

May 8, 2019 Unapproved EDAC Minutes (Affordable Housing Policy)

March 14, 2019 – EDAC Meeting (Draft Affordable Housing Workplan)

Feb. 4, 2019 – City Council Study Session

Jan. 7, 2019 – City Council Final draft of 2040 Comprehensive Plan

Sept. 4, 2018 – Joint Study Session – Comprehensive Plan Discussion

June 11, 2018 – City Council Study Session – Comprehensive Plan Housing Chapter

Aug. 23, 2017 – Comprehensive Guide Plan Steering Committee Meeting

2030 Comprehensive Plan

Resolution No. 2019-

Resolution adding Council Policy 13.2 – Affordable Housing

Be it resolved by the City Council of the City of Minnetonka, Minnesota as follows:

Section 1. Background.

1.01 The City of Minnetonka and Metropolitan Council have worked together to create affordable housing goals for the development of new affordable housing units within the city.

1.02 The City of Minnetonka has been working to accomplish these goals to include affordable housing in new housing developments, by recommending that 10% to 20% of the total units in new multi-family housing developments be made affordable.

1.03 City staff has drafted an Affordable Housing policy that re-affirms the city's commitment to affordable housing.

1.04 This policy establishes the criteria that the city will undertake to promote the production of affordable housing units in the city.

1.05 This policy supersedes Economic Development Authority Resolution 2004-002 related to affordable housing.

Section 2. Council Action

2.01 The city council hereby adopts Council Policy 13.2 Affordable Housing.

Adopted by the City Council of the City of Minnetonka, Minnesota, on July 8, 2019.

____
Brad Wiersum, Mayor

Attest:

____
Becky Koosman, City Clerk

Action on this resolution:

Motion for adoption:
Seconded by:
Voted in favor of:
Voted against:
Abstained:

Absent:
Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a meeting held on July 8, 2019.

____
Becky Koosman City Clerk

Policy Number 13.2
Affordable Housing Policy

Purpose of Policy: This policy establishes general procedures and requirements to govern the City's commitment to affordable housing.

Introduction

The City of Minnetonka has a long history of promoting diversity in the type and size of housing units in Minnetonka, including the production of new affordable rental and ownership opportunities.

This Policy recognizes the city's commitment to provide affordable housing to households of a broad range of income levels in order to appeal to a diverse population and provide housing opportunities to those who live or work in the city. The goal of this policy is to ensure the continued commitment to a range of housing choices by requiring the inclusion of affordable housing for low and moderate-income households in new multifamily or for-sale developments.

The requirements in this policy further the Minnetonka Housing Action Plan and city's Housing Goals and Strategies identified in the 2040 Comprehensive Plan.

Applicability and Minimum Project Size

This policy applies to all new multifamily rental developments with 10 or more dwelling units and all new for-sale common interest or attached community developments, (condominiums, townhomes, co-ops) with at least 10 dwelling units. This includes existing properties or mixed-use developments that add 10 or more units.

Calculation of Units

The number of Affordable Dwelling Units (ADUs) required shall be based on the total number of dwelling units approved by the city. If the final calculation includes a fraction, the fraction of a unit shall be rounded up to the nearest whole number.

If an occupied property with existing dwelling units is expanded by 10 or more units, the number of required ADUs shall be based on the total number of units following completion of expansion.

Affordable Dwelling Unit (ADU)

General Requirements.

<u>For projects not requesting a zoning change and/or comprehensive plan amendment and not receiving city assistance.</u>

- In multi-family rental developments, at least 5% of the units shall be affordable to and occupied by households with an income at or below 50% of the AMI.

- In attached for-sale common interest or attached community developments (condominiums, townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects requesting a zoning change or comprehensive plan amendment without city assistance.

- In multi-family rental developments, at least 10% of the units shall be affordable to and occupied by households with incomes at or below 60% AMI, with a minimum of 5% at 50% AMI.

- In attached for-sale common interest or attached community developments (condominiums townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

For projects receiving city assistance.

- For multi-family rental developments, at least 20% of the units shall be affordable to and occupied by households with an income at or below 50% of the AMI; or at least 40% of the units shall be affordable to and occupied by households with an income at or below 60% AMI.

- In attached for-sale common interest or attached community developments (condominiums, townhomes, co-ops), at least 10% of the units shall be affordable to and occupied by households with an income at or below 80% AMI.

Calculation of AMI

For purposes of this policy, Area Median Income means the Area Median Income for the Twin Cities metropolitan area calculated annually by the Minnesota Housing Finance Agency for establishing rent limits for the Housing Tax Credit Program (multi-family ADU) and the Department of Housing and Urban Development (attached for-sale common interest or attached community developments, including: condominiums, townhomes, co-ops).

Rent Level Calculation (Multi- Family Rental Developments)

The monthly rental price for an ADU receiving city assistance shall include rent and utility costs and shall be based on fifty percent (50%) or sixty percent (60%) for the metropolitan area that includes Minnetonka adjusted for bedroom size and calculated annually by Minnesota Housing Financing Agency for establishing rent limits for the Housing Tax Credit Program. This does not apply to units not receiving city assistance.

For Sale Projects

The qualifying sale price for an owner-occupied dwelling unit shall include property taxes, homeowner's insurance, principal payment and interest, private mortgage insurance, monthly ground lease, association dues, and shall be based upon eighty (80%) AMI for the metropolitan area that includes Minnetonka adjusted for bedroom size and calculated annually by the Department of Housing and Urban Development.

Period of Affordability

In developments subject to this policy, the period of affordability for the ADUs shall be thirty (30) years.

Location, Standards, and Integration of ADUs

Distribution of affordable housing units. Unless otherwise specifically authorized by this policy, the ADUs shall be integrated within the development and distributed throughout the building(s). The ADUs shall be incorporated into the overall project unless expressly allowed to be located in a separate building or a different location approved by the city council.

Number of bedrooms in the affordable units. The ADUs shall have a number of bedrooms proportional to the market rate units. The mix of unit types shall be approved by the city.

Size and Design of ADUs. The size and design of ADUs shall be consistent and comparable with the market rate units in the rest of the project.

Exterior/Interior Appearance of ADUs. The exterior/interior materials and design of the ADUs in any development subject to these regulations shall be indistinguishable in style and quality with the market rate units in the development.

Non-Discrimination Based on Rent Subsidies

Developments covered by this policy must not discriminate against tenants who would pay their rent with federal, state or local public assistance, including tenant based federal, state or local subsidies, but not limited to rental assistance, rent supplements, and Housing Choice Vouchers.

Alternatives to On-Site Development of an ADU

The city recognizes that it may not be economically feasible or practical in all circumstances to provide ADUs in all development projects due to site constraints resulting in extraordinary costs of development. The city reserves the right to waive this policy if the developer requests a waiver and can provide evidence of extraordinary costs prohibiting the inclusion of ADUs. The city will review on a case-by-case basis to determine if the waiver is justifiable and granted.

Recorded Agreements, Conditions and Restrictions

A declaration of restrictive covenants shall be executed between the city, EDA and developer, in a form approved by the city's EDA attorney, which formally sets forth development approval and requirements to achieve affordable housing in accordance with this policy. The declaration shall identify:

- The location, number, type, and size of affordable units to be constructed;
- Sales and/or rental terms; occupancy requirements;
- A timetable for completion of the units; and
- Annual Tenant income and rent reporting requirements; and
- Restrictions to be placed on the units to ensure their affordability and any terms contained in the approval resolution by the city/EDA.

The applicant or owner shall execute all documents deemed necessary by the city manager, including, without limitation, restrictive covenants and other related instruments, to ensure affordability of the affordable housing unit within this policy.

The documents described above shall be recorded in the Hennepin County as appropriate.

Definitions

Affordable Dwelling Unit: A unit within a residential project subject to this policy that shall meet the income eligibility and rent affordability standards outlined in this policy.

Financial Assistance: Funds derived from the city or EDA, including but is not limited to fund from the following sources:

- City of Minnetonka
- Housing Redevelopment Authority (HRA) Funds
- Economic Development Authority (EDA) Funds
- Community Development Block Grant (CDBG)
- Reinvestment Assistant Program
- Revenue Bonds and/or Conduit Bonds
- Tax increment financing (TIF), TIF pooling, or tax abatement
- Land write downs
- Other government housing development sources

Adopted by Resolution
Council Meeting of:

precedent setting. She cautioned the council on moving forward with this project and discussed how it would impact Orchard Road.

Bergstedt stated he concurred with the statements made by Happe. He appreciated the process that was followed for this project and thanked the developer for working with the city and the neighbors to design a project that would work. He stated he fully supported the project.

Carter commended the neighbors and developer for working together on this high quality project. She explained she wouldn't pick this type of development personally and understood affordable housing wasn't an option for this unique lot. She stated she was inclined to support the proposed development.

Ellingson thanked the neighborhood and developer for coming together on this project. He feared how the development would be impacted by the increase in the price of the homes and noted these homes would only appeal to a very narrow market of homebuyers.

Wiersum stated this was true. He commented on the compromise that was reached between the neighbors and the developer, and thanked both parties for their engagement. He was of the opinion this was a good development that would fit nicely into Minnetonka. He understood the project would not be affordable but noted no new construction was considered affordable. He stated he would be offering his support to this project.

Happe moved, Bergstedt seconded a motion to adopt Ordinance 2019-15 and Resolution 2019-059 approving the proposal. All voted "yes." Motion carried.

E. Affordable Housing Policy

Community Development Director Julie Wischnack gave the staff report.

Bergstedt requested further information regarding the comments made by the EDAC. Wischnack discussed the comments made by the EDAC.

Bergstedt commented on the payment in lieu policy and requested further information on this topic. Wischnack reported staff did not support a payment in lieu policy at this time. She reported she was reviewing how this policy was working in the cities of Bloomington and Edina to learn more about the process and would be reporting back to the council in November or December.

Happe questioned if salaries were verified to ensure renters remained within the AMI requirements. Wischnack explained salaries were verified annually for those living within an affordable housing unit. She noted there was a grace period and if a renters income were raised, perhaps the rent structure would be changed for the affordable unit. She noted this was not an eviction situation, but rather management would work with the renter to make an adjustment to the rent another unit within the complex would become affordable.

Wiersum opened the meeting for public comments.

Veta Segal, 12830 April Lane, explained she has been a resident of Minnetonka since 1957. She noted she used to live on Belmont Road for several years before moving to her current address. She stated she has been involved in the issue of affordable housing for years as she previously worked as a social worker and assisted individuals going from welfare to work. She explained she often had a problem with finding jobs in Minnetonka because she could not find affordable housing and transportation. She encouraged the council to reconsider the area median income. She stated there was far more need for affordable housing in the city than there was for luxury housing, especially when it came to seniors.

Wiersum closed the meeting to public comments.

Happe stated he was pleased to see the policy was written to address owned housing as a target area. He expressed concern with the word "shall" within the policy and he wished this term could be softened.

Schack discussed the timeline and noted there were other tasks ahead of the council with respect to affordable housing. She understood the council was working to address naturally occurring affordable housing as well as providing affordable units for those at the 30% to 40% Area Median Income (AMI). She was pleased the city was chipping away at this and stated she supported the draft policy as presented.

Calvert agreed with Schack's comments. She explained she appreciated the word "shall" and believed the policy needed to have teeth. She indicated she would appreciate the council holding a study session meeting in the future to further discuss how to address near homelessness.

Bergstedt commented affordable housing was a problem that was not going away but would only get worse both in Minnetonka and around the state. He stated this was a more challenging topic for Minnetonka given the fact this was a wealthy community. He was pleased the city had a plan and that staff was committed to this plan. He supported the draft policy moving forward.

Wiersum thanked staff for drafting a great policy. He believed the policy sets a great standard for the city going forward into the future.

Schack moved, Calvert seconded a motion to adopt Resolution 2019-060, approving the draft affordable housing policy. Schack, Carter, Bergstedt, Ellingson, Calvert and Wiersum voted "yes". Happe voted "no". Motion carried.

15. Appointments and Reappointments: None

16. Adjournment

Happe moved, Carter seconded a motion to adjourn the meeting at 9:10 p.m. All voted "yes." Motion carried.

Respectfully submitted,

Becky Koosman

Becky Koosman
City Clerk

AMI AND HOUSING AFFORDABILITY

The Area Median Income (AMI) is the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median. For housing policy, income thresholds set relative to the area median income—such as 50% of the area median income—identify households eligible to live in income-restricted housing units and the affordability of housing units to low-income households.

Low-income households and levels of affordability

Your housing element and implementation program must address affordable housing needs within three levels of affordability:

- At or below 30% AMI
- Between 31 and 50% AMI
- Between 51 and 80% AMI

The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country by household size. For the Twin Cities region in 2017, HUD has defined the three levels of affordability as:[1]

Household Size:	Extremely Low Income (30% of AMI)	Very Low Income (50% of AMI)	Low Income (80% of AMI)
One-person	$19,000	$31,650	$47,600
Two-person	$21,700	$36,200	$54,400
Three-person	$24,400	$40,700	$61,200
Four-person	$27,100	$45,200	$68,000
Five-person	$29,300	$48,850	$73,450
Six-person	$32,960	$52,450	$78,900
Seven-person	$37,140	$56,050	$84,350
Eight-person	$41,320	$59,700	$89,800

Thinking about specific jobs helps make this more concrete. For a four-person household with only one wage-earner, positions as home health aides or funeral attendants would provide an income at 30% of AMI; positions as interior designers or bus drivers would provide an income at 50% of AMI; and positions as accountants or police officers would provide an income at 80% of AMI. For a more in depth look at how full-time jobs do not always mean there are affordable housing choices, visit the Family Housing Fund's website.

Having an income below these thresholds makes households eligible for certain housing programs (other social programs use thresholds relative to the federal poverty guidelines). For example, to be eligible for a Housing Choice Voucher, household income must be at or below 50% of AMI; a three-person household with an income up to $40,700 would be eligible for a voucher as would a five-person household with an income up to $48,850.

Translating incomes into affordable housing costs

These income levels are also a way to assess housing affordability. We say that a housing unit is "affordable at 80% of AMI" if a household whose income is at or below 80% of AMI can live there without spending more than 30% of their income on housing costs. What this means in practice differs for rental and ownership units.

Affordable rents for housing units vary by the number of bedrooms in the housing unit. This is because the income limits vary by household size, and the number of bedrooms affects how many people a unit can comfortably house.[2] Here are affordable monthly rents at the different income levels for 2017:

Continue to next page →

Number of bedrooms:	Affordable rent (including utilities) at 30% of AMI	Affordable rent (including utilities) at 50% of AMI	Affordable rent (including utilities) at 80% of AMI
Studio	$474	$791	$1,265
1-BR	$508	$848	$1,356
2-BR	$610	$1,017	$1,627
3-BR	$705	$1,175	$1,880
4-BR	$786	$1,311	$2,097

Calculations of affordability for ownership units are more complicated because there are more variables in monthly housing costs – such as generalized assumptions[3] about down-payments and mortgage interest rates – and each homeowner will have a different experience. Each year, the Council develops affordability limits based on forecasting what those annual assumptions will be; these are used to inform development funded through the Livable Communities Act programs. While we can't predict what future home prices will be, we can look backward at the estimated market values for 2016; these are the basis of the Council-provided maps showing ownership units that are affordable to households at 80% of AMI.

Affordable purchase prices are provided for both 2015 and 2016 below. If your community chooses to develop a map with a different data source to satisfy this requirement, please contact Council staff to find out which affordability limit you should use.

	30% of AMI	50% of AMI	80% of AMI
Affordable purchase price (2017)	$85,000	$151,500	$236,000
Affordable purchase price (2016)	$85,500	$153,500	$243,500
Affordable purchase price (2015)	$84,500	$151,500	$238,500

1. For a full explanation of how these amounts were calculated, see HUD's website.

2. These rents assume that a household should pay no more than 30% of its monthly income on rent (including utilities), and (in keeping with IRS regulations) that a housing unit can comfortably hold 1.5 times as many people as the number of bedrooms it has.

3. For all years, in addition to the 29% housing debt to household income ratio, we assumed a 30-year fixed-interest mortgage, a 3.5% down-payment, a property tax rate of 1.25% of property sales price, and $100 / month for hazard insurance. For 2017, we assumed a 4.375% interest rate and mortgage insurance premiums at 0.85% of unpaid principal. For 2016, we assumed a 3.60% interest rate (the average rate in the Midwest in 2016) and mortgage insurance premiums at 0.85% of unpaid principal. For 2015, we assumed a 3.84% interest rate (the average rate in the Midwest in 2015) and mortgage insurance premiums at 1.35% of unpaid principal.

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MINNETONKA HOUSING ACTION PLAN
FOR THE YEARS 2011-2020
METROPOLITAN LIVABLE COMMUNITIES ACT

Introduction

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the communities to sign up to participate in the program, negotiating a series of affordable and lifecycle housing goals with the Metropolitan Council for 1996-2010.

In August 2010, the Minnetonka City Council passed a resolution electing to continue participating in the LCA for the years 2011-2020. As part of that resolution, the city agreed to the following affordable and lifecycle housing goals:

New Affordable Units (rental and ownership)	246 to 378
New Lifecycle Units	375 to 800

The purpose of this Housing Action Plan is to outline the steps and tools that the city may use between the years 2011-2020 to help meet its LCA goals.

Overview of Minnetonka Housing Trends

Development Conditions

Minnetonka is a desirable community in which to live. Its natural environment, good schools, and homes on large lots contribute to the attraction of Minnetonka as a great place to live, work and play. As such, the demand for these community attributes has led to increased home values that have risen to the point that most single-family homes, despite their age, are not affordable to low and moderate income families. Land values, in particular, have increased substantially, making it difficult for developers to build affordable and mid-priced single-family homes.

Additionally, Minnetonka is a fully developed city with little vacant or underdeveloped land available for new housing development. With the combination of increasing land values and little developable land, most of the affordable homes in the community are rental units and for-sale condominiums and townhomes.

Aging of the Population

One of the biggest demographic shifts affecting this nation is the aging of the “baby boomer” generation (the large generation of people born between 1946 and 1964). This trend is already apparent in Minnetonka, where the median age in 2007 was 52 years old and 44% of the households were age 55 and older. As the population continues to age, housing location, types, and proximity to public transit or transit alternatives will become increasingly important.

Preservation and Rehabilitation of the Existing Housing Stock

Much of Minnetonka's single-family housing stock was built between 1950 and 1970 while most multi-family housing was built in the 1970s and 1980s. As the housing stock continues to age, additional maintenance and repairs will be needed in order to keep homes in adequate condition and to preserve neighborhood character. Older homes may need to be updated in order to attract younger families to the community. Also, as both Minnetonka's population and housing age, older residents may require increased support through funding and in-kind service programs that will help them to maintain and make necessary repairs to ensure that their homes are safe, accessible, energy efficient, and habitable.

While not all older homes are affordable, older homes tend to be the more affordable housing stock in Minnetonka. The preservation of these homes is critical to providing homeownership opportunities for those who could normally not afford to live in the community.

Current Housing Conditions

In 2007, there were approximately 22,500 housing units in Minnetonka, of which 76.6% are owner-occupied. The housing stock includes a mix of the following types:

- 57% single-family
- 20% condominium/townhome
- 18% general-occupancy rental
- 5% senior (including independent and assisted living facilities)

Land values in Minnetonka continue to greatly influence the cost of housing. In Minnetonka, land accounts for about one-third of a home's total value, thus making up a large proportion of the home value. For a single-family home, the median value is $326,850, with only about 1% of the single-family homes valued under $200,000. The median value of Minnetonka's multi-family for-sale homes (i.e. condominiums and townhomes) in 2007 was $200,000. Multi-family homes contribute to the bulk of the city's affordable for-sale housing stock because they are generally more affordable than Minnetonka's single-family detached homes.

The average monthly rents at Minnetonka's market-rate multi-family apartments are much higher than other market-rate apartments in the metropolitan area. In the 1st Quarter 2007, Minnetonka's average apartment rents were $1,106 compared to the metropolitan area's average apartment rental rate of $876. Additionally, only about 20% of Minnetonka rental units are considered affordable under the Metropolitan Council's definition.

Housing Goals

In addition to the city's agreement to add new affordable and lifecycle housing units as set out in the 2011-2020 affordable and lifecycle housing goals with the Metropolitan Council, the city's 2008 Comprehensive Plan update also provides a series of housing goals that the city will be working towards achieving. These goals include:

1. Preserve existing owner-occupied housing stock.
2. Add new development through infill and redevelopment opportunities.
3. Encourage rehabilitation and affordability of existing rental housing and encourage new rental housing with affordability where possible.
4. Work to increase and diversify senior housing options.
5. Continue working towards adding affordable housing and maintaining its affordability.
6. Link housing with jobs, transit and support services.

More details on these goals as well as action steps are provided in the 2008 City of Minnetonka Comprehensive Plan Update.

Tools and Implementation Efforts to Provide Affordable and Lifecycle Housing

Housing Assistance Programs

The purpose of housing assistance programs is to provide renters or homeowners help in obtaining a housing unit. These programs can be federal, state, or local programs. For the years 2011-2020, Minnetonka anticipates the following programs will be available to Minnetonka residents.

<u>Section 8 Voucher Program</u>
The Section 8 Voucher Program is funded by the U.S. Department of Housing and Urban Development (HUD), and administered by the Metro HRA on behalf of the city. The program provides vouchers to low income households wishing to rent existing housing units. The number of people anticipated to be served depends on the number of voucher holders wishing to locate in Minnetonka as well as the number of landlords wishing to accept the vouchers.

<u>Shelter Plus Care</u>
The Shelter Plus Care program is another federal program administered by the Metropolitan Council and sometimes the City of St. Louis Park. This program provides rental assistance and support services to those who are homeless with disabilities. There are a small number of these units (less than 10) in the city currently, and it is unlikely there will be any more added.

<u>Minnesota Housing Finance Agency Programs</u>
The Minnesota Housing Finance Agency (MHFA) offers the Minnesota Mortgage Program and the Homeownership Assistance Fund for people wishing to purchase a

home in Minnetonka. The Minnesota Mortgage Program offers a below market rate home mortgage option, while the Homeownership Assistance Fund provides downpayment and closing cost assistance. It is unknown how many people are likely to use these services as it seems to depend on what the market conditions are.

Homes Within Reach

Homes Within Reach, the local non-profit community land trust, acquires both new construction and existing properties for their program to provide affordable housing in the city. Using a ground lease, it allows the land to be owned by Homes Within Reach and ensures long-term affordability. Additionally, if rehabilitation is needed on a home, Homes Within Reach will rehabilitate the home before selling the property to a qualified buyer (at or less than 80% area median income). It is anticipated that approximately three to five homes per year will be acquired in Minnetonka as part of this program.

City of Minnetonka First Time Homebuyer Assistance Program

In 2010, the city levied for funds to begin a first time homebuyer assistance program. The program is anticipated to begin in 2011. General program details include funds for downpayment and closing costs of up to $10,000, which would be structured as a 30 year loan and available to those at incomes up to 115% of area median income or those that can afford up to a $300,000 loan. The number of households to be assisted depends on the amount of funding available for the program. Currently, this program is anticipated to be funded with HRA levy funds.

Employer Assisted Housing

Through employer assisted housing initiatives, Minnetonka employers can help provide their employees with affordable rental or home ownership opportunities. There are several options that employers can use to both increase the supply of affordable housing, as well as to provide their employees with direct assistance by:

- Providing direct down payment and closing cost assistance
- Providing secondary gap financing
- Providing rent subsidies

No employer assisted housing programs have been set up to date; however, it is a tool that the city has identified in the past as an opportunity for those who work in Minnetonka to live in Minnetonka.

Housing Development Programs

Housing development programs provide tools in the construction of new affordable housing units—both for owner-occupied units as well as rental units.

Public Housing

There are currently 10 public housing units, located in two rental communities, which offer affordable housing options for renters at incomes less than 30% of area median income. The Metropolitan Council and Minneapolis Public Housing Authority administer the public housing program on behalf of the city. It is not anticipated that more public housing units will be added to the city.

HOME Program

HOME funds are provided through Hennepin County through a competitive application process. The city regularly supports applications by private and non-profit developers that wish to apply for such funds. Homes Within Reach has been successful in the past in obtaining HOME funds for work in Minnetonka and suburban Hennepin County.

Other Federal Programs

The city does not submit applications for other federal funding programs such as Section 202 for the elderly or Section 811 for the handicapped. However, the city will provide a letter of support for applications to these programs.

Minnesota Housing Finance Agency Programs

The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, mainly for the development of affordable rental housing. Similar to federal programs, the city does not usually submit applications directly to MHFA; however, it will provide letters of support for applications to the programs.

Metropolitan Council Programs

The Metropolitan Council, through participation in the LCA, offers the Local Housing Incentives Account and Livable Communities Demonstration Account programs to add to the city's affordable housing stock. Over the past 15 years, the city has received nearly $2 million in funds from these programs, and will continue to seek funding for projects that fit into the criterion of the programs.

Twin Cities Habitat for Humanity

The Twin Cities Habitat for Humanity chapter has had a presence in Minnetonka in the past, completing four affordable housing units. At this time there are no projects planned for Minnetonka, as land prices make it significantly challenging unless the land is donated. The city is willing to consider projects with Habitat for Humanity in the future to assist those with incomes at or below 50% of area median income.

Tax Increment Financing

Minnetonka has used tax increment financing (TIF) to offset costs to developers of providing affordable housing in their development projects. The city will continue to use TIF financing, as permitted by law, to encourage affordable housing opportunities. Unless the state statutes provide for a stricter income and rental limit, the city uses the Metropolitan Council's definition of affordable for housing units.

Housing Revenue Bonds

The City has used housing revenue bonds for eight rental projects since 1985. Housing revenue bonds provide tax exempt financing for multi-family rental housing. The bond program requires that 20 percent of the units have affordable rents to low and moderate income persons. The city will continue to use housing revenue bonds for projects that meet housing goals and provide affordable units meeting the Metropolitan Council's guidelines.

<u>Housing and Redevelopment Authority (HRA) Levy</u>
By law, the city's Economic Development Authority (EDA) has both the powers of an economic development authority and a housing and redevelopment authority (HRA). It can use these powers to levy taxes to provide funding for HRA activities, including housing and redevelopment. The city first passed an HRA levy in 2009 to support Homes Within Reach, and now uses the funds to support its own housing rehabilitation and homeownership activities for those at 100-115% of area median income.

<u>Community Development Block Grant (CDBG) funds</u>
CDBG funds are allocated to the city by HUD each year. Based upon the needs, priorities, and benefits to the community, CDBG activities are developed and the division of funding is determined at a local level. CDBG funds are available to help fund affordable housing.

<u>Livable Communities Fund</u>
In 1997, special legislation was approved allowing the City to use funds remaining from Housing TIF District No. 1 for affordable housing and Livable Communities Act purposes. The city can use these funds to help achieve its affordable housing goals.

Housing Maintenance and Rehabilitation

As the city's housing stock continues to age, a number of programs are already in place to help keep up the properties.

<u>Minnesota Housing Finance Agency Programs--Rental</u>
The Minnesota Housing Finance Agency (MHFA) offers a variety of financing programs, for the rehabilitation of affordable rental housing. The city does not submit applications for these programs as the city does not own any rental housing; however, it will provide letters of support for those wishing to apply.

<u>Minnesota Fix-up Fund</u>
The Minnesota Housing Fix-Up Fund allows homeowners to make energy efficiency, and accessibility improvements through a low-interest loan. Funded by MHFA, and administered by the Center for Energy and Environment, the program is available to those at about 100% of area median income.

<u>Community Fix-up Fund</u>
The Community Fix-Up Fund, offered through Minnesota Housing, is similar to the Fix-Up Fund, but eligibility is targeted with certain criteria. In the city, Community Fix-Up Fund loans are available to Homes Within Reach homeowners, since community land trust properties cannot access the Fix-Up Fund due to the ground lease associated with their property.

Home Energy Loan

The Center for Energy and Environment offer a home energy loan for any resident, regardless of income, wishing to make energy efficiency improvements on their home.

Emergency Repair Loan

Established in 2005, the City's Emergency Repair Loan program provides a deferred loan without interest or monthly payments for qualifying households to make emergency repairs to their home. The amount of the loan is repaid only if the homeowner sells their home, transfers or conveys title, or moves from the property within 10 years of receiving the loan. After 10 years, the loan is completely forgiven. This loan is funded through the City's federal Community Development Block Grant (CDBG) funds in order to preserve the more affordable single-family housing stock by providing needed maintenance and energy efficiency improvements. The program is available to households with incomes at or below 80% of area median income. On average, 10 to 15 loans are completed each year.

City of Minnetonka Home Renovation Program

In 2010, the city levied for funds to begin a home renovation program. The program is anticipated to begin in 2011. This program would be similar to the existing federal community development block program (CDBG) rehabilitation program. The challenge with CDBG funding involves the maximum qualifying household income of 80% of AMI, Use of HRA funds, would allow the City of Minnetonka Home Renovation Program more flexibility to include households up to 115% AMI, which equates to 82% of all Minnetonka households. The program would be geared toward maintenance, green related investments and mechanical improvements. Low interest loans would be offered up to $7,500 with a five year term.

H.O.M.E. program

The H.O.M.E. program is a homemaker and maintenance program that is designed to assist the elderly. The H.O.M.E. program assists those who are age 60 and older, or those with disabilities with such services as: house cleaning, food preparation, grocery shopping, window washing, lawn care, and other maintenance and homemaker services. Anyone meeting the age limits can participate; however, fees are based on a sliding fee scale. Nearly 100 residents per year are served by this program.

Home Remodeling Fair

For the past 17 years, the city has been a participant in a home remodeling fair with other local communities. All residents are invited to attend this one day event to talk to over 100 contractors about their remodeling or rehabilitation needs. Additionally, each city has a booth to discuss various programs that are available for residents. Approximately 1,200 to 1,500 residents attend each year.

Local Official Controls and Approvals

The city recognizes that there are many land use and zoning tools that can be utilized to increase the supply of affordable housing and decrease development costs. However, with less than two percent of the land currently vacant in the city, most new projects will be in the form of redevelopment or development of under-utilized land. New infill development and redevelopment is typically categorized as a planned unit development (PUD), which is given great flexibility under the current zoning ordinance.

<u>Density Bonus</u>
Residential projects have the opportunity to be developed at the higher end of the density range within a given land use designation. For example, a developer proposing a market rate townhouse development for six units/acre on a site guided for mid-density (4.1-12 units/acre) could work with city staff to see if higher density housing, such as eight units/acre, would work just as well on the site as six units/acre. This is done on a case by case basis rather than as a mandatory requirement, based on individual site constraints.

<u>Planned Unit Developments</u>
The use of cluster-design site planning and zero-lot-line approaches, within a planned unit development, may enable more affordable townhome or single-family cluster developments to be built. Setback requirements, street width design, and parking requirements that allow for more dense development, without sacrificing the quality of the development or adversely impacting surrounding uses, can be considered when the development review process is underway.

<u>Mixed Use</u>
Mixed-use developments that include two or more different uses such as residential, commercial, office, and manufacturing or with residential uses of different densities provide potential for the inclusion of affordable housing opportunities.

<u>Transit Oriented Development (TOD)</u>
TOD can be used to build more compact development (residential and commercial) within easy walking distance (typically a half mile) of public transit stations and stops. TODs generally contain a mix of uses such as housing, retail, office, restaurants, and entertainment. TODs provides households of all ages and incomes with more affordable transportation and housing choices (such as townhomes, apartments, live-work spaces, and lofts) as well as convenience to goods and services.

Authority for Providing Housing Programs

The City of Minnetonka has the legal authority to implement housing-related programs, as set out by state law, through its Economic Development Authority (EDA). The EDA was formed in 1988; however, prior to that time, the city had a Housing and Redevelopment Authority (HRA).

AFFORDABLE HOUSING GOALS

Progress on the city's affordable housing goals.

In 1995, the Minnesota Legislature created the Livable Communities Act (LCA) to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. When the LCA was established, Minnetonka was one of the first communities to sign up to participate in the program. At that time, a series of affordable housing goals for the city was established for 1996 to 2010. The city has elected to continue to participate in the LCA program, establishing affordable and lifecycle housing goals for 2011 to 2020.

1995-2010 AFFORDABLE HOUSING GOALS

	Goals (1995-2010)	Results	Percent Achieved
New Affordable Ownership Units	180 Units	202	112%
New Affordable Rental Units	324 Units	213	66%
New Rental Units (All)	540 Units	697	130%

1995-2010 New Affordable Ownership Units

Project	Year Completed	Affordable Units	EIP Program Used
Gables of West Ridge Market	1996-1997	90	Boulevard Gardens TIF
Habitat for Humanity	1999	4	None
Ridgebury	2000	56	Ridgebury TIF
The Enclave	2002	1	None
The Sanctuary	2005-2007	3	-Grants -Homes Within Reach
Lakeside Estates	2005	1	Homes Within Reach
Cloud 9 Sky Flats	2006	34	Homes Within Reach
Wyldewood Condos	2006	8	None
Minnetonka Drive	2007	1	Homes Within Reach
Deephaven Cove	2007	2	-Grants -Homes Within Reach
Meadowwoods	2007/2008	2	Homes Within Reach

1995-2010 New Affordable Rental Units

Project	Year Completed	Affordable Units	EIP Program Used
Excelsior Court Apartments	1996	24	
West Ridge Retirement	1997	45	Boulevard Gardens TIF
Boulevard Gardens	1997	46	Boulevard Gardens TIF
Crown Ridge Apartments	1997	46	Boulevard Gardens TIF
Minnetonka Mills	1997	30	Minnetonka Mills TIF
Cedar Pointe Townhouses	1997	9	Cedar Pointe
The Oaks at Glen Lake	2008	13	Glenhaven TIF

2011-2020 AFFORDABLE HOUSING GOALS

	Goals (2011-2020)	Results	Percent Achieved (to date)
New Affordable Units (rental & ownership)	246 to 378	130	53%
New Lifecycle Units	375 to 800	684	182%

2011-2020 New Affordable Units (rental and ownership)

Project	Year Completed	Affordable Units	EIP Program Used
The Glenn by St. Therese	2011	30	Glenhaven TIF
The Ridge	2013	51	TIF Pooling
Tonka on the Creek	2016	20	Tonka on the Creek TIF
At Home	2016	21	Rowland Housing TIF
Cherrywood Pointe	2017	8	N/A
Shady Oak Apartments	2017*	49	TIF Pooling
The Mariner	2017*	55	TIF Pooling
Opus Station Apartments	Proposed 2018*	450	TIF Housing

*Indicates projects that are approved, but not yet constructed therefore affordable and lifecycle units are not counted in 2011-2020 goals.

2011-2020 New Lifecycle Units

Project	Year Completed	Lifecycle Units	EIP Program Used
The Glenn by St. Therese	2011	150	Glenhaven TIF
The Ridge	2013	64	TIF Pooling
Tonka on the Creek	2016	100	Tonka on the Creek TIF
At Home	2016	106	Rowland Housing TIF
Applewood Pointe	2017	89	Applewood Pointe TIF
Lecesse*	2017	32	N/A
Cherrywood Pointe	2017	2	N/A
Zvago	2017	54	Glenhaven TIF

*Indicates projects that are approved, but not yet constructed therefore affordable and lifecycle units are not counted in 2011-2020 goals.

The following is a list EIP programs and their contribution to the city's affordable housing goals.

PROGRAM	***AFFORDABLE HOUSING CONTRIBUTION***
Housing	
CDBG Program Administration	No direct impact
Emergency Repair Program	No direct impact
Employer Assisted Housing	No direct impact
Fair Housing	No direct impact
Homes Within Reach	Preservation of affordable housing
Housing Improvement Area (HIA)	No direct impact
Minnetonka Heights Apartments	172 affordable units participate in program
Minnetonka Home Enhancement program	No direct impact
Owner-Occupied Housing Rehabilitation	No direct impact
Public Services	No direct impact
Next Generation Program	Program could preserve affordable units
Tax Exempt Financing	Program may add or preserve affordable units
TIF Pooling	51 units added through The Ridge
Welcome to Minnetonka program	No direct impact
Business	
Economic Gardening	No direct impact
Fire Sprinkler Retrofit	No direct impact
Grants	May assist with components of projects that have affordable units
Industrial Revenue Bonds (Common Bond)	No direct impact
GreaterMSP	No direct impact
Minnesota Community Capital Fund (MCCF)	No direct impact
Minnesota Investment Fund (MIF)	No direct impact
Open to Business	No direct impact
Outreach	No direct impact
PACE	No direct impact
Economic Development Infrastructure	No direct impact
TwinWest	No direct impact
Transit	
Commuter Services	No direct impact
LRT	No direct impact
Transit Improvements	No direct impact
Redevelopment	
Predevelopment Projects	May assist projects that are developing affordable housing
Village Center	Help to guide areas where affordable housing may be developed
Tax Increment Financing (TIF)	
Development Agmt/TIF Admin	No direct impact
Beacon Hill TIF District	44 affordable units added in 1994 (prior to affordable housing goals). Preserved in 2010.
Boulevard Gardens TIF District	227 affordable units added in 1996/1997
Glenhaven TIF District	43 affordable units added in 2008 and 2011
Minnetonka Mills TIF District	30 affordable units added in 1997. Even though district has expired, units remain affordable
Tonka on the Creek TIF District	20 affordable units expected in 2015
Applewood Pointe TIF District	9 affordable units completed in 2017 (will not meet Met Council guidelines, therefore not included in goals)
At Home Apartments	21 affordable units completed in 2016
Tax Abatement	
Ridgedale	No direct impact

HOUSING STRATEGIES & TOOLS FOR THE CITY OF MINNETONKA

Tools	Description	Opportunities	Challenges	Hennepin County Cities Considering
Identification of buildings; Document the problem	There should be an organized effort to track the most significant examples of this trend as well as identify buildings as soon as they come on the market (if possible before that). The City can also do a housing study that will identify the housing inventory and at-risk properties.	Minnetonka is at a great risk given the high percentage of naturally occurring affordable housing (NOAH). Identifying the multi-family housing in Minnetonka and documenting the problem gives the City more knowledge and ability to craft a strategic, outcome-oriented approach.		A number of cities have been doing housing studies and research on their housing inventory, particularly with the upcoming Comprehensive Plans.
Advanced Notice	The City must be given advanced notice prior to the sale of any building.	Advanced notice will give the City more to approach a preservation buyer to rehab the property and prevent displacement. In addition, the City can give service providers advanced notice in order to support tenants.	Developers will push back stating that it is restraining their ability to get the best price (i.e. buyers will lower the price if the market fluctuates in the 90 day time period.) Also, there could be a potential for the price to rise if there is a bidding war between a for-profit and a not for profit developer.	St. Louis Park, Golden Valley, Minneapolis, St. Paul, Bloomington
Help preservation buyers to buy at risk buildings	Several of our non-profit housing providers are actively competing in the market for these properties, but they are disadvantaged in competing against for-profit purchasers on price and timing with the complex financial process. The City can help notify preservation buyers when they know properties will be up for sale (e.g. Seasons Park).	Preservation buyers will keep the rents affordable while enhancing the property.	Preservation buyers often need at least a 90 day notice prior to the property being listed on the market in order to put together a competitive bid.	Many cities have relationships with preservation buyers, and there is frequent communication.

Right of First Refusal	When owners offer their buildings for sale, they would be required to notify tenants and the designated unit of government. Tenants or the government unit would then have a defined period of time to match the essential terms of the offer (price, timeline, etc.). If they are able to do so, they have the right to purchase the building themselves.	Prevents tenant displacement and can help a preservation buyer be competitive.	It can be hard to anticipate where these purchase opportunities will materialize, making it difficult to know where to push for local ordinances. Could get complicated determining what the offer's "essential terms" are.	Minnesota has a ROFR for manufactured home parks.
Local programs offering rehab financing in return for affordability commitments	Many cities, like Minnetonka, have a supply of aging complexes that have deferred maintenance. Many managers of these complexes cite the costs of improvements as a reason to either 1) not make improvements or 2) increase the rents once improvements are made. Municipalities could offer rehab financing (low interest loans, forgivable grants) with commitments to maintain affordability over a set period of time. This could be done with CDBG dollars.	Preserves affordable housing units in the City as well as makes the property safe housing for residents.	Administration of the financing (could be done in conjunction with a local nonprofit), funds for the financing.	Bloomington- using their HRA levy money to put $50,000 every year for a NOAH fund to preserve developments. It has been proposed to Brooklyn Park, in conjunction with their Rental Rehab Program.
4d Property Tax Program	This is essentially a tax credit given to housing providers who receive a government subsidy, and in exchange provide a percentage of their units at affordable levels (60%/50% AMI) for a set period of time. This is a program Minnetonka had when it was funded at the state level. That funding has dried up, and it seems that most people think 4D has gone away. However, the statute allows for "local subsidies."	Increases the number of new affordable housing units in the City.	Providing the pot of money for developers to tap into; the program is voluntary.	Suggested to Brooklyn Park

Prohibition of Section 8 Discrimination	Changes to business practices in Minnetonka resulted in the following properties no longer accepting Housing Choice Vouchers: -Christopherson Properties (no new) (2014) -Concierge Apartments (2015) -Woodlake Park Apartments (2016) -New Orleans Court Apartments (2016) -Winton Housing Apartments (2016) -Richland Court Apartments (2016) -Fountainhead Apartments (2016) -Seasons Park (2017) This ordinance would say that properties cannot exclude applicants simply because they use a rent subsidy.	Voucher holders would not lose housing every time a building changes policies and practices. There would also more housing options available to voucher holders.	Oftentimes the challenge will be for the HRA to lessen the administrative burden on landlords participating in the HCV program. However, given Minnetonka has its own HRA, landlords have said their experiences with the program are positive and feel the city is very responsive. Therefore, the challenge is minimal for the City.	St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie
Just Cause Eviction	Just Cause Eviction protects tenants from eviction for improper reason as well as prevents involuntary displacement through lease non-renewals or notices to vacate. This would allow landlords to evict a tenant only for certain reasons, such as failure to pay rent or for violation of the lease terms. As we saw at Crossroads, the new screening criteria was the reason many tenants' leases to not be renewed. Just Cause would allow these renters to continue living there until they break a condition of their new lease. It can be tied in with rental licensing.	Prevents involuntary displacement and protects tenants from eviction without a proper reason.		St. Louis Park, Minneapolis, Suggested to Golden Valley, Bloomington and Eden Prairie
Incentives to address landlord concerns about renting to certain groups of tenants	Risk Mitigation Fund is oftentimes associated with the Housing Choice Voucher program. This Fund can be created as a response to the extremely low vacancy rate and the disparity between cost of living and wages. It serves as a damage fund to supplement costs the security deposit does not fulfill. It also has been offered as short-term vacancy reimbursement.	Incentivizes landlords to participate in voucher programs, providing voucher holders with more access to housing options. Provides insurance to landlords for any monetary losses from potential damage to property.	Funding the RMF; perpetuating stigma that voucher holders cause more damage (no evidence to support this)	Minneapolis HRA, Metro HRA, Dakota County CDA; many models across Minnesota.

Inclusionary Housing	While this is in Richfield's guidelines to develop housing with 20% affordability, a policy would ensure that this happens with every development. It also can be applied to rehabbed developments.	Increases the number of new affordable housing units in the City.	Only applies to new construction, therefore not addressing the need to preserve and maintain NOAH	St. Louis Park, Edina, Minnetonka, Golden Valley, Eden Prairie, Minneapolis and others are considering
Increasing local government leverage through zoning	Minnetonka could structure its zoning so as to prevent an owner engaging in conversion actions from doing so before obtaining the city's zoning related approval.	Provides the City of Minnetonka with more leverage to intervene.		Minneapolis
Rental assistance	42% of Minnetonka households are cost burdened* (Marquette). Rental assistance would lessen the burden by supplementing income, so housing costs are no more than 30% of income. *Under 80% AMI	Residents would be able to afford housing costs without sacrificing other basic needs.	It is costly and unsustainable. As rent increases, rental assistance is insufficient and cannot serve as many households.	Hennepin County & a number of cities
Comp Plan: Include strong language and solutions regarding affordable housing	As Minnetonka completes its Comprehensive Plan, it is encouraged that the Plan has detailed solutions with strong language around the preservation of naturally occurring affordable housing. This plan will guide the City's housing efforts in the next ten years.	Strong language can positively guide the City's housing efforts in the next ten years.		A number of Hennepin County cities

Mixed Income Housing –

An Introduction for the Minneapolis/St. Paul Region

GROUNDED SOLUTIONS NETWORK

strong communities from the ground up

This report made possible by The Minneapolis/St. Paul Regional Mixed Income Housing Feasibility Education and Action Project, a project sponsored by The Family Housing Fund and the Urban Land Institute Minnesota/ Regional Council of Mayors (ULI MN/RCM) Housing Initiative, with funding support from The McKnight Foundation and Metropolitan Council.

Background

The economy and housing market in the Minneapolis/St. Paul region have largely recovered from the recent recession. However, for many people, even a full-time job does not guarantee access to a home they can afford[1]. Housing sale prices increased 7 percent from 2014 to 2015, and rental prices in some neighborhoods are not affordable to many people in the local workforce.

Ensuring that there is a full range of housing choices with access to quality jobs and transportation options is critically important to regional economic competitiveness. In a recent survey conducted by Greater MSP, young transplants to the region were asked what they looked for in choosing a community to live – overwhelmingly the No. 1 attribute was the availability and affordability of housing.

What is Mixed Income Housing?

Mixed income housing refers to developments that are primarily market rate, but have a modest component of affordable housing. Often, the development is 80 or 90 percent market rate units, with the remainder of the homes reserved for low- or moderate-income residents.

[1] *For more information, see the Family Housing Fund publication: [Working Doesn't Always Pay for a Home]*

Research indicates that mixed income communities are a key part of building economic prosperity and competitiveness by attracting and retaining residents to support key employers.

One strategy to meet this goal is to work with local developers to reserve a portion of their new units for low- or moderate-income residents. In some cases, the affordable housing set aside can be mandatory, and in others, it is part of a voluntary program that is supported by incentives, such as density bonuses or tax increment financing. While this strategy has worked well in many cities throughout the country, it is a relatively new – but quickly expanding – concept in the Minneapolis/St. Paul (MSP) region.

There are many types of mixed-income housing policies. While this report groups them for simplicity, cities can select elements to create a unique structure that fits their local market and achieves their community goals. The most common policies are listed below:

- Mandatory mixed income housing policies (inclusionary housing): Requires all new housing to include a portion of the units reserved for lower-income households.

- Planning and zoning policies: Requires a mix of incomes to be included in new housing if developers request or receive a land-use modification, such as zoning changes, density bonuses or parking reductions.

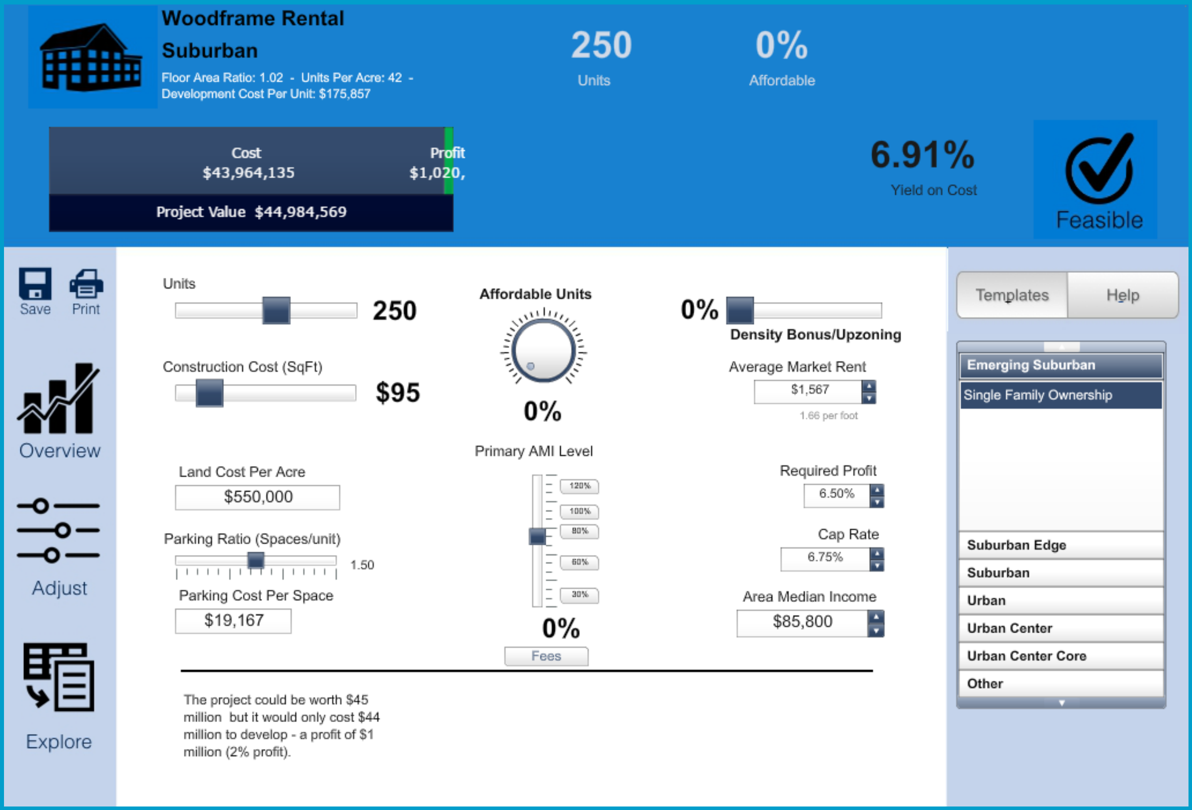
- City subsidies: Requires a mix of incomes in new housing if the city provides a public subsidy, such as tax increment financing (TIF), fee waivers or tax abatements.

There are also a number of non-zoning strategies that can promote affordable housing, like requiring mixed-income housing when selling city land.

Learn More

This publication is an introduction to mixed-income housing. To learn more, visit housingcounts.org.

To explore the economics of mixed-income housing and to design a mixed-income policy, visit Family Housing Fund/ Urban Land Institute of Minnesota's interactive, mixed-income calculator: **http://mncalculator.housingcounts.org/**



The Need – Housing for All

The Minneapolis/St. Paul region continues to grow and thrive. Good schools, beautiful parks and great neighborhoods attract employers and families to the area. Sperling's BestPlaces called the Twin Cities "the most playful metro in America" because of its museums, playgrounds and recreational opportunities. Companies, taking advantage of a well-educated workforce, continue to add many new jobs. These regional strengths impact market prices and put additional strain on people with lower than average incomes, who also make an important contribution to the economy.

As the population grows, home prices rise, and it becomes harder for families with modest incomes to afford a safe and decent home. Additionally, much of the region's new development has been luxury rentals, which do not meet the need for housing across all income levels. Currently, over 140,000 households are severely cost-burdened renters, meaning they pay more than half of their income in rent. Forty percent of new households in the coming decades will be low income, and consequently will struggle to find housing if cities do not intentionally create a full range of housing choices. Between 2020 and 2030, the Minneapolis/St. Paul region will need to add 37,400 homes affordable to low- or moderate-income households to meet the future demand created by economic growth (Metropolitan Council, 2040 Housing Policy Plan).

The lack of affordable housing impacts not only residents, but also the business community, the environment and the regional economy. When people cannot find affordable housing near their jobs and move outside of the urban core, there is a cost. People commute long distances, creating traffic and pollution. Employers have trouble hiring and retaining the employees they need. Equally important, families are affected. If parents are spending 30, 40 or even 50 percent of their income on housing, they have less to spend on everyday needs from local retailers and are unable to save for college or invest in their children's future.

While cities and nonprofit organizations have long invested in affordable housing development, the current strategies alone cannot meet the need. Stakeholders are looking for innovative solutions to complement existing public programs and investments. As detailed in this report, more and more cities are implementing mixed-income policies that integrate affordable housing into new market rate developments. Communities often embrace mixed income housing because people want housing options, but these communities are more reluctant to support affordable housing concentrated in one project or area. Additionally, research has shown that mixed income communities are good for families. The neighborhoods in which children grow up have a powerful effect on the likelihood of graduating high school, going to college or getting a high-paying job[2].

[2] http://inclusionaryhousing.org/inclusionary-housing-explained/what-problems-does-iz-address/economic-integration/

What is Affordable Housing?

Generally, proving affordable housing means ensuring there are homes for people of various income levels in a community. Often, policymakers use the area median income (AMI) as a benchmark to define "low income" and "moderate income" within a city, county or metropolitan area. The AMI in the Minneapolis/St. Paul region in 2016 was $85,800 for a family of four. The U.S. Department of Housing and Urban Development (HUD) states that households should not pay more than 30 percent of their income for housing. "Affordable housing" is typically defined as housing that costs no more than 30 percent of a low- or moderate-income household's earnings.

Often, community members are surprised to discover that many of their neighbors or family members would qualify for low- or moderate-income housing. Because housing prices have generally increased faster than incomes, many homeowners who bought their property years ago would not be able to purchase a home in the same neighborhood at today's prices. Specifically, according to Family Housing Fund, a family would have to earn $44,100 per year ($21.20 per hour) to afford to rent a two-bedroom apartment, or $60,000 per year ($28.85 per hour) to afford to buy a modest single-family house. However, half of the jobs in the Twin Cities metro area pay less than $41,930.

Different cities prioritize their efforts to provide housing affordable to different income levels, based on the local housing market and needs. Some sample incomes, professions and affordable housing prices are listed below.

Percent of AMI	60%	80%
Sample household	Single mom, works as teacher, raising two kids	Family with two parents and two kids. Dad is a chef and mom is a half-time nurse's aide
Typical income	$52,000	$62,000
Affordable rental price including utilities	$1,300	$1,700

Note: Some cities will target different income levels, such as 50 percent of area median income. The affordable price is adjusted for household size. Different cities may make slightly different assumptions in their calculations.
Source: Metropolitan Council

Mandatory Mixed Income Housing Programs

Mixed income housing (sometimes referred to as inclusionary housing) programs are local policies that tap the economic gains from rising real estate values to create affordable housing for people with lower-incomes. In their simplest form, mandatory mixed income housing programs require developers to sell or rent a percentage of new residential units to lower-income residents. Mandatory mixed income housing programs often apply to all developments, but some apply in just one area of the city or to specific types of new buildings. The required set-aside is typically between 5 percent and 30 percent of new housing units or floor area.

Many, but not all, programs partially offset the cost of providing affordable units by offering developers benefits such as tax abatements, parking reductions or the right to build at higher densities. Most programs recognize that it's not always feasible or desirable to include affordable on-site units within market-rate projects. In these cases, developers can choose an alternative, such as payment of an in-lieu fee or provision of affordable off-site units in another project.

While planning flexibility and local subsidies partially offset developers' costs of providing mandatory affordable units, these same incentives can help entice developers to voluntarily provide affordable housing. This type of voluntary or incentive-based mixed-income housing policy is discussed in more detail below.

Planning and Zoning Incentives

Many cities tie mixed income requirements to zoning changes or planning flexibility. These programs are as varied as they are numerous. Essentially, they all offer flexibility in the usual zoning code rules, such as increased height or density, to incentivize developers to building affordable homes.

Planning incentives, as compared to financial incentives, which are described below, are often desirable from the city's perspective because they do not have a significant impact on the city's budget. Planning incentives create new value and can feel like a win-win option. However, to be effective, the value of the incentive must be large enough to offset the additional developer costs. In many cities in the Minneapolis/St. Paul region, this has not been the case; developers have not participated in voluntary programs because the balance of incentives and requirements are not properly aligned. This is the inherent challenge in voluntary programs.

The developer of this 38-unit property in Berkeley, California, provided seven affordable units in exchange for an extra story.

Density Bonuses and Parking Reduction

Many communities offer planning incentives, such as density bonuses or reduced parking requirements, to developments that include affordable homes. Sometimes there is a set formula. In contrast, the City of Minnetonka does not have a set formula, rather they negotiate the number of units individually with each developer. Density bonuses are common across the nation, with many examples from North Carolina to California.

Depending on the local housing market and land use policies, planning incentives can be very valuable to developers. Where the zoning code strictly limits density, a developer can use the density bonus to build more housing units on a site and increase the project profitability by enough to fully offset the cost of providing affordable housing. Even reduced parking requirements can be valuable enough to significantly offset affordable housing requirements, particularly in

To learn more about the value of incentives, visit the Mixed-Income Housing Calculator

www.mncalculator.housingcounts.org

places where expensive structured parking (multi-story or underground garages) is the only option. However, increased density may not benefit all projects. An important limit to density bonuses is the additional construction costs of different construction methods associated with taller buildings. For example, the cost per square foot to build a five-story or six-story building would likely not change significantly. Here, a density bonus makes sense.

However, to add a seventh floor typically costs more because the taller building requires more expensive steel-frame construction instead of wood-frame construction. In this case, a density bonus would not benefit the developer because the change in construction type could add millions of dollars in costs – more than the value of adding more units.

Zoning Changes and Variances

Some cities require affordable housing for all developments that request or receive a zoning change. In some cases, the rezoning is initiated by the city and the requirements are mandatory. For example, cities often rezone the land around transit stations to allow higher density development. This rezoning, as well as the public investment in transit, creates significant value, which can help offset the cost of the affordable housing requirements. Tyson's Corner in suburban Virginia is one of the most famous examples of this approach. The county rezoned the land around a planned railway station in exchange for 20 percent of the units being affordable. All the new housing developments were required to provide affordable housing, but because the increased density was so valuable, developers generally approved of the new rules.

This development in Edina will contain 11 affordable homes.

Similarly, some cities require affordable housing if developers request a zoning change or variance. In these cases, the program are considered voluntary. For example, the City of Edina requires that developers provide 10 percent of all units as affordable when rezoning a parcel to Planned Unit Development or making a Comprehensive Plan Amendment. Other cities, like Chaska, Minnesota, apply the policies to a broader set of zoning variances, including amendments to lot sizes, increased densities, reduced setbacks and reduced rights-of-way. According to Kevin Ringwald, Chaska's Planning and Development Director, "The policy has worked for us. Originally, we were only getting very expensive housing and now we are getting a good mix. By being flexible and finding the right incentives, we have mixed income housing on a lot of sites that would not have considered it." Nationally, the City of Boston is a commonly cited example of this approach.

Other Planning Incentives

Another planning incentive is to add more approval certainty for projects that include affordable housing. Because projects that receive pre-approval are lower risk, often developers will accept a lower rate of return in exchange for meeting the agreed-upon conditions for pre-approval. Additionally, the faster processing can reduce interest costs on loans. For example, a city could eliminate a conditional use permit requirement for developments that meet strict design guidelines and include affordable housing. The city would review projects administratively to ensure that the design standards are met.

However, the value of certainty alone, though significant, does not often entice developers to voluntarily provide affordable homes, particularly in places that already have efficient, developer-friendly approval processes. Some cities combine fast-track processing and administrative approvals with other incentives as part of a total benefits package. The SMART housing program in Austin, Texas, is a successful example of this package approach. While beneficial for developers, streamlined approvals limit opportunity for public input during the development process. Cities should work with their residents before adopting a policy so they understand the tradeoffs and ensure the design review process and other safeguards are robust.

Public Subsidy Policies

A number of cities have programs that require developments that receive tax increment financing or other public subsidies to provide affordable housing. This policy can be useful, particularly when development would not be possible without some sort of financial assistance. Financial incentives are relatively common in the Minneapolis/St. Paul region, but less common in other places.

The major disadvantage of public subsidy programs is the cost. Public funding is limited and cities must carefully evaluate how to best use their scarce resources. For example, it is sometimes more cost effective to use the money to directly subsidize 100 percent affordable housing developments. One reason for this is that local funds can be combined with state and federal affordable housing subsidies, such as Low Income Housing Tax Credits. Because of how the programs are structured, mixed income buildings are usually not competitive for Tax Credit funding. For this reason, traditional, 100 percent affordable housing projects often provide affordable housing opportunities at a lower cost to cities, with the tradeoff that the affordable housing is more concentrated.

Another disadvantage of providing financial incentives to mixed income developers is that they can lead to increased land prices (see below).

Other Strategies

Surplus Land

Selling surplus city land provides an opportunity to promote mixed income housing. While preparing an announcement for the sale of land, cities have the option of including specific terms, such as requiring mixed income housing as a condition of the sale. While the sale proceeds may be lower, this is an opportunity to advance the city's mixed income housing goal, and developers may respond with creative approaches.

Land Economics

Zoning changes significantly affect the price of land because zoning often dictates the number of housing units that can be built on a given parcel. This affects a developer's potential profit on new construction and the amount they are willing to pay for land. Developers often refer to the cost of land not in terms of price per acre, but rather as price per unit or "price per door." If a parcel is zoned for 100 units (assuming it is realistic to build those units), and the price per door is $20,000, a developer would pay $2,000,000 for the land. However, if the zoning were changed to allow 200 units, a developer would potentially be willing to pay up to $4,000,000 for the same parcel.

Reducing parking requirements also increases land prices. Parking structures are expensive to build, and the net result is developers can pay less for land if parking requirements are high. Especially in transit-oriented locations, developers can reduce their costs per unit by providing fewer parking spaces. By reducing their development costs, developers are able to pay more for land and still meet their profit targets.

Conversely, rules that add costs to developers, like affordable housing requirements, decrease the amount that developers can pay for land and still make a profit. This is why it is often beneficial to combine affordable housing planning and zoning changes. Tying affordable housing requirements to upzoning has two benefits: it helps stabilize rising land prices, and it ensures that community members, not just landowners, share in the benefits of higher density development.

Land values don't change overnight, and some communities have carefully phased in mixed income requirements with the expectation that developers, when they can see changes coming, will be able to negotiate appropriate concessions from landowners before they commit to projects that will be impacted by the new requirements. Similarly, some programs have a clearer and more predictable impact on land prices than others. Consistent, widespread and stable rules translate into land price reductions more directly than complex and changing requirements with many alternatives.

What's Happening in the Minneapolis/St. Paul Region?

City	Type of Program	Percentage of Affordable Units	Affordability Level
Bloomington	Public Funding Policy	Project-by-project decision, typically 10-20%	Project-by-project decision
Chaska	Mixed Income Policy with goal of all developments that need city approvals contributing (may use density bonuses and other flexibility)	30% of Units	80% AMI
Eden Prairie	City Subsidy Policy	20% of Units	50% AMI
Edina	Zoning Changes Policy (may also use density bonus, parking reduction and public subsidies)	10-20% of Units	50-60% AMI for rental or approximately 110% for ownership
Minnetonka	Mixed Income Policy with goal of all developments that need city approvals contributing (may use density bonuses and other flexibility)	10% of Units Generally, 20% when using city financing	60% AMI generally 50% when using city financing
St. Louis Park	City Subsidy Policy	8-10% of Units	50-60% AMI for rental or 80% for ownership
Minneapolis	Density Bonus and City Subsidy Policies	20% of Units	50-60% AMI
St. Paul	Policy is under development	Not Applicable	Not Applicable

Please see original policies for full details.

Case Study

St. Louis Park, MN

Type of policy:	Voluntary/incentive based – financial assistance
What is covered:	10+ unit developments seeking financial assistance
Year adopted:	June 2015
Results:	253 affordable homes proposed or approved
Requirements:	Rental – 8% of units at 50% of AMI or 10% of units at 60% of AMI. Ownership – 10% of units at 80% of AMI.

Details:

St. Louis Park has long promoted affordable housing, with an explicit policy in their comprehensive plan. However, as one council member observed at a housing-focused retreat in 2014, "We have promoted affordable housing for a decade but not produced any affordable homes." And so began the discussion about what the city could actually do to create workforce housing units.

The city held a series of public meetings and work sessions discussing all the options. There was a clear preference for mixed-income housing, which would spread affordable units among the more high-end rental units that developers tended to produce. A common theme in the discussion was about public subsidies in the form of tax increment financing provided to new developments. This type of subsidy was (and remains) relatively common in St. Louis Park. Many felt that if the city contributed money toward a development, they should have high standards and expect clear benefits.

Specifically, the city decided on a policy to require 8-10 percent of new homes that receive public funding to be affordable. Tax increment financing is the most common subsidy in St. Louis Park, but the policy applies to all types of public funding. While some stakeholders wanted higher requirements, the council and staff felt that it was better to have a modest policy that did not adversely impact development. The city intentionally created a policy, and not an amendment to the zoning ordinance, to avoid potential legal challenges.

It appears to be working. In the year and a half since the policy was passed in St. Louis Park, there are 253 affordable homes in the pipeline. "We have really not received much pushback from developers," explains Michele Schnitker, Housing Supervisor and Deputy Community Development Director. In fact, several developers have voluntarily provided more affordable homes, 20 percent of all units, so they could qualify for Affordable Housing Tax Credits. On the city council level, there has been discussion about strengthening the policies.
A recent development was exempt from the policy because it did not ask for any public subsidy, and at least one council member questioned whether there was anything that could be done to ensure that the development was mixed income. In response, staff are now studying the strategy of tying affordable housing requirements to zoning changes, density bonuses or other incentives.

Schnikter offered lessons for other cities, "Creating a policy is a balance. Look at your market, and work with the developers. Think about multiple strategies because there is not just one solution."

Case Study

Minnetonka, MN

Type of policy:	Voluntary/incentive based
What is covered:	The goal is all developments, with flexibility and staff discretion
Year adopted:	2004
Results:	Over 500 affordable homes
Requirements:	10% of new units affordable generally at 60% of AMI; 20% of units affordable to 50% of AMI when using public subsidies

Details:

Minnetonka has quietly and steadily worked to ensure their community has homes that are affordable to all. For more than a decade, they have had a policy that aims to ensure that 10-20 percent of all new homes are affordable, and much of this has been done without city financial subsidy. The city has worked hard to avoid controversy, engaging neighbors when they have concerns and partnering with the faith community. When there have been reservations, the city has used the flexibility built in to the policy to quietly address them. The city has avoided attention – even rejecting awards – so that it can focus on implementing its policy. Julie Wischnack, Community Development Director, reflected on the program, “Our approach has been to partner rather than mandate, and developers respect that. It has worked and you can tell that by the numbers of units we have created. It has been very successful.”

City staff, planning commission and city council all review new projects and discuss the unique circumstances. Often, the city allows developers to increase density or reduce parking to help offset the cost of affordable homes. However, they only use tax increment financing strategically and do not waive fees. Instead, the details are all project specific. For example, extra height might be most useful in one case, but allowing mother-in-law apartments or duplexes might be valuable in another. The city’s comprehensive plan has facilitated this method because the high-density zones do not have limits on the number of units per acre. One other important feature of their program has been to work closely with Homes Within Reach, a community land trust. This partnership has allowed the city to create single-family, owner-occupied affordable homes.

Minnetonka offers a few key lessons for other cities: 1) Use a thoughtful, deliberate process and engage stakeholders when developing a policy; 2) Ensure that the comprehensive plan supports the policy goals; 3) Build in high expectations, but some flexibility, recognizing that each development is different; and 4) Take advantage of the flexibility provided by TIF pooling.

City of Minnetonka

Mixed-Income Housing Policy Analysis
175 Unit Market Rate Rental Project
3-May-19

			Total Present Value Affordability Cost Estimate						
			15 Years			26 Years		30 Years	
% of Units	Affordability Percentage	No. of Aff. Units	Present Value Total	Per Unit	Per Year	Total	Per Unit	Total	Per Unit
5%		9	1,063,911	118,212	105,993	1,448,126	160,903	1,540,472	171,164
10%	50%	17	1,980,263	116,486	197,285	2,695,404	158,553	2,867,288	168,664
20%		35	4,108,085	117,374	409,270	5,591,655	159,762	5,948,232	169,949
5%		9	866,492	96,277	86,325	1,179,412	131,046	1,254,622	139,402
10%	60%	17	1,609,515	94,677	160,349	2,190,766	128,869	2,330,470	137,086
20%		35	3,342,499	95,500	332,998	4,549,589	129,988	4,839,714	138,278
40%	60%	70	6,706,891	95,813	668,178	9,128,979	130,414	9,711,129	138,730

Assumptions:

1. *Annualized rental income loss per applicable affordability requirement is discounted to present value based on affordability duration*
2. *Affordable rental rates sare based upon 2018 max rents*
3. *Annual rental income reduction discounted at 5.5% for present value*
4. *Actual gap for proposed projects will vary depending on specifics*

Prepared by Ehlers 5/3/2019

City Council Study Session Item #4
Meeting of Mar. 16, 2020

Brief Description: Tree Protection Ordinance update

Background

The existing Tree Protection Ordinance was adopted in 2008 after four years of study and consideration. The ordinance is based on three key principals:

- Focus on tree protection. The ordinance focuses on tree protection rather than on tree removal. A protection ordinance identifies the natural environmental qualities of a site and applies protections accordingly. Generally, a removal ordinance simply regulates the replacement of trees, regardless of a site's existing ecosystem or natural qualities.

- Focus on woodlands. Greatest protections are given to remnant woodland ecosystems, rather than individual trees.

- Focus on new development. Regulations pertaining to new development, rather than to existing properties.

Over the last 12 years, discussion surrounding tree protection has evolved from "protecting trees that cannot be easily replaced" to broader protection of trees and woodlands that provide habitat, climate resilience, and ecosystem services.

Council Requests

In Oct. 2019, staff presented information to the city council pertaining to: (1) Minnetonka's tree canopy cover; (2) national and local tree ordinances; and (3) the history and basics of Minnetonka's existing tree protection ordinance.

After discussing the existing ordinance, councilmembers generally agreed that full-scale ordinance changes were not necessary. However, the council requested more information and evaluation of small – but potentially impactful – changes. Specifically, council members requested that staff:

- Provide data related to woodland preservation areas and changes to those areas since the adoption of the ordinance;

- Consider and comment on adding tree removal thresholds for redevelopment activities; and

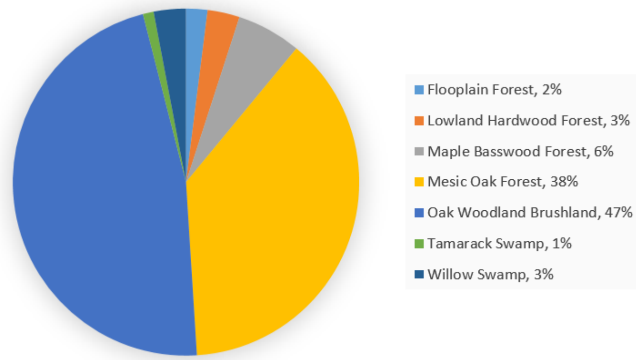
- Reevaluate the Living Legacy Program and the city's education efforts.

The Planning Commission also reviewed information related to the tree ordinance and had similar comments, see link for Dec. 19, 2019, minutes.

The remainder of this report will address these requests.

Woodland Preservation Areas

The city's woodland preservation areas (WPA) are defined as remnant woodland ecosystems identified by a Minnesota Land Cover Classification System (MLCCS) analysis completed in 2002. The MLCCS, conducted by the city and Hennepin Conservation District, is a "vegetation oriented classification system [used to] identify natural and cultural land cover types using a standardized methodology."[1]



In 2008, WPA comprised roughly 1,250 acres – or 6.9% – of Minnetonka's 28 square miles. The majority of these areas are Mesic Oak and Oak Woodland Brushland types.

Under the existing tree ordinance, removal of WPA during subdivision is limited to 25% of the WPA on the subdivision site. [2] This removal threshold does not apply if: (1) subdivision occurs at a density of no more than one lot per acre; or (2) the city approves the use of PUD to promote a greater public good.

Since the adoption of the ordinance, the city has approved 57 residential subdivisions with a total of 310 lots.[3] Seven of the subdivisions involved property containing WPA. Those subdivisions had very little impact on the community's WPA (<0.35% removal). Note this also does not include replacement trees planted back into a WPA.

	WPA
Pre-Subdivision	1,246 acres
Amount Removed	4.26 acres
Percent of Total Removed	0.34%

In staff's opinion, the existing 25% removal threshold for WPA is effective and appropriate.

Potential Ordinance Changes

Since the Oct. 2019 study session, planning and natural resource staff have discussed potential ordinance changes that may reflect both the underlying principles of the existing ordinance and the broader council discussion on tree protection. The changes include the council's suggested change related to redevelopment. (See #4 below.)

1. **Purpose Statement.** The tree protection ordinance's purpose statement could be revised to include language related to climate resilience. Staff would generally support such language but acknowledges that discussion of climate – changes to it or to promoting resilience to this change – could be contentious.

[1] "The Minnesota Land Cover Classification System (MLCCS)" Minnesota Department of Natural Resources, www.dnr.state.mn.us/mlccs/index.html, accessed Dec. 12, 2019.

[2] A tree is considered removed if girdled, if 30 percent or more of the trunk circumference is injured, if 30% or more of the crown is trimmed, if an oak is trimmed between April 1 and July 15, or if the following percentage of the critical root zone is compacted, cut, filled or paved: 30 percent of the critical root zone for all species, except 40 percent for ash, elm, poplar species, silver maple, and boxelder.

[3] Four additional subdivisions were approved but never developed. Those approvals have since expired.

2. **WPA Conservation Easements.** While it has been the city's practice to request a conservation easement over WPA preserved during subdivision, the ordinance notes that the city "*may* require other legal means to ensure that woodland preservation areas or groups of high priority trees or significant trees are not intentionally destroyed after the development has been approved." This language could be modified to note that the area *must* be placed in a conservation easement.

Staff would generally support such a change, as it would likely reduce future cumulative impacts to WPA within a "new" subdivision. At the same time, staff foresees some potentially negative consequences, including:

- Unequal treatment. By establishing easements over WPA in subdivisions, "new" Minnetonka residents would be subject to restrictions that would not apply to "established" property owners.

- Monitoring. The time and resources required to monitor easements can be significant.

3. **Significant Tree Removal Limit.** The existing ordinance establishes a maximum limit for the removal of WPA and high priority trees (> 15") during subdivision. A maximum removal limit could also be established for significant trees (>8").

Since the adoption of the tree protection ordinance, staff evaluation of tree removal resulting from subdivision activities has be focused on WPA and high priority trees because the ordinance regulates the removal of such. Of the 57 subdivisions approved since 2008, data on significant tree removal is available for 22 subdivisions. The chart below notes the removal of significant trees on these 22 subdivision sites.

	Significant Trees
Pre-Subdivision	2,034
Number Removed	762
Percent of Total Removed	37%

The range of removal in the 22 subdivisions varied significantly from 0 percent to 77 percent. Staff would generally support establishing a 50 percent threshold in the ordinance. Such a threshold would increase overall tree preservation during the subdivision process and would promote forest resiliency and reforestation, as smaller trees are allowed to continue to grow. The potential negative consequences is a possible reduction in a property owner's ability to subdivide. The provided analysis does not account for reforestation provided by the development.

4. **Redevelopment Removal Limit.** The existing ordinance does not regulate tree removal associated with redevelopment activities. Redevelopment is defined as: (1) reconstruction of a principal structure if more than 50 percent of the square footage of the structure's footprint has been removed; or (2) increasing the square footage of a structure's footprint by more than 50 percent.[4] A maximum removal limit could be established for redevelopment activities.

[4] For the removal and reconstruction of single-family homes, trees removed within the "basic tree removal area" – as defined by code – without mitigation. Mitigation is required for trees outside of that area.

Since 2008, the city has approved 31 major redevelopment projects. These include large multi-family residential projects, commercial sites, and institutional campuses. The existing ordinance does not contain a removal threshold during redevelopment that does not also include subdivision. Of the 31 projects, data on tree removal is available for 18 projects.

	WPA	High Priority Trees	Significant Trees
Pre-Redevelopment	16.5 acres	400	1,140
Amount Removed	4.2 acres	230	847
Percent of Total Removed	25.5%	58%	74%

Except for the removal and reconstruction of single-family homes, staff would generally support establishing preservation/removal thresholds for redevelopment projects consistent with subdivision thresholds. Such requirements would increase overall tree preservation. Conversely, staff acknowledges that such a change may impact a property owner's ability to redevelop a site as they desire and may hinder some economic development activities. Staff would support continuing the language of "greater public good" if redevelopment provided other community benefits.

5. **Flexibility for Climate Resiliency**. Because we understand that the development effects upon our city's forest is a small part of potential impacts, it was important to include potential language for climate resiliency. Under the existing ordinance the city council may allow removal of trees protected by the ordinance if it determines that doing so would promote a greater public good. Examples of public good outlined in the ordinance include: providing affordable housing, creating a public road or trail, providing a public utility service, and rehabilitating a public park. Additional flexibility could be added to the ordinance acknowledging that maintaining or increasing species diversity to promote climate resilience constitutes a public good. As under the existing ordinance, the potential public good of a project would be uniquely evaluated during review of that project.

   Staff would generally support the addition of promoting climate resiliency to the list of public good examples. It should be noted that such language change could increase the level of subjectivity in the review of subdivision and redevelopment proposals.

If the council would like to consider any or all of the changes outlined above, staff would suggest such consideration involve a public input phase outside of – and in addition to – the standard public hearing process. This could include providing information about the potential changes in the Minnetonka Memo and on minnetonkamn.gov, as well as an online survey to gather property owner comments.

City Education and Non-Development Related Efforts

In 2007, the city began the Living Legacy program. The program was intended to encourage Minnetonka property owners to place portions of their property into conservation easements. Under the program, the city would not pay for such easements, but would provide technical support in the surveying, drafting, and filing of the easement document. At the outset of the program, staff compiled a list of properties two to five acres in size and contacted the owners about the program. One large parcel (Cullen Preserve) was placed in easement.

Hennepin County has since started a conservation easement program and has grants available for property owners who wish to restore or protect natural areas. Given the resources and potential funding available through the county, and so as to not duplicate efforts, staff would suggest the city promote the county programs. This promotion could be accomplished several ways: add information and links on the natural resources "What Can You Do" page of minnetonkamn.gov, an article in summer/fall issue of the Minnetonka Memo, and a display at the City Wide Open House.

In addition to education, the city actively requires, promotes, and participates in reforestation efforts. The existing tree ordinance requires mitigation (replanting). Since 2007 - over 17,000 trees have been replanted through a combination of trees sold to Minnetonka residents through the city's annual tree sale as well as trees planted by staff in parks and on public property.

Discussion Points

- ***Does the city council still agree with the three basic principles of the tree protection ordinance?***

- ***Does the city council have any feedback on potential ordinance changes?***

Attachments

The following attachments are included for reference:

- Existing Tree Ordinance Background Memo
- Tree Removal Data
- City of Atascadero, CA ordinance provided by Councilmember Calvert

Summary

Through its ordinances Minnetonka has historically tried to balance individual rights and community responsibilities. The existing tree ordinance was intended to preserve a property owner's right to use their property, while at the same time preserving trees that could not be easily replaced. To do this, the ordinance focuses regulation on subdivision activities, which can substantially alter the physical landscape.

The potential ordinance changes outlined in this report would broaden ordinance regulation to include redevelopment activities, while also placing greater value on significant trees. In keeping with the key principles of the existing ordinance, the potential changes would not impact how a single-family homeowner – who is not proposing a subdivision of their lot – choose to use their property. Neither would the potential changes address the larger and more substantive impacts that pests, disease, or Minnesota's changing climate will have on the urban forest.

Through: Geralyn Barone, City Manager
Julie Wischnack, AICP, Community Development Director
Will Manchester, PE, Director of Public Works
Leslie Yetka, Natural Resources Manager

Originator: Susan Thomas, AICP, Assistant City Planner

A Note on Competing Interests

The community goals outlined in the city's Comprehensive Guide Plan and Strategic Profile are varied. In some cases and situations, those goals may be at cross purposes. This is most evident in the equally important goals of protecting tree resources and providing moderately-priced, new-construction housing options.

The best way to preserve the natural features of a site is to minimize site work. This generally means reducing the number of lots proposed in a subdivision or, put another way, increasing the size of the lots. This, in turn, may reduce the associated site disturbance necessary for the construction of homes and the installation of public infrastructure. Given land values in the Minnetonka, reducing the number of lots in a subdivision (or increasing their size) typically increases the price of the lots in the subdivision, correspondingly decreasing the opportunities for moderately-priced, new- construction homes.

Alternatively, decreasing the number of lots (or increasing lot size) many not decrease development impact on a site but result in the construction of larger homes, again decreasing opportunities for moderately priced housing.

Staff is not suggesting that the community needs to "decide between" saving trees and promoting moderately-priced housing. However, the community should be aware of – and acknowledge that – these two goals can often be in opposition to each other.

CITY OF MINNETONKA
14600 Minnetonka Blvd. | Minnetonka, MN 55345 | 952-939-8200 | eminnetonka.com

FROM: Susan Thomas

DATE: March 3, 2020

SUBJECT: Tree Ordinance Background

Ordinance Adoption

The city's tree protection ordinance was adopted by the city council in 2008 after four years of study and consideration. During the study phase:

- A one-year development moratorium was enacted.
- Two open houses were conducted; one was specific to proposed ordinance revisions, and one was part of the annual City-Wide Open House.
- Five newspaper articles were published related to proposed ordinance revisions: two in the Minnetonka Memo, one in the Lakeshore Weekly News, and two in the Star Tribune.
- Questions about proposed ordinance revisions were included in the annual community survey.
- Over 2,400 postcards were sent to owners of wooded lots.
- The planning commission and council discussed tree preservation policies and standards at 15 meetings.
- Staff provided six draft ordinances to respond to the questions and concerns raised during the commission and council meetings.
- The draft ordinances were posted on eminnetonka.com, with an invitation to comment on the survey drafts via an online survey.

Key Principles

The ordinance that was ultimately adopted, and is currently in place, is based on three key principles:

- Focus on tree protection. The ordinance focuses on tree protection rather than on tree removal. A protection ordinance identifies the natural environmental qualities of a site and applies protections accordingly. Generally, a removal ordinance simply regulates the replacement of trees, regardless of a site's existing ecosystem or natural qualities.

- Focus on woodlands. Greatest protections are given to remnant woodland ecosystems, rather than individual trees.

- Focus on new development. Regulations pertaining to new development, rather than to existing privately-owned properties.

Standards Summary

Within the framework of the three key principles, the existing tree ordinance is quite detailed. However, all of the detail is grounded in five basic definitions:

- **Woodland Preservation Area (WPA).** A remnant woodland ecosystem that is at least *two* acres in size regardless of property boundaries is generally mapped in the city's Minnesota Land Cover Classification System and, although it may be degraded, generally meets the criteria for one of seven types of ecosystems. These systems are the following: floodplain forest, lowland hardwood forest, maple basswood forest, mesic oak forest, oak woodland bushland, tamarack swamp, and willow swamp. (See attached maps.)

- **High-Priority Tree.** A tree that is not in a WPA, but is still important to the site and neighborhood character, that is structurally sound and healthy, and meets at least one of the following standards:

  - ✓ A deciduous tree that is at least 15 inches in diameter, except ash, box elders, elm species, poplar species, willow, silver maple, black locust, Amur maple, fruit tree species, mulberry, and Norway maple.

  - ✓ A coniferous tree that is at least 20 feet in height, except a Colorado spruce that is not in a buffer as described in below; or

  - ✓ A tree that is in a group of deciduous trees that are at least eight inches diameter or coniferous trees that are at least 15 feet in height, that provide a buffer or screening along an adjacent public street, and that are within 50 feet of an arterial road and 35 feet of a minor collector, local, or private street and a trail.

- **Significant Tree.** A tree that is structurally sound and healthy, and that is either a deciduous tree at least eight inches diameter or a coniferous tree at least 15 feet in height.

- **Protected Tree.** A tree that is in a woodland preservation area, or is a high priority tree or significant tree.

- **Basic Tree Removal Area.** The area consists of (1) the area improved for reasonably-sized driveways, parking areas, and structures without frost footings and within ten feet around those improvements; (2) the area within the footprints of, and 20 feet around, buildings with frost footings; (3) areas within the footprints of, and 10 feet around, structures with post footings such as decks or porches; and (4) the area where trees are being removed for ecological restoration in accordance with a city-approved restoration plan.

		WPA	High Priority	Significant
Lots with Existing Structures	R-1 properties	removal allowed	removal allowed	removal allowed
	All other properties	removal allowed if consistent with previously approved plans	removal allowed if consistent with previously approved plans	removal allowed if consistent with previously approved plans
Existing Vacant Lots, Redevelopment, Site Improvements	R-1 properties	removal allowed in a basic tree removal area	removal allowed in a basic tree removal area	removal allowed in a basic tree removal area
	All other properties	removal allowed in a basic tree removal area and within the width of required infrastructure improvements	removal allowed in a basic tree removal area and within the width of required infrastructure improvements	removal allowed in a basic tree removal area and within the width of required infrastructure improvements
Subdivision		**Max.** *25* percent of **area**; Mitigation required if any removal outside of: (1) basic tree removal area; or (2) the width of required infrastructure improvements	**Max.** *35* percent of **trees**; Mitigation required if any removal outside of: (1) basic tree removal area; or (2) the width of required infrastructure improvements	Mitigation required if any removal outside of: (1) basic tree removal area; or (2) the width of required infrastructure improvements

The ordinance allows the following removal <u>without mitigation.</u>

<u>Mitigation is required</u> for removal of WPA, high priority, and significant trees located outside of the basic tree removal areas during subdivision, development of existing vacant lots, redevelopment, and site improvements.

Also important to note:

- Existing Lots: The removal allowance for existing lots applies two years after issuance of a certificate of occupancy. At that point, “new” lots and Minnetonka residents are equitably given the same allowances as “older” lots and Minnetonka residents.

- Existing vacant lots, redevelopment, and site improvement on non-single-family lots: Landscaping is required through a different section of city code.

- Subdivision: If more than 25 percent of WPA or 35 percent of high priority trees are removed:

    1. There can be no more than one lot per developable acre of land; or

    2. The city may allow for the use of PUD to allow development up to the full density normally allowed under the applicable zoning district. In reviewing the PUD, the city will consider the extent to which steps are taken to preserve trees.

SUBDIVISION

Year Approved	Subdivision Name	Location	Total Acres	No. of Lots	WPA			High Priority*			Significant		
					Pre-Dev Acreage	Removed Acreage	% Removed	Pre-Dev Trees	Removed Trees	% Removed	Pre-Dev Trees	Removed Trees	% Removed
2008	Woolman Woods	Woolman Dr	9.56	9	6	2.5	42%	^	^	60%			
2009	Lake Rose Highlands	Lake Shore Ave	2	2	1.08	0.28	26%	9	8	89%			
2009	Hopaca Hollow	Wilson St	3.86	5	2.53	1.21	48%	3	1	33%			
2009	Old Excelsior Addition	Old Excelsior Blvd	2.13	2	0.78	0	0%	5	0	0%			
2009	Black Oak Estates	Black Oaks La	5.7	7				132	39	30%	173	66	38%
2010	Dalmation Ridge	Oakland Rd	7	2	0.75	0.19	25%	15	9	60%			
2011	Lone Lake Highlands	Bren Rd	5.6	21				26	8	31%	53	41	77%
2011	Rabbit Hills	Highland Rd	3.7	6				35	12	34%			
2011	Rutledge Ridge	Shady Oak Rd	1.9	2				30	10	33%			
2012	Binger Crossing	Meeting St	23.6	12				354	115	32%	289	98	34%
2012	Jacks Estates	Maywood La	2.1	3				59	18	31%			
2012	Cottage Lane Estates	Cottage La	1.19	2				9	0	0%	41	3	7%
2013	Fretham 13th	Orchard Rd	1.9	3				9	2	22%			
2013	Maxx Marais	Meeting St	2.5	2				45	9	20%			
2013	Minnehaha Vista	Timberhill Rd	12	4				14	5	36%	46	11	24%
2013	St. Albans Woods	Rainbow Dr	3.5	7				152	47	31%			
2013	Woods of Fairview	Fairview Ave	3.2	7				40	14	35%			
2013	Fretham 16th	Covington Rd	0.9	2				9	1	11%			
2013	Park Valley Estates	Park Valley Rd	2.99	6				30	10	33%			
2013	Autumn Creek	Old Excelsior Blvd	1.1	2				12	4	33%			
2014	Legacy Oaks	Parkers Lake Rd	26	65				263	227	86%			
2014	Stevens Estates	Robinwood Dr	1.1	2				23	7	30%			
2014	Westburgs 2nd Addition	Excelsior Blvd	0.96	2				23	2	9%			
2014	Koch Hill Estates	Shady Oak Rd	2.6	4				10	3	30%			
2015	Groveland Pond	Minnetonka Blvd	2.9	14				26	9	35%			
2015	Congregation Hill	Meeting St	4.1	3	0.75	0.075	10%	79	22	28%			
2015	Buckman Addition	Highwood Dr	1.06	2	0.08	0	0%	22	3	14%			
2015	Ridgemount Grove	Ridgemount Ave	1.04	2				6	2	33%			
2015	Estate Development Corp	Meeting St	1.8	2				35	12	34%			
2016	Wilson Ridge	Wilson St	2.17	2				155	52	34%			
2016	Williston Woods West	Williston Rd	1.6	5				48	14	29%	71	47	66%
2016	Fretham 18th	Lake Street Ext	2.5	3				9	3	33%			
2016	Highview Place	Highview Pl	4.5	9				101	35	35%			
2016	Eldorado Villas	Minnetonka Blvd	0.71	3				22	9	41%			
2016	Tonkawood Farms	Highwood Dr	1.7	3				22	7	32%			
2016	Mayfair at Copperfield	Copperfield Pl	2	3				58	17	29%	234	98	42%
2017	Woolands at Linner	Linner Rd	5.5	4				145	53	37%			
2017	Tony's Addition	Sandra La	3.3	2				9	3	33%			
2017	Wilson Ridge 6th	Wilston St	2.5	3				44	13	30%			
2017	Shadow Investments	Cottage La	1.1	2				11	3	27%	1	0	0%
2017	Linner Road Estates	Linner Rd	2.4	4				15	5	33%	63	24	38%
2017	Enclave at Royal Oaks	Shady Oak Rd	2.6	4				31	10	32%			
2017	Homestead Place	Plymouth Rd	1.3	2				3	1	33%			
2017	Grenier Rd	Eden Prairie Rd	1.08	2				9	2	22%			
2017	Lindberry	Cedar Lake Rd	3.25	2				9	2	22%	28	11	39%

2017	Williston Acres	Margaret Pl	1.2	2				17	4	24%	16	4	25%
2018	Simpson Park	Lake St Ext	1.6	3				28	9	32%	25	17	68%
2018	Arundel Addition	Minnetonka Blvd	8.5	3				6	1	17%	254	62	24%
2018	Villas of Glen Lake	Eden Prairie Rd	1.5	4				20	7	35%	56	16	29%
2019	Inverness Estates	Inverness Rd	1.3	2				27	9	33%	16	2	13%
2019	Oakland Estates	Oakland Rd	2.4	4				73	21	29%	94	39	41%
2019	Patriot Estates	Park Valley Rd	1	2				16	3	19%	41	4	10%
2019	Rutzick Ridge	Shady Oak Rd	1.4	2				7	1	14%	27	12	44%
2019	Highcroft Meadows	Orchard Rd	6	12				36	8	22%	167	55	33%
2019	Conifer Heights	Conifer Tr	1.4	6				12	4	33%	115	86	75%
2019	Bird Song	Oakland Rd	11.5	13				172	60	35%	194	60	31%
2019	Highwood Ridge	Highwood Dr	1.2	2				32	11	34%	30	6	20%
		TOTAL	**215.2**	**310**	**11.97**	**4.255**	**36%**	**2612**	**966**	**37%**	**2034**	**762**	**37%**

REDEVELOPMENT

Year Approved	Project Name	Location	Type	WPA			High Priority*			Significant		
				Pre-Dev Acreage	Removed Acreage	% Removed	Pre-Dev Trees	Removed Trees	% Removed	Pre-Dev Trees	Removed Trees	% Removed
2008	BMW	Wayzata Blvd	Commercial									
2008	Hampton Inn	Wayzata Blvd	Commercial									
2009	St. Therese	Exceslrio Blvd	Multi-family									
2010	United Health Group Phase II	Data Blvd	Commercial									
2011	The Ridge	Wayzata Blvd	Multi-family				17	17	100%	33	33	100%
2013	Macys	Wayzata Blvd	Commercial									
2013	Shoppes on 101	Co Rd 101	Commercial									
2013	Minnetonka Medical	Hwy Blvd	Commercial				33	14	42%	125	113	90%
2014	Nordstrom	Wayzata Blvd	Commercial									
2014	The Overlook	Minnetonka Blvd	Multi-family				11	11	100%	97	87	90%
2014	Applewood Pointe	Minnetonka Blvd	Multi-family				19	16	84%	75	53	71%
2014	Highland Bank	Plymouth Blvd	Multi-family									
2015	Croix Oil	Hopkins Crossroad	Commercial									
2015	At Home Apartments	Rowland Rd	Multi-family	1.42	0.23	16%	11	5	45%	102	88	86%
2015	Carlson Island Apartments	Carlson Pkwy	Multi-family	8	2.5	31%						
2015	Cherrywood Pointe	Plymouth Blvd	Multi-family	1.38	0.34	25%	16	15	94%			
2016	Home 2	Clearwater Blvd	Commercial				22	5	23%	121	87	72%
2016	Ridgedale Corner Shoppes	Plymouth Rd	Commercial									
2016	Rize	Blue Circle Dr	Multi-family				59	25	42%	99	77	78%
2017	Crest Ridge Senior Housing	Wayzata Blvd	Multi-family				10	5	50%			
2017	Mesaba Capital	Old Excelsior Blvd	Multi-family				12	8	67%	33	33	100%
2017	Minnetonka Hills	Jordan Ave	Multi-family	3.4	0.61	18%	37	12	33%	100	31	31%
2017	Shady Oak Rd	Shady Oak Rd	Multi-family				1	1	100%	38	15	39%
2018	Ridgedale Restaurants	Wayzata Blvd	Commercial									
2018	Solbekken	Shady Oak Rd	Multi-family				16	3	19%	77	41	53%
2018	Avidor	Wayzata Blvd	Multi-family				18	15	83%			
2018	Dominium	Bren Road E	Multi-family				40	36	90%	105	81	77%
2018	Olive Garden	Wayzata Blvd	Commercial									
2018	Marsh Run	Wayzata Blvd	Multi-family				11	8	73%	40	36	90%
2019	City Police and Fire	Minnetonka Blvd	Institutional	2.25	0.49	22%	27	27	100%	10	10	100%
2019	Chabad Center	Hopkins Crossroad	Institutional				40	7	18%	85	62	73%
			TOTAL	**16.45**	**4.17**	**25%**	**400**	**230**	**58%**	1140	847	74%

* As noted in staff report. When not noted, based on reexaming inventory size and species only.

9-11.105 Tree removal.

(a) Permit Required. Except as set forth in subsection (b), a tree removal permit shall be required for the removal of any deciduous native tree two (2) inches dbh or greater and four (4) inches dbh or greater for all other protected native trees, and for pruning of more than twenty-five percent (25%) of the live canopy in native trees. Any private or public entity doing regular maintenance in the City may seek a blanket pruning permit that may be renewed on a yearly basis.

(b) Exemptions. The following are exempt from the permit requirements of this chapter:

(1) Emergency situations which cause hazardous or dangerous conditions that have serious potential to cause immediate damage to persons or improvements on real property. Such situations must be reported to the City within forty-eight (48) hours;

(2) Trees planted, grown and maintained as part of a licensed nursery or tree farm business;

(3) Tree pruning that affects less than twenty-five percent (25%) of a tree's live canopy within one (1) years' time. The pruning shall be done according to current tree pruning standards as adopted by the International Society of Arboriculture;

(4) Trees removed as part of an approved "tree management plan";

(5) Single-family residences in single-family zoning districts where a permanent dwelling exists and building or grading permits are not being sought;

(6) Emergency septic system repair and/or replacement in a single-family zoning district, where a septic system has failed as determined by the City Engineer and is considered a hazard to the health, safety, and welfare of the homeowner and adjacent property owners.

(c) Application for Tree Removal.

(1) Early Consultation. All applicants are encouraged to consult with the Community Development Department before site development that may involve any tree removal. Early consultation shall be a factor used in determining whether proposed improvements can be reasonably designed to avoid the need for tree removal.

(2) Content. The content of the tree removal application and permit shall be in a form as established by the Community Development Director. The applicant must provide the factual data to make the required finding(s) as required in this chapter.

(3) Fees. Application fees shall be established by resolution of the City Council.

(4) Arborist Report. An arborist report shall be provided when determined necessary by the Community Development Director or designee.

(5) Posting. All native trees proposed for removal shall be identified by the applicant for field inspection as set forth in the Guidelines. When a tree removal permit is sought, the lot shall also be posted at a visible location along the project frontage for a minimum of fifteen (15) calendar days prior to approval. The notice shall be in a form approved by the City.

(d) Review and Approval.

(1) Authority. The City Council shall make decisions regarding all tree removal application requests involving designated heritage trees. All other tree removal application decisions will be made by the

Community Development Department. Any Community Development Department decision may be appealed to the Planning Commission in accordance with AMC Section 9-1.111.

(2) Required Findings. At least one (1) of the following findings must be made in order to approve a tree removal application:

(i) The tree is dead, diseased or injured beyond reclamation, as certified by a tree condition report from an arborist;

(ii) The tree is crowded by other healthier native trees; thinning (removal) would promote healthier growth in the trees to remain, as certified by a tree condition report from an arborist;

(iii) The tree is interfering with existing utilities and/or structures, as certified by a report from the site planner;

(iv) The tree is inhibiting sunlight needed for existing and/or proposed active or passive solar heating or cooling, as certified by a report from the site planner;

(v) The tree is obstructing proposed improvements that cannot be reasonably designed to avoid the need for tree removal, as certified by a report from the site planner and determined by the Community Development Department based on the following factors:

a. Early consultation with the City,

b. Consideration of practical design alternatives,

c. Provision of cost comparisons (from applicant) for practical design alternatives,

d. If saving tree eliminates all reasonable use of the property, or

e. If saving the tree requires the removal of more desirable trees.

(3) Evaluative Criteria for Tree Removal. The following criteria will be considered when evaluating each tree removal application:

(i) The potential effect that tree removal could have on topography, knowing that hilltops, ravines, streambeds and other natural watercourses are more environmentally sensitive than flat or gentle sloping lands;

(ii) The potential effect that tree removal could have on soil retention and erosion from increased flow of surface waters;

(iii) The potential effect that tree removal could have on the ambient and future noise level;

(iv) The potential effect that tree removal could have on the ability of existing vegetation to reduce air movement and wind velocity;

(v) The potential effect that tree removal could have on significantly reducing available wildlife habitat or result in the displacement of desirable species;

(vi) Aesthetics;

(vii) The number, size, species, condition and location of trees to be removed;

(viii) The special need to protect existing blue and valley oaks because of regeneration problems;

(ix) The cumulative environmental effects of tree removal.

(4) Conditions of Approval. Tree removal permits shall be conditioned by one (1) or more of the following methods:

(i) Depending on the characteristics of the site the applicant may plant replacement trees on site. This method shall include payment in advance for three (3) site inspections during a four (4) year establishment period;

(ii) Payment of fee to the tree replacement fund;

(iii) Establishment of conservation easements, which will restrict removal of any tree within a designated area of the property. (Ord. 616 § 5, 2018; Ord. 578 § 1, 2013; Ord. 350 § 2, 1998)

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