

**HOPKINS CITY COUNCIL
SPECIAL WORK SESSION
AGENDA**

Tuesday, September 13, 2022

5:30 pm

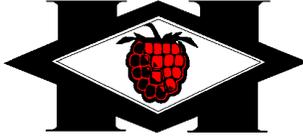
Hopkins City Hall – Council Chambers

5:30 p.m. Dow Towers Tour*; Elverum

6:30 p.m. Affordable Housing Discussion; Elverum

Adjournment

*The Dow Towers tour will be on-site at 22 5th Avenue South, Hopkins. Following the tour, the meeting will continue at Hopkins City Hall in the Council Chambers at 1010 1st St. S., Hopkins.



CITY OF HOPKINS

Memorandum

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

From: Jan Youngquist, AICP, Community Development Coordinator
Muse Mohamed, Public Housing Manager

Date: September 13, 2022

Subject: Affordable Housing Discussion

PURPOSE

Following a tour of Dow Towers, staff will provide an overview of affordable housing in Hopkins. The presentation will ground the Council in definitions and types of affordable housing, look at existing affordable housing in Hopkins (including HRA owned public housing), Hopkins' affordable housing need and include a discussion of affordable housing production tools and methods, with a focus on inclusionary housing. The presentation will also include a high level overview of preservation and tenant protection tools and policies that are being evaluated and implemented in the Twin Cities.

Staff will be looking for direction from the Council on its interest in pursuing an inclusionary housing policy and for initial thoughts on preservation and protection tools that the Council would be interested in exploring at a future work session.

INFORMATION

Affordable housing is a complex, but important issue for all cities to address. It is often centered around production, preservation, and protection, and more recently, through the lens of equity. The way in which cities identify the need and develop initiatives to meet their need vary.

Inclusionary housing is a topic that has been elevated by some Council Members and residents. Additionally, through the Zoning Code Update process, a recommendation was made by the Zoning Equity Working Group that the "City Council should explore the risks and benefits of having an Inclusionary Housing Policy that is tailored to the City of Hopkins." Members of the group were especially curious about how market conditions, such as the appreciation of land values, increase in population due the pending developments, and Southwest LRT have changed in the last few years and how these changes might create market conditions which are conducive to such a policy.

Staff has prepared the following background information to guide the discussion.

Affordable Housing Overview

What is considered affordable housing?

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

What is the Area Median Income (AMI) for our region?

HUD's AMI for a family of four in the Twin Cities region in 2022 is \$118,200. Households earning less than 80 percent of the AMI are considered low income by HUD. Those earning less than 50 percent are considered very low income, and anyone making less than 30 percent of the AMI is considered extremely low income.

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

What is considered affordable rent?

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

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

Do communities have goals for the production of affordable housing?

The Metropolitan Council, the regional government for the seven county metropolitan area, has determined that between 2021 and 2030 the region will need an additional 37,900 affordable housing units:

Affordability Level	Number of New Units Needed in the Region between 2021-2030
Households at or below 30% of AMI	18,900
Households between 31-50% of AMI	9,450
Households between 51-80% of AMI	9,550
TOTAL	37,900

The Metropolitan Council then determines each community's share of the regional need for affordable housing. These calculations are based on the following three factors:

- Overall forecasted growth for the community
- Ratio of low wage jobs to low wage workers in the community
- The community's existing amount of affordable housing

The following table shows the affordable housing need for Hopkins as well as for our neighboring communities:

Community	Share of the Region's Need for Affordable Housing 2021-2030 (in new housing units)
Edina	1,804
Hopkins	197
Minnetonka	1,064
St. Louis Park	593

Inclusionary Housing Overview

What is inclusionary housing?

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

How do inclusionary housing programs provide affordable housing?

Typically inclusionary program requirements are triggered by new market rate developments of a specific size that require a land use decision such as a rezoning or Planned Unit Development (PUD) or include a request for city financial assistance. These programs often require a certain number or percentage of units to be affordable for households at various levels of AMI.

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

Which local communities have inclusionary housing programs?

Thirteen of the 182 communities in the 7-county metro area have adopted inclusionary housing programs, nine of which are communities in Hennepin County: Bloomington, Brooklyn Park, Eden Prairie, Edina, Golden Valley, Minneapolis, Minnetonka, Richfield, and St. Louis Park. The other communities in the metro area with inclusionary housing programs are Chaska, Mounds View, North St. Paul and Shoreview.

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

How have affordable housing units recently been created in Hopkins?

The City does not currently have an inclusionary housing policy, but has taken the approach of evaluating development projects on a case by case basis.

Hopkins has attracted affordable housing developments built by nonprofit, mission-driven developers where 100% of the units are affordable. These developers, including Project for Pride in Living, Beacon Interfaith and Trellis, are committed to keeping these units affordable in perpetuity. These projects, including Oxford Village, Burnes Building and Vista 44, have received county, state and federal subsidies to make them feasible.

The City has also considered providing financial assistance to projects on a case by case basis to provide affordable units. Tax Increment Financing will be used for the 325 Blake Road project to offset costs associated with housing affordability, parking and infrastructure.

Additionally, the City has been successful in securing grant funds from the State of Minnesota, Metropolitan Council, and Hennepin County to support environmental cleanup and development of affordable housing projects to help offset development costs.

The following chart shows the last 9 developments that have been approved in Hopkins and the overall percentage of affordable units included.

Development	Number of Units	Affordable Units	Overall Percentage of Affordability
325 Blake Building A	116	116	
325 Blake Building B	112	12	
325 Blake Building C	389	0	
325 Blake Building D	187	76	
Blake Road Station Phase A	220	0	
Blake Road Station Phase B	250	0	
Burnes Building	43	43	
Ovation Apartments (theater site)	150	0	
Vista 44	50	50	
TOTAL	1,517	297	20%

FUTURE ACTION

Based on feedback from the City Council, staff will determine the next steps. This will likely include additional discussion on inclusionary housing policy recommendations and affordable housing preservation and tenant protection tools.

ATTACHMENT A

SUMMARY OF SUBURBAN HENNEPIN COUNTY COMMUNITIES

INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT

Community	Trigger	Requirements	Term	Incentives	Alternatives
<p>Bloomington</p> <p>Opportunity Housing Requirement— adopted by ordinance amending the City Code</p> <p>Affordable Housing Need 2021-2030: 842 units</p>	<p>20+ units</p>	<p>– 9% of units at or below 60% AMI</p> <p>(Percentage was determined through an Affordable Housing Nexus Study and Feasibility Analysis)</p>	<p>20 years</p>	<ul style="list-style-type: none"> – Density bonus – Floor area ratio bonus – Height bonus – Parking reduction – Enclosed parking space conversion – Minimum unit size reductions – Alternative exterior materials – Storage space reduction – Landscape fee in lieu reduction – Development fee deferment or waivers – Expedited review of plans – Land write down for development on City owned land – Tax Increment Financing (TIF) – Project based housing choice vouchers 	<ul style="list-style-type: none"> – Construction of required units on another site. 9 % of units must be a mix of extremely low, very low and up to 60% AMI. – Payment in lieu (\$9.60 per square foot of leasable space) to the City’s affordable housing trust fund – Dedication of land lieu – Purchase and rehabilitation of naturally occurring affordable housing units – Acquisition and rehabilitation of existing market rate units to convert to affordable units – Partnership with an affordable housing developer
<p>Brooklyn Park</p> <p>Mixed Income Housing Policy</p> <p>Affordable Housing Need 2021-2030: 710 units</p>	<ul style="list-style-type: none"> – 10+ units <u>AND</u> – Comp Plan Amendment, or – Zoning Code or Map Amendment, or – Planned Unit Development (PUD), or – City financial assistance – All residential or mixed use projects located in a Transit Oriented Development area 	<ul style="list-style-type: none"> – 15% of units at 60% AMI, or – 10% of units at 50% AMI, or – 5% of units at 30% AMI 	<p>20 years</p>	<ul style="list-style-type: none"> – Minimum of 10% density bonus 	<p>Alternatives that provides or enables the provision of affordable housing units in the city, subject to City Council approval.</p>

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INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT**

Community	Trigger	Requirements	Term	Incentives	Alternatives
<p>Eden Prairie</p> <p>Inclusionary Housing Policy</p> <p>Affordable Housing Need 2021-2030: 1,408 units</p>	<ul style="list-style-type: none"> - 15+ units <u>AND</u> - Rezoning, or - Comp Plan Amendment, or - PUD, or - Site plan review, or - City financial assistance 	<ul style="list-style-type: none"> - 15% of units at or below 60% AMI, or - 10% of units at or below 50% AMI, or - 5% of units at or below 30% AMI 	Perpetuity	None specified	Exemptions are at the sole discretion of the City Council.
<p>Edina</p> <p>New Multi-Family Affordable Housing Policy</p> <p>Affordable Housing Need 2021-2030: 1,804 units</p>	<ul style="list-style-type: none"> - 20 + units <u>AND</u> - Rezoning, or - Comp Plan Amendment, or - City financial assistance, or - Development on land purchased from the City 	<ul style="list-style-type: none"> - 20% of units at 60% affordable rental rates, OR - 10% of units at 50% affordable rental rates 	20 years	<ul style="list-style-type: none"> - Density bonus - Parking reduction - Tax increment financing (TIF) - Deferred low-interest loans from HRA - Tax abatement 	<ul style="list-style-type: none"> - Dedication of existing units within the city (110% of units) - Construction of required units on another site - Payment in lieu (\$125,000 per unit) into City's Affordable Housing Trust Fund
<p>Golden Valley</p> <p>Mixed-Income Housing Policy</p> <p>Affordable Housing Need 2021-2030: 222 units</p>	<ul style="list-style-type: none"> - 10+ units <u>AND</u> - Conditional Use Permit, or - Zoning Map Amendment, or - Comp Plan Amendment, or - PUD, or - City financial assistance 	<ul style="list-style-type: none"> - 15% of units at 60% AMI, or - 10% of units at 50% AMI, 	20 years	<ul style="list-style-type: none"> - Minimum of 33% reduction in required parking - Minimum of 10% density bonus 	<ul style="list-style-type: none"> - Dedication of existing units within the city - Alternative that provides or enables the provision of affordable units, as approved by the City Council

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INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT**

Community	Trigger	Requirements	Term	Incentives	Alternatives
<p>Minnetonka</p> <p>Affordable Housing Policy</p> <p>Affordable Housing Need 2021-2030: 1,064 units</p>	<ul style="list-style-type: none"> - 10+ units 	<ul style="list-style-type: none"> - 5% of units at 50% AMI - If project has zoning change or Comp Plan Amendment without City financial assistance: 10% at 60%, with at least 5% at 50% AMI - If project receives City financial assistance: 20% of units at 50% AMI OR 40% of units at 60% AMI 	<p>30 years</p>	<p>None specified</p>	<p>City may waive the requirement based on a case by case basis review.</p>
<p>Richfield</p> <p>Inclusionary Affordable Housing Policy</p> <p>Affordable Housing Need 2021-2030: 150 units</p>	<ul style="list-style-type: none"> - 5+ units <u>AND</u> - City financial assistance 	<ul style="list-style-type: none"> - 20% of units at 60% AMI, or - 15% of units at 50% AMI, or - 10% of units at 30% AMI 	<p>15 years or term of subsidy (whichever is greater)</p>	<ul style="list-style-type: none"> - Building permit fee reduction - 4d property tax reduction - Code flexibility in PUDs - Density bonus of 5-15% 	<ul style="list-style-type: none"> - Exceptions for projects between 5 and 19 units may be granted by the Community Development Director - If developer identifies alternative means of addressing the intent of the policy, the City Council, HRA Board, or Economic Development Authority Board may vary the application of the policy

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INCLUSIONARY HOUSING PROGRAMS FOR MULTI-UNIT RENTAL RESIDENTIAL DEVELOPMENT**

Community	Trigger	Requirements	Term	Incentives	Alternatives
<p>St. Louis Park Inclusionary Housing Policy Affordable Housing Need 2021-2030: 593 units</p>	<ul style="list-style-type: none"> - 10+ units <u>AND</u> - Comp Plan Amendment, or - PUD, or - City financial assistance <p>(also applies to renovation of an existing building that includes 10+ units)</p>	<ul style="list-style-type: none"> - 20% of units at 60% AMI, or - 10% of units at 50% AMI, or - 5% of units at 30% AMI <p>Developments with 50+ units must include a minimum number of 3 or 4 bedroom units</p>	<p>25 years</p>	<p>None specified.</p>	<p>Subject to approval by the City Council.</p> <ul style="list-style-type: none"> - Dedication of existing units within the city - Off-site construction of affordable units - Partner with affordable housing developer in construction of units on another site - Alternative that provides or enables the provision of affordable units in the city

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

