CITY OF MINNETONKA

Agenda
Minnetonka City Council
Study Session
Monday, September 14, 2020
6:30 p.m.
WebEx

---

1. Report from City Manager & Council Members

2. Proclamation for Direct Support Professional Recognition Week

   Recommendation: Read the proclamation

3. Affordable Housing Update

4. Homes Within Reach Discussion

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 of Minnetonka Proclamation

Direct Support Professional Recognition Week
September 13—19, 2020

WHEREAS	Direct Support Professionals (DSPs) are the primary providers of community-based long-term support services for tens of thousands of individuals with disabilities in Minnesota; and
WHEREAS	DSPs are valued for their work in building respectful and trusted relationships with individuals to assist them with their most intimate needs; and
WHEREAS	DSPs provide essential support to individuals with disabilities to stay connected to family, friends, coworkers, and the community, helping them to define and live a quality life; and
WHEREAS	DSPs provide a broad range of individualized supports, including meal preparation, medication assistance, personal care and life skills training, mobility, work and life enrichment opportunities, and other daily tasks; and
WHEREAS	DSPs support informed choices and person-centered practices that honor and respect the individuals with disabilities they serve; and
WHEREAS	During the COVID-19 outbreak, DSPs have played an instrumental role in ensuring safety and maintaining dedicated support and care for those they serve; and
WHEREAS	An adequate workforce of high-quality DSPs is necessary for the people of Minnesota to respond to the needs of people with disabilities, and minimize more costly settings such as hospitals or institutions; and
WHEREAS	DSPs are one of the fastest growing positions in Minnesota and demand for their skills is great; and yet low wages and demographic trends are creating a growing shortage of DSPs, leading to increased turnover; and
WHEREAS	Public officials are key advocates in building awareness and addressing the issues facing this publicly funded workforce.

NOW, THEREFORE, I, Brad Wiersum, Mayor of the City of Minnetonka, do hereby proclaim September 13—19, 2020, as: DIRECT SUPPORT PROFESSIONAL RECOGNITION WEEK

Brad J. Wiersum

Brad Wiersum, Mayor

Sept. 14, 2020

City Council Study Session Agenda Item #3
Meeting of Sept. 14, 2020

Brief Description: Affordable Housing Update

Overview

On Feb. 4, 2019, the city council discussed affordable housing at the city council study session and requested staff prepare information related to affordable housing efforts 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, study session meeting, and is attached.

City of Minnetonka current, 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 here.

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 Mar. 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 makes 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 (despite impacts from COVID-19) 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.

Commercial/Retail Office Market Update

Staff is monitoring the commercial/industrial market sectors to be aware of any vacancy changes or changes in use that could be a result of the commercial/industrial industry adapting to COVID-19. Many companies have adapted employee work schedules to accommodate telework during the pandemic, and are not utilizing office space in the same manner as before the pandemic. It is unclear if industries will continue to allow telework once the pandemic has ended. However, there are several industry groups tracking vacancies, sales, and reuse of commercial industrial properties.

In 2020, the property tax capacity was comprised of 58 percent residential use, 15 percent office, 5 percent industrial, 9 percent retail, 1 percent hotel, and 11 percent apartments. Over the past five years, the city has maintained a consistent tax capacity by property class distribution. Staff will continue to monitor the percent of tax capacity that is captured in these sectors to determine if there is a significant change from office/industrial to other uses in the future.

2020 Housing Work Plan Efforts

Tenant Protections

The Housing Work Plan identified exploring tenant protections as a priority for 2020. This effort was placed on hold as staff focused on developing COVID-19 related programs and resources for residents and businesses. 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. Minnetonka recently began adding language in its development contracts requiring a 90-day notification to the renter and the city in the event of a sale of the property and language prohibiting discrimination for tenants holding Section 8 certificates/vouchers, but does not have a tenant protection ordinance. 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 has approved ten additional multi-family 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
Minneapolis	**4/01/2019**	**Applies to multi-family with 5 or more units in which at least 20% of the units are affordable at 60% AMI or less**	**60 day notice**	**Three months of contract rent**	**Relocation Assistance, administrative fines, revocation of license or criminal prosecution**	**Limits tenant screening practices by landlords** **Upheld by MN Supreme Court – July 2020**
Saint Louis Park	July 1, 2018	Applies to multi-family buildings with 18% of units at or below 60% AMI	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 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 and penalty fee. The city reimburses the tenant.	Tenant “Notification” Ordinance Must provide a copy of notice to city Tenants may submit a notice of 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

City COVID response to support tenants

In April, the city council approved funding for an emergency rental assistance program to assist Minnetonka residents impacted by COVID-19. To establish the program, the city approved a temporary ordinance that allows the city to set up a housing trust fund for this purpose. The city dedicated $150,000 of the existing fund balance from the Development Fund. This amount represented the balance of conduit bond administrative fees city collected by the city, which are available for this purpose and not committed to other programs. It is anticipated this amount will be reimbursed by CARES funding.

As of Sept 1, 2020, ICA spent $62,400 of the Minnetonka money on assistance for residents. This equates to:

- 45 households assisted
- Average assistance is $1,356 for rent/utilities
- $77,500 in funding remaining for Sept-Nov

HomeLine

Staff reached out to HomeLine, a local tenant advocacy non-profit, to inquire about the calls from Minnetonka residents seeking advice. The agency typically responds to 100-120 calls per year from Minnetonka residents. The calls this year remain at the same level as in previous years. However, callers are asking more questions related to COVID-19. The top three COVID-19 related topics over the past few months were related to eviction, notices to vacate, and repairs. This is fairly consistent based on data from other years that had these issues in the top three reasons for calls, followed by privacy concerns and desire for stable housing.

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 that includes areas for sleeping, cooking, and sanitation independent of the larger home. In Minnetonka, ADUs located *within* a single-family have been allowed by conditional use permit (CUP) since 1986. The zoning ordinance notes that ADUs provide for:

- more efficient utilization of the existing single-family housing stock in the city;
- the benefits of rental income decreased housekeeping responsibilities or the companionship of tenants by persons residing in houses which are too large for their present needs;
- provision of housing which allows privacy and independence for older family members;
- preservation of property values and maintenance of the character of existing single - family neighborhoods; and
- provision of housing for live-in employees.

Given increased resident inquiries about ADUs detached from single-family homes and the lack of complaints about existing ADUs, staff proposes a "refresh" of the existing ordinance as it pertains to ADUs. The primary substantive changes would be:

- Allowing detached ADUs, in other words, allowing permanent, standalone units.
- Establishing general design criteria for detached and attached ADUs.

Other housekeeping changes would include:

- Reordering standards.
- Clarifying that an ADU may not be subdivided or otherwise segregated in ownership from the primary residence.

A CUP – and therefore, city council review and approval – would still be required.

If a “refresh” of the ordinance is generally acceptable to the council, staff would tentatively introduce the ordinance to the council in October 2020.

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. Julie Wischnack, Community Development Director, serves on the League of Minnesota Cities Housing Committee.

- 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

Fair Housing Implementation Council: Established in 2002 to coordinate efforts of its participating members to comply with their obligations to affirmatively further fair housing throughout the Twin Cities metro housing market area. This group led the development of the Twin Cities Regional Analysis of Impediments to Fair Housing, which is a thorough examination of structural barriers to fair housing choice and access to opportunity for members of historically marginalized groups protected from discrimination by the federal Fair Housing Act.

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. Staff will continue to collaborate at a regional level to support affordable housing efforts and bring policies and ordinances forward to the city council to support housing opportunities in the city.

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

Metro Cities 2020 Legislative Summary

Minnetonka Economic Indicators

COVID-19 Program Updates

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 – Sept. 2020

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**
2021-2025 EIP Review Intro Noah Strategies • 4d Program (concept)* • Legacy Education Program Intro (concept)* • Multifamily Rehab Loan Intro (concept)*	Policy/Program	June 24, 2020 – Noted on conceptual pages	Adopted July 27, 2020
Tenant Protection • Notice of Sale • 90 Day Protection • Relocation	Ordinance	Winter 2020 Update	TBD
Accessory Apartment (ADU) – in a detached structure.	Ordinance Amendment	Fall 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

Metro Cities
Building and Development Bills Challenging Local Authority Summary
2020 Legislative Session

S.F. 3789 Koran / H.F. 4474 Elkins: Requires a city to accept an application to the Minnesota Housing Finance Agency for a project as their application for local housing money for the same project. Cities provide resources based on their strategic city goals and sometimes score projects based on their own application questions that differ from scoring criteria and information required by MHFA. The way the language is written includes no definition for local housing money and would likely restrict cities to equitably score applications.
Senate Hearings. Not adopted.

S.F. 3793 Koran & S.F. 3816 Koran / H.F. 4476 Elkins: Removes valuation-based methodology for building permits, which accounts for building complexity (soil types, complex architecture, etc.). In its place it installs a municipal building permit fees cost per square foot basis requirement. Feedback from cities and other stakeholders, including DLI, reaffirm that valuation-based methodology is the best way to account for building complexity. As written, the cost-per-square-foot methodology doesn't adequately address remodeling permits (window replacement, bathroom expansion, etc.).
Senate Hearings. Not adopted.

SF 3794 Draheim / H.F. 4475 Elkins: Modifies planning and zoning fees; caps park dedication fees at five percent of the land, which is much less than the development. Park dedication fees are critical to funding parks and trails. Capping this fee doesn't adequately account for the costs of these capital projects benefitting residents.
No Hearings.

S.F. 3796 Koran / No House companion: Prohibits a municipality's requirement for use of designated building officials for inspections. Municipalities may opt out of prohibition by ordinance authorization. As construction continues throughout the state, it is essential that building inspection continues to ensure the health, safety, and welfare of Minnesotans. Now is not the time to punish cities for utilizing their own building inspectors.
Senate Hearings. Not adopted.

S.F. 3886 Draheim / H.F. 4473 Elkins: Broadly preempts the zoning authority in all 853 cities in the state, erodes local control, and imposes a one-size-fits-all standard that doesn't adequately account for local considerations.
Senate Hearing. Not adopted.

S.F. 4064 Draheim / H.F. 4015 Elkins: Changes city authority to implement comprehensive plan official controls (i.e., zoning), limits regulations on residential development, and implements a five percent cap on park fees. Cities stage development through orderly zoning controls and via their comprehensive plans. In the metropolitan region, comprehensive plans comprehensive plans are dynamically created every ten years with rounds of local input and adopted by city councils. Many other cities across the state also adopt comprehensive plans to guide their growth. This bill would fundamentally change the

controls and staging of development. It would allow for inefficient deployment of expensive infrastructure rather than staged and orderly development.
No Hearings.

City of Minnetonka Economic Indicators and Actions – August 2020

Subject Area	Data/Information	City Action
Unemployment Rate:	• At the start of the government mandated shutdowns, Minnetonka's Unemployment rate went from 2.4% in March 2020 to 7.2% in April 2020, it then rose to a peak of 8.1% in May. As businesses were able to reopen, the unemployment rate in the city has ticked down to **6.9%** for July. • For context – Hennepin County's July rate is 8.9%, Minnesota's is 7.7%. https://mn.gov/deed/data/data-tools/laus/ • https://www.fhfund.org/report/housing-and-unemployment-hardest-hit/ provides zip code data about unemployment claims (continuing and new claims)	• Continue promotion of business assistance • Continue business outreach and communications relating to business needs. • Monitor UI claims for guidance about household difficulty.
Industry Impacts	• http://mn.gov/deed/trends • Http:mn.gov/deed/review • DEED expects to lose 11.3% of nonfarm wage and salary employment between 1st and 2nd quarter of 2020 • Expects hiring to ramp up and return of 43% of lost jobs in through the second quarter of 2021. • Anecdotal evidence from MN Retailers Association that furniture, landscaping, sporting goods, and home goods are booming industries in the pandemic.	• Continue to monitor industry trends
First Half Property Tax Payments:	• Minnetonka had **322** single family properties miss their first half property tax payment. 258 Homesteaded properties, 64 Non-homestead properties • As of 2018, Minnetonka has 16,072 single family owner-occupied units.	• Continue monitoring again in October to identify those homes in need. • Determine if further communication is required.
City Foreclosure Data	• Assessing began tracking foreclosures in the city in 2007. • As of the end of July 2020, Assessing has recorded only 1 mortgage foreclosure in the city.	• Continue monitoring with assessing.

CITY OF MINNETONKA

Updated 9/1/2020

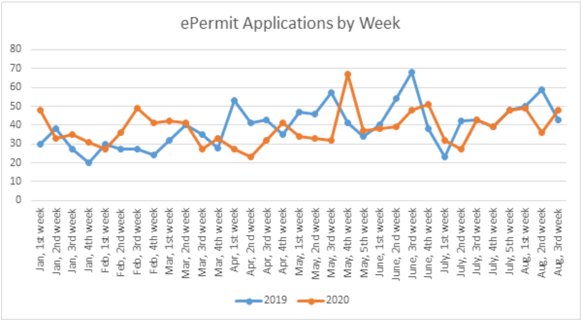
Mortgage Delinquency Trends:	• June 2020 data indicates that MN has 5.6% of Mortgages as "Non-Current". • This places MN within the top 10 of states with the fewest 'Non-Current" mortgages. – According to Black Knight Research. – July report to be released on September 8th • There are 11,000 households with a mortgage in Minnetonka	• Continue to monitor. • Promote mortgage assistance programs for Minnetonka residents. • Consider if local intervention is necessary.
Utility Accounts:	The city's utility billing division creates bills for properties in cycles, by quadrants in the city. Currently billing group #2 (east half of the city) was billed for 2nd quarter water usage due on 8/21/2020. • 1,028 accounts are past due vs 1,031 in 2019 • This represents 3 fewer accounts than the same period in 2019. • The city does not shut off water for non-payment, so we cannot get data on shutoff notices. Gas and Electric shutoff notices are provided to the city to indicate homes in distress.	• Evaluate monthly bills and shut off information for future identifiable trends. • Determine if assistance is needed.
Non-Payment of Rent	National Multifamily Housing Council • Nationally 79.3% of rents payed on time through the first week in August compared to 81.2% of rents payed through the same period in 2019.	• Continue monitoring rental payment trends • Continue to be in touch with ICA if additional emergency assistance is needed.

CITY OF MINNETONKA

City of Minnetonka Economic Indicators and Actions – August 2020

Subject Area	***Data/Information***	***City Action***

Multi Family Home Rental Assistance:	• ICA began administering the rental assistance program for Minnetonka in April
	• ICA has 41 emergency rental assistance grants (totaling approximately $56,000) since the program began.
	    o 37% of total fund utilized as of 7/31/2020
	    o The average amount of rental assistance is $1,347
	    o Average household size served = 2.5 persons/household
		• Evaluate monthly reports from ICA for trends or needs.
		• When dollars have been 75% exhausted, propose additional funding to city council.

Multi Family Home Rental Payments, property owner interviews:	• Staff contacts 4-7 building owners every month to monitor nonpayment of rent. • In July; interviews indicated between 2 and 13 percent nonpayment. In the 13 percent case; that was 3 percent higher than last year at this time. • All interviews indicated a desire to work with residents by setting up payment plans.	• Continue conducting monthly interviews to help identify problems or need for government assistance.
Building Permit Activity:	 • Chart, through August 25. • Permit applications per week for the last 4 months have been erratic, but are similar to the past years permit activity (within 50 permits). • Value of construction is lower and complex projects have declined. • New single family construction is higher this year, 31 new starts, versus 25 in 2019.	• Monitor construction projects for problems or challenges. • Communicate drastic changes in numbers to city's finance department.

Updated 9/1/2020

14600 Minnetonka Blvd. | Minnetonka, MN 55345 | 952-939-8200 | minnetonkamn.gov

FROM: Alisha Gray, Economic Development and Housing Manager

DATE: Sept. 14, 2020

SUBJECT: COVID-19 Response

The following memorandum provides updates on the city's COVID-19 response as of the September 14th, 2020 City Council Study Session.

Eviction Moratoria

Federal Moratorium

On Sept. 1, 2020, the Trump administration and the CDC put forward an eviction moratorium that would remain in effect through the end of 2020.

Under the rules, renters have to sign a declaration stating: their income is not higher than $99,000 a year, or twice that if filing a joint return, and that they have no other option if evicted other than homelessness or living with more people in close proximity.

Evictions for reasons other than nonpayment of rent will still be allowed.

State Moratorium

On July 14, 2020, Governor Walz singed Executive Order 20-79, which modified the existing evictions moratorium. This order went into effect August 4, 2020. This order shall remain in effect until the declared peacetime state of emergency ends. On August 12, 2020, Governor Walz issued Executive Order 20-83 which extends the Peacetime Emergency Declaration until September 11, 2020.

It is expected that Governor Walz will continue to extend the Peactime Emergency Declaration as the COVID-19 pandemic persists, extending the eviction moratorium for the foreseeable future. Staff is monitoring the status of the eviction moratorium, and is researching the possibility of enacting a city ordinance should the governor remove this protection.

Minnetonka COVID-19 Emergency Rental Assistance

On April 20, the city council approved funding for an emergency rental assistance program to assist Minnetonka residents impacted by COVID-19. To establish the program, the city approved a temporary ordinance that allows the city to set up a housing trust fund for this purpose. The city dedicated $150,000 of the existing fund balance from the Development Fund. This amount represented the balance of conduit bond administrative fees city collected by the city, which are available for this purpose and not committed to other programming. It is anticipated this amount will be reimbursed by CARES funding.

Minnetonka residents earning up to 120 percent of the area median income may apply for assistance.

- Qualified households may receive a one-time payment of up to $1,500 to assist with rent and utility expenses.
- Eligible household income limits include:
  - One person: up to $84,000
  - Two people: up to $96,000
  - Three people: up to $108,000
  - Four people: up to $120,000

As of Sept 1, 2020, ICA spent $62,400 of the Minnetonka money on assistance for residents. This equates to:

- 45 households assisted
- Average assistance is $1,356 for rent/utilities
- $77,500 in funding remaining for Sept-Nov

Applications continue to be accepted through ICA by calling 952-938-0729.

The 2021-2025 recommends a contribution of $50,000 through the HRA Levy in 2021 to continue this effort.

Minnesota COVID-19 Housing Assistance Program (Mortgage, Rent and Utility Assistance)

Minnesota's COVID-19 Housing Assistance Program opened to cover housing expenses such as rent, mortgage, utilities or other housing-related costs. This program will help keep folks in their homes and maintain housing stability for eligible renters and homeowners in communities across the state.

People in Minnesota interested in applying for assistance can call the Greater Twin Cities United Way's 211 Resource Helpline at 651-291-0211, visiting 211unitedway.org or texting "MNRENT" or "MNHOME" to 898-211. The 211 Helpline has dedicated multilingual staff to answer questions about the COVID-19 Housing Assistance Program 8 a.m.-8 p.m. Mondays through Fridays.

For questions regarding the application process, check the COVID-19 Housing Assistance Program frequently asked questions.

Business Assistance

Over the last several months, emergency assistance ($225,000) has been made available to Minnetonka businesses that have experienced financial hardship due to COVID-19 through local, county, state, and federal funds. Through this initial surge of assistance, over 100 Minnetonka businesses secured emergency assistance allowing them to continue operations, pay employees, and pay rent/mortgage expenses.

In the most recent round of small business emergency assistance, Hennepin County received over 800 applications from businesses that had not previously received assistance from city, county, state, or federal aid. Within those numbers:

- 68 Minnetonka businesses applied
- 22 were selected to receive funding
- 20 additional businesses did not receive funding but were eligible based on meeting criteria.

Staff has found that additional emergency assistance may be necessary as the pandemic persists and that outdoor shopping/dining option is on hold during the winter months. The 2021-2025 recommends a contribution of $50,000 through the HRA Levy in 2021 to continue this effort.

COVID-19 Updates

Additional Covid-19 updates are available on the city's website at https://www.minnetonkamn.gov/our-city/coronavirus-response.

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

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.

Metropolitan Council
390 Robert Street North
Saint Paul, MN 55101

metrocouncil.org

Main: 651.602.1000
TTY: 651.291.0904
Public Information: 651.602.1500
public.info@metc.state.mn.us

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.

Housing and Redevelopment Authority (HRA) Levy
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.

Community Development Block Grant (CDBG) funds
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.

Livable Communities Fund
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.

Minnesota Housing Finance Agency Programs--Rental
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.

Minnesota Fix-up Fund
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.

Community Fix-up Fund
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

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, Secretary

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:

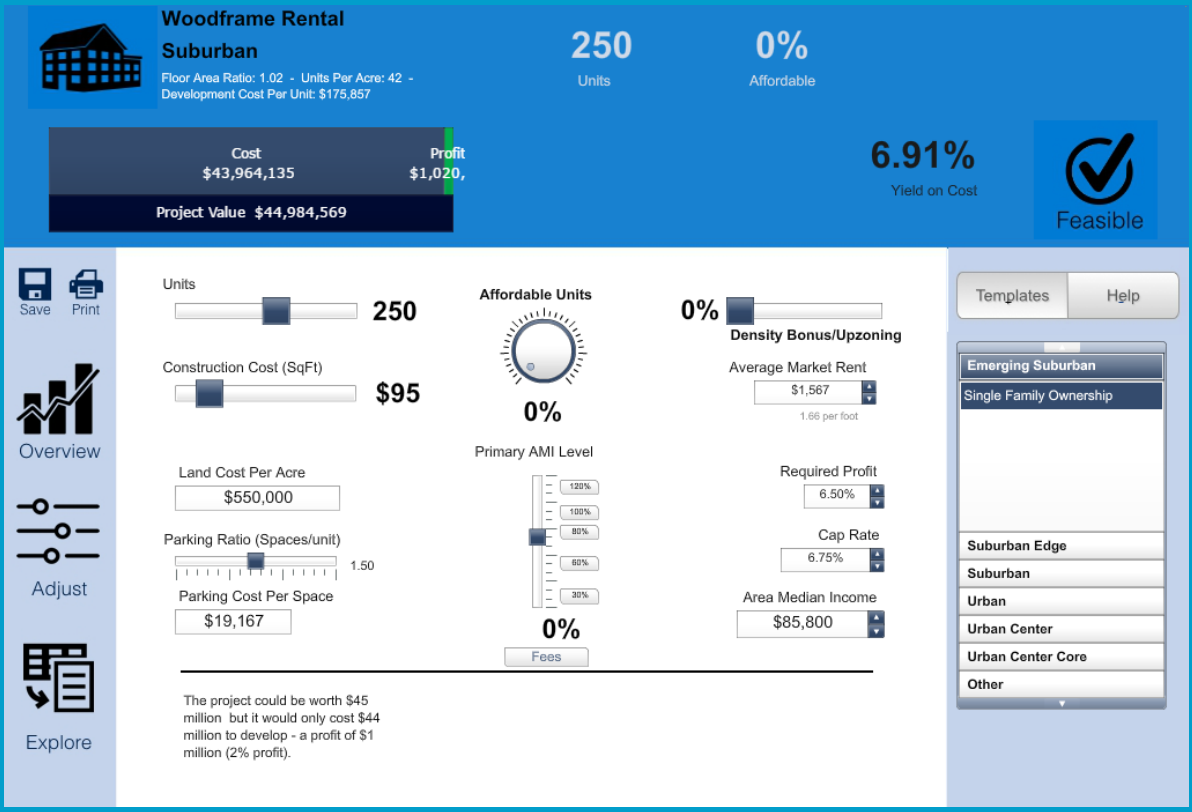
- Mandatory mixed income housing policies (inclusionary housing): Requires all new housing to include a portion of the units reserved for lower-income households.
- Planning and zoning policies: Requires a mix of incomes to be included in new housing if developers request or receive a land-use modification, 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.

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

Council Present: Bob Ellingson, Rebecca Schack, Mike Happe, Tim Bergstedt, Deb Calvert, and Mayor Brad Wiersum.

Staff: Geralyn Barone, Corrine Heine, Perry Vetter, Julie Wischnack, Scott Boerboom, Kevin Fox, and Alisha Gray. City consultants John McNamara, Jake Wollensak and Paige Sullivan of WOLD Engineers and Architects were also in attendance.

Wiersum called the meeting to order at 6:00 p.m.

1. City Manager's Report

City Manager Geralyn Barone updated the council on the sustainability efforts staff has been working on in conjunction with the student group concerned about climate change.

Ms. Barone asked if there was interest from the council to look at drafting a resolution requesting the legislature to have a discussion on statewide campaign finance reform. Councilmember Calvert indicated that there is interest to look at the clean elections request at a future time. Councilmember Schack again showed interest. Councilmember Happe, Councilmember Bergstedt, and Mayor Wiersum declined to look at the issue.

2. Public Safety Facilities Finishes Update

Assistant City Manager Perry Vetter gave the staff introduction.

John McNamara, Jake Wollensak and Paige Sullivan of WOLD Engineers and Architects presented the facility finishes and furnishing design for the Police and Fire Facility Project.

Councilmember Happe, asked if there would be solar panels on the roof rather than a white roof on the building. It was explained that the roof will be constructed to accept solar panels at a later time. The council showed general support with moving forward with the identified facility finishes.

3. Diversity and Inclusion Update

Vetter and Barone introduced the work the city is doing with diversity and inclusion efforts.

Councilmember Schack requested we leverage volunteers and resources of the community to assist staff in this area.

Councilmember Calvert requested a listing of topic from the Ideation Session held last fall and that future integration include elected officials so anyone in the community can become involved for feel they have appropriate representation. Establishing partnerships, and engaging neighborhoods were themes that were brought up at the session.

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.

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

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

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:

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

Affordable Housing Work Plan

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.

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

Council Present: Bob Ellingson, Rebecca Schack, Mike Happe, Tim Bergstedt, Deb Calvert, and Mayor Brad Wiersum.

Staff: Geralyn Barone, Corrine Heine, Perry Vetter, Julie Wischnack, Scott Boerboom, Kevin Fox, and Alisha Gray. City consultants John McNamara, Jake Wollensak and Paige Sullivan of WOLD Engineers and Architects were also in attendance.

Wiersum called the meeting to order at 6:00 p.m.

1. City Manager's Report

City Manager Geralyn Barone updated the council on the sustainability efforts staff has been working on in conjunction with the student group concerned about climate change.

Ms. Barone asked if there was interest from the council to look at drafting a resolution requesting the legislature to have a discussion on statewide campaign finance reform. CM Calvert indicated that there is interest to look at the clean elections request at a future time. CM Schack again showed interest. CM Happe, CM Bergstadt, and Mayor Wiersum declined to look at the issue.

2. Public Safety Facilities Finishes Update

Assistant City Manager Perry Vetter gave the staff introduction.

John McNamara, Jake Wollensak and Paige Sullivan of WOLD Engineers and Architects presented the facility finishes and furnishing design for the Police and Fire Facility Project.

CM Happe, asked if there would be solar panels on the roof rather than a white roof on the building. It was explained that the roof will be constructed to accept solar panels at a later time.

3. Diversity and Inclusion Update

Vetter and Barone introduced the work the city is doing with diversity and inclusion efforts.

Councilmember Schack requested we leverage volunteers and resources of the community to assist staff in this area.

Councilmember Calvert requested a listing of topic from the Ideation Session held last fall and that future integration include elected officials so anyone in the community can become involved for feel they have appropriate representation. Establishing partnerships, and engaging neighborhoods were themes that were brought up at the session.

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.

CM Calvert asked what the reasons were on why the cities disbanded their human rights commissions, Ms. Barone responded that 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.

2004 Resolution Renewal:
Ms. Wischnack asked the council if there was a desire to adopt a new resolution requiring 10% or 20% affordable housing to a project using city assistance.

CM 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. CM 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.

CM 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 include as a policy.

CM Calvert continued that she believes that TIF usage should come under greater consideration and thought.

CM 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.

CM 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.

CM Bergstadt 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.

Action Item: Work on the language of the 10-20% requirement, and will structure a policy. Will do more research on payment in lieu and bring forward at another time. The council supported crafting a policy on the 2004 resolution. Will have a draft available in 1.5 months.

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.

Action Item: Should the city consider drafting a tenant protection ordinance?
CM Happe: Y
CM Bergsted: Y
CM Calvert: Y
CM Ellingson: Y
CM Schack: Y

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.

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.

CM 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.

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

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.

Action Item: Council unanimously supported the creation of a 4d policy, supporting the legacy education program, and research into a multifamily housing loan rehab program.

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.

CM 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. Ms. Barone asked why the 99 year affordability is a concern. CM Happe stated that the time period is too long due to market changes. He also reiterated his support for the homestretch workshop.

CM 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. CM Calvert asked what is an alternative to not funding HWR? CM Calvert also spoke on the importance of the Homestretch Workshop.

CM Bergstadt 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.

CM 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.

CM Bergstadt 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.

Action Items: Homes Within Reach expansion/funding items and the modification of our loan programs will happen with the development of the EIP. The encouragement of other types of affordable ownership product may have to be written into the policy.

Other Ideas

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

Councilmember Bergstadt 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

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, Secretary

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

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

City Council Study Session Agenda Item #4
Meeting of Sept. 14, 2020

Brief Description: Homes Within Reach Discussion

Overview

During the Economic Improvement Program (EIP) discussion on July 27, 2020, the council requested staff to prepare an updated report regarding Homes Within Reach, a land trust program, at a future study session.

Background

Homes Within Reach (HWR), also known as the West Hennepin Affordable Housing Land Trust, was established in 2001 by a workgroup formed by the City of Minnetonka after the city council identified preserving and increasing affordable ownership housing as a priority for the community. The new effort was formed as a separate non-profit entity, after years of attempting affordable covenants for ownership product through an "indexing" program, where the price of a home was capped through a property covenant.

The land trust model provides low-to-moderate income families with more opportunity to purchase a home in Minnetonka, at a much lower price point than through a traditional real estate transaction. There are currently 61 homes within the city, purchased by the land trust model (for context, there are 128 indexed units that have resale price restrictions to ensure long-term affordability). *A more detailed summary of how West Hennepin Affordable Housing Land Trust operates is included as an attachment to this packet.*

HWR also has an agreement with the City of Minnetonka to provide a line of credit to purchase homes within the city. Under the terms of the agreement, any property that HWR wishes to purchase in the city must first be approved by city staff. The typical process includes HWR finding a home suitable for purchase. Before making an offer, HWR will contact city staff and request approval. The location of the property is considered in the approval to ensure that HWR homes are selected equitably throughout the city.

HWR receives funding from a multitude of private, state, regional, and local funding sources. Historically, HWR received funding through Minnesota Housing, Metropolitan Council, federal Community Development Block Grants (CDBG), and Hennepin County. HWR can leverage other dollars because of the agreement with the City of Minnetonka. Without the support of multiple sources of funding, it is likely that the land trust model would not be possible.

Previous Funding Discussions

- In 2012-2013, an EDAC subcommittee met and recommended that the city council consider phasing out the larger funding for HWR beginning in 2020. The recommendation stated that beginning in 2020, HWR's funding should be reduced to $25,000 to assist with ongoing administrative costs to continue the organization. The EDAC also provided this recommendation at its Mar.13, 2014 meeting. A summary of the materials from the four 2012-2013 EDAC subcommittee meetings and the minutes from the Mar. 13, 2014, meeting are attached as a resource.

- On Mar. 14, 2019, EDAC commissioners suggested adding information on the history of HWR to the Economic Improvements Program (EIP). Generally, commissioners supported continuing to look for opportunities to fund the organization. Staff attached the following information to the report:
    - History of City Contributions to Homes Within Reach
    - Homes Within Reach Properties

- In June 2019, the city council reallocated $125,000 from the Housing and Redevelopment Authority (HRA) funded housing loan programs to HWR. It approved an additional contribution of $25,000 through the HRA levy to assist with ongoing program administration for 2020.

- The 2021-2025 EIP does not contemplate additional funding for HWR in 2021, given that HWR received two years' worth of program administration allocation in the 2020 budget. However, the document does recommend future contributions of $125,000 in the years 2022-2025.

- HWR currently has an unspent balance of $456,696 in prior-year grants to be spent on purchases within Minnetonka. The funding often lags behind the actual purchase of a property because of a variety of circumstances: purchasing timeframes, grant cycles, and identifying appropriate homes in a tight housing market.

Concerns Raised for Further Discussion

Through discussions with HWR homeowners and city council members, staff has identified three areas of concern that have been expressed regarding the land trust model: Homeowner Education, Rehabilitation and Support, and Taxation.

Homeowner Education

For many HWR residents, the purchase of their home is their first experience in becoming a homeowner. To ensure that applicants are prepared for homeownership, HWR has ensured multiple opportunities for education. As part of the initial application process, HWR holds an orientation meeting with the individual to answer any questions about the land trust model and outline the purchasing process. If the individual would like to continue, they are required to attend a Home Stretch Class through the Minnesota Homeownership Center. These classes provide basic tools to move through the buying process and own a home. Finally, a prospective individual is required to attend an HWR informational meeting before moving on to selecting an approved lender. In all, an applicant undergoes a full day of education in homeownership before selecting a lender.

Homeowner Rehabilitation

A HWR homeowner concern was raised regarding ongoing maintenance issues associated with their home. The attached email describes issues encountered by the resident. HWR does perform rehabilitation on homes before selling them to individuals. However, as many of the land trust homes are over 60 years old, maintenance issues may arise, leaving the homeowner responsible for the cost of repairs. Minnetonka currently operates two home rehabilitation loan programs to assist all homeowners, which HWR homeowners have access to and have utilized.

However, demand for these programs is high, and with limited funds, these programs often have extensive waitlists. (HWR has provided an official response of actions specific to the email, see attached.)

Potential Funding Source

Before 2018, Minnetonka held the status as an “Entitlement City” for disbursement of Community Development Block Grant Funds (CDBG). For years the city spent these grant funds to support home rehabilitation loans for low-to-moderate-income individuals and to support local public services.

The city receives repayments of CDBG home rehabilitation loans as homes are sold or refinanced. Those returned funds can then be reused for eligible CDBG purposes. Due to the robust housing market over the last 5 years, the city has seen a large uptick in CDBG loan repayments and has an unused grant fund balance of approximately $200,000. These funds can be reallocated to a narrow scope of purposes, including administration, home rehabilitation, and public services.

In 2018, the city council made the recommendation to spend this money to support the relocation of the businesses from the Shady Oak Road Shopping Center (4312 Shady Oak Road). However, in 2019, the affordability makeup of the resulting apartment redevelopment changed and made the 2018 recommendation an ineligible expenditure per HUD guidelines. The funds may now be used for an alternative eligible activity with a new city council recommendation.

Staff has researched eligible alternative activities to use these funds and found that developing a home rehabilitation loan program available to homeowners within the HWR program is an eligible activity for the council to consider. This program could offer $5,000 - $10,000 loans to owners of HWR properties to make needed repairs on their homes. With the number of HWR homes in the city (61) and the amount of grant funds available ($200,000), staff expects a minimum of 40 homeowners could take advantage of a first-come, first-served basis. Staff would model this program after the previously managed Small Projects Loan Rehab program and would run the program internally, with support from HWR staff. This is one way for the city to continue to support the HWR program while assisting homeowners in need with support for ongoing maintenance.

This program would not affect the already existing CDBG Home Rehabilitation Program; that program would continue to be available to all Minnetonka residents meeting the eligibility criteria, including HWR homeowners.

Taxation

Through the land trust model, HWR owns the land that a house is located on and enters into a ground lease with the homeowner, who owns the home. The ground lease allows the homeowner to secure long-term rights to the land and is allowed to have full use of the land. Under the agreement, the homeowner is responsible for the property and payment of all real estate taxes on the house AND the parcel of land. A typical HWR home would pay property taxes of around $3,500 per year, which adds nearly $300 a month in cost to an HWR homeowner. Concern was expressed based on the fact that the resident would be responsible for the entire tax obligation of the property despite not entirely owning the land the home was located on.

Homestead Credit Refund Program/Tax Classification

The homestead credit refund is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. Homeowners whose income is less than $113,150 are eligible for a refund through this program. HWR homes are available only to residents who earn less than 80% AMI or $78,500 for a family of 4. For example, a married couple, both under 65, with two children, could expect a property tax refund of $1,300, which would equal 37% of the taxes paid on a typical HWR property. (Final property tax bill would be $2,200 or $183 per month.)

Many (if not all) HWR residents would be able to take advantage of this program and expect a refund to offset their property tax burden.

Under state statute, homes within a land trust are classified the same as any other single-family home and taxed at the same rate. To change the law regarding tax rates, new state legislation would have to be enacted to classify land trust homes differently within the tax code, which could alter the tax calculation on a land trust property.

Discussion Questions:

- ***Does the city council support continued funding of HWR through the HRA levy in 2021 and beyond?***

- ***Does the city council support the exploration of using CDBG grant funds to assist HWR homeowners with home rehabilitation?***

Submitted through:
Geralyn Barone, City Manager

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

Attachments:

- July 27, 2020 City Council Meeting, Item 14. B, EIP Minutes
- August 2020 Memo – HWR Summary of Community Land Trust Program from HWR Staff
- Email from HWR resident Toi Hollie – 5116 Holiday Road
- 2012-2013 Homes Within Reach Subcommittee Memos
- Mar. 13, 2014, EDAC Minutes
- Homes Within Reach Properties
- History of city contributions to Homes Within Reach
- Homestead Credit Refund Program Information Pamphlet

Discussed concept plan with the applicant. No formal action required.

B. 2021 – 2025 Economic Improvement Program (EIP)

Community Development Director Julie Wischnack and Economic Development and Housing Manager Alisha Gray gave the staff report.

Schack thanked staff for the detailed summary. She asked how the CDBG cash balance could be utilized by the city. Gray explained the city has been pushing for an answer on how these dollars can be used. She reported continued rental assistance or foreclosure recovery assistance may be options. Wischnack indicated staff has had a hard time getting answers quickly.

Coakley inquired how the affordable housing trust fund would be allocated to renters. She questioned how low income homeowners could be helped. She stated she would also like to understand how the council's issues on the EIP would be addressed if the document were approved this evening. Wischnack commented staff was thinking about the next phase of issues which included mortgage concerns. She explained she was on a phone call Minnesota Home Ownership Center where she discussed how to address the issue of mortgage payments going forward. She believed there was a longer timeframe to resolve this issue. She anticipated the council would see more regarding this topic in the future. She reported there was no right answer regarding the issues the council may have with the EIP. She stated if the council did not support the EIP the document could be addressed at a future meeting when further discussion could be held regarding the budget. She explained another option would be for the council to adopt the EIP with changes.

Carter questioned when the council had to make a final determination on the 2021 budget. Wischnack stated this had to be done in December.

Carter commented it would be difficult for the council to make a determination on this matter given the fact there was cascading information that was just becoming available to the council regarding the CARES Act funding. While she did not want to delay the EIP, she believed the decisions made regarding the federal dollars would have a trickledown effect on how the city spends dollars.

City Manager Geralyn Barone encouraged the council to view the EIP as a planning document that would be used to guide budgetary decisions. She stated if there was something within the EIP that gave the council pause, staff would like to receive feedback on that item.

Carter questioned if the EIP document could be changed between now and December. Barone reported this would be allowed, noting the EIP should be viewed as a planning tool for the city.

Coakley stated she was concerned with Homes Within Reach. She wanted this program to meet the intended guidelines with respect to affordable housing. She explained she would like the council to discuss the Homes Within Reach program at a future council worksession meeting.

Carter agreed it would benefit the council to further discuss Homes Within Reach and to ensure there were accountability measures in place for this organization.

Barone reported it would be timely for the council to discuss this further in September. The council supported this recommendation.

Calvert noted she served on the EDAC as the council liaison. She explained this group has had some turnover and she believed the attitude toward Homes Within Reach has changed over the years. She indicated there was a tremendous enthusiasm to create homeownership opportunities to broaden the demographics in Minnetonka. She stated she would support the council further discussing the vision and mission of Homes Within Reach.

Schack supported the request to further discus Homes Within Reach at a future worksession meeting. She stated the city needed to be nimble at this time while also meeting the ever changing needs of the community.

Wiersum noted the city did not have funds allocated to Homes Within Reach in 2020 and noted he looked forward to further discussing this organization at a worksession meeting in September. He understood this program wasn't bad, but just couldn't serve everyone. He looked forward to discussing how to make this program better. Wischnack stated Homes Within Reach was a separate non-profit and noted this was not a city organization.

Coakley commented it was her understanding that when the city invests funding in a program, then it has more say-so in the program. She stated this was the reason she wanted to further discuss Homes Within Reach.

Carter indicated this was an important moment of distinction. She explained a private non-profit or 501C3 has their own governance structure and board of directors. She stated this board may honor a funder but essentially a funder does not have undo input on programmatic mission or organizational values and vision. She reported the city gives money with the understanding the organization will execute their service model without city intervention. She indicated the city was a partner with Homes Within Reach and money does not equal control with this organization. She encouraged the council to keep in mind there was a multi-pronged approach to housing and not all eggs should go into a single basket. She stated Homes Within Reach was one tool and there were other tools available to the council, with respect to housing.

Coakley thanked Councilmember Carter for her comments.

Kirk reported the council did not have to continue funding Homes Within Reach. He understood it was important to get people into affordable homes in Minnetonka, but stated there may be other options available to the council. He explained the issue for Homes Within Reach at this time was that it was difficult to gain capital equity.

Wiersum commented he was the council representative on the Homes Within Reach board. He indicated this was a unique program because it supported home ownership. He stated this program started out as a Minnetonka program but has since become West Hennepin County Affordable Housing Land Trust and this organization served the western suburbs. He explained the city's share of influence on this organization was small because it was a broad organization. He understood it was good for the city to be affiliated with Homes Within Reach, but also believed the city needed other tools available to help Minnetonka residents that were in need of affordable housing. He also wanted to be assured that the organizations the city supported were meeting the city's standards.

Wiersum discussed how the pandemic was impacting local businesses. He questioned what the city could do to help start up businesses and minority owned businesses in the community. Wischnack commented on the Open to Business program that was in place and discussed the assistance this organization provided small businesses.

Calvert thanked staff for their tremendous efforts on the business chapter within the EIP. She understood businesses were being adversely impacted by the pandemic and she looked forward to how the city will assist them over the coming year.

Wiersum commented the recommendation before the council was to adopt a resolution that would approve the EIP. He thanked Wischnack and Gray for all of their hard work on the EIP. He stated this was a cutting edge document for the city to have in place.

Schack moved, Calvert seconded a motion to adopt Resolution 2020-056. All voted "yes." Motion carried.

Wiersum recessed the city council meeting.

Wiersum reconvened the city council meeting.

C. 2020 – 2024 Capital Improvement Plan amendment to account for CARES Act funding

West Hennepin Affordable Housing Land Trust

Memo

To: Minnetonka City Council and Julie Wischnack
From: Homes Within Reach – Janet Lindbo
Date: August 25, 2020
Cc: WHAHLT Board of Directors
Re: Homes Within Reach – Community Land Trust Program

Over the past eighteen plus years, West Hennepin Affordable Housing Land Trust (WHAHLT) dba Homes Within Reach (HWR) has worked with the City of Minnetonka to create and sustain affordable homeownership for the community, using the Community Land Trust practice. WHAHLT's historical antecedents is connected with the City of Minnetonka's vision of growing affordable homeownership options. We have valued our partnership with Minnetonka over the past many years.

Therefore, based on the July 27, 2020 Council Meeting audio, there appeared to be some questions with respect to the HWR program. Therefore, the attached documents to this memo might be helpful in providing an update on the organization. The PDF includes the following.

- Summary of the Community Land Trust program.
- Due to the emails sent by Toi Hollie on or before July 27, 2020, attached is an outline of work done prior to closing and the timeline with respect to water infiltration issues in July 2019, where HWR more than fulfilled its obligations.

If you have any questions, please feel free to contact me.

Homes Within Reach - City of Minnetonka

August 2020

Overview:

West Hennepin Affordable Housing Land Trust (WHAHLT) dba Homes Within Reach (HWR) is a nonprofit Community Land Trust; its purpose is to create and preserve affordable homeownership opportunities for low-to-moderate income workforce families in the suburbs of Hennepin County, using the Community Land Trust (CLT) practice; which removes the value of the land from the mortgage equation, creating initial affordability.

HWR acquires and retains the ownership of real property, rehabilitates the property and then sells the improvements (home) to qualified buyers earning less than 80% Area Median Income (AMI). The land trust practice offers long-term affordability (99-year lease), where each affordable home will offer affordable homeownership to multiple families throughout the life of the lease. Thus funding is recycled with every resale.

HWR's major objectives in creating affordable long-term homeownership is to offer the opportunity for workforce families to become homeowners; which in turn stabilizes the family unit, adds value to the community and protects the investment of the subsidy made possible by multiple funders for multiple families/households.

The CLT program establishes affordability by removing the value of the land from the mortgage equation to create initial affordability. The homes are purchased by approved buyers, who enter into a mortgage to purchase the home, like any other homebuyer, except they are purchasing the home only. The homes are made permanently affordable through contractual controls embedded in the Ground Lease, executed between the buyer and HWR at the time of purchasing the home. The long-term affordability is obtained through a pricing formula that provides the owner with an amount of equity (35%), while ensuring the sale price is offered to subsequent workforce low-to-moderate income households by requiring the homeowner to sell to another low-to-moderate income household. The Ground Lease allows the homeowner to secure long-term rights to the land. In addition, the homeowners have full use of the land and are responsible for the property and payment of all real estate taxes on the house and the parcel of land.

In serving the City of Minnetonka from 2002 through 2019 HWR has assisted 71 families (includes 13 resales) in becoming homeowners, created 58 affordable homes. The program has served an average household income of $41,544 with an average Area Median Income (AMI) of 56.1% in the City of Minnetonka.

The average land costs for the 58 Minnetonka properties from 2002 through 2019 is $102,566; however, land values have increased over the years; between 2017-2019 average land costs were $158,333. The average sale price for the homes to qualified HWR buyers is $126,614 over the past 17 years. However, with market conditions changing, costs have increased and the average sale price for qualified buyers over the past 24 months is $148,333.

Since the concept of using the Community Land Trust (CLT) practice was initiated by the City of Minnetonka, the majority of housing production took place in Minnetonka in the early years of the program's existence. However, in 2004/2005, the implementation of the HWR program outside of Minnetonka began to take place, supporting the strategic focus of the organization and encouraged by the Minnetonka EDA and now WHAHLT serves 12 suburban communities, soon to be 13 in 2021 in Hennepin County.

The HWR nonprofit organization assists communities' in meeting their affordable housing offering the Community Land Trust practice as a tool in the tool box. Homes Within Reach has supported homeowners in time of crisis, referring them to resources and assisting them when working with their mortgage lenders. However, the organization is not a social service agency and it was never intended to be one. CLT homeowners have obligations with respect to their homes as do all homeowners and engage a third party to inspect their homes prior to purchase.

Funding: Each housing project is funded by two sources of capital; proceeds of the sale of the home from a qualified buyer and grants and in-kind resources awarded to the organization to cover the costs of land, renovations and project costs.

Overall, the City of Minnetonka has contributed 41% and HWR has contributed 59% of funding for newly created long-term affordable homeownership units from 2002 through 2019.

HWR Profile:

The following chart summarizes 2002-2019 statistical profile of HWR and Minnetonka - HWR homeowners.

HWR's target market is households with incomes at 80% or less of Area Median Income (AMI).

In practice, HWR has served households between 32% and 79% AMI, the average program wide AMI is 56.1% for new sales and 65.1% for resales

The majority of Minnetonka parcels were purchased 2002 – 2012; 1 to 2 parcels a year from 2013 -2019. HWR began its works in 2002 in Minnetonka and over the years has grown to serve 12 and soon to be thirteen suburban communities.

HWR PROFILE	HWR 2002-2019 Totals	Minnetonka 2002-2019 Totals
Total HWR Parcels	156	58
Total Buyers	155	58
HWR Average Income	$44,262	$41,544
HWR Area Median Income Served (%) - Income and family size drives AMI calculation	59.1%	56.1%
HWR Average Monthly Mortgage Amount	$938	$904
HWR Average Sale Price	$130,269	$127,462
HWR Average Household Size	3.39	3.20
HWR Households of Color Served	65	22
HWR Percentage of Total - Households of Color Served	42%	37.4%
HWR Single Female Heads of Households Served	91	30
HWR Percentage of total - Single Female Heads of Household	58.7%	51.7%
HWR Resales (First resale in 2007)	28	13
HWR Resale AMI (%)	61.7%	65.1%
HWR Resale Average Income	$45,529	$46,191
HWR Resale Sale Price	$126,636	$127,271
HWR Households (Sales & Resales)	183	71
Number of Communities Served	12	1

A general timeline for housing production is included on page 3 of this document, which includes a brief summary of action items included in the three phases of housing production. The outline does not go into to specifics relating to application approval etc.; yet it gives an overview of the third party/inspections and protocols of creating and preserving affordable homeownership option in the suburbs of Hennepin County.

As part of WHAHLT's strategic planning for its 2019 – 2023 Plan, a homeowner survey was sent out in 2018 and we had anticipated to do another survey in 2020; yet with the pandemic the activity will be moved into 2021. Overall, major components of the survey are as follows.

- Over 70% of those who responded were employed full-time (32 hours a week or more).
- 61% experienced no significant change in personal savings by homeownership.
- 28 % wages increased.
- Choose to buy a home through a CLT program was 46% affordability Assistance, 28% location of home and 23% CLT practice.
- To what extent they thought they were prepared owning a home – 55% very prepared, 42% somewhat prepared.
- 32% indicated costs were more than expected with respect to maintenance, 29% - home repairs and 45% property taxes.
- 29% felt less financial stress since owning a home and 55% about same level prior to purchasing their home.
- Children opportunities changed since becoming a homeowner – 30% neighborhood-based friendship, 26% enhanced perception of safety, 16% more involvement in extracurricular.
- How to find what is happening in the city or neighborhood, 21% local paper, 40% website
- Organizations/activities involved in as homeowners, 18% school, 26% work related, 20% faith based and 15% volunteering.
- Write in question – how current home has played a role in achieving a goals of yours. Major theme throughout the comments, specified owning a home has provided a safe and secure environment with an increased sense of confidence, stability and safety for children.

Over the years, testimonials have been provided by homeowners, using a third party interviewer and approved by the homeowner regarding the HWR program from many of the communities HWR has served. If you are interested in reviewing those testimonials, you will find them on our website at www.homeswithinreach.org.

Project/Site Information

Chart below provides a better understanding of the timeline and the major steps of the housing production process in creating and preserving an affordable homeownership using the Community Land Trust practice in the suburbs of Hennepin County.

The outline following the chart is a summary of actions items, which provides more detail than the chart's narrative. However, the list of tasks does not include detail steps, such as application and credit review, income verification and funding requirements.

When reviewing the timeline, be aware that the Application Process can take place at any time and multiple steps can be completed concurrently or prior to property acquisition; therefore, it does not take 12 months for an applicant to purchase a home; especially if the applicant is financially ready and the acquisition and rehabilitation period is less than 6 months or the home is ready for a sale.

MONTHS:	1	2	3	4	5	6	7	8	9	10	11	12
Creation of one Affordable Home												
1. Application Process												
Application/Credit Reports/Qualifications/Selection												
Informational Meeting												
Orientation & Homebuyer Education												
Interviews and Income verification												
Meeting with Lender process application												
Pre-approvals												
2. Acquisition												
Property Search												
Property Selection												
Purchase Offer												
LC Approval												
Contingency Inspections/Counter Offer/Cancel Contingency												
Determine Scope of Rehab, Finalize Offer, Remove Contingencies												
Acquire property												
Inspections - Energy, Radon & PIRA, Finalize Scope of Rehab												
Rehab												
Final Inspections												
3. Selling/Closing Process												
Mortgage Application and Approval												
Selection of Property												
Resident Committee Interview, Finalize Income Eligibility												
Execute PA , Home Inspection, Attorney Review												
Closing - Coordination with Funders, Buyers, Closer												

1. Applications Process: 2-6 months:

1. Submission of HWR application with required financial attachments.
   a. Approval for HWR to pull credit report.
   b. HWR orientation (Informational Meeting) and compliance with qualifications and criteria.
   c. Applicant meet with HWR staff to review credit reports and assist in meeting qualifications and finalize income verification to ascertain eligibility and determine work plan to be credit worthy to meet with loan officer.
   d. Attendance of a Home Stretch Class sponsored by Minnesota Homeownership Center is required. This education is to provide basic tools to move through the process and own a home.
   e. Participation in the interviews and working sessions with HWR staff.
   f. Income verification of eligibility per HOME regulations.
   g. Select lender from approved list of CLT lenders and process application.
2. Attendance by prospective applicant to a HWR Informational Meeting.

3. Pre-approval from one of five lending institutions, Alerus Mortgage, Bremer Bank, Mortgage Unlimited, US Bank and Trustone Home Mortgage.

2. Acquisition & Rehab: 3-6 months:

1. Property Search
    a. Criteria to Real Estate Agent based on annual goals & projections, funding resources, application pool/profile realtor previews.
    b. Inspects multiple properties before selecting one to continue the process.
        i. Initial Inspection - Property Search Criteria.
        ii. Location
            1. Scattered site.
            2. Neighborhood setting with close proximity to services and transportation.
            3. Structural integrity and conditions of the home and property.
    c. Key areas of inspection.
        i. Adequately functioning plumbing.
        ii. All wells and private sewage system approved by government authority.
        iii. Amp service.
        iv. Condition of exterior - siding, soffits, roof, chimney stack.
        v. Foundation/Structural Integrity.
        vi. GFIs in kitchen, baths and garage and grounded circuits for all appliances.
        vii. Ventilation in kitchen and all bathrooms.
        viii. Insulation, doors & windows (Blower Test).
        ix. Lead base paint - exterior and interior.
        x. Mechanical - HVAC system and hot water heater.
        xi. No hazardous wiring or fixtures.
        xii. Radon Testing.
        xiii. Water intrusion – from what sources.
    d. Property Selection.
        i. Research Hennepin Property Information.
        ii. Create Preliminary Project Budget to determine if acquisition is feasible.
        iii. Determine affordability gap & funding sources.
        iv. Acquisition Approval from City, when applicable.
        v. Initial Offer: Decision Point.
    e. Purchase Offer of Selected Property (foreclosed properties take additional time).
        i. Multiple offers in negotiating initial purchase price prior to the contingency period.
        ii. If Applicable: Counter Offer.
        iii. Offer – Accepted / Not Accepted.
        iv. If funded by HOME, AHIF, and CDBG funds, send photos, Rent & Utility forms.
        v. Execute Purchase Agreement - if land funded by HOME or CDBG – prepare
            1. Non-profit Purchase Letter and
            2. Seller Acceptance of Voluntary Offer.
    f. Due-Diligence Period – PA Contingency Period.
        i. Includes at least three levels of inspections.
            1. Contractor
            2. House Masters
            3. Hennepin County
        ii. Other – depending on initial inspection.
        iii. Request and Finalize Line of Credit for acquisition.
    g. Determine Rehab/Construction Requirements using the three inspections.
        i. Complete HWR Inspection Form.
        ii. Finalize Offer and Remove Contingencies if appropriate or renegotiate price or release the PA.
        iii. Send Purchase Agreement that includes copies of nonprofit purchase letter and seller's acceptance of voluntary offer along with the Preliminary Sources & Uses, MLS listing and tax

statement to HOME, AHIF and CDBG. Title commitment and appraisal with rental determination is submitted at a later date.

iv. Implement Pre-Closing Action Items.

v. Pursuant to HWR Property Acquisition Checklist.

vi. Acquire Property.

vii. Pursuant to required real estate transaction – law and lending practices.

viii. When using HOME, AHIF, CDBG funds, schedule closing date 60 days from the date of PA execution due to Environmental & SHPO Review.

h. Post Purchase Action Items:

i. Ready the property to move to the Selling Home Process & Procedures and Application Checklists.

ii. During the selling/selection process, a qualified family is approved and rehab/repair work has begun on the home and completed prior to selling the home.

iii. Identify and perform rehabilitation work that is necessary to make the acquired home hazard free and safe and ready the home for sale to a qualified homebuyer.

i. **Rehab process includes but is not limited to: 2-6 months**

i. Inspections.

ii. Radon, Blower/Energy, Asbestos tests if floor or ceiling are disturbed and PIRA if 1978 or older home.

iii. Preparation of inspection report.

iv. Determine scope of work and cost estimates.

v. Determine rehab work plan, provide written specifications.

vi. Negotiate and execute scope of work – proposal/contract.

vii. Commence and complete work.

viii. Contractor presents to WHAHLT/HWR invoice for work with all permits and required inspections.

ix. Final inspection of work completed with permits/approvals and lien waivers.

x. Review and sign off on Green Communities Intended Methods.

xi. WHAHLT/HWR makes payment to contractor.

3. Selling Process: 3-6 months:

During the selling/selection process, a qualified family receives approval by HWR and a preliminary approval by the lending institution and rehab/repair work has begun on the home and completed prior to selling the home.

1. HWR supervises the process to sell the home using the Community Land Trust practice and the funding requirements and when HOME, CDBG or AHIF monies are used, the HOME requirements are applied and followed.

a. Mortgage application and request pre-approval for a mortgage.

b. HWR Resident Committee Interview.

c. Selection of Property – show and select a home by a qualified applicant with a mortgage pre-approval by an approved CLT lender.

d. Execution of PA and all attachments and riders if necessary.

e. Applicant/prospective buyer third party inspection once rehab is completed.

f. Applicant typically is required by lending institution to have a third party inspection and HWR encourages the applicant to engage in a third party inspection - even if it is not required.

g. Independent attorney review of documents (including the ground lease) with applicant/prospective homebuyer.

h. Closing transaction.

i. Selling of the home improvements – submitting documentation to HOME and AHIF for verification and covenants.

j. Execution of the Ground Lease and Mortgage.

From: Julie Wischnack
To: Alisha Gray
Subject: FW: 5116 Holiday Rd., Mtka
Date: Monday, July 27, 2020 6:37:05 PM

From: Toi Hollie
Sent: Monday, July 27, 2020 5:59 PM
To: Janet Lindbo
Cc: Doris Gruis ; Julie Wischnack ; Brian Kirk ; Bradley Schaeppi ; Brad Wiersum ; Deborah Calvert ; Geralyn Barone ; kcoakley@gmail.com; Kissy Coakley ; Rebecca Schack ; Susan Carter
Subject: Re: 5116 Holiday Rd., Mtka

The other problem I see is the repairman Tim Uzell at TJU Construction. I have caught him saying he completed a project and then after going over his work it was not done so I'm sure he gets paid for a lot of projects he partially fixes or doesn't do at all. The city needs to assign a reputable repair company for all of Homes Within reach properties and have the money in a trust fund for repairs and that company gets paid so somebody is held accountable.
On Mon, Jul 27, 2020 at 5:28 PM Toi Hollie <hollietoi@gmail.com> wrote:

> Please include this in tonight's packet as an addendum. The mayor and City Counsel has already been included in the issues with Homes Within Reach
> On Mon, Jul 27, 2020 at 4:54 PM Toi Hollie <hollietoi@gmail.com> wrote:
>
> > My home recently had flickering lights for several months. I would be sitting in my home and lights would flicker or just go off a couple times a week with no power issues in the neighborhood. I finally found it there were bad wire connections on the roof of my home that were original and had shorts in them. The power company climbed on my roof and told me I needed to hire out and after I told the guy my issue he fixed my wires and told me not to worry about it and he'd just tell his company the case was closed. I have not had any issues since. He did this for free because he felt bad for me after hearing my story but the other issue is that my house could of caught on fire and cost me a deductible and relocation expenses. I'm going to ask that you make it a part of the program that homeowners get a copy of repairs done so they are not re-paying for stuff already complete and knowing what might need to be done in the future. If this is my home I have right to know what work was done in it before I buy it. Just like my pipes in my house keep backing up and running into my basement. I talked to them about this issue when I moved in and they told me they thought they repaired it.
> > My issue is that it feels they find the oldest Most outdated homes to put people in and they go back to their nice homes and rest while we are struggling to keep things working. I have a friend that bought a home only 10 years newer and hasn't had any issues as I have because somebody cared about quality not how they could benefit off this house in the long run. I told them when I had the mold intrusion in my basement that I felt it was mold and water on my garage walls As well and it was ignored. They said they would check it out but only focused on a small area that would cost the least. Guess what? It was Mold and my garage walls have mold and foundational issues so it smells super bad.
> > On Mon, Jul 27, 2020 at 4:29 PM Toi Hollie <hollietoi@gmail.com> wrote:
> >
> > > I'm sure I'm not the only one that has silenced frustrations in this program. Send a letter to every last person in the program or persons that have sold their home and get a true picture of how it's going. Actually, You need to make it a requirement for each person using the money to get a 1-2 year progress report from homeowners (maybe

electronically) so there is no room for tampering. HWR will say how they feel it's going but never track how they made the homeowner feel. I honestly feel like the city of Minnetonka needs to track where the money they give them is going (doing yearly audits) or appoint someone outside of their organization that is not affiliated with them to help spend the money you give them to repair correctly and not pick and choose what fits what we deserve. By all means let them give you a report before purchase but you need to do a home assessment so the homeowner is not getting stuck with bills they normally would not be able to afford. Bad Windows, Ground Repairs, Foundation issues, Old appliances over 10 years breaking down, electrical issues in the home. I have only been in my home for 1 year and forced to spend money I will never recover from. Spending my kids college money and everything. It's so sad. It's supposed to be affordable not a heavy burden to low income families. They know you coming in the program empty handed so why would they not want to be more helpful. They don't even give us a right to equity so we can make big repairs. WE HAVE NO RIGHTS.
On Mon, Jul 27, 2020 at 3:38 PM Janet Lindbo <jlindbo@homeswithinreach.org> wrote:

> Dear Mayor Wiersum and Minnetonka City Council Members;
>
> West Hennepin Affordable Housing Land Trust dba Homes Within Reach, is in receipt of Toi Hollie's email dated July 26, 2020. As a nonprofit organization, it is our mission to support Hennepin County suburban communities in creating and preserving affordable homeownership.
>
> We understand that we have a discontented homeowner. Based on our mission we have worked with Toi on multiple issues over the past year and we will again review her concerns and address them accordingly. As you know, we are a benevolent organization that has supported over 186 families since May of 2002 and we will continue to do so.
>
> Sincerely,
>
> Janet Lindbo
> West Hennepin Affordable Housing Land Trust
> dba Homes Within Reach
> 952-401-7071

Homes Within Reach Response

Rehabilitation for 5116 Holiday Road:

Due to the allegations direct to HWR from the homeowner at 5116 Holiday Road, the following outlines the work completed prior to the homeowner having a third party inspection completed and purchase of the home on March 21, 2019 and after the purchase when homeowner notified HWR of water infiltration.

I was asked to reduce this outline to one page and it could not be completed in order to supply the full list of work and process to support the homeowner.

Major scope of work based on multiple inspections (internal and third parties) for 5116 Holiday Road, Minnetonka.

- Lower level bathroom: Capped water lines and removed old shower panel walls, removed old toilet and reset with new energy conservation toilet. Prep floor and installed new vinyl with rubber base.
- Electrical:
  - Updated all outlets to be GFCI protected in the garage, exterior of the home, kitchen, bathrooms and basement. None of the outlets were GFCI protected, the outlet in the front of the garage was not grounded and not properly wired (exposed). Outlets on the outside of the screen porch are run off extension cords along with the exterior light, removed and install new wiring. Replace weather cover that is missing on the porch.
  - Removed old smoke detectors and installed new. Installed C/O detectors – per code
  - Porch disconnects and removes improperly wired outlet 2. Install WRTR CFCI in existing porch outlet box with bubble cover1.
  - Distribution panel lacks proper clearance/access – removed improperly wired exterior light fixture 1. Install R30 L blub into existing outdoor fixture 2. Replace A/C disconnect and connect to condenser1
  - Repaired/Replaced the following electrical items.
    - Switch for overhead kitchen light and sink are on same switch.
    - Lights and switch are not working in basement staircase
    - Reverse polarity noted at lower level family room (one).
    - Mixed older 2-wire and newer 3-wire system – make them all 3 wire – grounded
    - Three prong outlets ungrounded at laundry room
    - Outlet for the washer and dryer was tapped with a switch.
  - Changed all light fixture bulbs to meet the Green Communities Requirements.
- Installed master deadbolt key/lock system on all exterior doors. Removed double-keyed locks from exterior doors in kitchen and in basement – doors being replaced.
- Removed front and lower door and installed new energy efficient steel panel door with glass and new storm door with rolled screen.
- Fascia/Gutters:
    - Removed front inside corner drain and patch. Upper gutters on front of house have a leaf guard system and removed old gutters and install new ones on the back of the house.
    - Remove old front and back garage gutter, installed new gutters.
- Lower level floor: Repaired floor and installed new vinyl floor and base.

- Garage & Driveway:
  - Replaced garage door openers with key pad.
  - Sealed coat asphalt driveway and filled in cracks
- HVAC:
  - Installed energy star labeled Panasonic 80 CFM fan two speed with humidistat control in main bathroom – vented to the outside. Installed new Panasonic 80 cfm bath fan in lower level –vented to the outside – per specifications of the Blower Test – GPS Inspections.
  - Replaced HVAC system with a 96% mid efficiency induced draft furnace and a 14.5 steer AC with thermostat – per Green Communities Requirements.
  - Covered dryer vent to meet code. Installed new vent pipe and insulated to meet code through the roof. Tape all exposed ductwork and replace old gas valves, range, dryer and main line.
- Lead Paint Removal per PIRA report
  - See windows – removal of cellar windows – using lead paint practices – with State clearance
  - Removal of mini blinds using lead paint practices – with State clearance
- Insulation:
  - Re-blow insulation to a R-60. Foamed rim where accessible. Sealed air tight all attic bypasses (air leaks) including chimney chaseway, sewer stacks/vents, electric conduit holes, interior wall tops and other penetrations between heated living space and vented attic.
- Plumbing:
  - Removed old mixing value in bathtub and cover new tub faucet with larger trim.
  - Per Green Communities requirement - installed new toilet at 1.28 gpf or less, bathroom faucets at 1.5 gpm or less and showerhead and kitchen faucet at 2.0 gpm or less.
  - Replaced kitchen sink flex drain piping.
  - Removed and replaced hot water heater with power vent 40 gal heater per Green Communities Specification.
  - Removed and replaced insulation on piping – Work done by license asbestos removal contractor – because approximately 15 ft. was asbestos.
  - Exterior faucets needed the following repairs – new shut off valve, repair back faucet - was leaking past shut off and one in the front at the entry – handle spins.
  - Removed laundry faucet and install new and install new washer shutoffs – hot and cold.
  - Cleaned sewer drain from house to street.
    - During cleaning the sewer, the inspection by SOS Drain Cleaning determined that 4" pipe that goes out to the main sewer line collapsed and found a Y fitting for sewer water that was installed backwards located in laundry room near furnace area, 5ft from cleanout – been there for years.
    - Hired sewer contractor – Larry Growth – Sewer & Water and replaced approximately an 8 ft. section in the front yard.
    - Master Pro Plumbing – removed old Y piping fixture and installed PVC piping to remove the chances of sewer back-up.
    - In the spring repaired front lawn – raked and seeded (after March closing)

- Radon:
    - Radon test dated 1/14/2019 overall is 2.8 pCi/l. no system was installed.
- Windows:
    - Rear windows on the first floor did not open – removed dining/bedroom window; installed new vinyl DBH window. Window will vent and be egress for future bedroom.
    - Per PIRA Report removed and replaced larger cellar and laundry room cellar windows using Lead Paint Abatement Measure.
    - Cleaned out window wells and install window well covers
    - Installed ladder in egress window well.

The following is the timeline of activities relating to 5116 Holiday water/mold and other issues several months after the homeowner purchased their home. Timeline was developed last summer as a means of communication so everyone was on the same page.

1. July 18th identification of water infiltration in lower level in lower level bedroom, closet and laundry room closet by the homeowner.
    a. HWR and contractor inspected water infiltration (Jaaziah was present).
        i. Recommended to use fans and dehumidifier to dry the wet areas.
    b. On 7/18/2019 email was sent to homeowner from HWR, recommending to add several downspouts on the front of house (porch area) and the back of the garage, moving water out into the yard instead of the roof and then the gutters and landscape and rebuild a new porch step.
    c. Homeowner had multiple recommendations based on various third parties' suggestions relating to the sources of water infiltration. Homeowner concerned about mold and water infiltration in the lower level. Homeowner pulled up carpet and asbestos tiles because it was damp around the closet.
2. On July 24, HWR recommended the following.
    a. Hire TECHTRON to complete mold and moisture testing to determine how to proceed.
    b. Remove paneling from window to see what is under the three season porch.
    c. Add downspouts, re-landscape and rework porch step.
        i. Worked completed August 6, 2019.
3. July 28th received notification of water infiltration from the homeowner.
    a. Homeowner reported the bedroom and bedroom closet and egress window was damp due to rain fall.
4. July 29th HWR & Contractor meet with homeowner at 9 AM with TECHTRON staff person to commence testing and follow-up on reported water infiltration on 7/28/2019.
    a. Additional water infiltration was not identified at this time.
    b. TECHTRON commenced testing at 9 AM, - air and tape samples.

5. August 1, received TECHTRON report
    a. Recommendations were as follows:

CONCLUSIONS/RECOMMENDATIONS

The airborne mold levels were slightly elevated in the basement of the home at the time of the investigation.

The moisture intrusion appears to be occurring along the south wall of the basement bedroom and laundry rooms during heavy rainfall events (according to the homeowner and contractor). It is likely related to landscaping and runoff handling issues at the three-season porch area of the home (gutter downspout changes were recently made in hopes of fixing any drainage issues). Diligent monitoring of the basement space for recurrence of water intrusion should continue.

We recommend the following remediation for the south wall of the basement bedroom and laundry closet areas after critical barriers and negative pressure are established.

- *Remove all baseboards along the south and west walls of the basement bedroom. Scrub clean and encapsulate all stained areas of baseboard before re-installing or dispose of these materials if more practical.*
- *Open the south wall of the basement bedroom starting in the closet at the floor and cutting out material in every direction (left, right and up) to a point at least two feet past any visible staining on the front or back of these materials or any staining observed within the wall cavity exposed.*
- *Remove all insulation materials (except spray foam) exposed by the removal of wall materials.*
- *HEPA vacuum and or scrub clean (with a solution of no more than 10% Borax and 90% water) the wall cavity space exposed by wall material removal.*
- *Encapsulate the wall cavity spaces exposed with an appropriate sealer when the porous materials have thoroughly dried.*
- *Repeat the above instructions along the south wall of the laundry room closet and the wall dividing the laundry room closet from the bedroom closet.*
- *HEPA vacuum and or wipe all horizontal and vertical surfaces in the basement bedroom and laundry room following the remediation efforts.*

Recommend sealing the basement bedroom window with an appropriate and more permanent moisture/vapor barrier.

6. August 6, Mold Remediation by Ultra Clean took place
        i. Removed paneling 2 ft. high per report, abatement of mold in BR and laundry closet took place.
7. 8/7/2019 homeowner notified HWR the abatement measure was applied to the hallway closet and that was not included in the scope of work per the TECHTRON report.
    a. Homeowner stated there was mold in the hallway closet. However, per TECHTRON, visual determination of mold is not feasible.

8. 8/8/2019 TECHTRON preformed second test after abatement took place.
9. 8/12/2019 homeowner sent email stating that the abatement did nothing, this was prior to the report being completed. Homeowner thought the licensed testing firm TECHTRON and the abatement firm Ultra Clean were one in the same vendor. HWR clarified the difference that one tested prior and post work and Ultra Clean was the abatement vendor.
    a. Homeowner was not pleased that Ultra Clean staff abated the laundry closet which was not included in the scope. Ultra Clean to repair the closet wall at their expense.
10. 8/12/2019 – HWR contacted TECHTRON and talked with Mike Bodner, PE, CIH Engineer and shared homeowner's concern per her email that the abatement did not reduced mold.
    a. Engineer stated that the homeowner needs to review test before making any determination. In addition, he stated that the homeowner needed to run the air conditioner and keep it on.
    b. Homeowner concerned that mold was circulating via AC. HWR suggested to test the new AC, if the smell continued to take place. In addition, HWR suggested to homeowner to check with Xcel Energy's budget plan in managing AC costs, since that seem to be an issue with respect to running the AC.
    c. HWR sent email and had conversation with homeowner on the value of waiting for the report.
    d. Homeowner agreed to wait for report
    e. Homeowner requested HWR to insulate and sheet rock lower level bedroom and HWR agreed to get a proposal for the work to be done once the mold and water infiltration was resolve.
    f. HWR suggested a tile drain and sump pump system might be the best solution.
    g. Contractor and Standard Water met at the property to take measurements on August 14th. Met with the homeowner and described the process of installing a drain tile system. Unfortunately, they are not able to proceed with the work until January 2020. HWR/contractor to contact and receive proposals from other vendors.
    h. On August 14, 2019 Contractor suggested removing gutter guard and installing screen covers so the water does not over flow on the south side of the porch & home.
11. 8/19/2019 received TECHTRON report – stated that all spore categories were reduced, except Penicillin /Aspergillus, which increased in the lower level bedroom. Report sent to homeowner
    a. TECHTRON – Recommendations:

Conclusions/Recommendations

There was no visible fungal growth and total airborne mold spores were not elevated.

However, airborne mold levels of Penicillium/ Aspergillus in the basement bedroom area were elevated. Therefore, we recommend that HEPA air scrubbers be utilized in the basement space for an additional forty-eight to seventy-two hours (preferably vented to the outdoors with an opening on the other side of the work space to allow fresh air to enter) and that all horizontal and vertical surfaces within the work areas be wiped and or HEPA vacuumed clean again.

To minimize future mold growth, humidity and temperature should be monitored and maintained below 50 percent and 75 degrees respectively. Temperature can easily be controlled-via- the existing air conditioning system.

b. 8/19/2019 HWR provided summary of the report to homeowner via an email – the bedroom was not yet abated.

1. Basement bedroom – is all 160 except for Penicillium/Aspergillus which is what we are trying to lower.
2. Main floor – the Peniclilium/Aspergillus is only 80 and the others higher
3. Outside – the counts are all above the Penicillium/Aspergillus which is 160

	main floor	bedroom	outside
Alternaria	0	160	480
Ascospores	1200	160	1760
Basidiospores	800	0	1600
Cladosporium	800	160	3200
Cladosporium herbarum	1040	160	2240
Hyphal Fragments	240	160	320
Penicillium/ Aspergillus	80	4960	160
Periconia/ Smut	80	0	320
Pithomyces	80	160	
	4320	5920	10080

By closing your windows and limiting the amount of outside air (mold) entering your home will bring down the main floor over time.

c. August 19, 2019 Homeowner shared with HWR that she did not want to insert the filter into furnace and HWR offered to assist her in doing so. However, homeowner had neighbor insert a new filter the evening of August 19th.

d. Homeowner did not want to proceed with the gutter redesign per August 14th recommendation – HWR sent photos to provide further information to homeowner.

e. HWR – is collecting bids for the installation of a tile system

12. 8/14/2019

    a. Ultra Clean service Co – meet with Doris at 5116 Holiday Road. Purpose of meeting was to proceed with TECHTRON recommendation – in setting up the HEPA scrubbers and vent them outside.

13. Future Activities:

    a. HEPA scrubber will be completed on Friday August 23, 2019

    b. Per first test recommendations by TECHTRON, window will be resealed prior to a retest by TECHTRON.

    c. Have vents/ducts cleaned by a professional cleaner

    d. Install new gutters guard near porch

    e. Adding fill to the south side of porch

    f. Currently HWR is pursuing bids for the installation of a drain tile – sump pump system.

    g. Sheet rocking and insulation of the bedroom will take place once test supports mold abatement.

    h. Requested meeting with homeowner to review plan, process, outcomes and responsibilities of contractors.

The work that has been funded by WHAHLT, and in funding this work, is not making any statement of responsibility for the past, present or future condition of the home at 5116 Holiday Road.

On 9/9/2019

Doris talked with owner Debra from Ultra Clean and stated she did not talk with the homeowner at any time.

Doris talked with Kyle from TECHTRON; he stated the cleaning of vents were not a recommendation in their July 30, 2019 report (received on 8/19/2019) and stated the mold abatement was done properly by Ultra Clean, TECHTRON did not find water issues in any other lower level location, except for the closet in the laundry and the lower level bedroom on July 29, 2019.

As of 9/9/2019 met with Homeowner at WHAHLT – conference room

Reviewed:

- What was completed
- What is to be completed

Completed:

Water intrusion:

- 8/26/2019 proposal from Final Solution Waterproofing – provider recommended by homeowner and meet homeowner's timeline for partial drain tile and sump scope of work. Water intrusion took place on southeast front corner of home therefore- Scope was to install drain tile across the back of the home (west), south side of house, front east corner – 6 ft.
- Fixed the step and grade on the three season porch.
- Added a down spout to the rain gutter.

Mold issue:

- Testing done by TECHTRON Engineering, Inc.
- Mold abatement done by Ultra Clean Service Corporation, based on TECHTRON' s recommendations per their report.
- Re-inspection by TECHTRON.
- Completed HEPA air scrubbers in basement per report from TECHTRON.
- Sealed window in bedroom (on porch side) per report from TECHTRON.

To be completed:

Water intrusion:

- Add fill to side of three season porch

Mold Issue:

- Clean duct work – to be done by C & R Duct Cleaning (9.10.2019)
- Remove paneling in bedroom (9.10.2019).
- Re-test for mold spores in the air (includes new items) (estimate per TECHTRON – 9/16/2019).
- TECHTRON second retest report with recommendations – estimate in receiving 9/24/2019.
- Insulate and sheet rock lower level bedroom once second retest is completed.
- Homeowner approved contractor on 9/10/19 to commence work on 9/16/2020.
- Install vinyl floor in bedroom, after tile drain is installed.

Homeowner shared a piece of clothing to demonstrate a smell she thought was mold and it was fabric softener. Doris set-up meeting for 9/11/2019 to walk through closets with Homeowner

Doris meet with homeowner, walked through closets and identified no mold smell, but observed closet that were packed with no air flow.

As of 9/23/2019

Completed:

Water intrusion:

- Homeowner approved contractor on 9/10/19
- Tile removed by licensed abatement provider in preparation of installation of partial drain tile system
- Signed contract with Final Solutions Waterproofing Inc., to install drain tile and sump pump.

Mold Issue:

- Duct work cleaned
- Paneling removed

To be completed:

Water intrusion:

- Installation of drain tile system and sump pump – 9/24/2019
- Remove current gutter guards in the front of house and install screened gutter guards. ASAP

Mold Issue:

- TECHTRON second retest report with recommendations once second retest is completed.
- Insulate and sheet rock lower level bedroom
- Install vinyl floor in bedroom, after tile drain is installed and TECHTRON test is completed.

As of 10/25/2019

Completed:

- Asbestos abatement for removal of asbestos tile and glue- approximately 100 SF of 9 x 9 floor tile from basement living room (containment) by Bergo Environmental Inc.
- Installed drain tile system and sump pump on back basement family room, bedroom and partial laundry room – total 70 feet.
- Installed – insulation, sheet rocked, taped, casing and paint moldings all white trim in lower level bedroom and repaired closet walls that were removed by mistake by the abatement team.

- Install new vinyl floor in lower level bedroom
- Repaired gutter guards in front of the house

Gutter repair explanation: Existing gutters are a copycat gutter helmet system. To remove the cover on the gutters you should be able to remove the screws that holds the cover in its place. The 5116 Holiday Road system went under the shingle tab and the tar covered the metal, so screws could not be removed. Therefore, needed to cut off the covers in order, to install the screening for the leaf guard protection. The screen would have had to be cut narrower to fit in to the gutter. This would make the leaf screening not workable. The foam filter system works the same as the leaf guard system. Keeps the leaves out of the gutter and that is what was installed at 5116 Holiday Road.

To be completed:

- Retest for mold by TECHTRON

As of 11/21/2019

Completed:

- Received Tectron Mold Clearance Testing Report for work done on November 19, 2019.

  Findings:

  - *No suspect visible mold growth was observed in the work area.*
  - *Three air samples were taken and analyzed for mold. Air sample results were as follows:*
    - *80 spores/m3 in the Basement Family Room*
    - *0 spores/m3 in the Main Level Living Room*
    - *80 spores/m3 Outdoors*

Analytical results with additional information are located in the Appendix II.

Conclusions/Recommendations by Techtron – Michael Bodnar, PE, CIH

- *Airborne mold levels were not elevated inside the home and no visible mold was identified during the inspection. Therefore, no further remediation is necessary.*

City of minnetonka

Memorandum

TO: Mike Happe, EDAC Commissioner
Laurie McKendry, EDAC Commissioner

THROUGH: Julie Wischnack, AICP, Community Development Director

FROM: Elise Durbin, AICP, Community Development Supervisor

DATE: September 10, 2013

SUBJECT: Homes Within Reach subcommittee meeting #1 information

The following memorandum provides information for discussion at the September 16, 2013 EDAC subcommittee meeting on Homes Within Reach (HWR).

Agenda Item #1: Overview of subcommittee's purpose and outcome

This EDAC subcommittee was formed when the council directed the EDAC, at the April 8, 2013 council study session on the 2014-2018 EIP, to determine the proper level of permanently affordable HWR homes in the city. Below is the summary of the council's discussion on the topic:

Schneider said the city had a responsibility to support the Homes Within Reach since it started the program but there needed to be a long term plan. He said there were two components that the council should discuss. One was determining the proper level of permanent and affordable homes in the city. The other component was to get the program where it was sustainable long term. Once they get to a certain volume there would be re-sales. At a certain point the program could support the staff and activities to maintain and grow into other communities. He suggested the EDAC discuss this. Wiersum said once the endgame of self-sustainability was defined, the modeling would not be too difficult to do.

Agenda Item #2: Review history of Homes Within Reach and the city's affordable housing goals

What is Homes Within Reach (HWR) and who does it serve?

HWR Mission: To use the Community Land Trust model to create and preserve affordable homeownership for families in suburban Hennepin County.

In general, eligibility guidelines include:

1. Purchase a home in Suburban Hennepin County.
2. Stable source or sources of income.
3. Annual household income is less than the program income limits (80% AMI).
   The 2013 income limits are: 1 person $45,100
   2 person $51,550
   3 person $58,000
   4 person $64,400
   5 person $69,600
   6 person $74,750
   7 person $79,900
   8 person $85,050
4. Be at least 21 years of age.
5. Home must be owner occupied.
6. Be a citizen of the United States or a legal resident.

How does Homes Within Reach work?

HWR operates as a Community Land Trust (CLT). HWR establishes initial affordability by purchasing a scattered-site, owner-occupied home when it is placed for sale on the open market and selling *just* the home to a low- to moderate-income household. HWR then retains ownership of the land and enters a 99-year inheritable ground lease with the leaseholder-homeowner. The removal of the market value of the land from the mortgage equation results in a lower, more affordable monthly payment of principal and interest. It results in a lower down payment and lower closing costs for the buyer. The homeowner also pays a small monthly lease fee to HWR for the lease of the land. The CLT model works for most owner-occupied residential properties; however, there are more challenges associated when working with condominium units (no land) — therefore, HWR has only acquired single-family or townhouse type units where there is land associated with the purchase.

HWR ensures perpetual affordability of the home through two provisions found in the ground lease. The first is a pricing formula that provides the owner with a reasonable amount of equity, while ensuring the home remains affordable for subsequent low- and moderate- income buyers. The second provision requires the owner, should they decide to sell, to sell to another low- to moderate-income household or to HWR.

<u>Homes Within Reach's formation and Minnetonka's involvement</u>

HWR, also known as the West Hennepin Affordable Housing Land Trust, is a non-profit community land trust (CLT) established in 2001. HWR started as a workgroup formed by the city of Minnetonka after the city council identified preserving and increasing affordable housing in the community as a priority. Most of the affordable housing tools that the city had in place at the time also had shortcomings, such as long-term affordability was capped at 30 years per state statute (as it still is today), public investment into such projects would be lost after 30 years, and the tools were unable to assist with existing owner-occupied homes.

The workgroup consisted of city policy makers, private business people, and members of the faith community, with city staff and other consultants as support staff to the group. Specifically, the city council authorized formation of the work group, to create a CLT. By May 2001, the workgroup had completed the formation of the CLT and submitted for tax-exempt status. It was also at that time that the first Board of Directors was elected, and the organization became officially separated from the city.

<u>Homes Within Reach's history in Minnetonka and other communities</u>

HWR serves suburban Hennepin County (The City of Lakes CLT covers Minneapolis).

Since 2001, HWR's portfolio consists of:

CITY	NUMBER OF HOMES
Brooklyn Park	3
Deephaven	4
Eden Prairie	10
Edina	8
Golden Valley	2
Maple Grove	6
Minnetonka	50
New Hope	4
Richfield	8
St. Louis Park	10
Wayzata	1
TOTAL	**106**

Homes Within Reach home selection in Minnetonka

In 2002, after the formation of HWR, the city and HWR entered into a Line of Credit agreement. This agreement, which has since been amended in 2004 and again in 2011, outlines the terms when HWR wants to borrow city funds in order to purchase properties (Pages A1-A3).

Under the terms of the agreement, any property that HWR wishes to purchase in Minnetonka using city funds, must first be approved by city staff. The typical process entails HWR finding a home suitable for purchasing (less than $250,000 in price and improvements, focus on foreclosures and purchases from seniors when possible). Before making an offer, HWR will contact city staff and ask for approval. Staff will review the request, which includes looking at the location. This is to ensure that HWR homes are scattered throughout the city. Staff may allow HWR homes to be located in the same neighborhood if because of proximity, roads, and other factors, there appears to be enough separation between them.

Homes Within Reach funding sources

HWR receives funding from a variety of private, state, regional and local funding sources. While the award amount varies from year to year, regular public funders include:

- Minnesota Housing
- Metropolitan Council
- Hennepin County HOME program
- Hennepin County AHIF program
- CDBG funds from other cities (Edina, Eden Prairie, Maple Grove, St. Louis Park)

Minnetonka's Affordable Housing Goals and HWR

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. Additionally, the legislature created a funding mechanism to assist communities participating in the LCA in adding affordable and life-cycle housing. Participation in the incentive-based LCA program is voluntary with the Metropolitan Council governing it.

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. A new set of goals for 2011-2020 was established in 2010 as shown below.

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

The housing goals that are established focus on new affordable and lifecycle units; however, affordable housing preservation and the use of CLTs are encouraged in the LCA. The city receives credit during the Metropolitan Council's annual housing performance survey for participation and contributions to such activities. The city's Housing Action Plan (pages A4 to A11), as well as the portions of the Housing Chapter of the Comprehensive Plan (pages A12 to A20), discuss how the city is using HWR to help meet the affordable housing needs of the community.

Agenda Item #3: Review subcommittee work plan and timeline

The following is a draft work plan and timeline that staff has developed for this subcommittee. The goal is to finish the work of the subcommittee in time for the EDAC discussion and inclusion in the 2015-2019 EIP.

Meeting #1 (September 2013):

- Define purpose and outcome of subcommittee
- Review how HWR came to be and Minnetonka's role in the formation
- What is HWR and who does it serve
- HWR's history in Minnetonka and other communities
- How HWR homes are selected in Minnetonka
- Review subcommittee work plan and timeline
- Discuss data/statistics/information needed going forward

Meeting #2 (October 2013):

- Meet with Janet Lindbo, HWR Executive Director
- Discuss HWR's new strategic plan with Ms. Lindbo
    - o What does this mean to Minnetonka?
    - o Sustainability (how many resales, etc.)
    - o Future opportunities (TOD, rental, etc.)

Meeting #3 (November 2013):

- Review October's discussion and information
- Review data/statistics/information requested
- Begin discussion on number of homes and recommendation for EDAC
- Request any additional information

Meeting #4—if needed (January 2014):

- Finalize discussion on number of homes and prepare recommendation for EDAC

Staff (January/February 2014):

- Follow up with Ms. Lindbo about EDAC subcommittee recommendation

EDAC (February 2014):

- During program review for EIP, provide EDAC subcommittee recommendations on HWR. EDAC to review, discuss, and provide recommendation for incorporation into the EIP.

2015-2019 EIP

- Incorporate EDAC's recommendation into EIP

Agenda Item #4: Discuss information needed for future meetings

In order to make the best use of the subcommittee's time and discussion at the limited number of meetings, staff would like to take a moment at the meeting to determine what information/statistics the subcommittee will need in order to make decisions. The following are items that staff has initially identified based upon previous discussions with the EDAC:

- City's investment per unit (HWR and in other affordable housing developments)
- Number and location of existing and potential HWR properties in Minnetonka

City of minnetonka

Memorandum

TO: Mike Happe, EDAC Commissioner
Laurie McKendry, EDAC Commissioner

THROUGH: Julie Wischnack, AICP, Community Development Director

FROM: Elise Durbin, AICP, Community Development Supervisor

DATE: October 24, 2013

SUBJECT: Homes Within Reach subcommittee meeting #2 information

As Commissioners are aware, Homes Within Reach (HWR) has been undergoing a strategic planning process for approximately the past year. This process recently was completed, and Janet Lindbo, Executive Director of Homes Within Reach, will be joining Commissioners at the subcommittee meeting to discuss HWR's 2014-2019 Strategic Plan (pages A1-A4).

The purpose of the meeting is to have an open dialogue with the executive director about the Strategic Plan and what this means to Minnetonka, as well as any questions about HWR commissioners may have. Ms. Lindbo is currently preparing, and will share with commissioners, on October 30, additional information about the sustainability of HWR into the future.

Memo

To: Elise Durbin
From: Janet Lindbo
Date: October 28, 2013
Re: Minnetonka's HWR Housing Production/Funding

As you know West Hennepin Affordable Housing Land Trust dba Homes Within Reach (HWR) has completed its strategic planning process and has established a long range vision to guide HWR's growth over the next five years with focus on the following:

- Expand our target market
- Create and sustain a strong mix of both public and private partnership and financing
- Collaborate with the City of Lakes Community Land Trust to increase homeownership equity for underserved families across Hennepin County by creating a Shared Service/Business Model.

In addition, one of the strategic planning tasks was to develop financial projections and absorptions schedules to assist in prioritizing strategies and objectives. One of the tasks was to estimate when HWR sustains itself without new sales and is funded by resales and lease fees to provide asset management for its portfolio of properties and homeowners. The two scenarios of sustainability are as follows.

<u>HWR Sustainability Scenarios</u>:

1. *<u>Scenario I</u> at 200 Homes*
    a. Self-sustainability with no new sales is 8 to 10 years away and this is predicated on receiving adequate awards to create 10 new homes a year, plus resales.
    b. In this scenario an annual fee to HWR on annual basis is included to manage the assets of 200 homes – of which Minnetonka would pay a portion of the fee based on number of homes. In addition, 10 resales are generated on an annual basis, anticipating this scenario would take place 2023.
        i. To reach 200 homes is as follows;
            1. 8 years @ 12 new sales
            2. 9.5 years @ 10 new sales
            3. 12 years @ 8 new sales
2. *<u>Scenario II</u> at 265 Homes*
    a. In scenario II, there is no fee generated by the communities to provide asset management – therefore the total of homes needed for sustainability with 10 resales annually is 265 homes – increasing the portfolio to 265 would take 14 years at 12 new sales a year.

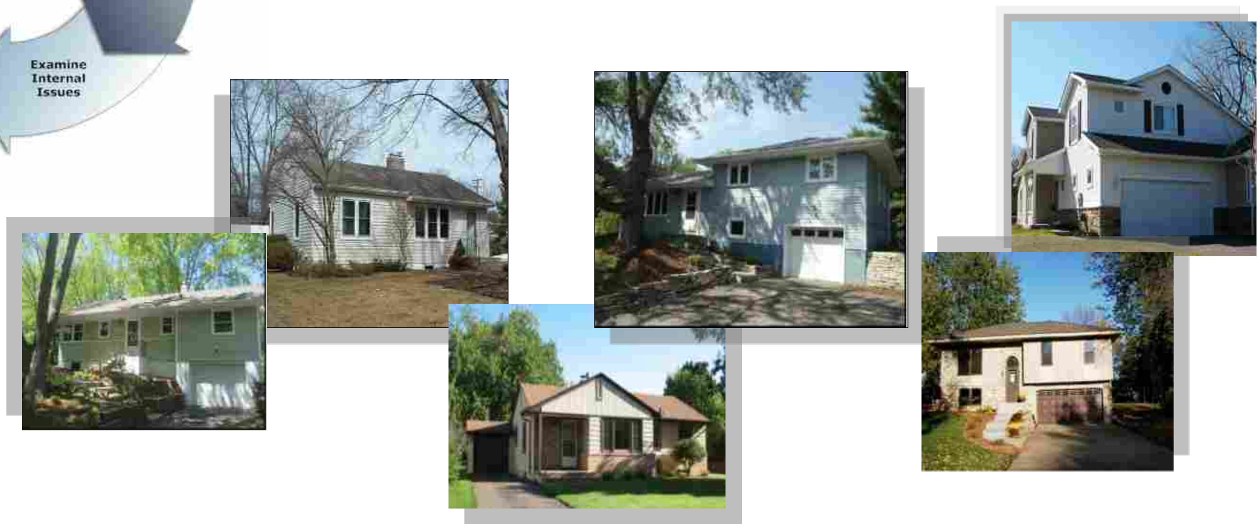
Comments:

An important component of Minnetonka's possible funding modifications is for HWR to find additional communities with available funding resources to serve and increase production in one or two of the current communities served to make up for the loss of Minnetonka housing production.

HWR recommends the City of Minnetonka evaluate their housing goals and products to ascertain the Community Land Trust model viability and its return on investment to the community. In addition, HWR recommends that if the City alters its award, it is done gradually and continues to support the creation of one new affordable home using the HWR, not having Minnetonka as a partner would negatively affect the organization from multiple perspectives – such as receiving grants, expanding its target market and continuing to work with current and future suburban communities.

STRATEGIC PLAN 2014-2019

West Hennepin Affordable Housing Land Trust



PROGRAM:

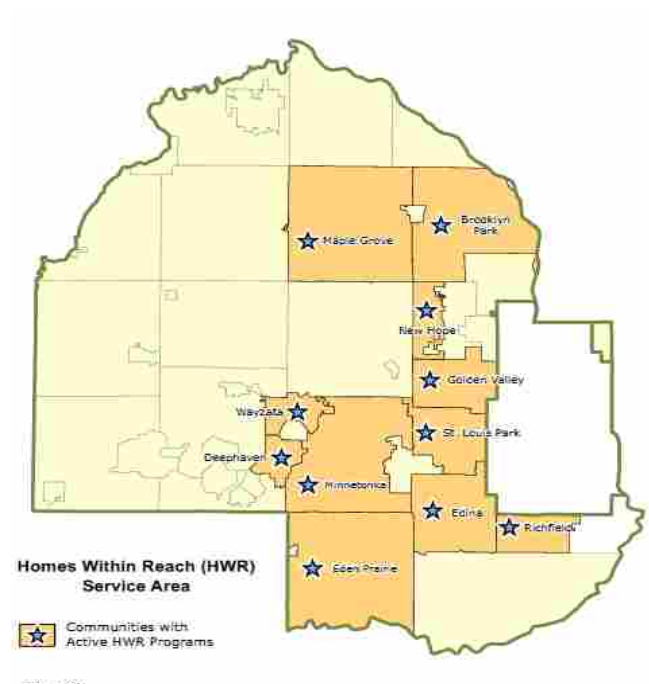
Homes Within Reach

VISION:

The vision of West Hennepin Affordable Housing Land Trust is to transform people's lives through homeownership

MISSION STATEMENT:

The mission is to use the Community Land Trust practice to provide housing for working families that would be otherwise unable to buy a home in the West Hennepin suburban communities, offering both communities and homebuyers the ability to sustain permanently affordable homeownership.



CORE VALUES:

- Belief in homeownership
- Convey stability into people's lives
- Create and preserve value for families and communities

GOAL:

Its goal is to create and preserve (long-term) affordable homeownership in the western suburbs of Hennepin County through the implementation of its Homes Within Reach program.

Please refer to Exhibit A of the Strategic Plan – The Profile and History of WHAHLT.

CRITICAL ISSUES IDENTIFIED IN HWR – SWOT AND ENVIRONMENTAL ASSESSMENT

- ❖ To sustain the organization and expand the outreach, program and services of the HWR Community Land Trust program in the ever-changing marketplace
- ❖ To be financially stable
- ❖ To expand, strengthen and nurture partnerships and collaboration in meeting the organization's mission and goals of creating and sustaining affordable homeownership in the suburbs of Hennepin County.
- ❖ To influence the policy environment and regulations as it relates to affordable housing options in Minnesota and the Metro area.

STRATEGIC OBJECTIVES and STRATEGIES:

I. To offer effective programs that will *sustain and grow* HWR Community Land Trust program

a. Increase homeownership equity for underserved families across Hennepin County in creating a Shared Service/Business Model between the City of Lakes Community Land Trust (CLCLT) and West Hennepin Affordable Housing Land Trust (WHAHLT) dba Homes Within Reach (HWR) and

   i. Please see **Exhibit B, Hennepin County CLT Collaboration Goals** this document describes the goals and strategies in implementing the Collaboration.

b. Increase Housing Production

   i. Expand program to new communities

      1. New: i.e. Bloomington & Plymouth

      2. Current: Expand number of homes annually in communities with less than 10 HWR homes – i.e. Golden Valley, New Hope, Wayzata etc.

   ii. Evaluate and expand prospective applicant pool based housing and communities' need.

   iii. Expand marketing/outreach and community awareness as outlined in the 2013 Housing Production Marketing Plan goals and objectives

   iv. Advocate for policies and funding of perpetually affordable homeowership in the suburbs with a focus on transit, specifically the proposed light rail development in collaboration with City of the Lakes Land Trust.

c. Continue on-going review and monitoring of program outcomes to ensure effectiveness

   i. Using 5-10 key performance indicators

d. Update and implement Board Development activities –

   i. Board education and networking

      1. Develop roles and responsibilities for board members when networking

      2. Augment board networking initiatives and fund raising with Community Relations Committee and internal marketing efforts by staff and HWR partners

   ii. Continue with board assessment and evaluation

   iii. Recruit advisors (see goal #3)

iv. Recruit new board members to fill open positions prior to coming available

v. Develop board leadership

vi. Offer board orientation/education for current and new board members

e. Maintain qualified staff to meet program needs and provide the necessary tools and space to operate effectively and efficiently based on housing production goal

f. Assess market changes annually and review housing production strategies and viable service model extensions

II. To be *__financially stable, efficient and transparent__*

a. Create and implement a five year plan to develop and leverage private and public funds in collaboration with the City of Lakes CLT, in order to grow the CLT homeownership options in Hennepin County

b. Maintain adequate public grant funding $750,000-$1,200,000 annually

c. Create a line of credit of $500,000 - $750,000 (interest bearing) for housing production, for a term of 24 month period with optional extensions

d. Create and implement a five-year plan to increase private funding resources of unrestricted funds with respect to individual donations, fundraisers and untapped sources of support $50,000 - $150,000 annually

i. Annual Giving
ii. Special Events
iii. Special Projects

e. Collaborate with CLCLT to implement a data collection system to better manage data, compliance requirements and maximize the use of manpower hours

f. Continue to conduct independent annual audits

g. Continue financial and operating reporting system and maintain financial systems

h. Continue annual financial planning and expand plan to include 2 to 3 year projections - annually

III. 3. To __strengthen *community partnerships*__ in offering the HWR program

a. Integrate HWR partnership development with the Hennepin County CLT Collaboration

b. Develop public and private relationships and partners in HWR service area

c. Expand funding resources and tools in order to offer the HWR program to current and new suburban communities

d. Create centers of influence and referrals over the next five years

i. Corporations
ii. Foundations
iii. Organizations – for profit and non profit
iv. Individuals

e. Use advisors to develop and sustain levels of expertise, open doors and solicit key contacts needed to meet the strategic goals and strategies - specifically in the area of raising private capital.

f. Develop relationships with service organizations, funders and vendors to assist HWR in reducing the multiple barriers that confront families with low to moderate incomes in becoming homeowners; this includes but is not limited to transit initiatives with Hennepin County – Community Works Project.

IV. **4. To influence housing and transit-oriented *__policies and regulations__* to enable HWR to allocate resources to provide affordable homeowership options in the suburbs of Hennepin County**.

a. Work with MN CLT Coalition & Hennepin County CLT Collaboration and other housing organizations to influence public policy to meet HWR goals and objectives, policies and funding need to align with supportive, perpetually affordable homeownership. The goal of our policy work will be to influence affordable housing and transit-oriented policy in Hennepin County to ensure a continuum of affordable housing options and benefits of CLT homeownership is offered in areas where rapid growth and housing costs are anticipated to occur.

b. Determine Policy Targets for HWR

c. Nurture relationships with local legislators and community leaders

d. Provide ongoing networking in telling the CLT/HWR story by advisors, board members, friends of HWR, staff, applicants, homeowners and partners

    i. Develop user friendly materials in telling the story

        1. Case studies at local and state level with elected officials, foundations, corporations and agencies
        2. Testimonials
        3. Presentations

    ii. Use website to educate & network

    iii. Promote and nurture key homeowners in telling the benefits and values of the CLT story

AGENDA
CITY OF MINNETONKA
ECONOMIC DEVELOPMENT ADVISORY COMMISSION
HOMES WITHIN REACH SUBCOMMITTEE
Wednesday, November 20, 2013
7:30 a.m.

Mezzanine Conference Room
Minnetonka City Hall

1. Homes Within Reach recommendation for EDAC

2. Other Business

    - Determine if another subcommittee meeting is needed.

3. Adjourn

If you have questions about any of the agenda items, please contact:
Julie Wischnack, Community Development Director, (952) 939-8282
Elise Durbin, Community Development Supervisor, (952) 939-8285

City of minnetonka

Memorandum

TO: Mike Happe, EDAC Commissioner
Laurie McKendry, EDAC Commissioner

THROUGH: Julie Wischnack, AICP, Community Development Director

FROM: Elise Durbin, AICP, Community Development Supervisor

DATE: November 13, 2013

SUBJECT: Homes Within Reach subcommittee meeting #3

As Commissioners recall, the purpose of the subcommittee is to determine the proper level of permanently affordable Homes Within Reach homes in the city. For the past two meetings, the subcommittee has discussed the HWR organization, including their history and more recently a discussion with the Executive Director on the results of their strategic planning.

Additional Information Requested

In order to help Commissioners make an informed decision, additional information and data was requested.

List of Homes Within Reach homes located in Minnetonka
Page A1 provides a complete listing of the 50 properties HWR has acquired over the past 11 years, as well as the year that they were acquired in. These properties have been mapped on page A2.

Location of potential HWR properties in Minnetonka
Typically, HWR looks for properties that are listed for sale at or below $250,000. The level of rehab needed as well as location are also factors in their consideration of a property. Page A3 is a map of properties in the city that are valued at or below $250,000. Layered on that map is the location of existing HWR properties. As protocol, Minnetonka staff must approve any Minnetonka properties that HWR is interested in purchasing. This ensures that the properties are “scattered-site” and that there is not a cluster in one neighborhood.

City investment into HWR

Since 2002, the city has annually provided funds to HWR to assist with the purchase of properties. Included with each purchase is a small administrative fee to assist in covering the overhead associated with each purchase. Page A4 shows a listing of the grant funds that HWR has received directly from the city of Minnetonka since 2002. Also highlighted on page A1 is a breakdown per unit of city funds. (Note: there are some properties listed in 2003 that do not have funds associated with them—they likely had grant funds applied to them; however, the use of funds on the exact property was not documented very well). Over the course of the 11 years, the amount spent on properties as increased as HWR's rehab costs have increased.

Average HWR project timeline

The information is provided on page A5 is by HWR and was included with their grant application. It outlines, as well as provides a chart, about their timeline they use for a standard purchase-rehab-resale.

On average, since 2009, HWR has held properties 109 days and there is about 60 days of lead time from the time HWR executes an acquisition of the property to the closing date when HWR closes on the property – which is not included in the 109. In addition, HWR pays down the line of credit after the sale of the home and closes out a project about 60 to 90 days after selling the home to a qualified buyer and pay off the balance of the line of credit.

HWR applicant timeline

The timeline provided on page A5 provides some detail about the applicant process. In addition, over the past several years the HWR application pool annually experiences:

- Over 275 inquires
- Anywhere from 10 to 20 applicants in process
- 30+ applicants that are working on credit issues
- Of the 275 inquiries approximately 10 to 14 become homeowners

HWR housing production outcomes is based on available funding resources – not the lack of applicants over the past couple years. HWR did have some challenges with getting homeowners qualified in 2009 and 2010. In early 2012 the quality of applicants began to improve once again.

Testimonials

On pages A6-A8 are three testimonials submitted by HWR.

How HWR helps with the Metropolitan Council Livable Communities Act (LCA) and annual LCA scoring

In 1995, the Minnesota Legislature created the LCA to address the affordable and life-cycle housing needs in the Twin Cities metropolitan area. Additionally, the legislature created a funding mechanism to assist communities participating in the LCA in adding affordable and life-cycle housing. Participation in the incentive-based LCA program is voluntary with the Metropolitan Council governing it. When the LCA was established, Minnetonka was one of the first communities to sign up to participate in the program.

While a lot of the emphasis of the LCA program is directed to new construction units, the city receives credits on its annual reporting for work that HWR does within the community—including the collaboration of the city and HWR, as well as the grant funds that the city provides to HWR. Scoring well on the LCA annual survey (the city is usually in the top 10 to 15 communities in the metro area), is beneficial when the city applies for grant funds from the Metropolitan Council to assist with redevelopment or environmental clean up.

How Minnetonka benefits from HWR homes
There are several ways that Minnetonka benefits from HWR homes in its community:

- Upgrades to the city's housing. As the Executive Director pointed out at the last subcommittee meeting, HWR has been working for the past several years in acquiring properties occupied by seniors. In most cases there has been deferred maintenance on these homes. Before HWR sells the home to a qualifying homeowner, they do rehab on the homes, such as a new furnace and new roof. Page A1 shows just some of the investments into each of the homes. Additionally, over the years, approximately six to seven HWR homes have participated in the Small Projects rehab program to continue investing in their properties.

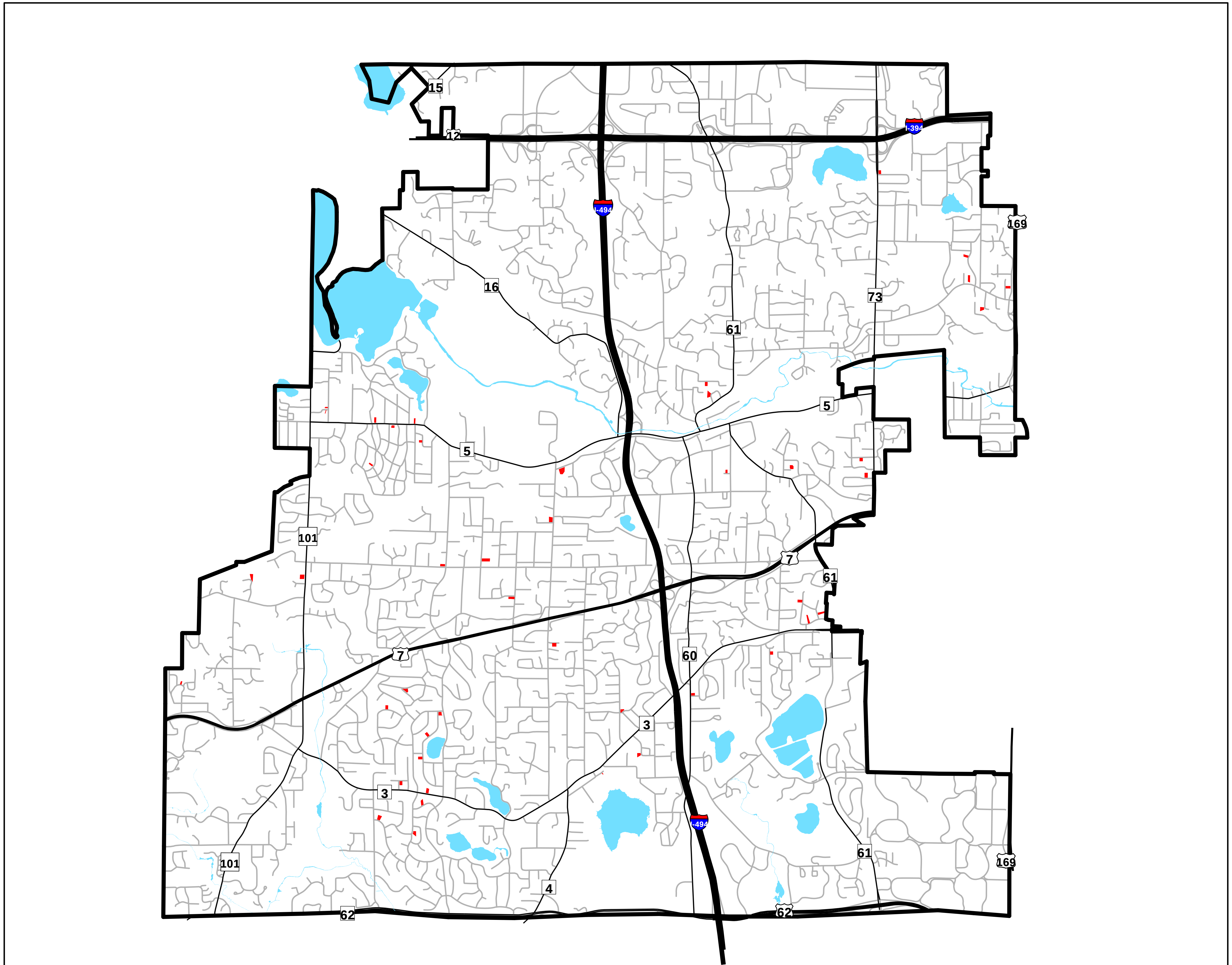
- Other local, regional, state, and federal funds. In addition to city funds, HWR applies for other local, state and federal funds. They have been successful in obtain numerous grants, which are matched with the city's funds, including:
    - Affordable Housing Incentive Fund (from Hennepin County)
    - Local Housing Incentive Fund (from Metropolitan Council)
    - Minnesota Housing funds (from the State of Minnesota)
    - HOME funds (federal HUD funds that flow through Hennepin County)

- Addition of younger households. Staff is working on obtain the average age of a HWR homeowner in Minnetonka; however, they are typically found to be a younger household, many times with younger children.

Next Steps and Recommendation

The intent is that the subcommittee will provide a recommendation to the full EDAC in early 2014 during the 2015-2019 EIP review process. Staff would like to commit the majority of time during the November subcommittee meeting to discussion on the subcommittee's recommendation to the EDAC.

ADDRESS	YEAR PURCHASED	CITY FINANCIAL CONTRIBUTION	PROPERTY IMPROVEMENTS BY HWR AND/OR HWR OWNER (improvements with permits)
15705 Sussex Drive	2002	$19,797	New furnace/AC and water heater
16400 Minnetonka Boulevard	2002	$17,830	New water heater and furnace; re-roof
4129 Victoria Street	2002	$18,458	
4917 Baker Road	2002	$24,052	Sewer repair
4236 County Road No 101	2002	$26,000	New windows, electrical, new water heater
11812 Bradford Road	2002	$668	
4150 Tonkawood Road	2002	$15,007	New water heater
11303 Royzelle Lane	2003	$18,000	Upgrade electrical, new furnace, sewer
4901 Acorn Ridge Drive	2003		
10024 Cedar Lake Road	2003		Re-roof
2533 Westview Terrace	2003		Re-roof
16108 Excelsior Boulevard	2004		New water heater, new furnace
5130 Kimberly Road	2004	$43,000	
4511 Crawford Road	2004	$4,830	Upgrade electrical; new furnace, water softener, A/C; garage (no garage previously)
2638 Cedar Crest East	2004	$25,429	Upgrade electrical, finish basement
17420 Sanctuary Drive	2005	$2,221	**New Construction when purchased
17424 Sanctuary Drive	2005	$2,606	**New Construction when purchased
16804 Minnetonka Boulevard	2005	$47,747	New water heater & furnace
12808 Linde Lane	2005	$38,986	
16213 Tonkaway Road	2005	$54,566	
14201 Glen Lake Drive	2006	$31,194	**New Construction when purchased
5631 Scenic Drive	2006	$58,993	New air conditioner
11941 Bradford Road	2006	$46,513	Upgrade electrical; new furnace
17407 Sanctuary Drive	2007		**New Construction when purchased
17745 Valley Cove Court	2007		**New Construction when purchased
14711 Minnetonka Drive	2007	$18,550	**New Construction when purchased
14717 Minnetonka Drive	2007	$49,491	**New Construction when purchased
5713 Holiday Road	2007	$52,223	Upgrade electrical; replace siding
5248 Kimberly Road	2007	$48,690	Upgrade electrical
5001 Holiday Road	2008	$47,275	New water heater & furnace
4289 Lindsey Lane	2008	$46,611	**New Construction when purchased
4285 Lindsey Lane	2008	$48,334	**New Construction when purchased
16417 Hilltop Terrace	2008	$60,166	Upgrade electrical, re-roof
3403 The Mall	2008	$57,099	Upgrade electrical; new A/C
16608 Elm Drive	2009	$64,242	New A/C, replace siding
11212 Oakvale Road N.	2009	$66,469	New furnace/AC, upgrade electrical
13019 Stanton Drive	2009	$60,000	Upgrade electrical & mechanical, re-roof
15205 Court Road	2009	$72,904	New furnace, AC, water heater; upgrade electrical
5242 Crestwood Drive	2009	$66,948	Replace water lines, re-roof, new furnace/AC, upgrade electrical
14713 High Point Court	2010	$57,936	Re-roof; new furnace, AC, water heater; upgrade electrical
11118 Oak Knoll Terrace N	2010	$110,768	New garage, furnace, water heater; bring electrical to code; landscaping
2338 Cedarwood Ridge	2010	$70,564	Upgrade electrical, new siding & furnace
16208 Birch Lane	2011	$66,206	Re-roof, upgrade electrical, new furnace/AC
4729 Winterset Drive	2011	$73,402	Upgrade electrical, new furnace/AC
12950 Rutledge Circle	2011	$58,161	New furnace/AC, upgrade electrical, remodel bathroom
3618 Druid Lane	2012	$72,351	New water heater, furnace, AC; re-roof
14806 Walker Place	2012	$70,010	Upgrade electrical, new furnace/AC
16332 Temple Terrace	2012	$83,727	Upgrade plumbing/electrical, new furnace/AC
12100 Robin Circle	2013	$92,610	Re-roof; new siding, furnace, AC, water heater
5013 Woodridge Road	2013		New water heater and furnace



City of minnetonka
Where quality is our nature

Legend

Municipal Boundary

Homes within Reach

Waters

MAIN ROADS

Jurisdiction

Interstates (MN/DOT)

Trunk Highways (MN/DOT)

Trunk Highways (MN/DOT)

CSAH (Hennepin County)

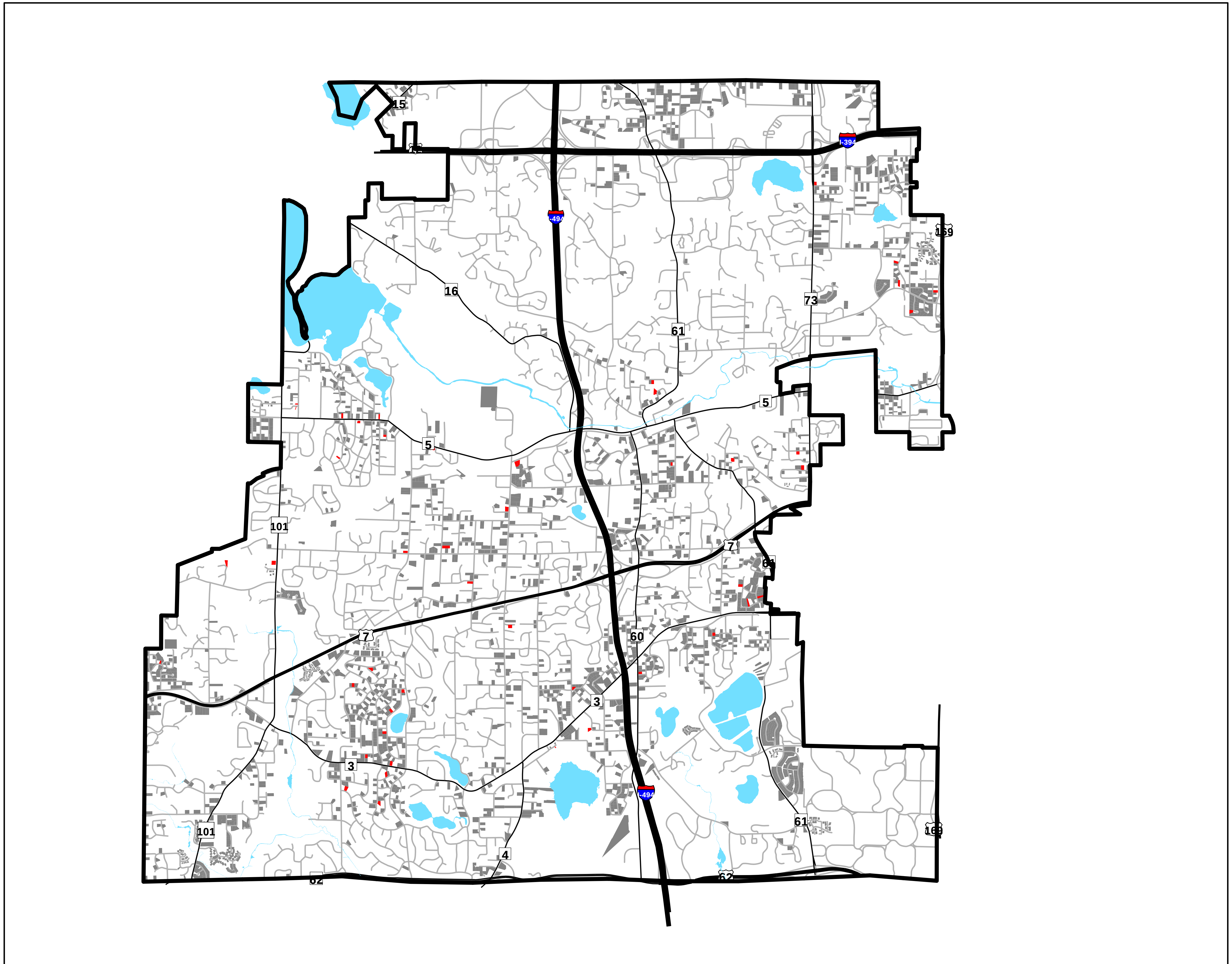
N

0 0.25 0.5 1 1.5 Miles

Homes Within Reach

A2

HWR subcommittee
November 20, 2013



City of minnetonka
Where quality is our nature

Legend

- Municipal Boundary
- Waters
- Homes within Reach
- Total property value less than $250,000

MAIN ROADS

Jurisdiction

- Interstates (MN/DOT)
- Trunk Highways (MN/DOT)
- Trunk Highways (MN/DOT)
- CSAH (Hennepin County)

N

0 0.25 0.5 1 1.5 Miles

Homes Within Reach

HWR subcommittee
November 20, 2013

CITY OF MINNETONKA FINANCIAL CONTRIBUTION TO HWR

These are grant funds

Year	Source of Funds	Amount
Ongoing		Up to $750,000 at one time
2002	Livable Communities	$169,650
2002	CDBG	$200,000
2003	Livable Communities	$200,000
2004	Livable Communities	$200,000
2005	Livable Communities	$220,000
2006	Livable Communities	$230,000
2007	Livable Communities	$230,000
2008	Livable Communities	$230,000
2009	Livable Communities & HRA	$250,000
2010	Livable Communities	$225,000
2011	Livable Communities	$225,000
2012	Livable Communities	$225,000
2013	Livable Communities	$225,000
	TOTAL GRANT FUNDS:	**$2,829,650**

HWR TIMELINE

HWR acquires, rehabilitates and turns around and sells the home to a qualified family using the land trust practice. The following outlines the major components of HWR housing production timeline, tasks

When reviewing the timeline activities, please keep in mind that multiple steps can be completed concurrently or previously – therefore it does not take 12 months to purchase a home, if the applicant is financially ready and there are available homes in their desired community where they work or live.

	MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Creation of one Affordable Home																	
1. Application Process																	
	Informational Meeting																
	Application																
	Orientation & Homebuyer Education																
	Interviews and Income verification																
	Meeting with Lender process application																
	Pre-approvals																
2. Acquisition																	
	Property Search																
	Property Selection																
	Purchase Offer of Selected Property																
	Due-Diligence Period & Admin - Determine Scope of Rehab, LC, Finalize offer, remove contingencies																
	Acquire property																
	Rehab																
3. Selling/Closing Process																	
	Mortgage Application and approval																
	Selection of Property																
	HWR Resident Committee Interview, Finalize income eligibility																
	Execute PA , home inspection, attorney review																
	Closing - coordination with funders, buyers, closer																

With respect to the applicant process timeline, it can take anywhere from three to nine months to purchase a home if the applicant is credit ready and meets HWR eligibility requirements.

There are multiple stages in creating a HWR affordable home. The above graph highlights the stages in creating an affordable home yet, does not include the steps of raising additional resources to benefit the award. Nonetheless, the list of tasks does not include detail steps, such as income verification and funding requirements; the details not specified in the exhibit are integrated into HWR internal checklists, in all categories.

A point of information when reviewing the timeline, the Application Process can take place at any time, however once a property is located and acquired, many times applicants need to be reapproved for a mortgage, if their pre-approval is more than 60 days old; especially in these times of changing lending requirements.

Furthermore, HWR adheres to practices of acquiring not more than 2-4 properties before successfully executing sales purchase agreements; hence, minimizing holding costs and making the best use of monies to implement the program.

Homes within Reach

West Hennepin Affordable Housing Land Trust

"[Homes Within Reach helped us find the ideal home."]

Andrej Rodionov knew it was time to find a home, and not just because his young family was growing -- it also made financial sense. "We had a brand new baby and were living in a one-bedroom apartment in Hopkins, so we really needed the extra room. I also thought we could benefit financially from the down real estate market," he said. Andrej works as a finance clerk for a local firm, and he and his wife Viktoriya were living from one small paycheck to another, so every penny counted.

They initially considered purchasing a foreclosed home, but that turned out to be a difficult challenge. Most of those properties were in questionable neighborhoods and/or required costly renovations to be viable opportunities. He kept looking for other options, and discovered Homes Within Reach while he was researching community land trusts.

HWR's mission is to create and preserve affordable homeownership opportunities for working families in the western suburbs Hennepin County. The HWR program is offered by the West Hennepin Affordable Housing Land Trust, which uses the community land trust practice to allow qualified clients to purchase the house alone and lease the land at a nominal fee. This significantly reduces the mortgage, property taxes, down payment and closing costs.

Andrej and Viktoriya attended the homeowner's informational meetings listed on the HWR web site and immediately saw that this might be the right opportunity for their family.

"I was surprised at the quality of homes they offered for our income level. Were very hopeful, but also pretty cautious at first because it seemed too good to be true," said Andrej. He and Viktoriya worked with the HWR staff to identify and visit potential homes. "We knew we wanted the first one we saw, but we kept looking to be sure we had a good idea of what was available," he said.

That first home is now their new home -- a small rambler in an established Edina neighborhood that is just five minutes from work and across from an elementary school. They moved in less than three months after they first contacted HWR. "It was exactly what we needed, and we can't thank their staff enough for helping us work through all the paperwork, financing and closing details," said Andrej. "The renovations were very thorough – our house had a new furnace, water heater and windows. It was move-in ready."

Home prior to renovation

Home after renovation:

Major items included – new siding, soffits, gutters, new windows, exterior doors, new HVAC, hot water heater

An expanding family finds a home.

With a one-year old growing like a weed and a desire to have at least one more child, Josh and Debbie Morris were pushing the limits of their two-bedroom apartment in Plymouth.

“We needed more interior space along with a yard for the kids,” said Josh. However, they didn’t want to expand their family at the expense of parenting, so they were committed to Debbie to be able to stay home.

That presented a challenge because it proved to be extremely difficult to find a home with the size and location they needed based solely on Josh’s income as a carpenter.

When a co-worker told Josh about in Homes Within Reach (HWR), they attended their first homebuyer’s info meeting right away and subsequently were accepted into the program.

HWR’s mission is to create, sustain and preserve affordable homeownership opportunities for working households in western suburban Hennepin County. The program is offered by the West Hennepin Affordable Housing Land Trust, which uses the Community Land Trust model to allow qualified clients to purchase the house alone and lease the land at a nominal fee, therefore significantly reducing the mortgage, property taxes, down payment and closing costs.

After completing a required homebuyer’s class, they started working with the HWR staff to find a home. “We knew we wanted the very first house we saw, and Doris and Janet from Homes Within Reach agreed that it would be a good choice. As it happened that’s the one we bought,” Josh said.

Located in Minnetonka, the 3 bedroom/1 bath 1700 square foot home was just what they were looking for – a huge yard for the kids, a tuck-under garage for Debbie’s car, and room in the driveway for Josh’s work truck.

“The kids’ bedrooms are close to us on one floor, and the neighborhood is great – lots of young families with kids but also older families and empty-nesters – we really like the mix. And it’s close to a great school. We couldn’t be happier,” said Debbie.

The fact that the house was immediately livable was extremely attractive to me,” said Josh. “I’m handy enough, but with the kids we didn’t have time or space to remodel. The carpets were great, we had new appliances, and I didn’t have to paint a single wall.”

Along with the right floor plan and location, HWR was able to find grants to help with the down payment, and arrange a mortgage with competitive rates. “Homes Within Reach has a very professional program and really lives up to their name, because without them we’d never have been able to buy this house,” said Debbie.

Today, Josh and Debbie have turned the dining room into a playroom and are expecting their third child in June. “Along with having the room to live today, we can plan for the future, which makes all the difference to us,” said Josh.

Call out quote: “*We can hardly believe we own this house. Homes Within Reach really lives up to their name.”*

A return to both home and dignity.

Rebecca Edmonson owned her own home before moving to Mexico 15 years ago to pursue her dream job working as an academic advisor for an international private Catholic school system.

The work and Mexican lifestyle were lucrative and fulfilling for her and her husband and young son. After several years, her employer asked her to transfer to Chicago and take a teaching position. That's when things started to unravel.

"While it was nice in many ways to be back in the U.S., it turned out that I needed a new license to teach, which required years of school. At the same time, my husband and I divorced. I was forced to start over," she explained.

She decided to move back to the Twin Cities to be near family and friends while putting her life back together. "I had no savings and had to take a customer service job and low rent apartment to make ends meet while going to school," Rebecca said. The demands of work, study and motherhood took their toll and created a downward financial and emotional spiral. She knew she needed a home to provide stability for her son… and for her own sanity.

"My credit was good but my income was so low that I couldn't qualify for a mortgage – even on foreclosed homes," she said. She felt she was going nowhere fast and was ready to give up. Then a friend mentioned Homes Within Reach (HWR). She called their office with a long list of questions… and a new door opened.

HWR's mission is to create, sustain and preserve affordable homeownership opportunities for working households in western suburban Hennepin County. The program is offered by the West Hennepin Affordable Housing Land Trust, which uses the Community Land Trust practice to allow qualified clients to purchase the house alone and lease the land at a nominal fee, therefore significantly reducing the mortgage, property taxes, down payment and closing costs.

The HWR staff guided Rebecca through the education and qualifying process to become a homeowner, and other new doors – literally and figuratively – began to open. Using her good credit and a combination of funding from the government, banks and the City of Minnetonka, her approval was completed. "Homes Within Reach assisted her, she said. "Janet and Doris are complete professionals, and everything went smoothly and quickly on our behalf. Now, my mortgage payment is less than what we were paying for rent."

HWR was able to locate a home that fit Rebecca's requirements for space and a safe neighborhood in the same school district her son had already been attending.

"The home they found for us is was amazing. It was walk-in ready and set in a safe neighborhood and close to school," said Rebecca. "When we first walked in, my son cried and said 'It's my home. It's mine.'" Now he spends his free time playing with new friends in the big back yard.

As for Rebecca, she could not be happier. "When I came to Homes Within Reach, I was 50 years old and literally had nothing. Now, I have a lovely and stable home for my son and am close to finishing school and returning to full time work. HWR gave me much more than a home – they also gave me back my dignity."

Rebecca is currently returning the favor by serving on the HWR board of directors, and is less than a year away from completing her master's degree in education.

Memorandum

TO: Mike Happe, EDAC Commissioner
Laurie McKendry, EDAC Commissioner

FROM: Julie Wischnack, AICP, Community Development Director

DATE: January 22, 2014

SUBJECT: Homes Within Reach subcommittee meeting #4

At the November subcommittee meeting, Commissioners began working on a recommendation on the future commitment to Homes Within Reach (HWR). At that meeting, Commissioners requested additional information as well as different commitment scenarios.

This memo and the attachments include the information requested by members of the subcommittee. Additionally, this memo includes a summary of the pros and cons of funding HWR, suggested HRA Levy funding commitments for HWR and the next steps that are requested of the Subcommittee and EDAC.

Additional Information Requested

Benefits of HWR (financially)

In November, commissioners requested how HWR has benefited the city, financially. Although the city has not historically viewed HWR benefits from a financial benefit standpoint, staff has assembled charts showing two different factors. The chart on page A1 shows the funds contributed by Minnetonka on an annual basis and matching funds brought in by HWR consisting of county, state and regional grants. The funds not only assist in the acquisition but it assists with improvements and reduction in actual mortgage costs.

The chart on page A2 depicts the annual average change in property values of HWR homes at the time they were purchased compared to all Minnetonka homes under $250,000 in value. The 2004 - 2011 (housing crisis) decrease in average HWR home values is greater than the decrease in values for all other homes in the city valued under $250,000.

A specific example of the source and use of funds for an HWR home is shown on page A3. Additionally, staff has included a table (page A4) depicting the assistance that the city has provided to various projects, including HWR. This table lists the amount of assistance and the affordability level. The purpose of including this table is to provide a comparison of the various affordable housing projects.

99 year lease

Commissioners inquired if the 99-year ground lease is mandatory. The purpose of a Community Land Trust (CLT) is to provide permanent, long-term affordability. The maximum length of a ground lease is set in state statute. In Minnesota, as well as the majority of states, that maximum is 99 years. In staff's research of a number of CLT's throughout the United States, 99 years is used 100 percent of the time.

Pros and Cons of Funding HWR

The following table is a summary of the pros and cons of funding HWR from HRA levy proceeds as discussed by the Subcommittee at its meetings last year.

Continued HRA Levy Funding after 2017:

Pros	Cons
• Growth of 2-3 new homes per year • Continued investment in home repairs while preserving affordability • Guarantees and increases the number of affordable homes for 99 years • Mtka HWR funds contribute to attracting/leveraging other funding sources • Assists in adding points to Mtka's LCA score • Contributes to attracting other sources of funding • Potential to serve an additional 10 families (approx.) per home over life of HWR home • Contributes to diversify affordable housing types by providing SF homeownership • Administration of HWR homes is minimal • Provides work place housing and attracts younger households, who support the local economy and services, and contributes to neighborhood stability	• No or slight decrease in levy for HWR • At some point there could an over saturation in certain neighborhoods • Land values increasing, may make it more costly and possibly prohibitive

No Funding to HWR

Pros

- Levy savings of $200,000 annually after 2017
- City administration of existing HWR would not have to occur
- Dollars could be reassigned to other projects for affordable housing

Cons

- The number of HWR homes will remain at 60
- Reinvestment in non HWR homes are not guaranteed
- Guaranteed long term affordability capped at 60 units.
- Decrease in a funding source to leverage other funds (MHFA, HOME, AHIF, etc.) for affordable units
- Potential reduction in LCA score - Mtka's score is now one of the top 6 communities
- LCA score affects ability to attract other funds (Tax credits i.e. The Ridge, CDBG, TOD and other grants)
- Caps no. of families served at 600 (approx.) in 60 homes over 99 years
- Caps guaranteed affordable SF homeownership in housing diversification
- Reduces efforts to attract younger households and ability to retain work place housing

Funding Scenarios

Below are different scenarios of how a future commitment to HWR could be structured. These are staff suggestions to provide Commissioners with a starting point and some ideas of two different levels of commitment may look. Based upon the conversation in November, each scenario has a commitment to HWR of $225,000 until 2017 at which time the Livable Communities fund will no longer contain any funds. Additionally, the October 28, 2013 memo (page A5) from the HWR Executive Director is attached for further review by the committee.

Scenario #1 No Change to Funding

HWR Funding Assumptions:

1. The city continues the commitment towards long term affordable housing as reflected in the current Comprehensive Plan, to reflect intangible values including a.) the preservation and rehabilitation of existing housing stock to benefit families, b.) the provision of work place housing to benefit existing and new

employers in the city and region, and c.) to provide housing that supports local and regional investments in and near Minnetonka.

2. Other funding mechanisms (such as TIF, TIF Pooling, housing bonds, etc.) will remain available to encourage affordable rental housing and other supportive housing types that are not available to typical single family homes.

3. HWR will be expected to continue to leverage funds to supplement city provided funds such as AHIF (County), LHIF (Metropolitan Council), MHFA (State), HOME (Federal), etc. – see example on page A3.

4. The city will establish funding guidelines (to be reviewed on an annual basis) regarding the percentage of city funds that will be devoted to each single family home. Generally, the city expects that the city financial contribution will be less than 50% of the purchase price of the home.

HRA Levy Funding Commitment: $225,000 annually after 2017, unless other state and funding sources become available. The funding commitment under this scenario continues to allow HWR to receive funding for three homes in Minnetonka per year.

Scenario #2 Reduced Funding

HWR Funding Assumptions:

1. The city continues the commitment towards long term affordable housing as reflected in the current Comprehensive Plan, to reflect intangible values including a.) the preservation and rehabilitation of existing housing stock to benefit families, b.) the provision of work place housing to benefit existing and new employers in the city and region, and c.) to provide housing that supports local and regional investments in and near Minnetonka.

   However, in recognition of reductions to outside funding sources and the need to judiciously balance competing needs for HRA levy funded activities, the level of funding to HWR will be reduced in a manner that continues to support the activities of HWR in the city and surrounding communities while assisting the long term goal of HWR to become self-sustaining. Likewise, the city will support efforts of HWR to become self-supporting in accordance with their long term strategic goals.

2. The amount of HRA levied funding to support HWR will be dependent upon several factors including the following:
   a.) the impact to the LCA (Livable Communities Act) housing performance scores that affect the amount of potential regional or state funding/services received by the city.
   b.) The ability of HWR to gradually become self-sustaining in the coming years.

3. The city will continue to fund an administration fee, proportionate to the number of HWR homes in Minnetonka, as part of the HRA levy.

4. The city will support efforts by HWR to become self-sufficient, including participation in the Hennepin County CLT Collaboration goals and cooperation with the City of Lakes CLT.

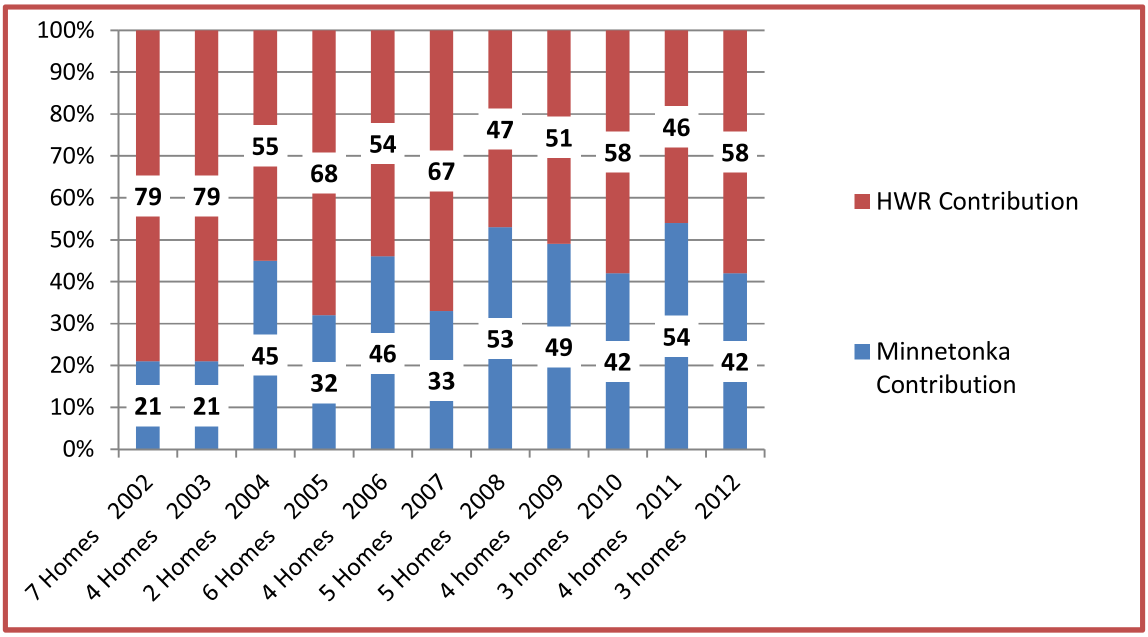
HRA Levy funding commitment would contain no funding for new HWR homes after 2017. If the city went to a sustaining level, it would be $25,000 annually and there would be no additional HWR homes created.

Next Steps and Recommendation

The EDAC will review the 2015-2019 EIP at the March EDAC meeting. As a part of that review, it is staff's intent to have the subcommittee's recommendation on future HWR commitment included in the document.

Originated by: Julie Wischnack, AICP, Community Development Director

Annual Minnetonka/HWR Contributions
In
Creating and Sustaining Affordable Homeownership
2002- 2012

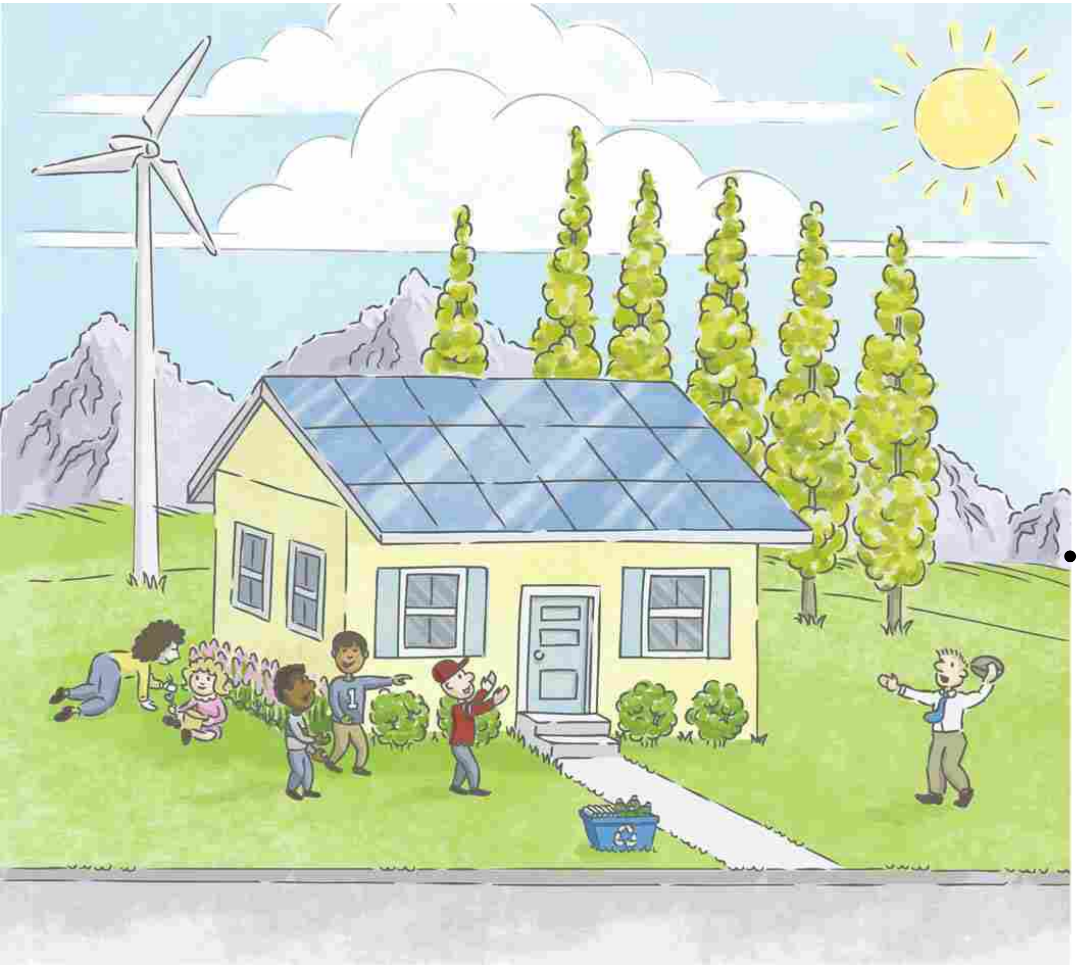


Year	Mtka Contribution	%	HWR Contribution	%	Comments
2002	$ 319,798	56	$ 249,656	44	$200,000 CDBG included in Mtka Contribution
2003	$ 74,089	21	$ 278,514	79	
2004	$ 82,692	45	$ 100,000	55	
2005	$ 140,819	32	$ 300,771	68	
2006	$ 191,266	46	$ 226,949	54	
2007	$ 120,264	33	$ 245,690	67	
2008	$ 251,076	53	$ 227,000	47	2 - Meadowwood Twin homes
2009	$ 247,810	49	$ 262,894	51	
2010	$ 197,788	42	$ 270,800	58	
2011	$ 320,640	54	$ 268,000	46	Major renovation of Hopkins Crossroad property per City's request
2012	$ 200,522	42	$ 279,000	58	
Total	**$ 2,146,764**	**44%**	**$ 2,709,274**	**56%**	**Created 47 affordable homes through 2012**

COMPARISON OF HWR AND MTKA HOME (UNDER $250,000) VALUE CHANGES

Year	Number of HWR Homes	AVERAGE HWR PROPERTY VALUE AT TIME OF PURCHASE	AVERAGE HWR 2013 PROPERTY VALUE	AVERAGE CHANGE IN HWR HOME VALUE	AVERAGE 2013 PROPERTY VALUE OF MTKA HOMES UNDER $250,000
2002	7	$173,600	$204,843	18.0%	
2003	4	$182,925	$199,900	9.3%	12.5%
2004	4	$207,825	$190,624	-8.3%	9.8%
2005	5	$172,680	$168,580	-2.4%	5.6%
2006	3	$194,967	$186,000	-4.6%	7.8%
2007	6	$175,417	$161,783	-7.8%	1.8%
2008	5	$211,240	$176,880	-16.3%	-1.8%
2009	5	$220,500	$200,260	-9.2%	-4.5%
2010	3	$206,733	$176,300	-14.7%	-6.9%
2011	3	$201,700	$196,000	-2.8%	-2.2%
2012	3	$219,133	$219,133	0.0%	-4.5%
2013	2	$192,400	$192,400	0.0%	
	50				

Example: WHAHLT Real Estate Purchase and Home Sale



- WHAHLT Costs to Buy/Develop Property
  - Land price: $ 115,000
  - Building price: $ 122,000
  - Closing costs: $ 1,500

    Sub-total: $ 238,500
  - Rehabilitation costs: $ 12,000
  - Development expenses: $ 12,000

    Total $ 262,500

- Support/Revenue for WHAHLT Home
  - Homeowner Mortgage $ 140,000
  - Funding Sources:
    - City of Mtka: $ 49,250
    - HOME: $ 38,250
    - MHFA: $ 10,000
    - HHP: $ 25,000

    Sub-total: $ 122,500

    Total: $262,500

ASSISTANCE TO AFFORDABLE HOUSING PROJECTS

Name of Project	Number of Affordable Units	Total Assistance	Years of Affordability	Assistance per Unit per Year	Affordability Level
Tonka on the Creek (proposed)	20	$2,308,336 (est.)	30	$3,847	50% AMI
Cedar Point Townhomes	9	$512,000	15	$3,792	50% AMI
Glen Lake (St. Therese, Exchange)	43	$4,800,000	30	$3,721	60% AMI
Ridgebury	56	$3,243,000	30	$1,930	Initially--80% AMI Now—No income limit
Beacon Hill (apartments)	62	$2,484,000	25	$1,602	50% AMI
West Ridge Market (Crown Ridge, Boulevard Gardens, Gables, West Ridge)	185	$8,514,000	30	$1,534	*Crown Ridge*—60% AMI *Boulevard Gardens*—60% AMI *Gables*—initially 80% AMI, now no income limit *West Ridge*—50% AMI
The Ridge	52	$1,050,000	30	$673	60% AMI
Homes Within Reach (2004-2012 grant years)	35	$1,740,000	99	$502	80% AMI

Memo

To: Elise Durbin
From: Janet Lindbo
Date: October 28, 2013
Re: Minnetonka's HWR Housing Production/Funding

As you know West Hennepin Affordable Housing Land Trust dba Homes Within Reach (HWR) has completed its strategic planning process and has established a long range vision to guide HWR's growth over the next five years with focus on the following:

- Expand our target market
- Create and sustain a strong mix of both public and private partnership and financing
- Collaborate with the City of Lakes Community Land Trust to increase homeownership equity for underserved families across Hennepin County by creating a Shared Service/Business Model.

In addition, one of the strategic planning tasks was to develop financial projections and absorptions schedules to assist in prioritizing strategies and objectives. One of the tasks was to estimate when HWR sustains itself without new sales and is funded by resales and lease fees to provide asset management for its portfolio of properties and homeowners. The two scenarios of sustainability are as follows.

HWR Sustainability Scenarios:

1. *Scenario I at 200 Homes*
   a. Self-sustainability with no new sales is 8 to 10 years away and this is predicated on receiving adequate awards to create 10 new homes a year, plus resales.
   b. In this scenario an annual fee to HWR on annual basis is included to manage the assets of 200 homes – of which Minnetonka would pay a portion of the fee based on number of homes. In addition, 10 resales are generated on an annual basis, anticipating this scenario would take place 2023.
      i. To reach 200 homes is as follows;
         1. 8 years @ 12 new sales
         2. 9.5 years @ 10 new sales
         3. 12 years @ 8 new sales
2. *Scenario II at 265 Homes*
   a. In scenario II, there is no fee generated by the communities to provide asset management – therefore the total of homes needed for sustainability with 10 resales annually is 265 homes – increasing the portfolio to 265 would take 14 years at 12 new sales a year.

Comments:

An important component of Minnetonka's possible funding modifications is for HWR to find additional communities with available funding resources to serve and increase production in one or two of the current communities served to make up for the loss of Minnetonka housing production.

HWR recommends the City of Minnetonka evaluate their housing goals and products to ascertain the Community Land Trust model viability and its return on investment to the community. In addition, HWR recommends that if the City alters its award, it is done gradually and continues to support the creation of one new affordable home using the HWR, not having Minnetonka as a partner would negatively affect the organization from multiple perspectives – such as receiving grants, expanding its target market and continuing to work with current and future suburban communities.

UNAPPROVED
MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING SUMMARY

MARCH 13, 2014
6:00 P.M.

1. CALL TO ORDER

Chair Aanenson called the meeting to order at 6:00 p.m.

2. ROLL CALL

EDAC commissioners present: Benita Bjorgo, Michael Happe, Ken Isaacson, Jacob Johnson, Jerry Knickerbocker, Laurie McKendry, and Kathryn Aanenson.

Staff present: Community Development Director Julie Wischnack and Community Development Supervisor Elise Durbin.

Chair Aanenson welcomed new commissioner Johnson. Johnson stated that he moved to Minnetonka two years ago. He has a background in technology and startups. He does tech scouting for high-tech companies and has experience in early-stage finance.

3. APPROVE JANUARY 23, 2014 MEETING MINUTES

Knickerbocker moved, Isaacson seconded a motion to approve the January 23, 2014 meeting minutes. Bjorgo, Happe, Isaacson, Johnson, Knickerbocker, McKendry, and Aanenson voted yes. Motion passed.

4. 2015-2019 ECONOMIC IMPROVEMENT PROGRAM (EIP)

Wischnack introduced the review for the evening and reported on the Homes Within Reach program evaluation.

Regarding the program review for Homes Within Reach, Happe, who sat on the EDAC subcommittee to review this item, provided pictures of properties in Minnetonka that are a part of the land trust.

McKendry noted that the city’s current high Livable Communities Act housing score may decrease if the program would be eliminated.

Chair Aanenson thanked staff for the subcommittee meetings. She found the information very helpful.

Happe noted the subcommittee did discuss how the dollars would play out over time. He said that each home already in the program must be sustained for 99 years, and maintaining that existing stock costs $25,000 a year. The grant amount provided would be $75,000 in 2017, 2018, and 2019, plus the $25,000 administrative fee.

McKendry added that $50,000 would remain in the fund and the program should be reevaluated in 5 years.

Wischnack noted that more years than the standard five years will be added to the EIP page to be able to document the plan.

Knickerbocker asked if the $75,000 would be taken from the HRA Levy. Wischnack answered in the negative. It would be taken from the Livable Communities Fund.

Isaacson thanked commissioners for their work. He asked if the $25,000 pays the administrative costs of the land trust. Wischnack answered affirmatively.

Isaacson asked what the concept for a self-sustaining program includes. Wischnack explained that the $25,000 deals with any of the transactional issues of the land trust. The self-sustaining piece deals with how much transactional production has to happen to get it in a sustainable state.

Isaacson asked if other land trusts are on a self-sustaining model already. Wischnack and Durbin were unsure. Homes Within Reach did include self-sustaining goals in its strategic planning, but did not provide a timeframe.

Knickerbocker felt the recommendation would be an improvement over the current situation. This would put some responsibility back on the Homes Within Reach organization. It is hard to find affordable housing that could be purchased and fixed up. He wondered if purchasing two or three houses a year is the best-case possible. Happe said that was discussed. One of his concerns is that each purchase is a 100-year commitment. Minnetonka has been the key driver and supporter of the program, and it would be brutal to stop the funding immediately. The recommendation is a compromise to gradually phase out new investment into the program.

Isaacson said that over 12 years, the average was four properties purchased per year. Those 50 homes are in Minnetonka and are not going anywhere. There are 90 or more years of affordability left. It is a good investment assuming that the $25,000 is a reasonable price. He hopes the program can become self-sustaining.

McKendry added that there are 51 affordable houses in Minnetonka now. The houses were run down when purchased, but now look great. All of the houses benefit the neighborhoods. The housing market has done several flip flops in the last 12 years, but, even during the downturns, the city had houses that look nice. The program is a benefit to the city and is a big deal to the people it serves and who work in the community. The program does need to be self-sustainable. Everything discussed is true.

Bjorgo concurred with commissioners. She liked the program. It would be great to have an incentive to have the program pick properties in Minnetonka.

Wischnack confirmed with commissioners that $225,000 would remain for each year from 2014 to 2016; $100,000 ($75,000 to purchase and $25,000 for administration) for each year from 2017 to 2019; and $25,000 starting in 2020.

Wischnack reported on the Minnesota Community Capital Fund program evaluation. The Minnesota Community Capital Fund was recently dissolved.

In response to Knickerbocker's question, Wischnack stated that the funds could be used for redevelopment of an LRT station site.

In response to Johnson's inquiry, Wishnack will find out the size of grants and types of business utilizing gap funding.

Happe noted that the funds could be used for sidewalks related to redevelopment of the Ridgedale area.

Durbin reported on the owner-occupied and small projects housing rehab program evaluation.

Knickerbocker felt the city would continue the home improvement loan program if CDBG funds were not provided. He suggested increasing the loan amount. Durbin explained that if the loan amount is above $5,000, then there are lead-based paint requirements that could substantially increase the cost of a project.

Bjorgo recognized that funds are limited, but allowing the loan program to be applied to small additions like a mud room or third stall for a garage could be considered since a study showed that those are wanted items. Durbin stated that CDBG funds could not be used for those improvements, but the city's home improvement loan program could.

Durbin reported on the Minnetonka Heights and Crown Ridge program evaluation.

Isaacson was very supportive. For the amount of money given to the programs in the past, it is a tremendous bargain. He advocates for another source to replace the CDBG funds.

Bjorgo added that these program directly help Minnetonka residents.

Happe wanted to be careful when committing programs to run forever. He preferred having a sunset.

Knickerbocker recalled a similar discussion two years ago. Durbin confirmed that the non-profit organizations were made aware. Wischnack said that the challenge will be having a discussion of whether to fund the non-profit organizations in 2017 with other funding mechanisms.

Isaacson noted that he has heard for three years that CDBG funding would be decreased, but it has not yet been decreased. Durbin agreed. She clarified that these programs are funded with the Livable Communities Fund. Wischnack stated that the impending decrease in Livable Communities Fund is more certain.

Knickerbocker felt more facts need to be known on the organizations. Chair Aanenson said that the EIP helps to determine alternative funding sources and the most worthy programs. Wischnack agreed that the city council would appreciate commissioners' opinions on which programs the EDAC would support continuing to fund.

Bjorgo supports the program, but does not think the city should give any organization the appearance that the city will fund a program forever. Things change over time and there might be other needs.

Wischnack reported on the corridor investment framework which was recently completed around each LRT station area.

Happe asked if key decisions will be made soon that might change what commissioners would recommend. Wischnack has learned that plans need to continue to be planned despite whether the project at the moment will be happening, because, at some point, it probably will come back. If it gets permission to move ahead, it will move ahead a lot more quickly than it has in the past.

Knickerbocker asked if a meeting has been held with the landowners to show them the light rail plans. Wischnack answered affirmatively. Formal and one-on-one meetings are being conducted with property owners to discuss where, how, and the impact. The SWLRT project office is also meeting with property owners. Wischnack looks for leadership on the county level to do land banking. That is the number one problem. It deals with the ability to purchase land and hold it while waiting for the transit line to be constructed. The property values are the lowest now and escalate while the project is being built.

McKendry asked how much funding has been included in the capital improvement program (CIP). Wischnack answered $5 million. Chair Aanenson suggested discussing this more at the work session in April. Wischnack agreed.

Durbin reported on the layout and content of the EIP.

Chair Aanenson suggested the information be located on the housing summary page. It would provide a good snapshot of everything. More discussion on programs funded by the Livable Communities Account may be included on the next meeting's agenda.

In response to Knickerbocker's question, staff will do more research to determine if Livable Communities funds could be given to CDBG recipients.

Wischnack reported on the next section.

Chair Aanenson appreciated the color coding. It made it easy to understand. Wischnack welcomed ideas for programs.

Knickerbocker asked if there would be an opportunity for more than $200,000 a year for passed-through grants, considering the light rail. Durbin answered affirmatively. Wischnack noted that it is hard to be accurate about the numbers since they are predictions of what could happen.

Wischnack and Durbin reported on transit improvements and light rail.

Knickerbocker suggested restructuring the last sentence of Page A-46 under "Budget Impact/Other." Wischnack agreed.

Chair Aanenson suggested talking about where the turn-back money goes at the study session on Monday.

Wischnack reported on predevelopment money and village center studies.

Isaacson asked if the city or developer pays costs associated with TIF runs using the Tonka on the Creek project as an example. Wischnack explained that, initially, the city runs the TIF calculations to see if the proposal would be viable. At a certain point, there is an end date where the city stops payment and the developer starts payment. That is what happened with Tonka on the Creek.

Wischnack reported on TIF districts and tax abatement.

Chair Aanenson liked looking at the housing goals at the end.

5. STAFF REPORT

Durbin and Wischnack reported on the:

- Light rail update including the status of preliminary engineering/municipal consent, community works, and the housing inventory.
- Marketing study.
- Minnesota Community Capital Fund.
- The Community Development Department's annual report.
- Development updates on Ridgedale Shopping Center, Hampton Inn, Minnetonka Medical Building, Eye Consultants, Shoppes on 101, school projects, Legacy Oaks, Groveland Pond, Carlson Island Apartments, Kraemer's Hardware site, and Applewood Pointe.

6. OTHER BUSINESS

- There will be a study session Monday, March 17, 2014 with the city council.
- March 26, 2014 there will be a Sensible Land Use program on townhouses and condominiums.
- Minnesota ULI is having its Inside the Leadership Studio recognition dinner with this year's speaker MNDOT Commissioner Charlie Zelle.
- The next EDAC meeting will be April 24, 2014.

7. ADJOURN

Isaacson moved, Knickerbocker seconded a motion to adjourn the meeting at 7:30 p.m. Bjorgo, Happe, Isaacson, Johnson, Knickerbocker, McKendry, and Aanenson voted yes. Motion passed.

ADDRESS	YEAR PURCHASED	CITY FINANCIAL CONTRIBUTION	PERCENTAGE OF CITY FUNDS ASSISTED	PROPERTY PURCHASE PRICE	2019 PROPERTY VALUE	CHANGE IN VALUE	MEDIAN HOME SALE PRICE FOR YEAR
16400 Minnetonka Boulevard	2002	$17,830	10%	$174,900	$229,400	31%	$240,000
4129 Victoria Street	2002	$18,458	10%	$188,000	$281,700	50%	
4917 Baker Road	2002	$24,052	13%	$190,000	$263,300	39%	
4236 County Road No 101	2002	$26,000	14%	$190,000	$248,400	31%	
11812 Bradford Road	2002	$668	1%	$120,000	$245,100	104%	
4150 Tonkawood Road	2002	$15,007	13%	$119,500	$251,500	110%	
11303 Royzelle Lane	2003	$18,000	10%	$185,000	$281,600	52%	$241,750
4901 Acorn Ridge Drive	2003	$57,301	31%	$187,000	$344,900	84%	
10024 Cedar Lake Road	2003	$12,145	7%	$180,000	$231,200	28%	
2533 Westview Terrace	2003	$21,500	10%	$206,000	$221,400	7%	
16108 Excelsior Boulevard	2004	$30,830	16%	$195,000	$250,500	28%	$280,000
5130 Kimberly Lane	2004	$43,000	19%	$230,000	$275,000	20%	
4511 Crawford Road	2004	$4,830	3%	$182,000	$237,400	30%	
2638 Cedar Crest East	2004	$25,429	12%	$215,400	$272,700	27%	
17420 Sanctuary Drive	2005	$2,221	1%	$178,000	$205,500	15%	$290,000
17424 Sanctuary Drive	2005	$2,606	1%	$178,000	$201,700	13%	
16804 Minnetonka Boulevard	2005	$47,747	21%	$230,000	$247,900	8%	
12808 Linde Lane	2005	$38,986	18%	$219,000	$243,800	11%	
16213 Tonkaway Road	2005	$54,566	24%	$226,000	$260,300	15%	
14201 Glen Lake Drive	2006	$31,194	18%	$177,435	$286,800	62%	$271,768
5631 Scenic Drive	2006	$58,993	24%	$250,000	$303,800	22%	
11941 Bradford Road	2006	$46,513	20%	$229,900	$244,300	6%	
17407 Sanctuary Drive	2007	$0	0%	$178,000	$205,600	16%	$285,000
17745 Valley Cove Court	2007	$0	0%	$120,000	$294,400	145%	
14711 Minnetonka Drive	2007	$18,550	10%	$193,700	$237,100	22%	
14717 Minnetonka Drive	2007	$49,491	21%	$240,000	$237,000	-1%	
5713 Holiday Road	2007	$52,223	25%	$210,000	$290,700	38%	
5248 Kimberly Road	2007	$98,487	42%	$237,000	$274,900	16%	
5001 Holiday Road	2008	$47,275	20%	$241,900	$279,500	16%	$263,250
4289 Lindsey Lane	2008	$46,611	28%	$169,275	$222,900	32%	
4285 Lindsey Lane	2008	$48,334	29%	$169,215	$222,900	32%	
16417 Hilltop Terrace	2008	$60,166	27%	$225,000	$243,800	8%	
3403 The Mall	2008	$57,099	23%	$248,500	$232,200	-7%	
16608 Elm Drive	2009	$64,242	31%	$204,000	$256,400	26%	$242,000
11212 Oakvale Road N.	2009	$66,469	29%	$229,000	$301,400	32%	
13019 Stanton Drive	2009	$60,000	29%	$209,000	$271,400	30%	
15205 Court Road	2009	$72,904	32%	$229,000	$255,500	12%	
5242 Crestwood Drive	2009	$66,948	31%	$219,000	$284,200	30%	
14713 High Point Court	2010	$57,936	30%	$190,000	$309,900	63%	$265,713
11118 Oak Knoll Terrace N	2010	$110,768	55%	$200,000	$232,300	16%	
2338 Cedarwood Ridge	2010	$70,564	42%	$170,000	$292,800	72%	
16208 Birch Lane	2011	$66,206	32%	$206,900	$279,800	35%	$233,000
4729 Winterset Drive	2011	$73,402	37%	$198,000	$257,800	30%	
12950 Rutledge Circle	2011	$58,161	31%	$190,000	$297,600	57%	
3618 Druid Lane	2012	$72,351	31%	$230,000	$279,200	21%	$255,000
14806 Walker Place	2012	$70,010	31%	$225,000	$299,600	33%	
16332 Temple Terrace	2012	$83,727	39%	$214,000	$297,600	39%	
12100 Robin Circle	2013	$92,610	43%	$217,500	$290,100	33%	$278,950
5013 Woodridge Road	2013	$83,693	38%	$218,000	$241,000	11%	
3669 Shady Oak Road	2014	$83,164	38%	$218,150	$285,000	31%	$270,000
5013 Prescott Drive	2014	$85,022	36%	$233,200	$272,000	17%	
3000 Chase Drive	2015	$71,308	32%	$225,000	$285,300	27%	$300,000
5701 Glen Moor Rd	2016	$64,090	26%	$242,500	$287,100	18%	$307,350
2402 Ford Rd	2016	$69,356	27%	$257,000	$294,400	15%	
13823 Knollway Dr	2016	$84,140	31%	$268,800	$289,700	8%	
13521 North Street	2017	$98,000	42%	$235,000	$271,100	15%	$335,000
11307 Friar Lane	2018	$81,974	32%	$256,900	$305,500	19%	$348,000
5116 Holiday Road	2018	$98,278	34%	$291,000	$256,200	-12%	
3508 Moorland Road	2020	N/A	N/A	$320,000	$317,200	-1%	$364,000
		$2,981,435			$15,679,300		

Project Name	Number of Affordable Units	Total Assistance for affordable units	Years of Affordability	Assistance per unit, per year	Affordability Level
Homes Within Reach	60	$2,981,435	99	$ 501.93	80% AMI
Beacon Hill	62	$ 2,484,000.00	25	$ 1,602.00	50% AMI
Applewood Pointe (Highest Assistance per unit per year)	9	$ 1,290,000.00	Initial Sale / Ongoing maximum %	$ 4,777.00	80% AMI

Updated 2020

City of Minnetonka Financial Contribution to HWR

Year	Source of Funds	Amount	Balance
Ongoing	City of MTKA Line of Credit	Up to $750,000 at one time	$ 370,000.00
2002	Livable Communities	$ 169,650.00	$ -
2002	CDBG	$ 200,000.00	$ -
2003	Livable Communities	$ 200,000.00	$ -
2004	Livable Communities	$ 200,000.00	$ -
2005	Livable Communities	$ 220,000.00	$ -
2006	Livable Communities	$ 230,000.00	$ -
2007	Livable Communities	$ 230,000.00	$ -
2008	Livable Communities	$ 230,000.00	$ -
2009	Livable Communities & HRA	$ 250,000.00	$ -
2010	Livable Communities	$ 225,000.00	$ -
2011	Livable Communities	$ 225,000.00	$ -
2012	Livable Communities	$ 225,000.00	$ -
2013	Livable Communities	$ 225,000.00	$ -
2014	Livable Communities	$ 225,000.00	$ -
2015	Livable Communities	$ 217,000.00	$ -
2016	Livable Communities	$ 225,000.00	$ 6,969.00
2017	Livable Communities	$ 100,000.00	$ 100,000.00
2018	HRA Levy	$ 100,000.00	$ 100,000.00
2019	HRA Levy	$ 100,000.00	$ 100,000.00
2020	HRA Levy	$ 150,000.00	$ 150,000.00
	Total Grant Funds *	$ 3,946,650.00	$ 456,969.00

* *These grants include operating income support which are not included in the total city subsidy calculation*

MN HOUSE RESEARCH

Homestead Credit Refund Program

March 2019

What is the homestead credit refund program?

The homestead credit refund is a state-paid refund that provides tax relief to homeowners whose property taxes are high relative to their incomes. The program was previously known as the homeowner's property tax refund program, or PTR, and sometimes popularly called the "circuit breaker." If the property tax exceeds a threshold percentage of income, the refund equals a percentage of the property tax over the threshold, up to a maximum amount. As income increases:

- the threshold percentage increases,
- the share of tax over the threshold that the taxpayer must pay (the "copay percentage") increases, and
- the maximum refund decreases.

The program uses household income, a broad measure that includes most types of income, including income that is not subject to income tax. Deductions are allowed for dependents and for claimants who are over age 65 or disabled. The refund is based on taxes payable after subtracting any targeting refund claimed by the homeowner.

What are the maximums?

For refund claims filed in 2019, based on property taxes payable in 2019 and 2018 household income, the maximum refund is $2,770. Homeowners whose income exceeds $113,150 are not eligible for a refund.

How are claims filed?

Refund claims are filed using the Minnesota Department of Revenue (DOR) Schedule M1PR, which is filed separately from the individual income tax form. Claims based on taxes payable in 2019 that are filed before August 15, 2019, will be paid beginning in late September 2019; claims filed electronically may be paid a month earlier. The deadline for filing claims based on taxes payable in 2019 is August 15, 2019; taxpayers filing claims after that date will not receive a refund.

How many homeowners receive refunds, and what is the total amount paid?

Based on payable 2017 property taxes and 2016 incomes, 471,630 homeowners received refunds. The average refund was $894, and the total dollar amount of refunds paid statewide was $421.9 million. The average refund for senior and disabled claimants ($943) was slightly higher than the average for those under age 65 and not disabled ($858).

What are the most recent changes to the program?

The 2011 and 2013 tax laws both expanded the refund program. The 2011 changes increased the maximum refund for homeowners with incomes under about $37,000, and decreased the copayment percentage for most homeowners. The 2013 changes, effective for refunds based on taxes payable in 2014, lowered the threshold percentage for determining eligibility from 3.5 percent of income to 2.0

By **Sean Williams,** sean.williams@house.mn
Jared Swanson, jared.swanson@house.mn

percent of income for homeowners with household incomes from $19,530 to $65,049, and to 2.5 percent for those at higher income levels.

How do refunds vary depending upon the filer's income and property tax?

The following table shows the refund calculations for four example families with different incomes—two families in the metro area and two in Greater Minnesota. Although the program parameters are the same statewide, the average residential homestead property tax in the metro area is higher than in Greater Minnesota. The example metro area families have homes valued at $265,000 and payable 2019 property taxes of $3,500, typical amounts for the metro area. The example families in Greater Minnesota have homes valued at $165,000 and payable 2019 property taxes of $1,700, typical amounts for Greater Minnesota. Taxpayers who are over age 65, disabled, or have dependents are allowed a subtraction from income in determining the refund.

Married couple, both under age 65, two dependents
Example refunds for claims to be filed in 2019,
based on taxes payable in 2019 and 2018 income

		Metro Area		Greater Minnesota	
		Taxpayer #1	Taxpayer #2	Taxpayer #3	Taxpayer #4
1	Property tax	$3,500	$3,500	$1,700	$1,700
2	Gross income	$35,000	$75,000	$35,000	$75,000
3	Deduction for dependents	$10,865	$10,865	$10,865	$10,865
4	Household income (2 – 3 = 4)	$24,135	$64,135	$24,135	$64,135
5	Threshold income percentage	2.0%	2.0%	2.0%	2.0%
6	Threshold % x income (4 x 5 = 6)	$483	$1,283	$483	$1,283
7	Property tax over threshold (1 – 6 = 7)	$3,017	$2,217	$1,217	$417
8	Statutory copay percentage	25%	40%	25%	40%
9	Taxpayer copay amount (7 x 8 = 9)	$754	$887	$304	$167
10	Remaining tax over threshold (7 – 9 = 10)	$2,263	$1,330	$913	$250
11	Maximum refund allowed	$2,770	$1,960	$2,770	$1,960
12	Net property tax refund	$2,263	$1,330	$913	$250
13	Net property tax paid after refund (1 – 12)	$1,237	$2,170	$787	$1,450

Claimants can check the status of their refund by calling DOR at 651-296-4444 or online at www.revenue.state.mn.us.

MN HOUSE RESEARCH

Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155